PANASONIC Corp
Form 6-K
August 02, 2012
Table of Contents

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

The Securities Exchange Act of 1934

For the Month of August 2012

Commission File Number: 1-6784

Panasonic Corporation

Kadoma, Osaka, Japan

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1): __

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7): __

Table of Contents

Table of Contents

This Form 6-K consists of:

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Panasonic Corporation

By: /s/ MASAHITO YAMAMURA
Masahito Yamamura, Attorney-in-Fact
General Manager of Investor Relations
Panasonic Corporation

Dated: August 2, 2012

Table of Contents

July 31, 2012

FOR IMMEDIATE RELEASE

Media Contacts:

Atsushi Hinoki (Japan)

Global Public Relations Office

(Tel: +81-3-6403-3040)

Panasonic News Bureau (Japan)

(Tel: +81-3-3542-6205)

Jim Reilly (U.S.)

(Tel: +1-201-392-6067)

Anne Guennewig (Europe)

(Tel: +49-611-235-457)

Investor Relations Contacts:

Haruhiko Sezaki (Japan)

Investor Relations

(Tel: +81-6-6908-1121)

Yuko Iwatsu (U.S.)

Panasonic Finance (America), Inc.

(Tel: +1-212-698-1360)

Hiroko Carvell (Europe)

Panasonic Finance (Europe) plc

(Tel: +44-20-3008-6887)

ANNOUNCEMENT OF FINANCIAL RESULTS

PANASONIC REPORTS FIRST-QUARTER RESULTS

- Overall Sales Down due to Weak Demand for AV products in Japan;

Earnings Turnaround on Improved Management Structure -

Osaka, Japan, July 31, 2012 Panasonic Corporation (Panasonic [NYSE: PC/TSE:6752]) today reported its consolidated financial results for the first quarter, ended June 30, 2012, of the current fiscal year ending March 31, 2013 (fiscal 2013).

Consolidated First-quarter Results

Consolidated group sales for the first quarter decreased by 6% to 1,814.5 billion yen due mainly to weak demand for AV products in Japan, compared with 1,929.5 billion yen for the first quarter of the year ended March 31, 2012 (fiscal 2012). Of the consolidated group total, domestic sales amounted to 922.1 billion yen, down by 5% from 967.6 billion yen a year ago. Overseas sales decreased by 7% to 892.4 billion yen from 961.9 billion yen a year ago.

During the first quarter under review, the Japanese market showed a slow recovery with an increasing number of housing starts due to growing reconstruction demand following the Great East Japan Earthquake, and the government s eco-housing subsidy. Another factor is automobile sales growth thanks to the eco-car subsidy. However, the home electronics market, especially flat-panel TVs, continued to be very difficult.

Table of Contents

In the meantime, the global economy as a whole slowed down caused by the economic turmoil re-triggered by the European financial crisis, despite signs of economic recovery in some regions.

Under such business circumstances, Panasonic has been working towards establishing new profit-making business models and recovering business performance with the united efforts of all Panasonic under the new business structure which enables the company to strengthen a more direct relationship with consumers globally.

Operating profit[1] increased to 38.6 billion yen from 5.6 billion yen a year ago, while pre-tax income and net income attributable to Panasonic Corporation increased to 37.8 billion yen and 12.8 billion yen from a loss of 17.4 billion yen and a loss of 30.4 billion yen, respectively. Despite sales decline and yen appreciation, these results were due mainly to fixed cost reductions and streamlining of material costs.

Breakdown by Segment

The company restructured its Group organization on January 1, 2012, resulting in the reportable number of segments from six to eight. Accordingly, segment information for the first quarter of fiscal 2012 has been reclassified to conform to the presentation for the same period of fiscal 2013.

The company s first quarter consolidated sales and profits by segment with previous year comparisons are summarized as follows:

AVC Networks

Sales decreased by 20% to 359.7 billion yen from 449.9 billion yen a year ago. Despite favorable sales of PCs and others, this result was due mainly to significant sales decline in flat-panel TVs and BD recorders in Japan. Segment profit significantly improved to 7.4 billion yen, compared with a loss of 3.8 billion yen a year ago due mainly to fixed cost reduction and restructuring effects.

Appliances

Sales increased by 3% to 431.4 billion yen, compared with 417.7 billion yen a year ago. Despite sales decreases in compressors and motors, this result was due mainly to sales increases in refrigerators and washing machines. Segment profit increased by 7% to 37.4 billion yen, compared with 34.9 billion yen a year ago due mainly to fixed cost reduction.

[1] For information about operating profit, see Note 2 of the Notes to consolidated financial statements on page 11.

Table of Contents

Systems & Communications

Sales decreased by 9% to 164.5 billion yen from 181.6 billion yen a year ago due mainly to sales decreases in system-related equipment such as compact multifunction printers and private branch exchange (PBX) products. Segment loss amounted to 8.3 billion yen compared with a loss of 9.9 billion yen a year ago.

Eco Solutions

Overall sales remained stable at 355.2 billion yen compared with 356.5 billion yen a year ago. Despite sales increases in the lighting and environmental system businesses, this result was due mainly to sales decreases in the energy system business especially home use fire prevention devices in Japan. Segment profit decreased by 37% to 3.9 billion yen from 6.1 billion yen a year ago.

Automotive Systems

Sales significantly increased by 71% to 190.7 billion yen from 111.7 billion yen a year ago due mainly to strong sales in car AVC equipment and car navigation systems compared with the fiscal 2012 results affected by the Great East Japan Earthquake. Segment profit significantly improved to 4.2 billion yen compared with segment loss of 3.7 billion yen a year ago due mainly to sales increase.

Industrial Devices

Sales decreased by 7% to 338.2 billion yen from 364.0 billion yen a year ago. Despite sales increases in electronic components and materials, this result was due mainly to sales decreases in optical pickups and semiconductors. Segment profit significantly improved to 7.3 billion yen compared with a loss of 2.7 billion yen a year ago due mainly to fixed cost reduction.

Energy

Sales decreased by 2% to 142.6 billion yen from 145.1 billion yen a year ago. Despite sales increases in automotive-use batteries, and solar photovoltaic systems in Japan, this result was due mainly to sales decreases in consumer-use lithium-ion batteries and dry batteries. Segment profit amounted to 0.1 billion yen compared with a loss of 7.5 billion a year ago due mainly to fixed cost reduction and streamlining material costs.

Other

Sales decreased by 29% to 343.5 billion yen from 484.5 billion yen a year ago. The sales decline owing to the SANYO-related business transfers implemented in fiscal 2012 led to the overall sales decrease. Segment profit increased by 6% to 4.1 billion yen from 3.9 billion yen a year ago due mainly to fixed cost reduction.

Consolidated Financial Condition

Net cash provided by operating activities for the first quarter of fiscal 2013 amounted to 53.8 billion yen compared with an outflow of 34.6 billion yen a year ago. This difference was due to a positive net income in first quarter of fiscal 2013 compared with a net loss of fiscal 2012, and a decrease in working capital (net of trade receivables, inventories and trade payables). Net cash provided by investing activities amounted to 1.3 billion yen compared with an outflow of 56.4 billion yen a year ago. This was due primarily to a decrease in capital expenditures and an increase in proceeds from disposals of investments and property, plant and equipment. Net cash used in financing activities increased by 37.9 billion yen to 73.8 billion yen, due mainly to a decrease in short-term bonds balance. Taking into consideration exchange rate fluctuations, cash and cash equivalents totaled 536.7 billion yen as of June 30, 2012, down 37.8 billion yen, compared with the end of the last fiscal year.

The company s consolidated total assets as of June 30, 2012 decreased by 168.3 billion yen to 6,432.7 billion yen from March 31, 2012. This was due mainly to a decrease in investments and advances, affected by the disposition and decline of the market value in investment, in addition to appreciation of the yen. Panasonic Corporation shareholders equity decreased by 62.6 billion yen, compared with March 31, 2012, to 1,867.2 billion yen. This was due mainly to deterioration in accumulated other comprehensive income (loss) along with appreciation of the yen and decline of the market value in investment. Adding Noncontrolling interests to Panasonic Corporation shareholders equity, total equity decreased by 73.1 billion yen to 1,904.4 billion yen compared with March 31, 2012.

Table of Contents

Forecast for Fiscal 2013

The business performance forecast for fiscal 2013 remains unchanged from the previous forecast announced on May 11, 2012.

Panasonic Corporation is one of the world s leading manufacturers of electronic and electric products for consumer, business and industrial use. Panasonic s shares are listed on the Tokyo, Osaka, Nagoya and New York stock exchanges.

For more information, please visit the following web sites:

Panasonic home page URL: http://panasonic.net/

Panasonic IR web site URL: http://panasonic.net/ir/

Table of Contents

Disclaimer Regarding Forward-Looking Statements

This press release includes forward-looking statements (within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934) about Panasonic and its Group companies (the Panasonic Group). To the extent that statements in this press release do not relate to historical or current facts, they constitute forward-looking statements. These forward-looking statements are based on the current assumptions and beliefs of the Panasonic Group in light of the information currently available to it, and involve known and unknown risks, uncertainties and other factors. Such risks, uncertainties and other factors may cause the Panasonic Group s actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. Panasonic undertakes no obligation to publicly update any forward-looking statements after the date of this press release. Investors are advised to consult any further disclosures by Panasonic in its subsequent filings with the U.S. Securities and Exchange Commission pursuant to the U.S. Securities Exchange Act of 1934 and its other filings.

The risks, uncertainties and other factors referred to above include, but are not limited to, economic conditions, particularly consumer spending and corporate capital expenditures in the United States, Europe, Japan, China and other Asian countries; volatility in demand for electronic equipment and components from business and industrial customers, as well as consumers in many product and geographical markets; currency rate fluctuations, notably between the yen, the U.S. dollar, the euro, the Chinese yuan, Asian currencies and other currencies in which the Panasonic Group operates businesses, or in which assets and liabilities of the Panasonic Group are denominated; the possibility of the Panasonic Group incurring additional costs of raising funds, because of changes in the fund raising environment; the ability of the Panasonic Group to respond to rapid technological changes and changing consumer preferences with timely and cost-effective introductions of new products in markets that are highly competitive in terms of both price and technology; the possibility of not achieving expected results on the alliances or mergers and acquisitions including the business reorganization after the acquisition of all shares of Panasonic Electric Works Co., Ltd. and SANYO Electric Co., Ltd.; the ability of the Panasonic Group to achieve its business objectives through joint ventures and other collaborative agreements with other companies; the ability of the Panasonic Group to maintain competitive strength in many product and geographical areas; the possibility of incurring expenses resulting from any defects in products or services of the Panasonic Group; the possibility that the Panasonic Group may face intellectual property infringement claims by third parties; current and potential, direct and indirect restrictions imposed by other countries over trade, manufacturing, labor and operations; fluctuations in market prices of securities and other assets in which the Panasonic Group has holdings or changes in valuation of long-lived assets, including property, plant and equipment and goodwill, deferred tax assets and uncertain tax positions; future changes or revisions to accounting policies or accounting rules; as well as natural disasters including earthquakes, prevalence of infectious diseases throughout the world, disruption of supply chain and other events that may negatively impact business activities of the Panasonic Group. The factors listed above are not all-inclusive and further information is contained in Panasonic s latest annual reports, Form 20-F, and any other reports and documents which are on file with the U.S. Securities and Exchange Commission.

(Financial Tables and Additional Information Attached)

Table of Contents

- 7 -

Panasonic Corporation

Consolidated Statements of Operations and

Consolidated Statements of Comprehensive Income (Loss) *

(Three months ended June 30)

Consolidated Statements of Operations

	Yen (millions) 2012	2011	Percentage 2012/2011
Net sales	¥ 1,814,498	¥ 1,929,548	94%
Cost of sales	(1,350,995)	(1,455,507)	
Selling, general and administrative expenses	(424,900)	(468,465)	
Interest income	2,803	3,426	
Dividends received	2,228	2,815	
Interest expense	(5,626)	(7,345)	
Expenses associated with the implementation of early retirement programs *	(392)	(3,571)	
Other income (deductions), net *	209	(18,334)	
Income (loss) before income taxes	37,825	(17,433)	
Provision for income taxes	(27,453)	(17,453)	
Equity in earnings of associated companies	703	2,262	
Net income (loss)	11,075	(32,624)	
Less net income (loss) attributable to noncontrolling interests	(1,734)	(2,273)	
Net income (loss) attributable to Panasonic Corporation	¥ 12,809	¥ (30,351)	
Net income (loss) attributable to Panasonic Corporation, basic			
per common share	5.54 yen	(13.13) yen	
per ADS	5.54 yen	(13.13) yen	
Net income (loss) attributable to Panasonic Corporation, diluted			
per common share *			
per ADS *			
<Supplementary Information *>			
Depreciation (tangible assets)	¥ 67,837	¥ 74,871	
Capital investment **	¥ 70,586	¥ 63,940	
R&D expenditures	¥ 122,490	¥ 132,181	
Number of employees (June 30)	327,512	365,899	

Consolidated Statements of Comprehensive Income (Loss)

Yen (millions)

	2012	2011	Percentage 2012/2011
Net income (loss)	¥ 11,075	¥ (32,624)	
Other comprehensive income (loss), net of tax			
Translation adjustments	(50,747)	(28,327)	
Unrealized holding gains (losses) of available-for-sale securities	(26,243)	(1,886)	
Unrealized gains (losses) of derivative instruments	5,185	1,459	
Pension liability adjustments	4,457	2,785	
	(67,348)	(25,969)	
Comprehensive income (loss)	(56,273)	(58,593)	
Less comprehensive income (loss) attributable to noncontrolling interests	(5,311)	(3,678)	
Comprehensive income (loss) attributable to Panasonic Corporation	¥ (50,962)	¥ (54,915)	

(Parentheses indicate expenses, deductions or losses.)

* See Notes to consolidated financial statements on pages 11-12.

** These figures are calculated on an accrual basis.

Table of Contents

Panasonic Corporation

Consolidated Balance Sheets **

June 30, 2012

With comparative figures for March 31, 2012

	Yen (millions)	
	June 30, 2012	**March 31, 2012**
Assets		
Current assets:		
Cash and cash equivalents	¥ 536,651	¥ 574,411
Time deposits	18,128	36,575
Short-term investments	466	483
Trade receivables:		
Notes	81,414	73,044
Accounts	914,344	963,202
Allowance for doubtful receivables	(25,004)	(26,604)
Inventories	838,387	801,991
Other current assets	462,499	454,663
Total current assets	2,826,885	2,877,765
Investments and advances	375,277	451,879
Property, plant and equipment, net of accumulated depreciation	1,736,244	1,762,558
Other assets	1,494,311	1,508,853
Total assets	¥ 6,432,717	¥ 6,601,055
Liabilities and Equity		
Current liabilities:		
Short-term debt, including current portion of long-term debt	¥ 605,242	¥ 633,847
Trade payables:		
Notes	64,573	53,243
Accounts	784,465	797,770
Other current liabilities	1,370,691	1,394,644
Total current liabilities	2,824,971	2,879,504
Noncurrent liabilities:		
Long-term debt	920,844	941,768
Other long-term liabilities	782,453	802,217
Total noncurrent liabilities	1,703,297	1,743,985
Total liabilities	4,528,268	4,623,489

Panasonic Corporation shareholders equity:		
Common stock	258,740	258,740
Capital surplus	1,117,447	1,117,530
Legal reserve	95,538	94,512
Retained earnings	1,441,396	1,441,177
Accumulated other comprehensive income (loss) *	(798,926)	(735,155)
Treasury stock, at cost	(247,020)	(247,018)
Total Panasonic Corporation shareholders equity	1,867,175	1,929,786
Noncontrolling interests	37,274	47,780
Total equity	1,904,449	1,977,566
Total liabilities and equity	¥ 6,432,717	¥ 6,601,055

* Accumulated other comprehensive income (loss) breakdown:

	Yen (millions)	
	June 30, 2012	**March 31, 2012**
Cumulative translation adjustments	¥ (529,331)	¥ (482,168)
Unrealized holding gains (losses) of available-for-sale securities	(12,941)	13,283
Unrealized gains (losses) of derivative instruments	1,457	(3,728)
Pension liability adjustments	(258,111)	(262,542)

** See Notes to consolidated financial statements on pages 11-12.

Table of Contents

Panasonic Corporation

Consolidated Information by Segment *

(Three months ended June 30)

By Segment:

	Yen (billions) 2012	2011	Percentage 2012/2011
[Sales]			
AVC Networks	¥ 359.7	¥ 449.9	80%
Appliances	431.4	417.7	103%
Systems & Communications	164.5	181.6	91%
Eco Solutions	355.2	356.5	100%
Automotive Systems	190.7	111.7	171%
Industrial Devices	338.2	364.0	93%
Energy	142.6	145.1	98%
Other	343.5	484.5	71%
Subtotal	2,325.8	2,511.0	93%
Eliminations	(511.3)	(581.5)	
Consolidated total	¥ 1,814.5	¥ 1,929.5	94%
[Segment Profit (Loss)]*			
AVC Networks	¥ 7.4	¥ (3.8)	
Appliances	37.4	34.9	107%
Systems & Communications	(8.3)	(9.9)	
Eco Solutions	3.9	6.1	63%
Automotive Systems	4.2	(3.7)	
Industrial Devices	7.3	(2.7)	
Energy	0.1	(7.5)	
Other	4.1	3.9	106%
Subtotal	56.1	17.3	324%
Corporate and eliminations	(17.5)	(11.7)	
Consolidated total	¥ 38.6	¥ 5.6	692%

* See Notes to consolidated financial statements on pages 11-12.

Table of Contents

Panasonic Corporation

Consolidated Statements of Cash Flows *

(Three months ended June 30)

	Yen (millions)	
	2012	**2011**
Cash flows from operating activities:		
Net income (loss)	¥ 11,075	¥ (32,624)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	84,875	95,319
Net (gain) loss on sale of investments	(7,034)	976
Cash effects of changes in, excluding acquisition:		
Trade receivables	17,180	(2,866)
Inventories	(57,270)	(88,324)
Trade payables	23,860	(2,762)
Retirement and severance benefits	(4,312)	(5,802)
Other	(14,605)	1,491
Net cash provided by (used in) operating activities	53,769	(34,592)
Cash flows from investing activities:		
Proceeds from disposition of investments and advances	42,380	12,241
Increase in investments and advances	(1,244)	(2,181)
Capital expenditures	(86,019)	(97,546)
Proceeds from disposals of property, plant and equipment	37,762	25,397
(Increase) decrease in time deposits	16,918	10,297
Other	(8,480)	(4,575)
Net cash provided by (used in) investing activities	1,317	(56,367)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	(31,519)	2,736
Increase (decrease) in long-term debt	(23,965)	(17,481)
Dividends paid to Panasonic Corporation shareholders	(11,559)	(10,351)
Dividends paid to noncontrolling interests	(6,642)	(5,796)
(Increase) decrease in treasury stock	(7)	(13)
Purchase of noncontrolling interests and Other	(123)	(4,980)
Net cash used in financing activities	(73,815)	(35,885)
Effect of exchange rate changes on cash and cash equivalents	(19,031)	(10,941)
Net increase (decrease) in cash and cash equivalents	(37,760)	(137,785)
Cash and cash equivalents at beginning of period	574,411	974,826
Cash and cash equivalents at end of period	¥ 536,651	¥ 837,041

* See Notes to consolidated financial statements on pages 11-12.

Table of Contents

Notes to consolidated financial statements:

1. The company s consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP).

2. In order to be consistent with generally accepted financial reporting practices in Japan, operating profit, a non-GAAP measure, is presented as net sales less cost of sales and selling, general and administrative expenses. The company believes that this is useful to investors in comparing the company s financial results with those of other Japanese companies. Please refer to the accompanying consolidated statement of operations and Note 3 for the U.S. GAAP reconciliation.

3. Under U.S. GAAP, expenses associated with the implementation of early retirement programs at certain domestic and overseas companies and the impairment loss on goodwill and fixed assets are included as part of operating profit in the statement of operations.

4. In June 2011, FASB issued Accounting Standards Update (ASU) 2011-05, Presentation of Comprehensive Income. Accordingly, the company adopted ASU 2011-05 from fiscal 2013 and presents the consolidated statement of comprehensive income (loss) following the consolidated statement of operations.

5. In other income (deductions), the company incurred expenses associated with the implementation of early retirement programs of certain domestic and overseas companies.

6. Diluted net income (loss) per share attributable to Panasonic Corporation common shareholders has been omitted because the company did not have potential common shares that were outstanding for the period.

7. Regarding consolidated segment profit (loss), expenses for basic research and administrative expenses at the corporate headquarters level are treated as unallocatable expenses for each segment, and are included in Corporate and eliminations.

8. Panasonic Electronic Devices Co., Ltd. and Panasonic Electronic Devices Japan Co., Ltd., were absorbed by the company on April 1, 2012.

9. Effective from the beginning of fiscal 2013, investments and depreciation expenses in molding dies are included in Capital investment and Depreciation (tangible assets), respectively. Accordingly, the amounts of Depreciation (tangible assets) and Capital investment of supplementary information on consolidated statements of operations for fiscal 2012 are changed. The related amounts of the consolidated statements of cash flows and consolidated balance sheets for fiscal 2012 are also changed.

10. The company s segments are classified according to a business domain-based management system, which focuses on global consolidated management by each business domain company, in order to ensure consistency of its internal management structure and disclosure.

Table of Contents

The company restructured its Group organization on January 1, 2012, resulting in the number of reportable segments from six to eight. Accordingly, segment information for the three months ended June 30, 2011 has been reclassified to conform to the presentation for the three months ended June 30, 2012.

Other segment consists of Healthcare Company, Manufacturing Solutions Company, PanaHome Corporation and others.

11. Number of consolidated companies: 565 (including parent company)

12. Number of associated companies under the equity method: 101

# # #

Table of Contents

July 31, 2012

Panasonic Corporation

Supplemental Consolidated Financial Data for Fiscal 2013

First Quarter, ended June 30, 2012

Note: The company restructured its Group organization on January 1, 2012, resulting in the number of reportable segments from six to eight. Accordingly, segment information for fiscal 2012 has been reclassified to conform to the presentation for fiscal 2013.

1. Segment Information

yen (billions)

	Sales	13/12	Segment Profit	% of sales	13/12
AVC Networks	359.7	80%	7.4	2.1%	
Appliances	431.4	103%	37.4	8.7%	107%
Systems & Communications	164.5	91%	-8.3	-5.1%	
Eco Solutions	355.2	100%	3.9	1.1%	63%
Automotive Systems	190.7	171%	4.2	2.2%	
Industrial Devices	338.2	93%	7.3	2.2%	
Energy	142.6	98%	0.1	0.1%	
Other	343.5	71%	4.1	1.2%	106%
Total	2,325.8	93%	56.1	2.4%	324%
Corporate and eliminations	-511.3		-17.5		
Consolidated total	1,814.5	94%	38.6	2.1%	692%

2. Domain Companies Information

(Business domain company basis)

<Sales and Domain Company Profit>

yen (billions)

	Sales	13/12	Segment Profit	% of sales	13/12
Healthcare Company	32.3	103%	1.8	5.6%	208%
Manufacturing Solutions Company	44.6	94%	6.3	14.2%	94%

Note: Healthcare Company and Manufacturing Solutions Company are included in Other segment.

3. Sales by Region

yen (billions)

		Sales Yen basis 13/12	Local currency basis 13/12
Domestic	922.1	95%	
Overseas	892.4	93%	97%
North and South America	244.0	102%	105%
Europe	168.2	85%	96%
Asia	227.5	90%	95%
China	252.7	93%	94%
Total	1,814.5	94%	96%

Table of Contents

Supplemental Consolidated Financial Data

for Fiscal 2013 1Q, ended June 30, 2012

Panasonic Corporation

4. Sales by Products

yen (billions)

Products	Sales	13/12 *
LCD TVs	92.3	90%
Plasma TVs	42.4	53%
Digital cameras	34.6	78%
BD recorders / players	13.0	38%
Air conditioners	102.5	99%
Washing machines and clothes dryers	35.9	116%
Refrigerators	39.7	121%
Electronic components and materials	166.1	104%
Semiconductors	37.6	90%

* The company restructured its Group organization on January 1, 2012. Accordingly, the company reclassified the figures of fiscal 2012 included in the prior segments of PEW and PanaHome, and SANYO.

5. Capital Investment by Segments *

yen (billions)

	Capital Investment	
Post-retirement benefit obligation - long-term	1,694	2,110
Income tax liability	35,136	29,903
Other long-term liabilities	4,082	3,856
Deferred income taxes	12,767	13,745
Total Long-term Liabilities	53,679	49,614
Commitments and Contingencies		
Total Liabilities	121,962	157,072
Stockholders' Equity:		
Preferred stock, $0.01 par value: 20,000,000 shares authorized, no shares issued and outstanding at September 30, 2014 or December 31, 2013	—	—
Unrestricted common stock, $0.01 par value: 325,000,000 shares authorized; 92,568,403 issued and 84,603,437 outstanding at September 30, 2014; 91,845,492 issued and 86,770,737 outstanding at December 31, 2013	926	919
Additional paid-in-capital	108,012	90,985
Retained earnings	440,441	349,290
Treasury stock at cost – 7,964,966 shares at September 30, 2014 and 5,074,755 shares at	(303,547)	(155,627)

December 31, 2013		
Accumulated other comprehensive loss	(708)	(1,050)
Total Stockholders' Equity	245,124	284,517
Total	$367,086	$441,589

See notes to condensed consolidated financial statements

7

Table of Contents

CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Statement of Stockholders’ Equity
(Unaudited)

(in thousands)	Preferred Stock	Unrestricted Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders’ Equity
Balance—January 1, 2014	$—	$919	$90,985	$349,290	$(155,627)	$ (1,050)	$ 284,517
Cash dividends on common stock				(49,221)			(49,221)
Stock-based compensation			13,480				13,480
Excess tax benefits from stock-based compensation plan			3,554				3,554
Issuance of vested restricted stock granted to employees		7	(7)				—
Purchase of unrestricted common stock from employees to fulfill employee tax obligations					(8,319)		(8,319)
Purchase of unrestricted common stock under announced program					(139,601)		(139,601)
Net income				140,372			140,372
Post-retirement benefit obligation adjustment—net of tax						342	342
Balance—September 30, 2014	$—	$926	$108,012	$440,441	$(303,547)	$ (708)	$ 245,124

See notes to condensed consolidated financial statements

8

Table of Contents

CBOE Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2014 and 2013

(in thousands)	Nine Months Ended September 30, 2014 (unaudited)	September 30, 2013
Cash Flows from Operating Activities:		
Net income	$140,372	$129,889
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	28,860	25,380
Other amortization	60	86
Provision for deferred income taxes	(1,192)	(4,407)
Stock-based compensation	13,480	16,867
Loss on disposition of property	599	3
Loss on investment in affiliate	1,161	1,509
Impairment of investment in affiliate	—	245
Change in assets and liabilities:		
Accounts receivable	(5,233)	(4,466)
Marketing fee receivable	(1,681)	(3,496)
Income taxes receivable	(301)	(4,723)
Prepaid expenses	(3,522)	(2,463)
Other current assets	2,050	(92)
Accounts payable and accrued expenses	(3,759)	(294)
Marketing fee payable	1,621	3,443
Deferred revenue and other liabilities	6,337	7,979
Post-retirement benefit obligations	(20)	(27)
Income tax liability	5,234	6,931
Net Cash Flows provided by Operating Activities	184,066	172,364
Cash Flows from Investing Activities:		
Capital and other assets expenditures	(39,974)	(19,767)
Investment in affiliates	(1,499)	(1,518)
Other	3	8
Net Cash Flows used in Investing Activities	(41,470)	(21,277)
Cash Flows from Financing Activities:		
Payment of quarterly dividends	(49,221)	(42,549)
Payment of special dividend	(43,831)	—
Excess tax benefit from stock-based compensation	3,554	2,356
Purchase of unrestricted common stock from employees	(8,319)	(6,136)
Purchase of unrestricted common stock under announced program	(139,601)	(13,977)
Net Cash Flows used in Financing Activities	(237,418)	(60,306)
Net Increase (Decrease) in Cash and Cash Equivalents	(94,822)	90,781
Cash and Cash Equivalents at Beginning of Period	221,341	135,597
Cash and Cash Equivalents at End of Period	$126,519	$226,378
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	$78,336	$81,475
Non-cash activities:		
Unpaid liability to acquire equipment and software	3,831	2,887

See notes to condensed consolidated financial statements

9

Table of Contents

CBOE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2014 and 2013
(Unaudited)

NOTE 1 —DESCRIPTION OF BUSINESS
CBOE Holdings, Inc. is the holding company for Chicago Board Options Exchange, Incorporated, CBOE Futures Exchange, LLC, C2 Options Exchange, Incorporated and other subsidiaries.
The primary business of the Company is the operation of markets for the trading of listed, or exchange-traded, derivatives contracts on four broad product categories: 1) options on various market indexes (index options), 2) futures on the VIX Index and other products, 3) options on the stocks of individual corporations (equity options) and 4) options on other exchange-traded products (ETP options), such as exchange-traded funds (ETF options) and exchange-traded notes (ETN options).
The Company owns and operates three stand-alone exchanges, but reports the results of its operations in one reporting segment. CBOE is our primary options market and offers trading in listed options through a single system that integrates electronic trading and traditional open outcry trading on our trading floor in Chicago. This integration of electronic trading and traditional open outcry trading into a single exchange is known as our Hybrid trading model. CFE, our all-electronic futures exchange, offers trading of futures on the VIX Index and other products. C2 is our all-electronic exchange that also offers trading for listed options, but with a different market model and fee structure than CBOE. All of our exchanges operate on our proprietary technology platform known as CBOE Command.

Recent Accounting Pronouncements

In April 2014, the FAS) issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, an amendment to FASB ASC Topic 205, Presentation of Financial Statements and FASB ASC Topic 360, Property, Plant and Equipment. The update revises the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results, removing the lack of continuing involvement criteria and requiring discontinued operations reporting for the disposal of an equity method investment that meets the definition of discontinued operations. The update also requires expanded disclosures for discontinued operations, including disclosure of pretax profit or loss of an individually significant component of an entity that does not qualify for discontinued operations reporting. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company is in the process of evaluating this new guidance.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. In addition, the ASU provides guidance on accounting for certain revenue-related costs including when to capitalize costs associated with obtaining and fulfilling a contract. ASU 2014-09 provides companies with two implementation methods. Companies can choose to apply the standard retrospectively to each prior reporting period presented (full retrospective application) or retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application). This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The Company is in the process of evaluating this new guidance.

NOTE 2 — BASIS OF PRESENTATION

These interim unaudited condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and reported amounts of operating revenues and expenses. On an ongoing basis, management evaluates its estimates, including those related to matters that require a significant level of judgment or are otherwise subject to an inherent degree of uncertainty. These estimates are based on management's knowledge and judgments, historical experience and observance of trends, information available from outside sources and various other assumptions that are believed to be reasonable under the circumstances.

In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included.

The results of operations for interim periods are not necessarily indicative of the results of operations for the full year.

NOTE 3 — SHARE REPURCHASE PROGRAM

In 2011, the board of directors approved an initial authorization for the Company to repurchase shares of its outstanding unrestricted common stock of $100 million and approved additional authorizations in 2012 of $100 million, in 2013 of $100 million and in July 2014 of $100 million. The program permits the Company to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any repurchases at any specific time or situation.

Under the program, for the nine months ended September 30, 2014, the Company repurchased 2,725,746 shares of unrestricted common stock at an average cost per share of $51.22, totaling $139.6 million.

Since inception of the program through September 30, 2014, the Company has repurchased 7,365,570 shares of unrestricted common stock at an average cost per share of $38.24, totaling $281.6 million.

NOTE 4 — NET INCOME PER COMMON SHARE

The computation of basic net income allocated to common stockholders is calculated by reducing net income for the period by dividends paid or declared and undistributed net income for the period that are allocated to participating securities to arrive at net income allocated to common stockholders. Net income allocated to common stockholders is divided by the weighted average number of common shares outstanding during the period to determine net income per share allocated to common stockholders.

The computation of diluted earnings per share is calculated by dividing net income allocated to common stockholders by the sum of the weighted average number of common shares outstanding plus all additional common shares that would have been outstanding if the potentially dilutive common shares had been issued. The dilutive effect is calculated using the more dilutive of the two-class or treasury stock method.

The following table reconciles net income allocated to common stockholders and the number of shares used to calculate the basic and diluted net income per common share for the three and nine months ended September 30, 2014 and 2013:

Table of Contents

(in thousands, except per share amounts)	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Basic EPS Numerator:				
Net Income	$48,366	$41,356	$140,372	$129,889
Less: Earnings allocated to participating securities	(220)	(401)	(1,099)	(1,669)
Net Income allocated to common stockholders	$48,146	$40,955	$139,273	$128,220
Basic EPS Denominator:				
Weighted average shares outstanding	85,051	87,647	85,773	87,421
Basic net income per common share	$0.57	$0.47	$1.62	$1.47
Diluted EPS Numerator:				
Net Income	$48,366	$41,356	$140,372	$129,889
Less: Earnings allocated to participating securities	(220)	(401)	(1,099)	(1,669)
Net Income allocated to common stockholders	$48,146	$40,955	$139,273	$128,220
Diluted EPS Denominator:				
Weighted average shares outstanding	85,051	87,647	85,773	87,421
Dilutive common shares issued under restricted stock program	—	—	—	—
Diluted net income per common share	$0.57	$0.47	$1.62	$1.47

For the periods presented, the Company did not have shares of restricted stock or restricted stock units that would have an anti-dilutive effect on the computation of diluted net income per common share.

NOTE 5 — STOCK-BASED COMPENSATION

Stock-based compensation is based on the fair value of the award on the date of grant, which is recognized over the related service period, net of estimated forfeitures. The service period is the period over which the related service is performed, which is generally the same as the vesting period.

On February 19, 2014, the Company granted 45,168 shares of restricted stock and 161,024 restricted stock units ("RSUs"), each of which entitles the holders to one share of common stock upon vesting, to certain officers and employees at a fair value of $55.35 per share. The RSUs vest ratably over three years, with one-third vesting on each anniversary of the grant date, and vesting accelerates upon the occurrence of a change in control. Unvested restricted stock units will be forfeited if the officer or employee leaves the company prior to the applicable vesting date, except in limited circumstances. The restricted stock units have no voting rights but are able to participate in the payment of dividends.

In addition, on February 19, 2014, the Company granted 47,470 RSUs contingent on the achievement of performance conditions including 23,735 RSUs, at a fair value of $55.35 per RSU, related to earnings per share during the performance period and 23,735 RSUs, at a fair value of $77.00 per RSU, related to total shareholder return during the performance period. The Company used the Monte Carlo valuation model method to estimate the fair value of the total shareholder return RSUs which incorporated the following assumptions: risk free interest rate (0.69%), three-year volatility (24.8%) and three-year correlation with S&P 500 Index (0.56). Each of these performance shares has a performance condition under which the number of units ultimately awarded will vary from 0% to 200% of the original grant, with each unit representing the contingent right to receive one share of our common stock. The vesting period for the shares contingent on the achievement of performance is three years. For each of the performance awards, the restricted stock units will be settled in shares of our common stock following vesting of the restricted stock unit assuming that the participant has been continuously employed during the vesting period, subject to acceleration in the event of a change of control of the Company or in the event of a participant’s earlier death, disability or qualified retirement. Participants shall have no voting rights with respect to shares until the issuance of the shares of stock. Dividends are accrued by the Company and will be paid once the RSUs contingent on the achievement of performance conditions vest.

On May 22, 2014, the Company granted 18,240 shares of restricted stock, at a fair value of $49.36 per share, to the non-employee members of the board of directors. The shares have a one-year vesting period and vesting accelerates upon the occurrence of a change in control of the Company. Unvested portions of the restricted stock will be forfeited if the director leaves the company prior to the applicable vesting date.

For the three and nine months ended September 30, 2014 and 2013, the Company recognized $2.1 million and $3.9 million and $13.5 million and $16.9 million in stock-based compensation expense, respectively. The nine months ended September 30, 2014 and 2013 included $2.5 million and $4.0 million of accelerated stock-based compensation expense, respectively. The accelerated stock-based compensation expense, in 2014 and 2013, was primarily for certain executives due to provisions contained in their employment arrangements. Stock-based compensation expense is included in employee costs in the condensed consolidated statements of income.

As of September 30, 2014, the Company had unrecognized stock-based compensation of $14.6 million. The remaining unrecognized stock-based compensation is expected to be recognized over a weighted average period of 23.7 months.

The activity in the Company's restricted stock and restricted stock units for the nine months ended September 30, 2014 was as follows:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2014	708,221	$33.41
Granted	271,902	56.84
Vested	(552,853)	50.89
Forfeited	(8,063)	40.40
Unvested at September 30, 2014	419,207	$34.80

NOTE 6 — INVESTMENTS IN AFFILIATES

At September 30, 2014 and December 31, 2013, the investments in affiliates were composed of the following (in thousands):

	September 30, 2014	December 31, 2013
Investment in OCC	$333	$333
Investment in Signal Trading Systems, LLC	11,468	11,130
Investment in IPXI Holdings, LLC	3,118	3,118
Investment in CBOE Stock Exchange, LLC (1)	—	—
Investments in Affiliates	$14,919	$14,581

(1) CBOE Stock Exchange, LLC ceased trading operations on April 30, 2014.

Table of Contents

NOTE 7 — ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At September 30, 2014 and December 31, 2013, accounts payable and accrued liabilities consisted of the following (in thousands):

	September 30, 2014	December 31, 2013
Compensation and benefit-related liabilities (1)	$18,857	$22,193
Royalties	14,586	13,512
Accounts payable	1,899	4,219
Purchase of unrestricted common stock (2)	2,089	1,937
Facilities	1,409	1,824
Legal	1,341	1,602
Market linkage	1,056	1,157
Other	8,745	6,514
Total	$49,982	$52,958

(1) The change in compensation and benefit-related liabilities is primarily the result of the payment of 2013 annual incentive compensation in the first quarter of 2014, partially offset by the accrual of 2014 annual compensation expense through the nine months ended September 30, 2014.

(2) Reflects shares purchased at the end of the period that are not settled until three trading days after the trade occurs.

NOTE 8 — MARKETING FEE

CBOE facilitates the collection and payment of marketing fees assessed on certain trades taking place at CBOE. Funds resulting from the marketing fees are made available to Designated Primary Market Makers and Preferred Market Makers as an economic inducement to route orders to CBOE. Pursuant to ASC 605-45, Revenue Recognition—Principal Agent Considerations, the Company reflects the assessments and payments on a net basis, with no impact on revenues or expenses.

As of September 30, 2014 and December 31, 2013, amounts assessed by the Company on behalf of others included in current assets totaled $10.6 million and $8.9 million, respectively, and payments due to others included in current liabilities totaled $11.1 million and $9.4 million, respectively.

NOTE 9 — DEFERRED REVENUE

The following table summarizes the activity in deferred revenue for the nine months ended September 30, 2014 (in thousands):

	Balance at December 31, 2013	Cash Additions	Revenue Recognition	Balance at September 30, 2014
Other – net	$1,100	$9,017	$(7,106)	$3,011
Liquidity provider sliding scale (1)	—	15,800	(11,600)	4,200
Total deferred revenue	$1,100	$24,817	$(18,706)	$7,211

(1) Liquidity providers are eligible to participate in the sliding scale program, which involves prepayment of transaction fees, and receive reduced fees based on the achievement of certain volume thresholds within a month. The

prepayment of 2014 transaction fees totaled $15.8 million. This amount is amortized and recorded as transaction fees over the respective period.

14

NOTE 10 — EMPLOYEE BENEFITS

Employees are eligible to participate in the Chicago Board Options Exchange SMART Plan (“SMART Plan”). The SMART Plan is a defined contribution plan, which is qualified under Internal Revenue Code Section 401(k). The Company contributed $3.5 million and $3.1 million to the SMART Plan for the nine months ended September 30, 2014 and 2013, respectively.

Eligible employees may participate in the Supplemental Employee Retirement Plan, Executive Retirement Plan and Deferred Compensation Plan. Each plan is a defined contribution plan that is non-qualified by Internal Revenue Code regulations. The Company contributed $1.0 million and $1.2 million to the above plans for the nine months ended September 30, 2014 and 2013, respectively.

The Company has a post-retirement medical plan for former members of senior management. The Company recorded immaterial post-retirement benefits expense for the nine months ended September 30, 2014 and 2013.

NOTE 11 — INCOME TAXES

For the three and nine months ended September 30, 2014 and 2013, the Company recorded income tax provisions of $26.4 million and $26.5 million and $85.4 million and $81.6 million, respectively. The effective tax rate for the nine months ended September 30, 2014 and 2013 was 37.8% and 38.6%, respectively. The decrease in the effective tax rate for the nine months ended September 30, 2014 primarily resulted from a reduction in the Company's tax provision as a result of a lower state apportionment versus prior estimates.

As of September 30, 2014 and December 31, 2013, the Company had $30.2 million and $26.7 million, respectively, of uncertain tax positions excluding interest and penalties, which, if recognized in the future, would affect the annual effective income tax rate. Reductions to uncertain tax positions primarily from the lapse of the applicable statutes of limitations during the next twelve months are estimated to be approximately $16.1 million, not including any potential new additions.

Estimated interest costs and penalties, which are classified as part of the provision for income taxes in the Company’s condensed consolidated statements of income, were $0.7 million and $1.0 million for the three months ended September 30, 2014 and 2013, respectively, and $1.8 million and $1.5 million for the nine months ended September 30, 2014 and 2013, respectively. Accrued interest and penalties were $5.0 million and $3.2 million as of September 30, 2014 and December 31, 2013, respectively.

The Company is subject to U.S. federal tax, Illinois, New Jersey, and New York state taxes and Washington, D.C. taxes, as well as taxes in other local jurisdictions. The Company has open tax years from 2007 on for New York, 2008 on for Federal, 2010 on for New Jersey, and 2011 on for Illinois and Washington, D.C. The Internal Revenue Service is currently auditing 2010 and is looking at specific line items from 2008 to 2012 due to the filing by the Company of amended returns containing the recognition of certain credits and deductions. The New York State Department of Taxation and Finance is currently auditing the 2007 through 2012 tax years. The New Jersey Division of Taxation is currently auditing the 2010 through 2012 tax years.

NOTE 12 — FAIR VALUE MEASUREMENTS

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk, including the Company's own credit risk.

The Company applied FASB ASC 820, Fair Value Measurement and Disclosure (formerly, FASB Statement No. 157, Fair Value Measurements), which provides guidance for using fair value to measure assets and liabilities by defining fair value and establishing the framework for measuring fair value. ASC 820 applies to financial and non-financial instruments that are measured and reported on a fair value basis. The three-level hierarchy of fair value measurements is based on whether the inputs to those measurements are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. The fair-value hierarchy requires the use of observable market data when available and consists of the following levels:

• Level 1—Unadjusted inputs based on quoted markets for identical assets or liabilities.

Table of Contents

- Level 2—Observable inputs, either direct or indirect, not including Level 1, corroborated by market data or based upon quoted prices in non-active markets.
- Level 3—Unobservable inputs that reflect management's best assumptions of what market participants would use in valuing the asset or liability.

The Company has included a tabular disclosure for financial assets that are measured at fair value on a recurring basis in the condensed consolidated balance sheet as of September 30, 2014 and December 31, 2013. The Company holds no financial liabilities that are measured at fair value on a recurring basis.

(amounts in thousands)	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market funds	$120,000	$—	$—	$120,000
Total assets at fair value at September 30, 2014	$120,000	$—	$—	$120,000

(amounts in thousands)	Level 1	Level 2	Level 3	Total
Assets at fair value:				
Money market funds	$207,000	$—	$—	$207,000
Total assets at fair value at December 31, 2013	$207,000	$—	$—	$207,000

The Company, through DerivaTech Corporation, a wholly-owned subsidiary, acquired about a 10.0% interest in IPXI Holdings, LLC ("IPXI") for $2.5 million. The Company contributed an additional $0.6 million in October 2013. The investment, measured at fair value on a non-recurring basis, is classified as Level 3 as the fair value was based on both observable and unobservable inputs.

NOTE 13 — LEGAL PROCEEDINGS

As of September 30, 2014, the end of the period covered by this report, the Company was subject to various legal proceedings and claims, as well as certain other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. For a description of each of these proceedings, please see Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2013.

The Company reviews its legal proceedings and claims, regulatory reviews and inspections and other legal proceedings on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. The Company does not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated, or when the liability is believed to be only reasonably possible or remote. The Company's assessment of whether a loss is reasonably possible or probable is based on its assessment of the ultimate outcome of the matter following all appeals.

Estimates of probable losses resulting from patent litigation involving the Company are inherently difficult to make, particularly when the Company's view of the case is significantly different than that expressed by the plaintiff. The Company has not recorded a liability related to damages in connection with these matters.

As of September 30, 2014, the Company does not believe that there is a reasonable possibility that any material loss exceeding the amounts already recognized for these reviews, inspections or other legal proceedings, if any, has been incurred. While the consequences of certain unresolved proceedings are not presently determinable, the outcome of any litigation is inherently uncertain and an adverse outcome from certain matters could have a material effect on our earnings in any given reporting period. However, in the opinion of management, the ultimate liability is not expected to have a material effect on our financial position, liquidity or capital resources.

The following information updates the legal proceedings disclosures in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014.

16

Table of Contents

City of Providence Litigation

On April 18, 2014, the City of Providence sued CBOE and C2, as well as other securities exchanges and a proposed defendant class of certain firms, in federal court in New York City on behalf of a proposed class of all public investors who bought or sold stock, at any time since April 18, 2009 alleging that the exchanges (i) participated in a scheme by which HFT firms allegedly defrauded U.S. public investors and manipulated the prices of stocks and (ii) failed to operate their stock markets in accordance with their duties under the Exchange Act.

On September 2, 2014, the plaintiffs filed a Consolidated Amended Complaint that did not name CBOE or C2 as defendants. As a result, CBOE and C2 are now deemed to have been dismissed as defendants, without prejudice.

NOTE 14 — SUBSEQUENT EVENTS

On October 29, 2014, the Company announced that its board of directors declared a quarterly cash dividend of $0.21 per share. The dividend is payable December 19, 2014 to stockholders of record at the close of business on November 28, 2014.

Table of Contents

CBOE HOLDINGS, INC. AND SUBSIDIARIES

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the notes thereto, included in Item 1 in this Quarterly Report on Form 10-Q, and the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, and as contained in that report, the information under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." This discussion contains forward-looking information. Please see "Forward-Looking Statements" for a discussion of the uncertainties, risks and assumptions associated with these statements.

RESULTS OF OPERATIONS

Three months ended September 30, 2014 compared to the three months ended September 30, 2013

Overview

The following summarizes changes in our financial performance for the three months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Inc./(Dec.)	Percent Change
	(in millions, except per share amounts)			
Total operating revenues	$148.9	$136.7	$12.2	8.9%
Total operating expenses	73.8	68.3	5.5	8.1%
Operating income	75.1	68.4	6.7	9.7%
Total other expense	(0.3)	(0.5)	0.2	(47.6)%
Income before income taxes	74.8	67.9	6.9	10.2%
Income tax provision	26.4	26.5	(0.1)	(0.4)%
Net income	$48.4	$41.4	$7.0	16.9%
Net income allocated to common stockholders	$48.1	$41.0	$7.1	17.6%
Operating income percentage	50.4%	50.0%		
Net income percentage	32.5%	30.3%		
Diluted net income per share allocated to common stockholders	$0.57	$0.47		

- Total operating revenues increased primarily due to higher transaction fees, resulting from higher volume in index options and futures contracts, and higher market data fees.

- Total operating expenses increased primarily due to higher employee costs, depreciation and amortization and royalty fees.

Operating Revenues

Total operating revenues for the three months ended September 30, 2014 were $148.9 million, an increase of $12.2 million, or 8.9%, compared with the same period in 2013. The following summarizes changes in total operating revenues for the three months ended September 30, 2014 compared to the same period in 2013.

18

Table of Contents

	2014	2013	Inc./(Dec.)	Percent Change
		(in millions)		
Transaction fees	$104.3	$93.0	$11.3	12.2 %
Access fees	14.7	15.0	(0.3)	(2.2)%
Exchange services and other fees	9.5	9.2	0.3	3.0 %
Market data fees	7.8	6.7	1.1	16.6 %
Regulatory fees	8.9	8.9	—	— %
Other revenue	3.7	3.9	(0.2)	(5.6)%
Total operating revenues	$148.9	$136.7	$12.2	8.9 %

Transaction Fees

Transaction fees increased 12.2% to $104.3 million for the three months ended September 30, 2014, compared with $93.0 million for the same period in 2013. This increase was due to a 7.2% increase in total trading volume and an increase in average revenue per contract of 4.6%. The increase in average revenue per contract resulted primarily from a shift in the mix of products traded towards higher-margin index options and futures contracts. For the three months ended September 30, 2014, trading volume in SPX options, VIX options and VIX futures increased 10.2%, 6.0% and 34.9%, respectively, compared to the prior year period. Our highest average revenue per contract products, index options and futures contracts, accounted for 33.8% of trading volume during the third quarter of 2014 up from 33.1% in the third quarter of 2013.

Average revenue per contract, discussed in more detail below, is impacted by our fee structure, which includes volume based incentive programs, mix of products traded, the account type (customer, firm, market-maker, etc.) and the manner in which a trade is executed (electronic, open-outcry, etc.). The implementation of fee changes, which may increase or decrease our average revenue per contract, is primarily to ensure that we are competitive in the options marketplace and to ultimately improve and continue to drive order flow to our exchanges. We cannot predict the trading patterns of exchange participants, which may be based on factors outside our control, but we can attempt to price our products at levels that are competitive in our market.

Trading volume is impacted by many factors, including: macroeconomic events, market volatility, regulatory actions or considerations, availability of capital, competition, pricing, number of trading days in the period and seasonality.

The following summarizes transaction fees by product category for the three months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Inc./(Dec.)	Percent Change
		(in millions)		
Equities	$9.1	$8.7	$0.4	3.8 %
Indexes	64.2	59.1	5.1	8.7 %
Exchange-traded products	10.4	10.4	—	0.5 %
Total options transaction fees	83.7	78.2	5.5	7.0 %
Futures	20.6	14.8	5.8	39.4 %
Total transaction fees	$104.3	$93.0	$11.3	12.2 %

Trading Volume

Our average daily volume ("ADV") for the three months ended September 30, 2014 was 4.95 million contracts, up 7.2% compared with 4.62 million contracts for the same period in 2013. The Company experienced ADV increases across all product categories, with the largest percentage increase in futures contracts. Total trading days for the three months ended September 30, 2014 and 2013 were sixty-four.

The following summarizes changes in total trading volume and ADV by product category for the three months ended September 30, 2014 compared to the same period in 2013.

	2014 Volume	2014 ADV	2013 Volume	2013 ADV	Volume Percent Change	ADV Percent Change
		(in millions)				
Equities	118.5	1.85	113.1	1.77	4.8 %	4.8 %
Indexes	94.5	1.48	88.2	1.38	7.1 %	7.1 %
Exchange-traded products	91.2	1.42	84.6	1.32	7.9 %	7.9 %
Total options contracts	304.2	4.75	285.9	4.47	6.4 %	6.4 %
Futures	12.7	0.20	9.5	0.15	33.8 %	33.8 %
Total contracts	316.9	4.95	295.4	4.62	7.2 %	7.2 %

The following provides the percentage of volume by product category for the three months ended September 30, 2014 and 2013.

	2014	2013
Equities	37.4 %	38.3 %
Indexes	29.8 %	29.9 %
Exchange-traded products	28.8 %	28.6 %
Futures	4.0 %	3.2 %
Total	100.0 %	100.0 %

Average Revenue Per Contract

Average revenue per contract was $0.329 for the three months ended September 30, 2014, an increase of 4.6% compared with $0.315 for the same period in 2013. Average revenue per contract represents transaction fees divided by total contracts cleared.

The following summarizes average revenue per contract by product category for the three months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Percent Change
Equities	$0.077	$0.077	— %
Indexes	0.680	0.669	1.5 %
Exchange-traded products	0.115	0.123	(6.8)%
Total options average revenue per contract	0.275	0.273	0.6 %
Futures	1.625	1.559	4.2 %
Total average revenue per contract	$0.329	$0.315	4.6 %

Factors contributing to the change in total average revenue per contract for the three months ended September 30, 2014 compared to the same period in 2013 include:

- Product Mix — Average revenue per contract reflects a shift in the volume mix by product category. Index options and futures contracts accounted for 33.8% of total trading volume as compared to 33.1% in the prior year period. Index options and futures contracts generated total revenue per contract of $0.680 and $1.625, respectively, representing the Company's highest options average revenue per contract and highest average revenue per contract.

- Rate structure — Our rate structure includes sliding scales, volume discounts, volume incentive programs and caps on fees as part of our effort to increase liquidity and market share in multiply-listed options. Average revenue

20

per contract on indexes and futures contracts increased 1.5% and 4.2%, respectively. The increase in average revenue per contract on indexes and futures contracts, was partially offset by lower average revenue per contract in exchange-traded products which decreased 6.8%. This decrease resulted primarily from higher volume-based incentives related to these products.

Access Fees

Access fees for the three months ended September 30, 2014 and 2013 were $14.7 million and $15.0 million, respectively.

Exchange Services and Other Fees

Exchange services and other fees for the three months ended September 30, 2014 increased to $9.5 million from $9.2 million for the same period in 2013.

Market Data Fees

Market data fees for the three months ended September 30, 2014 increased to $7.8 million from $6.7 million for the same period in 2013. Market data fees represent income derived from OPRA as well as the Company’s market data services, which for the three months ended September 30, 2014 totaled $3.6 million and $4.2 million, respectively, and for the same period in 2013, totaled $3.6 million and $3.1 million, respectively. Income derived from OPRA is allocated based on each exchange's share of total cleared options transactions. The Company’s share of total cleared options transactions increased to 24.7% from 23.6%, for the same period in 2013. Despite the increase in market share in 2014, total distributable OPRA income decreased compared to the prior year period due to the allocation in 2013 of a membership fee from a new exchange that joined OPRA, resulting in comparable revenue period over period. Revenue generated from the Company's market data services, which provide current and historical options and futures data, increased $1.1 million primarily due to an increase in subscribers and rates for certain market data services.

Regulatory Fees

Regulatory fees for the three months ended September 30, 2014 and 2013 were $8.9 million. Although regulatory fees were comparable period over period, there were variances in the revenue sources. The Company collects an options regulatory fee on all Trading Permit Holder customer volume industry-wide which increased compared to the prior period. The higher revenue attributed to volume was partially offset by CBOE and C2 lowering their respective options regulatory fee rates, as of August 1, 2014, and a decrease in regulatory fees received for other regulatory services, primarily related to CBOE Stock Exchange, LLC ("CBSX") which ceased trading operations on April 30, 2014.

The Company's regulatory fees are primarily based on the number of customer contracts traded by Trading Permit Holders throughout the listed United States options industry. Under the rules of each of our options exchanges, as required by the SEC, any revenue derived from regulatory fees and fines cannot be used for non-regulatory purposes.

The Company announced in September that it is in discussions with the Financial Industry Regulatory Authority ("FINRA") on a potential agreement for FINRA to provide certain regulatory services to the CBOE and C2 options markets. Negotiations are ongoing and any agreements are subject to approval by the Company's board of directors.

Concentration of Revenue

At September 30, 2014, there were approximately one hundred Trading Permit Holders that are clearing members of OCC. Two clearing members accounted for 45% of transaction and other fees collected through the OCC for the three months ended September 30, 2014. The next largest clearing member accounted for approximately 11% of transaction and other fees collected through the OCC. No one Trading Permit Holder using the services of the top two clearing members represented more than 34% of transaction and other fees collected through the OCC, for the respective clearing member, in the three months ended September 30, 2014. Should a clearing member withdraw from CBOE, we believe the Trading Permit Holder portion of that clearing member's trading activity would likely transfer to another clearing member.

The two largest clearing members mentioned above clear the majority of the market-maker sides of transactions at CBOE, C2 and at all of the U.S. options exchanges. If either of these clearing members were to withdraw from the business of market-maker clearing and market-makers were unable to transfer to another clearing member, this could create significant disruption to the U.S. options markets, including ours.

Operating Expenses

Total operating expenses increased $5.5 million, or 8.1%, to $73.8 million for the three months ended September 30, 2014 from $68.3 million for the same period in 2013. This increase was primarily due to higher employee costs, depreciation and amortization and royalty fees.

The following summarizes changes in operating expenses for the three months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Inc./(Dec.)	Percent Change
		(in millions)		
Employee costs	$28.7	$28.0	$0.7	2.7%
Depreciation and amortization	10.4	8.5	1.9	22.2%
Data processing	4.7	4.6	0.1	4.8%
Outside services	8.2	7.9	0.3	3.4%
Royalty fees	16.2	13.8	2.4	17.3%
Trading volume incentives	1.0	1.2	(0.2)	(20.4)%
Travel and promotional expenses	1.9	1.9	—	—%
Facilities costs	1.4	1.3	0.1	5.0%
Other expenses	1.3	1.1	0.2	16.9%
Total operating expenses	$73.8	$68.3	$5.5	8.1%

Employee Costs

For the three months ended September 30, 2014, employee costs were $28.7 million, or 19.3% of total operating revenues, compared with $28.0 million, or 20.4% of total operating revenues, for the same period in 2013. This represented an increase of $0.7 million, or 2.7%, from the prior period, which primarily resulted from higher severance, higher salaries, driven by annual pay adjustments, and increases in annual incentive compensation, which is aligned with the Company's performance targets, partially offset by lower stock-based compensation.

Depreciation and Amortization

For the three months ended September 30, 2014, depreciation and amortization costs were $10.4 million compared with $8.5 million for the same period in 2013. This represented an increase of $1.9 million, which primarily resulted from increased capital spending to harden and enhance our trading platform and operations.

Outside Services

Expenses related to outside services were $8.2 million for the three months ended September 30, 2014 from $7.9 million for the same period in 2013. This represented an increase of $0.3 million which primarily resulted from higher consulting fees, primarily for contract programmers and other professional services, partially offset by lower legal costs.

Royalty Fees

Royalty fees for the three months ended September 30, 2014 were $16.2 million compared with $13.8 million for the same period in 2013. This represented an increase of $2.4 million which primarily resulted from higher royalty fees related to higher volume in licensed products, including index options and VIX futures, higher fees paid to market participants for order flow directed to our exchanges and higher fees associated with the dissemination of certain market data.

Table of Contents

Operating Income

As a result of the items above, operating income for the three months ended September 30, 2014 was $75.1 million compared to $68.4 million for the same period in 2013, an increase of $6.7 million.

Income before Income Taxes

Income before income taxes for the three months ended September 30, 2014 was $74.8 million compared to $67.9 million for the same period in 2013, an increase of $6.9 million.

Income Tax Provision

For the three months ended September 30, 2014, the income tax provision was $26.4 million compared to $26.5 million for the same period in 2013. The effective tax rate was 35.4% and 39.1% for the three months ended September 30, 2014 and 2013, respectively. The decrease in the effective tax rate primarily resulted from a reduction in the Company's tax provision as a result of a lower state apportionment versus prior estimates.

Net Income

As a result of the items above, net income allocated to common stockholders for the three months ended September 30, 2014 was $48.1 million compared to $41.0 million for the same period in 2013, an increase of $7.1 million. Basic and diluted net income per share allocated to common stockholders were $0.57 and $0.47 for the three months ended September 30, 2014 and 2013, respectively.

Nine months ended September 30, 2014 compared to the nine months ended September 30, 2013

Overview

The following summarizes changes in financial performance for the nine months ended September 30, 2014 compared to the same period in 2013.

	2014		2013		Inc./(Dec.)	Percent Change	
	(in millions, except per share amounts)						
Total operating revenues	$450.7		$430.2		$20.5	4.8	%
Total operating expenses	223.9		217.0		6.9	3.2	%
Operating income	226.8		213.2		13.6	6.4	%
Total other expense	(1.1	)	(1.7	)	0.6	(36.4	)%
Income before income taxes	225.7		211.5		14.2	6.7	%
Income tax provision	85.4		81.6		3.8	4.6	%
Net income	$140.3		$129.9		$10.4	8.0	%
Net income allocated to common stockholders	$139.3		$128.2		$11.1	8.6	%
Operating income percentage	50.3	%	49.6	%			
Net income percentage	31.1	%	30.2	%			
Diluted net income per share allocated to common stockholders	$1.62		$1.47				

• Total operating revenues increased primarily due to higher transaction fees and market data fees.

- Total operating expenses increased primarily due to higher employee costs, depreciation and amortization and royalty fees, partially offset by lower outside services.

23

Table of Contents

- The Company’s market share of total exchange traded options contracts was 29.7% for the nine months ended September 30, 2014 compared with 27.5% for the same period in 2013.

Operating Revenues

Total operating revenues for the nine months ended September 30, 2014 were $450.7 million, an increase of $20.5 million, or 4.8%, compared with the same period in 2013. The following summarizes changes in total operating revenues for the nine months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Inc./(Dec.)	Percent Change
		(in millions)		
Transaction fees	$315.0	$298.2	$16.8	5.6%
Access fees	44.8	45.7	(0.9)	(2.0)%
Exchange services and other fees	28.7	27.6	1.1	3.8%
Market data fees	22.7	17.9	4.8	26.9%
Regulatory fees	28.5	29.1	(0.6)	(1.9)%
Other revenue	11.0	11.7	(0.7)	(6.1)%
Total operating revenues	450.7	$430.2	$20.5	4.8%

Transaction Fees

Transaction fees increased 5.6% to $315.0 million for the nine months ended September 30, 2014, compared with $298.2 million for the same period in 2013. This increase was primarily due to a 10.2% increase in total trading volume, partially offset by a 4.2% decrease in average revenue per contract. The Company experienced volume increases across all product categories. The volume increases in indexes and futures were driven by increases in VIX options and VIX futures of 13.7% and 18.0%, respectively. The decrease in average revenue per contract resulted from a shift in volume mix from our highest average revenue per contract options product, index options, to our lowest average revenue per contract product, equities. In addition to the shift in product mix, we also experienced an increase in volume-based incentives resulting primarily from higher relative volume for equities and exchange-traded products which are multiply-listed options. Transaction fees accounted for 69.9% and 69.3% of total operating revenues for the nine months ended September 30, 2014 and 2013, respectively.

The following summarizes transaction fees by product category for the nine months ended September 30, 2014 and 2013.

	2014	2013	Inc./(Dec.)	Percent Change
		(in millions)		
Equities	$28.7	$31.5	$(2.8)	(8.6)%
Indexes	197.7	186.1	11.6	6.2%
Exchange-traded products	30.9	33.1	(2.2)	(6.8)%
Total options transaction fees	257.3	250.7	6.6	2.6%
Futures	57.7	47.5	10.2	21.5%
Total transaction fees	$315.0	$298.2	$16.8	5.6%

Trading Volume

Our average daily trading volume for the nine months ended September 30, 2014 was 5.13 million contracts, up 10.2% compared with 4.65 million for the same period in 2013. Total trading days for the nine months ended September 30, 2014 and 2013 were one hundred eighty-eight.

Table of Contents

The following summarizes changes in total trading volume and ADV by product category for the nine months ended September 30, 2014 compared to the same period in 2013.

	2014 Volume	2014 ADV	2013 Volume	2013 ADV	Volume Percent Change	ADV Percent Change
		(in millions)				
Equities	364.4	1.94	311.4	1.66	17.0 %	17.0 %
Indexes	293.9	1.56	277.1	1.47	6.1 %	6.1 %
Exchange-traded products	270.4	1.44	256.0	1.36	5.6 %	5.6 %
Total options contracts	928.7	4.94	844.5	4.49	10.0 %	10.0 %
Futures	35.5	0.19	30.2	0.16	17.4 %	17.4 %
Total contracts	964.2	5.13	874.7	4.65	10.2 %	10.2 %

The following provides the percentage of volume by product category for the nine months ended September 30, 2014 and 2013.

	2014	2013
Equities	37.8 %	35.6 %
Indexes	30.5 %	31.7 %
Exchange-traded products	28.0 %	29.3 %
Futures	3.7 %	3.4 %
Total	100.0 %	100.0 %

Average Revenue Per Contract

Average revenue per contract was $0.327 for the nine months ended September 30, 2014, a decrease of 4.2% compared with $0.341 for the same period in 2013. The following summarizes average revenue per contract by product category for the nine months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Percent Change
Equities	$0.079	$0.101	(21.9)%
Indexes	0.673	0.672	0.1 %
Exchange-traded products	0.114	0.129	(11.8)%
Total options average revenue per contract	0.277	0.297	(6.7)%
Futures	1.626	1.571	3.5 %
Total average revenue per contract	$0.327	$0.341	(4.2)%

Factors contributing to the change in total average revenue per contract for the nine months ended September 30, 2014 compared to the same period in 2013, include:

- Product mix — Average revenue per contract reflects a shift in the volume mix by product category. Index options accounted for 30.5% of total trading volume, respectively, as compared to 31.7% in the prior year period.

- Rate structure — Our rate structure includes sliding scales, volume discounts, volume incentive programs and caps on fees as part of our effort to increase liquidity and market share in multiply-listed options. Average revenue per contract on multiply-listed options (equities and exchange-traded products) decreased 21.9% and 11.8%, respectively.

These decreases resulted primarily from increases in volume-based incentives for these products.

25

Table of Contents

Access Fees

Access fees for the nine months ended September 30, 2014 and 2013 were $44.8 million and $45.7 million, respectively. The decrease in access fees was primarily due to the implementation of incentive programs for market-maker trading permits and floor brokers implemented in May 2013.

Exchange Services and Other Fees

Exchange services and other fees for the nine months ended September 30, 2014 increased to $28.7 million from $27.6 million for the same period in 2013. The increase was primarily due to increased demand for technology services, terminal and other equipment rentals and certain services impacted by trading volume.

Market Data Fees

Market data fees for the nine months ended September 30, 2014 increased to $22.7 million from $17.9 million for the same period in 2013. Income derived from OPRA and the Company's market data services for the nine months ended September 30, 2014 and 2013 was $11.2 million and $11.5 million and $9.3 million and $8.6 million, respectively. The Company’s share of income derived from OPRA for the nine months ended September 30, 2014 increased to 24.5% from 21.2% for the same period in 2013 resulting in higher income from OPRA of $1.9 million. Revenue generated from the Company's market data services increased $2.9 million resulting from an increase in subscribers and fees for certain market data services.

Regulatory Fees

Regulatory fees for the nine months ended September 30, 2014 decreased to $28.5 million from $29.1 million for the same period in 2013. The decrease is primarily the result of a reduction in regulatory fees received for regulatory services provided to CBSX, which ceased trading operations on April 30, 2014.

Operating Expenses

Total operating expenses were $223.9 million and $217.0 million for the nine months ended September 30, 2014 and 2013, respectively. This increase was primarily due to higher employee costs, depreciation and amortization and royalty fees, partially offset by lower outside services. As a percentage of operating revenues for the nine months ended September 30, 2014 and 2013, operating expenses were 49.7% and 50.4%, respectively.

The following summarizes changes in operating expenses for the nine months ended September 30, 2014 compared to the same period in 2013.

	2014	2013	Inc./(Dec.)		Percent Change	
		(in millions)				
Employee costs	$92.4	$90.0	$2.4		2.6	%
Depreciation and amortization	28.9	25.4	3.5		13.7	%
Data processing	14.3	13.6	0.7		4.8	%
Outside services	23.4	28.6	(5.2	)	(18.1	)%
Royalty fees	46.8	41.5	5.3		12.8	%
Trading volume incentives	3.2	3.1	0.1		2.5	%
Travel and promotional expenses	6.3	6.6	(0.3	)	(3.6	)%
Facilities costs	4.3	3.8	0.5		12.3	%
Other expenses	4.3	4.4	(0.1	)	(1.3	)%

Total operating expenses	$223.9	$217.0	$6.9	3.2	%

26

Table of Contents

Employee Costs

For the nine months ended September 30, 2014, employee costs were $92.4 million, or 20.5% of total operating revenues, compared with $90.0 million, or 20.9% of total operating revenues, for the same period in 2013. This represented an increase of $2.4 million which primarily resulted from higher salaries, payroll taxes and annual incentive compensation, partially offset by lower stock-based compensation expense.

Depreciation and Amortization

For the nine months ended September 30, 2014, depreciation and amortization costs were $28.9 million compared with $25.4 million for the same period in 2013. This represented an increase of $3.5 million which primarily resulted from increased capital spending to harden and enhance our trading platform and operations.

Outside Services

Expenses related to outside services decreased to $23.4 million for the nine months ended September 30, 2014 from $28.6 million in the prior-year period. This represented a decrease of $5.2 million which primarily resulted from lower legal costs, partially offset by higher costs for contract programmers.

Royalty Fees

Royalty fees for the nine months ended September 30, 2014 were $46.8 million compared with $41.5 million for the same period in 2013. This represented an increase of $5.3 million which primarily resulted from higher trading volume in licensed index products and an increase in royalty rates as a result of the amendment the Company executed with S&P OPCO LLC, effective as of March 2013, relating to the Company's license to trade options and futures and create products based on certain S&P indices and higher fees associated with dissemination of certain market data.

Operating Income

As a result of the items above, operating income for the nine months ended September 30, 2014 was $226.8 million compared to $213.2 million for the same period in 2013, an increase of $13.6 million.

Income before Income Taxes

Income before income taxes for the nine months ended September 30, 2014 and 2013 was $225.7 million and $211.5 million, respectively, resulting in an increase of $14.2 million.

Income Tax Provision

For the nine months ended September 30, 2014, the income tax provision was $85.4 million compared to $81.6 million for the same period in 2013. The effective tax rate was 37.8% and 38.6% for the nine months ended September 30, 2014 and 2013, respectively. The decrease in the effective tax rate for the nine months ended September 30, 2014 primarily resulted from a reduction in the Company's tax provision as a result of a lower state apportionment versus prior estimates.

Net Income

As a result of the items above, net income allocated to common stockholders for the nine months ended September 30, 2014 was $139.3 million compared to $128.2 million for the same period in 2013, an increase of $11.1 million. Basic and diluted net income per share allocated to common stockholders were $1.62 and $1.47 for the nine months ended September 30, 2014 and 2013, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2014, the Company had $126.5 million of cash and cash equivalents, a decrease from $221.3 million as of December 31, 2013. Historically, we have financed our operations, capital expenditures and other cash needs through cash generated from operations. Cash requirements principally consist of funding operating expenses, capital expenditures, actual and anticipated quarterly dividend payments and common stock repurchases under the announced program. We expect our cash on hand at September 30, 2014 and funds generated from operations to be sufficient to continue to meet our 2014 cash requirements. From time to time, we consider the possibility of acquisitions, dispositions and strategic alliances that we believe would strengthen our business in the long-term; however, if consummated these transactions may negatively impact our liquidity in the short-term.

Cash Flows

Operating Activities

Net cash flows provided by operating activities totaled $184.1 million and $172.4 million for the nine months ended September 30, 2014 and 2013, respectively. The increase in net cash flows provided by operating activities was primarily due to higher net income as compared to the prior year period.

Net cash flows provided by operating activities was $43.7 million higher than net income for the nine months ended September 30, 2014. The difference was mainly a result of $28.9 million in depreciation and amortization and the recognition of stock-based compensation totaling $13.5 million.

Investing Activities

Net cash flows used in investing activities totaled $41.5 million and $21.3 million for the nine months ended September 30, 2014 and 2013, respectively. Expenditures for capital and other assets totaled $40.0 million and $19.8 million for the nine months ended September 30, 2014 and 2013, respectively, primarily representing purchases of systems hardware and development of software to harden and enhance our trading platform and operations.

Financing Activities

Net cash flows used in financing activities totaled $237.4 million and $60.3 million for the nine months ended September 30, 2014 and 2013, respectively. The $177.1 million increase in net cash flows used in financing activities in 2014 was primarily due to the payment of a special dividend totaling $43.8 million and repurchases of unrestricted common stock by the Company under the Company's share repurchase program totaling $139.6 million.

Dividends
The Company's expectation is to continue to pay dividends. 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. Future debt obligations and statutory provisions, among other things, may limit, or in some cases prohibit, our ability to pay dividends.
Share Repurchase Program

In 2011, the board of directors approved an initial authorization for the Company to repurchase shares of its outstanding unrestricted common stock of $100 million and approved additional authorizations in 2012 of $100 million, in 2013 of $100 million and in July 2014 of $100 million. The program permits the Company to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any repurchases at any specific time or situation.

Under the program, for the nine months ended September 30, 2014, the Company repurchased 2,725,746 shares of unrestricted common stock at an average cost per share of $51.22, totaling $139.6 million.

Since inception of the program through September 30, 2014, the Company has repurchased 7,365,570 shares of unrestricted common stock at an average cost per share of $38.24, totaling $281.6 million.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are subject to certain market risks, including changes in interest rates and inflation. There have been no material changes in our market risk from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the three months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following information updates the legal proceedings disclosures in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014.

City of Providence Litigation

On April 18, 2014, the City of Providence sued CBOE and C2, as well as other securities exchanges and a proposed defendant class of certain firms, in federal court in New York City on behalf of a proposed class of all public investors who bought or sold stock, at any time since April 18, 2009 alleging that the exchanges (i) participated in a scheme by which HFT firms allegedly defrauded U.S. public investors and manipulated the prices of stocks and (ii) failed to operate their stock markets in accordance with their duties under the Exchange Act.

On September 2, 2014, the plaintiffs filed a Consolidated Amended Complaint that did not name CBOE or C2 as defendants. As a result, CBOE and C2 are now deemed to have been dismissed as defendants, without prejudice.

Item 1A. Risk Factors

Other than the risk factor listed below, there have been no material updates to the Risk Factors as set forth in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2013.

Legislative or regulatory changes affecting the listed options market could have a material adverse effect on our business.
Changes in regulation by the SEC, CFTC or other government action, including SEC approval of rule filings by other SROs or entities, including OCC, could materially affect our markets. In recent years, the securities and futures industries have been subject to significant regulatory changes as a result of increasing government and public scrutiny in response to the global economic crisis.
In 2010, Congress passed the Dodd-Frank Act and other legislation. While many of its requirements are in the process of being implemented, some of the provisions in Dodd-Frank that impact our markets require additional action by the SEC or the CFTC. Depending on how the SEC and CFTC interpret and implement these laws, exchanges like ours could be subject to increased competition and additional costs. We could also see reduced trading by our customers due to margin or other requirements placed on them.
Under the Collins Amendment to the Dodd-Frank Act, starting in 2015, U.S. banks will be required to use a new approach in order to compute their risk weighted assets, which include exchange-traded options and futures. This is expected to increase the capital requirements for U.S. bank holding companies, and bank subsidiaries involved in the trading and clearing of derivatives. These increased capital requirements may cause bank-affiliated broker-dealers to reduce their trading in, or charge their customers more to trade, our options and futures.

In 2012, the SEC directed the self-regulatory agencies to submit a plan to create, implement and maintain a consolidated audit trail, which would serve as a comprehensive audit trail of orders that will allow regulators to efficiently and accurately track all activity in Regulation NMS securities in the U.S. market. In addition to increased regulatory obligations, implementation of a consolidated audit trail could result in significant additional expenditures, including to implement any new technology to meet any plan's requirements. The SEC has also proposed Regulation Systems Compliance and Integrity ("Reg SCI") and has established working groups of exchanges to focus on improving market resiliency. The adoption of Reg SCI or other regulations or mandates generated by these working groups could result in significant additional expenses, including for technology and compliance.

It is also possible that there will be additional legislative and regulatory changes or efforts in the environment in which we operate our businesses, including in response to recent incidents that have disrupted operations on exchanges, although we cannot predict the nature of these changes or their impact on our business at this time. Actions on any of the specific regulatory issues currently under review in the U.S. and other proposals could have a material impact on our business. For a discussion of the regulatory environment in which we operate and proposed regulatory changes, see "Business-Regulatory Environment and Compliance" in our Annual Report on Form 10-K for the year ended December 31, 2013.

Table of Contents

In addition, Congress, the SEC and other regulatory authorities could impose legislative or regulatory changes that could adversely impact the ability of our market participants to use our markets, or participate in the options or futures industry at all. Any such changes could result in the loss of a significant number of market participants or a reduction in trading activity on our markets, any of which could have a material adverse effect on our business. Changes or proposed changes in regulation may also result in additional costs of compliance and modification of market participants' trading activity on our exchanges.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) The table below shows the purchases of equity securities by the Company in the three months ended September 30, 2014, reflecting the purchase of unrestricted common stock under the Company's share repurchase program:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
July 1, 2014 – July 31, 2014	423,300	$48.24	423,300	$149,285,625
August 1, 2014 – August 31, 2014	328,600	50.98	328,600	132,532,959
September 1, 2014 – September 30, 2014	261,800	54.08	261,800	118,375,464
Totals	1,013,700	$50.64	1,013,700	

(1) In 2011, the board of directors approved an initial authorization for the Company to repurchase shares of its outstanding unrestricted common stock of $100 million and approved additional authorizations in 2012 of $100 million, in 2013 of $100 million and in July 2014 of $100 million. The program permits the Company to purchase shares through a variety of methods, including in the open market or through privately negotiated transactions, in accordance with applicable securities laws. It does not obligate the Company to make any repurchases at any specific time or situation.

The Company purchased 548 shares of unrestricted common stock at an average price of $51.11 in the three months ended September 30, 2014 to satisfy employees' tax obligations upon the vesting of restricted stock. These purchases were not part of the publicly announced repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits to this Report are listed in the Exhibit Index included elsewhere herein.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CBOE HOLDINGS, INC.
Registrant

By: /s/ Edward T. Tilly
Edward T. Tilly
Chief Executive Officer (Principal Executive Officer)

Date: November 4, 2014

By: /s/ Alan J. Dean
Alan J. Dean
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: November 4, 2014

Table of Contents

CBOE Holdings, Inc.
Form 10-Q
Exhibit Index

Exhibit No.	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 (Filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 (Filed herewith).
32.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (Filed herewith).
32.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (Filed herewith).
101.INS	XBRL Instance Document (Filed herewith)
101.SCH	XBRL Taxonomy Extension Schema Document (Filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (Filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase (Filed herewith).
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (Filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (Filed herewith).