HANNA PATRICK R JR
Form 4
January 07, 2005

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
HANNA PATRICK R JR

(Last) (First) (Middle)

2000 TECHNOLOGY PARKAWY

(Street)

NEWARK, NY 14513

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ULTRALIFE BATTERIES INC [ULBI]

3. Date of Earliest Transaction (Month/Day/Year)
12/31/2004

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP Corporate Business Strategy

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $.10 par value								1,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. P Der Secu (Ins
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (Right to Buy)	$ 19.45	12/31/2004		A		167		12/31/2004	12/31/2011	Common Stock; $.10 par value	167	
Stock Option (Right to Buy)	$ 19.45	12/31/2004		A		167		12/31/2005	12/31/2011	Common Stock; $.10 par value	167	
Stock Option (Right to Buy)	$ 19.45	12/31/2004		A		166		12/31/2006	12/31/2011	Common Stock; $.10 par value	166	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HANNA PATRICK R JR 2000 TECHNOLOGY PARKAWY NEWARK, NY 14513			VP Corporate Business Strategy	

Signatures

Peter F. Comerford by authority of Patrick R. Hanna, Jr.	01/07/2005
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. bsp;   The NYSE generally produces the best quoted prices in NYSE-listed stocks and warrants, and offered the national best bid and offer 84.1% of the time for the first half of 2006. During the same time period, NYSE Arca set the national best bid and offer 7.2% of the time in NYSE-listed securities. On a combined

basis, the market centers of the NYSE Group provided the best quoted prices in NYSE-listed stocks and warrants 91.3% of the time during the first half of 2006.

Through NYSE Arca, customers can trade equity securities, ETFs and other derivative products in an all-electronic environment. NYSE Arca also provides customers with a venue for trading equity options listed on exchanges. NYSE Arca's core trading technology platform is highly reliable, efficient, and scalable, and NYSE Group is actively developing applications to leverage this technology for use in other asset classes including options and fixed income. NYSE Arca's industry leading system is designed to accept up to 18,000 orders per second and to provide up to 1,000 simultaneous customer connections. During the first half of 2006, the system handled an average of 48.2 million orders daily and 2.7 million trades daily, with a capacity to handle 20 million trades daily. NYSE Arca's electronic systems also provide customers with broad capabilities, including diverse order types and other functionality to meet customers' needs for speed and immediacy.

New Listings

NYSE Group relies on new listings to maintain its competitive position in the United States and global markets. From January 1, 2001 to June 30, 2006, 604 domestic companies listed on the NYSE. This included 179 closed-end funds, 138 transfers from other markets, 49 spin-offs and 238 initial public offerings of operating companies. Among the initial public offerings of securities qualified to be listed on the NYSE from January 1, 2001 to June 30, 2006, the capital raised by those in fact listing on the NYSE represented 88.4% of the aggregate proceeds raised in all those qualified offerings. From January 1, 2001 to June 30, 2006, 93 companies have transferred their listing from Nasdaq to the NYSE. During that same period, only four companies voluntarily transferred from the NYSE to Nasdaq. Two additional companies elected to transfer to Nasdaq in advance of SEC approval of recent amendments made to NYSE's continued listing standards that would have resulted in such companies being deemed below compliance.

In addition, since March 8, 2006, two new operating companies listed on NYSE Arca, one in conjunction with its initial public offering and one as a transfer from Nasdaq.

A key to the NYSE's past success and future growth is its ability to list and retain non-U.S. companies. Generally, international companies are attracted to the U.S. and the NYSE to take advantage of the deep and diverse investor base, to signal that they meet the world's most stringent overall listing standards and to take their place alongside other global leaders. From January 1, 2001 to June 30, 2006, 151 international companies have listed on the NYSE.

The NYSE actively pursues new closed-end fund listings. From January 1, 2001 to June 30, 2006, 179 closed-end funds have listed on the NYSE, raising over $80.7 billion in proceeds in their initial public offerings. This represents 75.2% of the funds qualified to list and 80.6% of the total closed-end fund qualified proceeds. As of June 30, 2006, the NYSE lists 479 closed-end funds, up from 394 on January 1, 2001.

Since 1988, the NYSE has supported the capital raising needs of companies qualified to list on the NYSE by providing a market for both debt and equity structured products such as capital securities, mandatory convertibles, repackaged securities and equity-linked index-linked securities and for debt securities traded on the trading floor. The number of new issuances and redemptions of these securities in any given year depends on many external factors, including interest rate levels and changes, economic conditions and financial regulation. As of June 30, 2006, the NYSE's structured products group listed approximately 600 securities.

NYSE Group is also at the forefront of growth in listing and trading Exchange Traded Funds (ETFs). ETFs are open-end investment products listed and traded in the secondary marketplace by a broad range of investors. The ETF marketplace now has 298 listings in the United States, of which the NYSE has 100 listings as of June 30, 2006. On July 20, 2005, Barclays Global Investors, the largest issuer of ETFs, announced its intention to transfer up to 61 listings to the NYSE and 20 listings to NYSE Arca from AMEX over the course of 2005-2007. As of June 30, 2006, 40 of these ETFs have transferred to the NYSE.

Listing Standards

The NYSE and NYSE Arca requires that companies seeking to list securities meet minimum financial, distribution and corporate governance criteria. While in recent years the corporate governance criteria imposed by the various U.S. markets have become substantially similar, the NYSE's overall listing standards have traditionally been, and continue to be, the most stringent of any securities marketplace in the world. Once listed, companies must meet continued listing standards. All standards are periodically reviewed to ensure that the NYSE attracts and retains the strongest companies with sustainable business models.

NYSE Group plans to leverage the NYSE brand to continue to build NYSE Arca's listing business. NYSE Group expects NYSE Arca's pending listing standards will extend the NYSE's current focus on quality companies to growing companies that initially do not meet the NYSE's stringent listing standards. NYSE Arca's listing venue will provide issuers with many of the benefits that are provided to NYSE-listed companies, including an affiliation with one of the world's leading brands, exceptional market quality and a wide range of value added products and services. By leveraging the NYSE brand across two listings platforms, NYSE Group believes it will be better positioned to serve a broader segment of corporate issuers.

Each year, a number of companies cease to be listed on the NYSE, mostly as a result of normal corporate actions, such as mergers and acquisitions. From January 1, 2001 to December 31, 2005, approximately 27% of the 783 delistings from the NYSE resulted from the failure by the delisted company to comply with the NYSE's quantitative and/or qualitative continued listing standards. Over this period, new listings on the NYSE have kept the NYSE's overall number of listed companies at a relatively constant level.

Client Service

NYSE Group has a team of professionals dedicated to serving the needs of its listed company community. These "client service managers" meet with their assigned listed companies individually and in regional executive forums that are scheduled by NYSE Group. They provide value by keeping issuers aware of market trends, market structure initiatives and developments in governance and regulation. NYSE Group believes that executives of listed companies place a high value on their relationship with their client service manager and on superior market quality, association with leading brands, global visibility, and unique marketing services that NYSE Group provides. Client retention is consistently very high (*i.e.*, greater than 99.9%).

NYSE Group offers a variety of services to its listed companies, including the ability to leverage the NYSE brand in reaching out to existing and prospective investors. It sponsors virtual forums, as well as domestic and international conferences, to provide issuers access to global institutional and retail investors. NYSEnet, a password-protected website for senior executives, provides data relating to proprietary trading, institutional ownership-and market activity. The NYSE has also developed eGovDirect.com^{SM} for use by listed companies, which is an interactive, web-based tool that helps listed companies meet their NYSE governance and compliance requirements efficiently and economically; as of June 30, 2006, approximately 1,318 NYSE-listed companies were registered for access to this site. In addition, NYSE Group believes that its executive education programs and the opportunities they offer to network with policy makers and fellow corporate executives are highly valued by the leaders of NYSE- and NYSE Arca-listed companies. Moreover, NYSE Group uses a range of advertising media, including print and radio, among others, to promote its listed companies through a variety of ongoing campaigns.

Options Business

Through NYSE Arca, Inc., NYSE Arca operates a marketplace for trading options on exchange-listed securities. The underlying securities are listed and trade on NYSE Arca, the NYSE, AMEX and Nasdaq.

NYSE Arca's option market center includes the trading facilities, technology and systems for trading options as well as regulatory, surveillance and compliance services. It also provides listing services for options on stocks that meet certain minimum criteria. NYSE Arca's options business trades approximately 500,000 contracts each day on more than 1,700 stocks.

NYSE Arca's options business uses a technology platform and market structure that is designed to enhance the speed and quality of trade execution for its customers and to attract additional sources of liquidity by allowing market makers to have access to its markets remotely and by integrating floor-based participants and remote market makers. On July 28, 2006, NYSE Arca, Inc. received SEC approval to operate a new platform for options trading with technology based on the architecture of its equities trading platform. NYSE Arca launched this platform on August 7, 2006, and intends to complete the rollout of options to the new trading platform by the end of October 2006. The revenue from NYSE Arca's options business is primarily derived from transaction execution services and market data services in a real-time or summary basis.

NYSE Group refers to permitted users of NYSE Arca, Inc.'s options trading system as "options trading permit holders." Any qualified broker-dealer who wishes to trade on NYSE Arca, Inc.'s options trading system may obtain an options trading permit from NYSE Arca, Inc.

Options Listing. Under the rules of NYSE Arca, Inc. in order to list an option on a stock, there must be at least seven million shares of the underlying stock available for public trading, with at least 2,000 holders of the security. In addition, there must be active public trading in the underlying stock, and that stock must meet certain minimum price tests. These rules also include specialized criteria for listing options on certain types of securities, such as shares of index funds or exchange-traded funds, trust-issued receipts and American Depositary Receipts. Compliance with these rules and criteria are monitored and determined by NYSE Arca, Inc.

Options Products. Options contracts are contracts with standardized terms that give the buyer the right, but not the obligation, to buy or sell a particular stock or stock index at a fixed price (the strike price) for a specified period of time (until the expiration date). Options are used in various ways by a range of investors with different goals and strategies, such as protecting equities portfolios by using options as a hedge and buying puts as a protection against unexpected declines in price, or speculating on the direction of a stock price by purchasing puts or calls in anticipation of a stock's directional movement and hope of return on risk.

Options Clearing and Settlement. All options contracts traded on NYSE Arca's options exchange as well as other U.S. securities exchanges are issued and cleared by The Options Clearing Corporation (referred to in this prospectus as the OCC), a clearing corporation registered with the SEC and owned by member options exchanges, including NYSE Arca, Inc. The OCC, which issues and clears all U.S-listed options, as well as certain futures and options on futures on a number of underlying financial assets, including common stocks, currencies, stock indices and interest rate composites, is among the world's largest clearing organizations for options and equity derivatives.

Options Transaction Fees. In conjunction with the rollout of the new options platform, NYSE Arca introduced a new pricing schedule that provides greater cost efficiencies for options investors. Effective August 1, 2006, transaction fees for Market Makers were reduced from $0.26 per contract to $0.16 per contract; transaction fees for Lead Market Makers were reduced from $0.26 per contract to $0.09 per contract; and transaction fees for Electronic Broker Dealer transactions were reduced from a combined total of $0.51 to $0.50 per contract. One Options Trading Permit (OTP) for Market Makers is $4,000 per month per OTP. Each OTP entitles market makers to quote in an expanded number of products of their choosing. Four Market Maker OTP permits, totaling $16,000, allows trading in all exchange products. OTP firms acting as Lead Market Makers are assessed a fee for LMM Rights on a per issue basis in addition to the OTP Trade Participant Rights. LMMs Rights per issue range from $150 to $3,000 per month. OTP Rights for order entry firms increased from $750 to $1,000 per month. OTP Rights for Floor Brokers dropped from $1,500 to $1,000 per month. The Cancellation fee was phased out with the introduction of the new trading platform. All application and surcharge fees were eliminated.

Order Execution Business

One of NYSE Group's primary functions is to ensure that orders to purchase and sell securities are conducted in a reliable, orderly, liquid and efficient manner. Order execution occurs through a variety of means, and NYSE Group seeks to continue to develop additional and more efficient mechanisms of trade.

Auction Market. One of the primary means for order execution is through the NYSE's auction market, in which orders are electronically transmitted for execution. Specialists at various locations on the trading floor are charged with maintaining fair, orderly and continuous trading markets by bringing buyers and sellers together and, in the relative absence of orders to buy or sell their assigned stock, adding liquidity by buying and selling the assigned stock for their own accounts. Floor brokers act as agents on the trading floor to handle customer orders.

Effective August 1, 2006, the NYSE implemented a simplified transaction fee structure for equities traded on the NYSE that made fees more transparent and distributed costs more equitably across our customer base. Transaction fees on NYSE-listed equities traded on the NYSE are based on a fixed rate of $0.00025 per share, with a monthly cap of $750,000. The long-standing 2% commission cap for NYSE-listed trading on the NYSE was eliminated. Free system orders on all NYSE-listed equities transactions were also eliminated. NYSE Arca transaction pricing for NYSE-listed securities remained unchanged. NYSE Group continues to examine its transaction pricing as part of an ongoing strategic review of opportunities for revenue growth and efficiency improvement, and to better align transaction revenue with executed volume, product expansion and new product development.

Electronic Trading. Order execution also occurs through the NYSE's electronic trading platform, NYSE Direct+®, which represented approximately 16.6% of the NYSE's total share volume for the three month period ended June 30, 2006. NYSE Direct+® is an automatic-execution service for non-ETF limit orders of up to 1,099 shares for all securities other than Phase III pilot securities, for which the limit is 1,000,000 shares (with a maximum supported order size of 3,000,000 shares for ETFs and similar securities) and enables users to elect immediate execution at the best bid or offer, without a fee and with anonymity and speed.

NYSE Arca operates two all-electronic equity securities trading systems, one for trading NYSE-, AMEX- and other exchange-listed securities, and another for trading Nasdaq-listed equity securities. These trading systems offer a variety of execution-related services, including NYSE Arca's "best execution routing" capability and routing services through the NYSE's DOT® system. NYSE Arca's systems operate on three simple but fundamental principles: fast electronic execution, transparency, and open market access. On NYSE Arca, buyers and sellers meet directly in an electronic environment governed by trading rules designed to reflect these three fundamental principles.

The rules governing trading on NYSE Arca require execution of orders, without discretion, in accordance with the principles of openness, fairness and equal access. These trading rules are predicated on "price-time priority" within NYSE Arca, which requires execution of orders at the best available price and, if orders are posted at the same price, based on the time the order is entered on the trading system. NYSE Arca's electronic matching and routing systems actively search across multiple market centers and either match orders internally or route orders out to the best bid or offer displayed in the market using NYSE Arca's "best execution routing" capability. The technological capabilities of NYSE Arca's trading systems, together with its trading rules, have allowed NYSE Arca to create a large pool of liquidity available to its customers internally on NYSE Arca or externally through other markets.

On NYSE Arca, buyers and sellers can view the NYSE Arca open limit order book, which displays orders simultaneously to both the buyer and the seller. Buyers and sellers can submit these orders on an anonymous basis if they so choose. Once orders are submitted, all trades are executed in the manner designated by the party entering the order, which is often at prices equal to or better than the national best bid or offer. The national best bid or offer is the highest bid or lowest offer quote reported to the Consolidated Quote and Nasdaq pursuant to the quotation and transactions reporting plans. See "Industry." Buy orders and sell orders are posted on NYSE Arca in price order (best to worst) and then if prices are the same, they are ordered based on the time the buy order or sell order was posted (earliest to latest). NYSE Arca users may choose to have their unexecuted orders left on NYSE Arca's open order book, returned to them, or routed to other markets using NYSE Arca's "best execution routing" capability.

NYSE Group refers to permitted users of NYSE Arca's equity trading systems as "equity trading permit holders." Any qualified broker-dealer who wishes to trade on NYSE Arca's equity trading systems may obtain an equity trading permit from NYSE Arca.

For equity securities, NYSE Arca charges a per share fee (denominated in tenths of a cent per share) to each customer that executed against a buy order or sell order posted internally on the NYSE Arca system. NYSE Arca refers to these customers when they purchase or sell securities as "liquidity takers," as they removed liquidity from the NYSE Arca system. A liquidity taker may be either a purchaser or a seller, and is distinguished from a "liquidity provider" generally by the type of buy order or sell order it posts on NYSE Arca's system. A liquidity provider will likely enter a non-marketable limit order on the NYSE Arca system (i.e., either a limit order to buy a security with a limit price below the best offer or a limit order to sell a security with a limit price above the best bid). Non-marketable limit orders are placed on the NYSE Arca limit order book and await execution. A liquidity taker, on the other hand, is likely to enter a marketable limit order (i.e., a limit order to buy a security with a limit price at or above the best offer or a limit order to sell a security with a limit price at or below the best bid for that security). Accordingly, liquidity providers generally "post" buy orders or sell orders that are subsequently executed against by the sell order or buy order, as the case may be, of a customer that is the liquidity taker. As discussed below, NYSE Arca pays liquidity providers a per share fee for posting buy orders and sell orders on NYSE Arca's system.

NYSE Arca also charges a per share fee (denominated in tenths of a cent per share) to customers whose orders of equity securities were routed out to an external market center displaying the best buy order or sell order in the market for a particular security.

Effective October 1, 2006, subject to SEC approval, NYSE Arca will change its rates for trading NYSE-listed securities as follows: (i) the rate for removing liquidity from NYSE Arca will increase from $0.001 per share to $0.003 per share; and (ii) NYSE Arca will rebate $0.002 per share for the provision of liquidity, a change from its current fee schedule which neither charges for nor offers a rebate for the provision of liquidity to NYSE Arca.

MatchPoint Trading. On July 17, 2006, NYSE Group acquired MatchPoint Trading, Inc., a financial services technology company specializing in call market trading and technologies. MatchPoint has developed a proprietary electronic equity crossing system that matches aggregated orders at predetermined and distinct times, at prices that are derived from the primary market for securities (NYSE, AMEX and NASDAQ), enabling MatchPoint technology to operate multiple matches each with a unique benchmark pricing model. MatchPoint can also process internal crosses for single participants and seamlessly enables residuals to participate in scheduled crossing sessions. It is anticipated that MatchPoint's expansive and innovative trading technology will enhance the suite of crossing services provided by the NYSE in the first quarter of 2007.

Marco Polo Network Inc.

On September 18, 2006 NYSE Group announced that it had acquired an equity stake in Marco Polo Network Inc. Through its local exchange and brokerage relationships, Marco Polo Network offers intra-market connectivity and routing to brokers and exchanges in more than 40 emerging markets. Together, these markets provide investors with access to more than 90% of the MSCI emerging markets index.

Fixed Income Business

The NYSE also operates the largest centralized bond market of any U.S. exchange or other self-regulatory organization. A broad selection of bonds is traded on the NYSE, such as corporate (including convertibles), agency and government bonds. The trading volume of bonds on the NYSE is primarily in corporate bonds, with approximately 94% of this volume in non-convertible bonds. Bonds trade on the NYSE through the NYSE's ABS®, a screen-based system used by NYSE member organization subscribers, which was implemented in 1977. ABS® maintains and displays priced bond orders and matches those orders on a strict price and time-priority basis. It also reports real-time quotes and trades to market data vendors. The NYSE is actively developing applications to leverage NYSE Arca's core technology to upgrade its current bond trading platform.

Indices & Index Services

Index Calculation Services. NYSE Arca offers an index calculation service for investment ideas that ultimately serves as the reference indicator for exchange-traded funds and other structured products. Custom index calculation is an important component to the development of traded products on the exchange, and allows the exchange to leverage its technology and understanding of traded products to better serve investors. Additionally, NYSE Arca provides various intra-day ETF fund valuation services to the ETF issuers and trading community. All of the Index Services are designed to offer our clients more tools and services to support the listing and trading.

NYSE Group Indices. NYSE Group has created six benchmark indices. The NYSE established its first index, the NYSE Composite Index, in 1966 to provide a comprehensive measure of the performance of all of the common stocks listed on the NYSE. Four other NYSE-branded indices were launched in June 2002, all of which are composed entirely of NYSE-listed companies. The March 2006 merger with Archipelago expanded the existing offerings with the addition of the NYSE Arca Tech 100 Index. The NYSE has licensed the NYSE Composite Index and the NYSE U.S. 100 Index to Barclays Global Investors, N.A. for use in replicating the performance of the indices in the iShares NYSE Composite Index Fund and the iShares NYSE U.S. 100 Index Fund.

The NYSE Composite Index is designed to measure the performance of all common stocks listed on the NYSE, including REITs, tracking stocks and common equity and ADR listings of foreign companies. The NYSE Composite consists of over 2,000 U.S. and non-U.S. stocks. The index utilizes a transparent, rule-based methodology which includes free-float market cap weighting. The total float- adjusted market capitalization as of July 31, 2006 was more than $18 trillion. All companies in the NYSE Composite have to meet the initial listing standards of the NYSE, providing a base level of quality for the index's potential components. In addition to serving as a broad-based benchmark, the NYSE Composite establishes a universe from which other NYSE-branded indices are derived.

The NYSE U.S. 100 Index is designed to measure the performance of the largest 100 U.S. stocks listed on the NYSE. The index had a total market capitalization as of July 31, 2006 of over $6.7 trillion. The component companies of this index, ranked by market capitalization, are major market participants, most of which are well known household names.

The NYSE International 100 Index is designed to measure the performance of the largest 100 non-U.S. stocks listed on the NYSE. All 100 components are ADRs from 18 different countries that trade on the NYSE. The index had a total market capitalization as of July 31, 2006 of over $5.0 trillion.

The NYSE World Leaders Index consists of components from the NYSE U.S. 100 and the International 100 indices. It tracks the performance of 200 leading companies across 19 countries. The index had a total market capitalization as of July 31, 2006 of approximately $12.0 trillion.

The NYSE TMT index measures the performance of the largest 100 NYSE-listed U.S. and non-U.S. stocks in three sectors: Technology, Media and Telecommunications (TMT). The index had a total market capitalization as of July 31, 2006 of approximately $2.0 trillion.

The NYSE Arca Tech 100 Index (formerly the ArcaEx Tech 100 Index) is a price weighted, broad based index of 100 securities, established in 1982. Modeled as a multi-industry technology index, the objective of the NYSE Arca Tech 100 Index is to provide a benchmark for measuring the performance of companies using technology innovation across a broad spectrum of industries: computer hardware, software, semiconductors, telecommunications, data storage and processing, electronics and biotechnology, to name just a few. NYSE Arca Tech 100 Index is a tech sector equivalent to the Dow Jones Industrial Average and is a market indicator used by mutual fund rating services, analysts, asset managers and private investors to gauge the overall performance of the technology sector of the U.S. equity market. On July 28, 2006 the Exchange Traded Trust filed a registration statement to create an ETF replicating the performance of the NYSE Arca Tech 100 Index.

Market Data Business

NYSE Group collects and distributes market data, including real-time information relating to securities quotations, limit orders and the prices at which securities transactions take place. The broad distribution of accurate and reliable real-time market data is essential to the proper functioning of any securities market because it enables market professionals and investors to make trading decisions. NYSE Group believes that the quality of its market data, and the ability of traders to act on that data, attract order flow to the NYSE and NYSE Arca for execution and reinforce the NYSE brand. The pricing for market data products must be approved by the SEC on the basis of whether prices are fair, reasonable and not unreasonably discriminatory. For a discussion of recent regulatory changes affecting market data, see "Regulation U.S. Regulation Recent U.S. Regulatory Developments."

NYSE Group's market data activity is divided into two parts: consolidated data services and proprietary data products.

Consolidated Data Services

The SEC requires securities markets to consolidate their bids, offers and last sale prices for each security, and provide the public with an integrated source of this information. NYSE Group works with other markets to make this market data available on a consolidated basis on what is often referred to as the "consolidated tape." This intermarket cooperative effort provides the investing public with the reported transaction prices and the best bid and offer for each security, regardless of the market to which a quote or trade is reported or on which a trade takes place.

Last sale prices and quotes in NYSE-listed securities are disseminated through Tape A, which constitutes the majority of the NYSE's revenues from consortium-based market data revenues. NYSE Group also receives a share of the revenues from Tape B and Tape C, which represents data related to trading of certain securities that are listed on Nasdaq, AMEX, and other regional exchanges, including ETFs.

Proprietary Data Products

NYSE Group makes certain market data available independently of other markets. The NYSE packages this market data as:

- trading products (such as NYSE OpenBook®, through which the NYSE makes available all limit orders); and

- analytic products (such as TAQ Data, NYSE Broker Volume® and a variety of other databases that are made available other than in real-time and that are generally used by analytic traders, researchers and academics).

These products are proprietary to NYSE Group, and NYSE Group does not share the revenues that it generates from these products with other markets. The pricing for proprietary products must be approved by the SEC.

Over the past two decades, NYSE Group has expanded its market data business by tapping new markets, in particular nonprofessional subscribers, the cable television audience and customers interested in NYSE Group's proprietary data products. Revenues for NYSE Group proprietary data products have grown significantly over the last few years, fueled in large part by the success of NYSE OpenBook®, which the NYSE introduced in 2002. The advent of trading in penny increments and the accelerated use of "black box" trading tools accelerated the success of NYSE OpenBook®.

NYSE Arca also makes certain market data available independent of other markets, including the following products:

- *ArcaVision*®. ArcaVision® offers analytic tools that go beyond the traditional trading data that is available to customers. NYSE Arca developed ArcaVision® in response to customer demand for increasingly detailed analyses of trading patterns, and it is designed to provide customers with critical market data on particular stocks. The ArcaVision® website is available to issuers listed on NYSE Arca, customers executing trades on NYSE Arca, and the general public. ArcaVision®'s sophisticated system enables NYSE Arca to customize the views available to each user to meet their specific needs.

ArcaBook®. ArcaBook® displays the limit order book of securities traded on the NYSE Arca trading platform in real time. Pending SEC approval, NYSE Arca intends to begin charging a fee to access ArcaBook®. NYSE Group is unable to predict what impact this may have on its revenues.

NYSE Trading Floor

The NYSE operates approximately 46,000 square feet of contiguous trading floor space where specialists, floor brokers and clerks engage in the purchase and sale of securities. As of June 30, 2006, there were 418 specialists, 843 floor brokers and 2,267 clerks conducting business on the NYSE's trading floor. The NYSE derives revenues from these specialists, brokers and clerks by providing them with various products and services, including space, necessary for them to engage in the purchase and sale of securities on the trading floor.

The NYSE Hybrid Market^{SM} Initiative

On March 22, 2006, the SEC approved the NYSE Hybrid Market^{SM}, which combines auction-based and electronic trading for equities listed on the NYSE. This initiative is NYSE Group's response to the request from both market professionals and individual investors for greater choice and flexibility in buying and selling stocks on the NYSE. The NYSE Hybrid Market^{SM} is also NYSE Group's strategy for adapting to the revised "trade through" rule adopted by the SEC on April 6, 2005 as a part of Regulation NMS, which prohibits trading-through of quotations that are displayed by another market and immediately accessible through automatic execution.

The NYSE Hybrid Market^{SM} is intended to emulate, in a primarily automatic-execution environment, the features of the traditional auction market that have provided stable, liquid and less volatile markets, as well as the opportunity for price improvement. The NYSE Hybrid Market^{SM} will expand the availability of the NYSE's current automatic execution service (NYSE Direct+®), which provides order execution at sub-second speed and, for the three month period ended June 30, 2006 handled approximately 16.6% of the NYSE's average daily share volume. The NYSE Hybrid Market^{SM} is intended to feature the following:

All quotes will be automatically and continuously refreshed and reflect the combined liquidity of the NYSE Display Book® and the electronic interest of trading floor broker agents and the specialist. Limit orders will be published in real time. This structure will facilitate the ability of brokers and specialists to interact with supply and demand and to scale interest and provide price improvement to incoming electronic orders seeking liquidity.

Customers will have the choice of auction representation and the opportunity for price improvement over the published best bid and offer. The NYSE's auction model currently provides price improvement for more than 25% of incoming orders, most obtaining improvement better than the midpoint of the quote spread.

Specialists and floor brokers will supplement liquidity to stabilize price movements in both the automated and auction components of the NYSE Hybrid Market^{SM} through the use of floor broker agency interest files, and specialist layered interest files and specialist algorithmic interaction with orders. As such, both electronically and manually executed orders may benefit from the value added by specialists in committing capital and providing depth to the market, and from the competition among electronic orders as well as those represented by floor brokers. Floor brokers will participate both electronically and in person, using human judgment to process large or complex orders more effectively than would otherwise be possible on a solely electronic platform.

Time restrictions between the entry of orders by the same beneficial owner on NYSE Direct+® will be eliminated and all size limit and market orders will be accepted up to the maximum supported order size, which is currently 1,099 shares for most equity securities, 3,000,000 shares for ETFs and 1,000,000 for equity securities included in Phase III of the NYSE Hybrid Market℠ rollout.

Those customers that desire sub-second, automatic trade execution will have access to floor liquidity. Customers with buy and sell orders beyond the size of the best bid or offer will have the ability to "sweep the book" or designate individual orders to trade at multiple price points subject to certain limitations, including the Liquidity Replenishment Points℠ or "LRPs" described below.

In order to preserve the lower volatility that has characterized trading on the NYSE, pre-determined and published LRPs℠ will limit severe price moves. When activated, LRPs will allow integration of the electronic market with the auction market for one transaction, thus enabling the specialist to elicit additional trading interest.

All better-priced top-of-book bids and offers entitled to protection under Regulation NMS in all other automated markets will be immediately accessed unless customers are provided the same price on the NYSE. All incoming orders from all competing market centers will be automatically executed at the displayed best price. This will create an environment in which best prices will be protected from inferior-priced trade executions regardless of where an order is entered, and without awaiting human reaction.

As part of the NYSE Hybrid Market℠ initiative, the NYSE will further automate routine specialist tasks and create a new interface to facilitate algorithmic liquidity injection by specialists. In addition, the NYSE will add new functionality to trading floor broker wireless hand-held computers to further automate smart order types and create a new broker interest file with layering capabilities.

The NYSE Hybrid Market℠ will build on the NYSE's core attributes of liquidity, pricing efficiency, low trading costs and tight spreads by broadening customers' ability to trade quickly and anonymously. The NYSE Hybrid Market℠ will also further the NYSE's goal of providing all investors, regardless of their size, with the best price when buying or selling shares. Interaction of the NYSE's automatic and auction markets also would maintain the opportunity for price improvement.

By continuing to maintain market quality, including lower intra-day volatility, the NYSE Hybrid Market℠ will also allow issuers to reduce their cost of capital. Combining the NYSE's technology with the advantages of the auction market would enable the NYSE market to function more effectively and efficiently. In the NYSE Hybrid Market℠, specialists and brokers, who will use judgment to improve prices and enhance order competition on the floor of the NYSE, will interact with the market electronically as well as manually. NYSE Group believes that their judgment will be particularly valuable in less liquid stocks and during the opening and closing of trading, as well as during times of uncertainty, for example, when a corporate announcement or an outside event could lead to market instability and price volatility.

The NYSE is developing the software that will power the NYSE Hybrid Market℠. In December 2005, the NYSE initiated the first phase of the NYSE Hybrid Market℠ as a pilot to test selected features and functionality among a limited number of securities approved by the SEC. The pilot terminated upon SEC approval of the NYSE Hybrid Market℠ initiative and floor-wide roll-out of the first phase began. As of April 5, 2006, the first phase of the NYSE Hybrid Market℠ was implemented in substantially all securities listed on the NYSE. To date, NYSE Hybrid Market℠ software is functioning as expected, and all features are being actively exercised by trading floor professionals. The NYSE has completed its rollout of Phase II software and specialist firms are in various stages of testing and implementing their software. All specialist firms across all applicable securities are expected to be live by October 2006. In addition, the NYSE filed and received approval from the SEC to conduct a Phase III pilot in Lucent Technologies Inc. to provide full automated execution capabilities as provided in Phase III. The pilot has been live since May 12, 2006 and has worked as expected.

NYSE Membership Organizations

NYSE member organizations are comprised of (i) entities who obtain trading licenses in accordance with the rules and regulations of the NYSE (including the rules of eligibility that will apply to those who wish to be a member organization); and (ii) broker-dealers who agree to submit to the jurisdiction and regulations of the NYSE without obtaining a trading license. As member organizations, they are subject to the rules and policies of the NYSE. In the future, NYSE Group may decide to offer member status to other types of organizations; for example, if NYSE Group decides to issue separate licenses for electronic access or access for particular products.

NYSE Trading Licenses

Physical and electronic access to the trading facilities of the NYSE, subject to such limitations and requirements as may be specified in the rules of the NYSE, are available only to member organizations that have purchased a trading license from NYSE. These trading licenses have the following attributes:

Duration and Pricing. The price of trading licenses is determined through a modified Dutch auction process once per year. The NYSE will sell trading licenses at the lowest bid price in the auction that will allow for the sale of at least 1,000 trading licenses, as long as such bid price is at least equal to 80% of the previous year's trading license price. The clearing price at which all licenses are sold in the auction is determined under procedures calculated to provide suitable revenue to NYSE Market while providing fair access to its facilities to member organizations that wish to do business there. On January 4, 2006, based on this modified Dutch auction process, the NYSE sold 1,274 trading licenses at an annual price of $49,290 per license, subject to SEC approval of applicable NYSE rules, which approval was obtained on February 27, 2006. The NYSE has made a total of 1,366 trading licenses available for purchase during 2006, the remainder of which can be purchased, subject to the approval of NYSE Regulation, for a premium of 10% to the auction price. Except for these initial trading licenses, which will be valid from March 7, 2006 through the end of 2006, each trading license will be valid for one calendar year.

Availability. NYSE Group expects that the number of trading licenses that will be outstanding (as well as the price for these licenses) will be determined through an auction process on an annual basis. NYSE Group also has the right to sell additional trading licenses during the year at a price greater than the auction price, in order to, among other things, ensure that the supply of trading licenses is adequate to meet demand for the trading licenses should conditions change after the auction and to accommodate new businesses that commence operations after the beginning of the year. Holders of trading licenses have the right to cancel their trading license prior to the end of the year, subject to paying NYSE Market an early termination penalty. A maximum of 1,366 trading licenses can be outstanding at any time during the year.

Approval of NYSE Regulation. Any bidder for a trading license is subject to the approval of NYSE Regulation.

NYSE Group has not determined whether it will issue separate licenses for access for particular products.

Securities Industry Automation Corporation (SIAC)

Overview

SIAC is the principal vendor of the NYSE Group's data processing and software development services and a registered securities information processor under the Exchange Act. NYSE Group owns two-thirds of the equity of SIAC, and AMEX owns the remaining one-third. Formed in 1972 as a New York business corporation, SIAC:

- plans, develops, implements and operates a variety of automated information-handling and communication systems that support order processing, trading, and market data reporting, as well as trade comparison, for a broad range of securities;
- provides systems support for essential regulatory and administrative activities; and
- operates and manages the SFTI℠ network, which provides resilient and reliable communications within the financial services industry.

Historically, SIAC has been operated as a cost-recovery utility. As a result, it provides its services to its customers on an at-cost, non-profit basis. SIAC's contribution to NYSE revenues, excluding activity assessment fees, accounted for 10.3% of the NYSE Group's total revenue for the six months ended June 30, 2006.

SIAC's wholly owned for-profit subsidiary, Sector, Inc., offers an array of communications and data processing services, primarily to the broker-dealer community. These services include email archiving, other books and record storage solutions, facilities management, data center hosting, disaster recovery, enterprise services and network and data distribution services. The telecommunications services include traditional point-to-point voice circuits and network management. Sector is headquartered in New York City.

SIAC Governance

The SIAC bylaws provide that the SIAC board of directors shall consist of 14 directors. Under a shareholders' agreement among SIAC, the NYSE and AMEX, of these 14 directors:

- seven directors are selected by the NYSE (provided that at least five of these seven directors are not officers or employees of the NYSE unless they are also members of New York Stock Exchange LLC board of directors);
- three directors are selected by AMEX (provided that at least one of these three directors is not an officer or employee of AMEX);
- one director is jointly selected by the NYSE and AMEX (it is contemplated that this director will also serve as the chief executive officer of SIAC); and
- three directors are selected by the Securities Industry Association.

The directors are divided into two classes, designated as Class A directors and Class B directors. Each class of directors is elected for a two-year term so that the term of office of one class of directors expires each year. Gerald Putnam, who is NYSE Group's president and co-chief operating officer, is chairman of the SIAC board of directors.

The SIAC board of directors has two standing committees: the executive committee and the audit committee. The executive committee is comprised of five members of the SIAC board of directors. The executive committee's responsibilities include:

- reviewing the management personnel needs, structure and policies of SIAC;
- reviewing the current and anticipated financial requirements of SIAC; and
- functioning as SIAC's compensation committee for the purpose of reviewing and approving the compensation plans and guidelines for all employees and the officers of SIAC.

The audit committee is comprised of three members of the SIAC board of directors. Its responsibilities are to assist the SIAC board of directors in fulfilling its financial accounting oversight responsibilities. In this capacity, the audit committee reviews the financial reporting process, the system of internal controls and the process by which SIAC maintains compliance with applicable laws, rules and regulations.

The NYSE, AMEX and SIAC are parties to a shareholders agreement that governs the respective rights of the NYSE and AMEX relating to SIAC. Under the shareholders agreement, neither the NYSE nor AMEX may transfer any of their shares in SIAC to a third party without the consent of the other party, unless this transfer occurs:

- by operation of law, by reason of insolvency or other cause; or
- upon completion of a right-of-first-refusal process, in which the other party has the right to acquire any SIAC shares proposed to be transferred by either the NYSE or AMEX to a third party at the lower of:
  - the price offered by the third party seeking to acquire such SIAC shares; or
  - the "option price" agreed upon by the NYSE and AMEX from time to time or established by a five-person committee consisting of two representatives appointed by each of the NYSE and AMEX and one person appointed by the four members. (There is currently no determined option price.)

Major Customers

SIAC provides data processing services to NYSE and AMEX. In addition, SIAC operates the Intermarket Trading Systems and provides services to the Intermarket Surveillance Group Participants, the CTA Plan and CQ Plan and the Options Price Reporting Authority. SIAC also provides services to Sector.

Facilities Management Agreement

SIAC provides services to the NYSE and AMEX pursuant to an agreement dated February 23, 1977, among the NYSE, AMEX and SIAC, as amended, and a Paying Agency Agreement dated August 23, 2004 (which this document refers to collectively as the "facilities management agreement"). The facilities management agreement provides for services to be provided and products to be obtained by SIAC on behalf of or for use by the NYSE or AMEX, as either may request, at SIAC's cost. The facilities management agreement also provides that the NYSE or AMEX may request that the services to be provided to it be added to, modified or terminated, and that SIAC will "use its best efforts, consistent with sound business practices, to adapt to the changed requirements of each exchange for services rendered by SIAC."

Generally, the at-cost basis for service charges under the facilities management agreement includes dedicated manpower (such as salaries, overtime, part-time help and benefits); dedicated data processing or communications supplies and equipment; dedicated general expenses (such as office supplies, photocopy equipment, local transportation and travel); and shared common expenses (such as occupancy costs, facilities engineering support, security services and other non-dedicated manpower and related expenses, etc.), as well as any costs for products or services from third-party vendors. Costs are billed to the NYSE (and AMEX) on a monthly basis.

The facilities management agreement requires SIAC to recognize individual ownership rights on the part of the NYSE or AMEX of properties acquired by SIAC at the respective direction and expense of the NYSE and AMEX and joint ownership rights on the part of the NYSE and AMEX of properties acquired by SIAC for services provided to both the NYSE and AMEX. The agreement requires SIAC to maintain confidentiality regarding services it undertakes for each of the NYSE and AMEX and with regard to certain information obtained by SIAC in connection with the provision of services.

Separate services agreements cover services provided by SIAC to Options Price Reporting Authority and to the participants in the CTA Plan and the CQ Plan.

Recent Developments

NYSE Group and AMEX are SIAC's largest customers and, accordingly, the loss of the business of either could have a material adverse effect on SIAC. The National Securities Clearing Corporation and Fixed Income Clearing Corporation have entered into separate agreements with SIAC, pursuant to which the services previously provided by SIAC have been phased out. In addition, AMEX has sent a notice to SIAC indicating that it intends to materially decrease its use of SIAC's services. Negotiations with AMEX are currently being held with a view to such a material decrease in SIAC services provided to AMEX and the possible purchase of the shares of SIAC held by AMEX. No definitive agreements have yet been reached. If AMEX materially decreases its use of SIAC's services, as is presently anticipated, SIAC's revenues will be adversely affected. To the extent that AMEX does not bear a portion of the costs associated with this decrease (including transition costs and an appropriate share of SIAC's current overhead as SIAC seeks to mitigate the overhead costs), or to the extent that NYSE Group is not able to reduce its costs associated with SIAC to offset the amount of reduction in revenue from SIAC (which it may not be able to do), NYSE Group's profits and results of operations may be adversely affected. In order to reduce costs, SIAC has started to out source its finance and human resources functions to NYSE Group. See also "Risk Factors Risks Relating to NYSE Euronext's Business NYSE Euronext's revenues from SIAC could significantly decrease if SIAC loses major customers." In connection with any agreement for a material decrease in the SIAC services provided to AMEX, NYSE Group may purchase the 33% of SIAC's shares held by AMEX. Such a development could lead to the changes in the governance of SIAC described above and could result in changes to the Facilities Management Agreement described above. In addition, the shareholder agreement described above would be terminated.

NYSE Regulation

Overview. The NYSE and NYSE Arca, Inc. are responsible for examining compliance with and enforcing the financial, operational and sales-practice rules and codes of conduct for members, member organizations and their employees, and have responsibility for regulatory review of their trading activities. In addition, the NYSE and NYSE Arca, Inc. are responsible for enforcing compliance with their respective listing standards and corporate governance requirements by listed companies.

The regulatory functions of the NYSE and NYSE Arca, Inc. are performed by NYSE Regulation, Inc., a separate not-for-profit subsidiary of NYSE Group. NYSE Regulation consists of the following five divisions and a risk assessment unit, employing approximately 708 people as of June 30, 2006:

- Listed Company Compliance;
- Member Firm Regulation;
- Market Surveillance;
- Enforcement; and
- Dispute Resolution/Arbitration.

Listed Company Compliance. The NYSE and NYSE Arca, Inc. require their listed companies to meet their respective original listing criteria at listing, and to thereafter maintain continued compliance with their respective listing standards. The Listed Company Compliance division monitors and enforces compliance with these standards. The division is split into two parts:

- the financial compliance group, which reviews a company's reported financial results both at the time of listing and thereafter to ensure that it meets original listing and continued-listing requirements; and
- the corporate compliance group, which ensures that listed companies adhere to the highest standards of accountability and transparency, including governance requirements for configuration of corporate boards, director independence and financial competence of audit committee members.

The rules of the NYSE and NYSE Arca, Inc. regulating the original and continued listing of companies are subject to review and approval by the SEC.

Member Firm Regulation. The Member Firm Regulation division conducts examinations of the more than 325 member organizations of the NYSE (representing approximately 90% of the total public customer accounts handled by broker-dealers in the United States), and more than 35 members of NYSE Arca, Inc. (for which it is the designated examining authority), for financial, operations and sales-practice compliance. In addition, the Member Firm Regulation division interprets and develops NYSE rules, develops and administers various industry qualifications and examinations, and administers the NYSE's continuing education programs for registered persons in the securities industry. As the primary self-regulator for its member organizations, Member Firm Regulation seeks to minimize duplication of effort with other regulatory organizations. Whenever feasible, examinations are conducted jointly with other self-regulatory organizations or responsibilities are allocated with the objective of increasing the cost effectiveness of self-regulation.

Market Surveillance. The Market Surveillance division is responsible for, among other things, monitoring equity insider trading activities on the facilities of the NYSE. Such monitoring of trading activities involves both real-time and post-trade review. The Market Surveillance division reviews transactions to determine whether auction-market rules and principles are being complied with and fairly maintained, and whether such transactions involve abusive or manipulative trading practices. The Market Surveillance division uses sophisticated computer technology to detect unusual trading patterns, and the staff of the Market Surveillance division also maintains a presence on the trading floor of the NYSE.

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Explanation of Responses:

Market Surveillance makes referrals to the NYSE Enforcement division and the SEC Division of Enforcement, as appropriate. NYSE Arca maintains a surveillance group that is responsible for monitoring equities and options trading on that market.

Enforcement. The Enforcement division investigates and prosecutes violations of NYSE and NYSE Arca rules and U.S. federal securities laws and regulations. Enforcement cases include customer-related sales practice violations, breaches of financial and operational requirements, books and records deficiencies, reporting and supervisory violations, misconduct on the trading floor, insider trading, market manipulation and other abusive trading practices. Sources of cases for the Enforcement division include examination findings referred by the Member Firm Regulation division, surveillance reviews referred by the Market Surveillance division, arbitration referrals from the Dispute Resolution/Arbitration division, reviews of customer complaints by the Enforcement division, settlements and reporting by member organizations, referrals from the SEC and complaints by members of the investing public and securities professionals. In 2005, the Enforcement division prosecuted 196 NYSE cases, comprised of 138 actions against individuals and 58 actions against member organizations. All settlements negotiated between Enforcement and a respondent must be reviewed and approved by the Office of the Hearing Board, which is independent of NYSE Regulation management, before becoming final. Contested hearings are also conducted before hearing panels under the purview of the Hearing Board, which operates much like an administrative tribunal.

Dispute Resolution/Arbitration. The Dispute Resolution/Arbitration division provides a neutral forum for the resolution of securities industries disputes in more than 46 cities throughout the United States. For more than 125 years, the NYSE has used arbitration to resolve disputes between investors and member organizations/brokers and between member organizations and their employees. Arbitration enables a dispute to be resolved quickly and fairly by impartial arbitrators, who are knowledgeable and trained in the art of resolving controversy. Mediation is another dispute resolution option that the NYSE offers. This is a voluntary process in which a neutral mediator meets with the parties and attempts to help them reach a settlement. Mediation is not binding, is not adversarial and no record of the mediation is kept. NYSE Arca provides its own arbitration forum, which is administered by the same staff that administers the NYSE arbitration program.

Structure, Organization and Governance of NYSE Regulation. NYSE Regulation has undertaken the regulatory functions of the New York Stock Exchange LLC and NYSE Arca, Inc. pursuant to agreements with each entity. NYSE Regulation also has an explicit agreement with NYSE Group, New York Stock Exchange LLC and NYSE Market so that adequate funding is provided to NYSE Regulation. Moreover, under the operating agreement of New York Stock Exchange LLC, no regulatory fees, fines or penalties collected by NYSE Regulation may be distributed to NYSE Group or any entity other than NYSE Regulation.

NYSE Regulation expects to be self-funded through its collection of regulatory fees and fines and through its agreements with New York Stock Exchange LLC, NYSE Market and NYSE Arca, Inc. to provide regulatory services. NYSE Regulation levies fines as a result of formal disciplinary action imposed by the Enforcement division of NYSE Regulation. When the Enforcement division determines that there has been a violation of law or SEC or NYSE rules, it prepares an enforcement action memorandum that includes a range of sanctions for settlement purposes or for the recommendation of a sanction in the event that the matter is contested. NYSE Regulation may consider the following factors, among others, in determining the level of the sanction:

- the nature of the misconduct and the degree of scienter;
- the harm caused by the misconduct;
- the extent of the misconduct;

the prior disciplinary record of the respondent;

the implementation of corrective measures and restitution;

deceptive conduct, neglect or disregard of "red flags" on the part of the respondent;

the effectiveness of the respondent's operational, supervisory and compliance controls; and

the respondent's size and financial resources and cooperation.

In addition, the Enforcement division considers prior precedents in determining the level of sanction, including any applicable NASD and SEC matters that are analogous to the case at hand. The Enforcement division receives input from other regulatory divisions as appropriate to verify consistency in terms of charges being recommended and the sanction level. The chief executive officer of NYSE Regulation reviews and approves the recommended level of sanction. Respondents can either settle, which will result in a signed stipulation of facts and consent to penalty, or can contest the matter and proceed to a hearing on the charges.

In the event of a settlement, the stipulation and consent will be presented to the Hearing Board. The Hearing Board can accept or reject the settlement. If the respondent wishes to contest the matter, a charge memorandum will be issued to the respondent, who has 25 days to answer and the matter is brought before a hearing panel to decide. In the event that the respondent is found guilty, a sanction is imposed by the hearing panel that may include a fine. There is an appellate process for such decision that starts with the NYSE Regulation board, then proceeds to the SEC, and then to the federal court of appeals.

NYSE Regulation has budgeted conservatively for regulatory fines, and they are not considered in its fee structure. NYSE Regulation does not adjust the amount of regulatory fees charged based on the amount of fines assessed. The NYSE Regulation Board continues to review how fines will be used going forward.

NYSE Regulation incorporates several structural and governance features designed to ensure its independence, given the status of NYSE Group as a for-profit and listed company prior to the combination and NYSE Euronext's status as a for-profit and listed company after the combination. For example, the NYSE Euronext's certificate of incorporation will contain ownership and voting limitations to prevent any stockholder from having undue control over NYSE Euronext (and therefore the SROs owned by NYSE Euronext). See "Description of Capital Stock Ownership and Voting Limits on NYSE Euronext Capital Stock" and its certificate of incorporation, which contains provisions that require that:

NYSE Euronext gives due regard to the preservation of the independence of the self-regulatory function of its SROs and to their obligations to investors and the general public;

NYSE Euronext does not take any action that would interfere with the effectuation of any decisions by the board of directors of its SROs relating to their regulatory functions (including disciplinary matters) or that would interfere with the ability of its SROs to carry out their respective responsibilities under the Exchange Act;

NYSE Euronext generally keeps confidential information pertaining to the self-regulatory function of its SROs that comes into its possession;

NYSE Euronext , its directors and officers, and those of its employees whose principal place of business and residence is outside of the United States, submit irrevocably to the jurisdiction of the U.S. federal courts and the SEC for the purposes of any suit, action or proceeding pursuant to the U.S. federal securities laws, and the rules and regulations thereunder, commenced or initiated by the SEC arising out of, or relating to, the activities of its SROs; and

NYSE Euronext's directors, officers and employees, in discharging their responsibilities in such capacity, cooperate with the SEC and NYSE Euronext's SROs pursuant to their regulatory authority.

In addition, NYSE Regulation operates as a not-for-profit entity, rather than as a for-profit entity. The chief executive officer of NYSE Regulation is also not permitted to be an officer or employee of any unit of NYSE Euronext other than NYSE Regulation and reports solely to the NYSE Regulation board of directors. To reduce the conflicts that arise from "self listing," NYSE Regulation will be responsible for all listing compliance decisions with respect to NYSE Euronext as an issuer, and NYSE Regulation will provide the SEC with periodic reports summarizing its monitoring of NYSE Euronext's common stock. These reports will be approved by the NYSE Regulation board of directors, including a separate approval by the directors of NYSE Regulation who are not directors of NYSE Euronext. In addition, NYSE rules require an annual review by an independent accounting firm to insure that NYSE Euronext is in compliance with the listing requirements, and a copy of this report must be forwarded to the SEC.

NYSE Regulation has adopted structural and governance standards in compliance with applicable U.S. federal securities laws, and in particular, Section 6 of the Exchange Act with respect to fair representation of members. Such structure and governance standards will be adjusted to comply with any rules finally adopted by the SEC following its proposals relating to governance, transparency, oversight and ownership of SROs.

These structural and governance arrangements currently include the following:

- NYSE Regulation is a separately incorporated, not-for-profit entity;

- each director of NYSE Regulation (other than its chief executive officer) must be independent under the independence policy of the NYSE Group board of directors;

- a majority of the members of the NYSE Regulation board of directors and its compensation and nominating committee must be persons who are not directors of NYSE Group; and

- NYSE Regulation funds its programs, including surveillance, examination, testing and continuing education services, through fees assessed directly on member organizations. NYSE Regulation is also compensated for the regulatory services provided to the NYSE and NYSE Arca, Inc. pursuant to agreements with each entity.

Following the combination, these structural and governance arrangement will continue except that:

- each director of NYSE Regulation (other than its chief executive officer) will be required to be independent under the independence policy of the NYSE Euronext board of directors (as opposed to the policy of the NYSE Group board of directors); and

- a majority of the members of the NYSE Regulation board of directors and its compensation and nominating committee will be required to be persons who are not directors of NYSE Euronext (as opposed to NYSE Group).

Technology and Intellectual Property

Technology

The NYSE and NYSE Arca each employ a wide range of technologies which are crucial to NYSE Group's business. Technology enables NYSE Group to maintain its competitive position and regulatory effectiveness as well as investor confidence in the reliability and integrity of its trading platforms and markets. NYSE Group is committed to the ongoing development, maintenance and use of technology and to providing its customers with technological solutions. NYSE Group's technology is subject to oversight by the SEC, through the SEC's Automation Review

Program.

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NYSE Group's technological initiatives are focused on satisfying each of the objectives set forth below:

- *Functionality* business-driven requirements should be delivered on time and with minimal defects;
- *Performance* systems should provide fast and competitive response times;
- *Capacity/Scalability* systems should be capable of supporting present needs and expanding to meet projected demands;
- *Reliability* the availability and performance should satisfy NYSE Group's goals and objectives; and
- *Total cost of ownership* systems and operating environment should be managed with a competitive cost structure.

NYSE Group's position in the capital markets requires substantial investments in business continuity, including back-up data centers, back-up trading floors and physical and information security. These investments have increased substantially following the terrorist attacks of September 11, 2001. Business drivers for NYSE Group's technology investments include:

- continual functional and performance improvements to NYSE Group's execution services and information products to address customer needs and the evolving competitive trading environment;
- state of the art regulatory technology in support of market surveillance, member organization regulation and enforcement;
- the expectations for excellent systems reliability and resiliency to maintain investor trust and confidence;
- substantial investments in systems capacity to ensure that the market can maintain investor access to the market during very unusual peaks in trading activity; and
- competitive cost structures for NYSE Group's systems and operating infrastructure.

Data Centers

To enhance the capacity and reliability of NYSE Group's systems, it has established data centers located in Boston, Chicago, New York, San Francisco, and Northern New Jersey totaling approximately 125,000 square feet in size. NYSE Group helps ensure the integrity of its data network through a variety of methods, including access restrictions and firewalls. NYSE Group monitors traffic and components of its data network, and it uses an application to detect network intrusions and monitor external traffic. Customer circuits and routers are monitored around the clock and anomalies in customer circuits are reported to its staff and carrier support personnel for resolution.

NYSE Trading Technology

The NYSE's trading systems include the following major components:

- Display Book®, which is a high-performance trading system used for automatic quotation of incoming limit orders and the NYSE Direct+® automatic execution service. It also provides a set of tools that are used by specialists and their trading assistants to keep track of all incoming market and limit orders and provide information display, order management capabilities, research tools, trade execution, access to regional exchanges and quote dissemination;
- NYSE Direct+®, which is an automatic-execution service for non-ETF limit orders of up to 1,000,000 shares for certain securities (with a maximum supported order size of 3,000,000 shares for ETFs and similar securities) that enables users to opt for an immediate execution at the best bid or offer, without a fee and with anonymity and speed;

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SuperDot®, which is a system that processes approximately 99% of electronic market and limit orders received from member organizations and routes them to broker systems or Display Book®;

Broker Booth Support System®, which is a full-service order management system supporting straight-through electronic order processing and reporting for member organizations on the floor of the NYSE;

Common Message Switch, which provides member organization access to the NYSE's order processing systems for routing and processing of orders that are destined for the Display Book® system or the Broker Booth Support System®;

NYSE e-Broker® Handheld Data Devices, which are mobile wireless handheld devices running the NYSE e-Broker application that permits member organizations on the floor to receive orders, access the Display Book®, report transactions on the floor, and generate messages to customers regarding current market conditions; and

SFTI℠, a product of SIAC, which offers financial institutions a resilient connection to the NYSE through a diversified set of major telecommunications providers. SFTI℠ offers designated access points throughout the U.S. and through a highly resilient and redundant infrastructure that routes around failed circuits automatically. Network security is provided by a multi-tier security architecture known as NYSE Common Access Point®, which allows secure external access to all NYSE products and services.

NYSE Arca Electronic Trading Technology

Trading Platform. NYSE Arca operates its equities electronic trading platform on mid-range Sun Microsystems servers. NYSE Arca's industry leading system is designed to accept up to 16,000 orders per second and to provide up to 1,000 simultaneous customer connections. During 2005, its system handled an average of approximately 38.1 million orders daily and 3.5 million trades daily, with a capacity to handle 20.0 million trades daily.

Connection Options. Customers can connect to NYSE Arca through a wide variety of order management systems, third-party private networks and service bureaus.

Interface options. NYSE Group offers its customers different ways of interfacing with NYSE Arca**,** including FIX Gateway Interface and RealTick® Interface. Through the FIX Gateway, its customers can access NYSE Arca using their existing trading system and third-party vendors. The Financial Information Exchange (FIX) protocol is a messaging standard developed specifically for real-time electronic exchange of securities trading information. NYSE Arca confirms a customer's FIX connectivity through NYSE Arca Certification Testing.

Intellectual Property

NYSE Group owns the rights to a large number of trademarks, service marks, domain names and trade names in the United States and other countries. It has registered many of its most important trademarks in the United States and other countries. These include "New York Stock Exchange," "NYSE," "The Big Board," "NYSE Composite Index," "The World Puts Its Stock In Us," "Archipelago," "ArcaEx," "Archipelago Exchange," "Pacific Exchange," and images of the NYSE Trading Floor and building façade. Registration applications for other marks are pending in the United States and in other countries.

In addition, NYSE Group owns a number of registered U.S. trademarks or service marks which are used in its operations. There are also a number of pending applications.

NYSE Group holds the rights to a number of patents and has made a number of patent applications. However, it does not engage in any material licensing of these patents nor are these patents, individually or in the aggregate, material to NYSE Group's business operations.

NYSE Group owns the copyright to a variety of material. Those copyrights, some of which are registered, include printed and online publications, web sites, advertisements, educational material, graphic presentations and other literature, both textual and electronic.

Properties

NYSE Group conducts its operations in premises inside and outside of the United States. NYSE Group's headquarters are located on Wall Street, New York City, and the surrounding area. In particular, the NYSE trading floor runs throughout 11 Wall Street, 20 Broad Street and 30 Broad Street. These buildings are described in more detail below:

11 Wall Street, New York City. NYSE Group's principal offices and the major portions of the NYSE Market trading floor are located at 11 Wall Street in New York City, a complex that includes contiguous buildings known as 8 through 18 Broad Street. This complex, exclusive of the 20 Broad Street building (described below), is owned by NYSE Group and consists of approximately 370,000 square feet of aggregate space.

20 Broad Street, New York City. The land underlying the office building situated at 20 Broad Street in New York City is owned by NEWEX Corporation, a wholly owned subsidiary of New York Stock Exchange LLC. The land has been leased to the owner of the office building at 20 Broad Street for a term that is anticipated to expire in 2081. NYSE Group occupies approximately 348,000 square feet of space in the office building at 20 Broad Street pursuant to a sublease for a term expiring in 2016. In addition, the sublease provides NYSE Group with multiple rights to extend the term of the sublease until 2041. The space occupied by NYSE Group in the 20 Broad Street building is used for portions of the NYSE Market trading floor and for office purposes.

100 South Wacker Drive, Chicago, Illinois. NYSE Group occupies approximately 59,000 square feet in the office building located at 100 South Wacker Drive, Chicago, Illinois, pursuant to two leases covering different portions of this space, expiring in August 2006 and March 2014, respectively. The leases provide NYSE Group with rights to extend the terms of the leases. NYSE Group uses this leased space for office purposes and for running NYSE Arca.

14 Wall Street, New York City. NYSE Group occupies approximately 65,000 square feet in the office building located at 14 Wall Street, New York City, pursuant to a lease expiring in 2011. In addition, NYSE Group occupies approximately 11,000 square feet in this building pursuant to a sublease expiring in 2010. It uses the leased space and the sublease space for office purposes.

30 Broad Street, New York City. NYSE Group occupies approximately 47,000 square feet in the office building located at 30 Broad Street, New York City, pursuant to a lease expiring in 2008. The lease provides NYSE Group with multiple rights to extend the term of the lease until 2040. NYSE Group uses this leased space for NYSE Market trading floor and office purposes.

115 Sansome Street, San Francisco, California. NYSE Group occupies approximately 58,969 square feet in a building located at 115 Sansome Street, San Francisco, California pursuant to a lease that is scheduled to expire in June 2009. NYSE Group uses this space for offices and storage. Approximately 33% is being subleased.

Mills Building, San Francisco, California. NYSE Group occupies approximately 46,470 square feet in a building located at 220 Montgomery Street and 220 Bush Street, San Francisco, California pursuant to a lease expiring on May 31, 2009. NYSE Group uses this space to operate NYSE Arca's options trading floor.

1177 Avenue of the Americas, New York City. NYSE Group occupies approximately 23,980 square feet in a building located on 1177 Avenue of the Americas, New York City, pursuant to a lease expiring in September 2015. It had used this space as a sales office and for office purposes. Based on notification of NYSE Group's intention to sublease this space, the owner of the property has exercised its right to terminate the lease as of September 30, 2006.

65 Broadway, New York City. NYSE Group occupies approximately 31,160 square feet in a building located on 65 Broadway, New York City, pursuant to a lease expiring in April 30, 2010. Approximately half of this space is being subleased on a pass-through cost basis. NYSE Group is currently negotiating a sublease of the remaining half of this space.

In addition to these premises, NYSE Group and its subsidiaries lease space in the following locations:

Location	**Approximate Square Feet**
Palo Alto, California	9,800
Weehawken, New Jersey	8,200
Washington, D.C.	6,300
Maitland, Florida	4,000
London, England	1,400
Tokyo, Japan	1,800
Hong Kong, China	410
San Francisco, California	6,090

NYSE Group's overseas offices are used primarily for the purposes of promoting international recognition of NYSE Group's brand and providing client services to non-U.S. listed companies. In addition to its market operations, NYSE Group uses the domestic offices for general sales and office purposes.

SIAC and its subsidiaries operate out of multiple facilities both within and outside of New York City.

Security Measures and Contingency Plans

NYSE Group has implemented numerous security measures to reduce its vulnerability to terrorist attacks, including, among other things:

- establishing a wide perimeter security zone in the vicinity of the premises housing the NYSE trading floor in New York, New York, manned constantly by armed security personnel employed and/or contracted for by the NYSE and/or provided by the New York City Police Department;
- requiring physical and X-ray/magnetometer inspection of all incoming persons, mail, packages and parcels into NYSE's premises;
- requiring that all messengers delivering mail, packages or parcels be screened escorted throughout the NYSE's premises;
- requiring photo ID badges for all visitors and employees and conditioning the issuance of badges for long-term access to employees and service providers, with limited exceptions, upon the review of individual fingerprint-based background information; and
- maintaining continuous television monitoring and recording of exterior and interior areas.

NYSE Group continually reviews these security measures to ensure that they remain effective and to avoid predictability.

Explanation of Responses:

NYSE Group maintains a number of contingency plans relating to possible emergencies that may affect its operations. After consulting with member organizations regarding their needs, the NYSE established and maintains an alternative trading location apart from its current trading floor. NYSE Group also regularly circulates among its personnel emergency contact telephone numbers and makes available a password-protected contingency website that would give information and directions to personnel in the event of a disruption or incident of any kind. Consistent with its business plan, each division of NYSE Group also maintains emergency contingency plans tailored to its needs and personnel.

Employees

As of August 31, 2006, NYSE Group employed 1,818 full-time equivalent employees (excluding 1,119 employees of SIAC). Approximately 128 of NYSE Group's employees are represented by the Office and Professional Employees International Union, Local 153. This number accounts for approximately 7.0% of NYSE Group's employees. Office and Professional Employees International Union, Local 153 represents clerical and facilities employees who are located at the New York Stock Exchange in New York City. The most recent four-year collective bargaining agreement was signed in April 2006 with retroactive effect to November 2005. Overall, NYSE Group considers its relations with its employees to be good.

Legal Proceedings

NYSE Group is party to a number of legal proceedings, as described below.

In re NYSE Specialists Securities Litigation

In December 2003, the California Public Employees' Retirement System ("CalPERS") filed a purported class action complaint in the U.S. District Court for the Southern District of New York against NYSE, NYSE specialist firms, and others, alleging various violations of the Exchange Act and breaches of fiduciary duty, on behalf of a purported class of persons who bought or sold unspecified NYSE-listed stocks between 1998 and 2003. The court consolidated CalPERS' suit with three other purported class actions and one other non-class action suit into an action entitled *In re NYSE Specialists Securities Litigation*. The court also appointed CalPERS and Empire Programs, Inc. as co-lead plaintiffs.

Plaintiffs filed a consolidated complaint on September 16, 2004. The consolidated complaint asserts claims for alleged violations of Sections 6(b), 10(b) and 20(a) of the Exchange Act, and alleges that, with NYSE's knowledge and active participation, the specialist firms engaged in manipulative, self-dealing and deceptive conduct, including interpositioning, front-running and "freezing" the specialist's book and falsifying trading records to conceal their misconduct. Plaintiffs also claim that NYSE constrained its regulatory activities in order to receive substantial fees from the specialist firms based on their profits, which "caused investors to purchase or sell shares on the NYSE at distorted and manipulated prices, enriching Defendants and damaging Plaintiffs and the Class." The consolidated complaint also alleges that certain generalized NYSE statements concerning the operation of its market were rendered false and misleading by NYSE's non-disclosure of its alleged failure to properly regulate specialists, and that NYSE was motivated to participate in or permit the specialist firms' alleged improper trading in order to maintain or enhance its fee revenues and the compensation of its executives, including its former chairman and chief executive officer Richard A. Grasso. The consolidated complaint seeks unspecified compensatory damages against defendants, jointly and severally.

On November 16, 2004, the specialist firms and NYSE filed motions to dismiss the complaint. On December 12, 2005, the court issued an order granting NYSE's motion and dismissing all of the claims against it with prejudice, and granting in part and denying in part the specialist defendants' motion to dismiss. On February 17, 2006, the court entered a final judgment in favor of NYSE. Plaintiffs appealed the judgment and on June 2, 2006, filed in the U.S. Court of Appeals for the Second Circuit an opening brief in support of that appeal. NYSE filed its brief in opposition on August 2, 2006.

Papyrus Patent Infringement Litigation

On January 27, 2004, Papyrus Technology Corporation filed a complaint in the U.S. District Court for the Southern District of New York against NYSE, alleging that NYSE's Wireless Data System and Broker Booth Support System infringe patents allegedly issued to Papyrus, and that NYSE breached a license agreement with Papyrus. NYSE answered the complaint, asserting affirmative defenses and a counterclaim against Papyrus. Discovery has been completed. It is anticipated that the parties will file motions for summary judgment on at least some of the claims. The court has not set a trial date.

Grasso Litigation

In December 2003, NYSE received a report from the law firm Winston & Strawn, which NYSE had engaged to investigate and review certain matters relating to the compensation of its former chairman and chief executive officer, Richard A. Grasso, and the process by which that compensation was determined (this document refers to this report as the "Webb Report"). NYSE provided the Webb Report to the SEC and the New York Attorney General's Office, which commenced investigations relating to those matters in or about January 2004.

The Webb Report provided a detailed summary of, among other things, Mr. Grasso's compensation and benefits during the period during which he served as Chairman and Chief Executive Officer of NYSE (1995-2003), including the various components thereof. On or about September 2, 2003, NYSE transferred to Mr. Grasso $139,486,000 in respect of deferred compensation and benefits for that period. Previously, NYSE had transferred to Mr. Grasso approximately $35 million in non-deferred compensation for that period.

On or about February 12, 2004, NYSE's then Interim Chairman, John S. Reed, sent Mr. Grasso a letter stating that NYSE had determined that the compensation and benefits that Mr. Grasso received "were excessive and at unreasonable levels" and that, even granting Mr. Grasso the benefit of assumptions favorable to him, compensation and benefits "were excessive by at least $120 million." In that letter, NYSE demanded that Mr. Grasso repay $120 million to NYSE and reserved its rights to seek additional amounts beyond the $120 million demanded.

On May 24, 2004, the New York Attorney General filed a lawsuit in New York Supreme Court against Mr. Grasso, former NYSE Director Kenneth Langone and NYSE. The complaint alleges six causes of action against Mr. Grasso, including breach of fiduciary duty under the New York Not-for-Profit Corporation Law and unjust enrichment. Among other things, the suit seeks:

- imposition of a constructive trust for NYSE's benefit on all compensation received by Mr. Grasso that was not reasonable and commensurate with services rendered, pursuant to provisions of the New York Not-for-Profit Corporation Law "in an amount to be determined at trial;"

- a judgment directing Mr. Grasso to return payments made by NYSE that were unlawful under the New York Not-for-Profit Corporation Law "in an amount to be determined at trial;" and

- restitution of all amounts that Mr. Grasso received that lacked adequate NYSE board approval because the board's approval was based on inaccurate, incomplete or misleading information.

The New York Attorney General further seeks a declaration by the court that any obligation to make future payments to Mr. Grasso by NYSE lacking the required board approval is void. In addition to the claims against Mr. Grasso, the complaint asserts a single cause of action against Mr. Langone for breach of his fiduciary duty under the New York Not-for-Profit Corporation Law and a single cause of action against NYSE seeking a declaratory judgment that NYSE made unlawful, ultra vires payments to Mr. Grasso, and an injunction requiring NYSE to adopt and implement safeguards to ensure that future compensation complies with the New York Not-for-Profit Corporation Law. On July 23, 2004, NYSE filed its answer to the complaint of the New York Attorney General, in which it asserted several complete defenses.

In his answer, Mr. Grasso denied the New York Attorney General's allegations of wrongdoing and asserted various defenses. In addition, Mr. Grasso asserted claims against NYSE and Mr. Reed, including claims that: (1) NYSE terminated Mr. Grasso without cause in September 2003; (2) NYSE breached his 1999 and 2003 employment agreements; and (3) NYSE and Mr. Reed defamed him. Mr. Grasso has not claimed with specificity the amount of damages that he seeks in the litigation. In his pleadings, he seeks at least $50 million in compensatory damages for NYSE's alleged breaches of the agreements; damages for alleged injury to his reputation and mental anguish and suffering; and punitive damages against Mr. Reed and NYSE. In or about March 2005, Mr. Grasso asserted third-party claims against former NYSE Director Carl McCall for negligence, negligent misrepresentation and contribution. In August 2005, Mr. Grasso moved to dismiss four of the six causes of action alleged by the New York Attorney General. On March 15, 2006, the court denied Mr. Grasso's motion; Mr. Grasso has filed an appeal of that decision. In January 2006, Mr. Langone moved for summary judgment on the single cause of action asserted against him by the New York Attorney General. On July 26, 2006, the court denied Mr. Langone's motion; Mr. Langone has appealed that denial. On July 17, 2006, NYSE and Mr. Reed filed motions for summary judgment dismissing all of Mr. Grasso's counterclaims against them. On July 31, 2006, the New York Attorney General filed a motion for partial summary judgment in its favor on claims asserted against Mr. Grasso, and Mr. Grasso filed motions for summary judgment in his favor with respect to three of the six causes of action asserted against him by the New York Attorney General. Mr. Grasso also has moved for summary judgment dismissing the one claim asserted against NYSE by the New York Attorney General. Mr. McCall moved for summary judgment dismissing the third-party claims asserted against him by Mr. Grasso; on August 23, 2006, the court granted Mr. McCall's motion and dismissed the third-party claims. On August 8, 2006, the court ruled that the New York Attorney General's claim against Mr. Grasso for restitution and imposition of a constructive trust is an equitable claim that must be tried to the court rather than to a jury, and that it would commence trial of that claim alone on October 16, 2006. Mr. Grasso filed an appeal of that decision, and on September 14, 2006, the appellate court entered an order staying the trial until the appeals of that decision, and of the earlier decision denying Mr. Grasso's motion to dismiss, have been decided. On September 7, 2006, Mr. Grasso filed a motion seeking reassignment of the case to a different judge for all further proceedings, and on September 14, 2006, the court denied that motion.

The Webb Report stated that the total amount of excessive compensation and benefits actually received by Mr. Grasso was within the range of approximately $113 million to $125 million (including both deferred and non-deferred compensation and benefits paid to Mr. Grasso). The specific amounts of compensation and benefits that should be repaid by Mr. Grasso will be the subject of expert testimony during the expert discovery phase of the litigation. If the New York Attorney General prevails on all of his claims, the court will order Mr. Grasso to return to NYSE portions of his compensation and benefits determined at trial to be unreasonable and declare that the alleged obligation of NYSE to make further payments is void.

The ultimate outcome of the above litigations cannot reasonably be determined at this time.

Merger-Related Litigation

On July 12, 2005, Allison L. Wey filed a complaint in New York Supreme Court against NYSE and the chief executive officer of NYSE, John A. Thain, alleging causes of action for fraud, negligent misrepresentation and breach of fiduciary duty, and seeking unspecified compensatory damages. Ms. Wey, a former NYSE member, alleges that in connection with the sale of her NYSE membership on March 21, 2005, she relied to her detriment on statements that Mr. Thain allegedly made to certain NYSE members on February 15, 2005 regarding NYSE's intention to "go public." NYSE and Mr. Thain believe that the claims are without merit. NYSE and Mr. Thain filed an answer to the complaint on December 23, 2005; the case presently is in discovery.

In March 2006, Janet Hyman and Sylvia Lief, former NYSE members, filed separate complaints in New York Supreme Court against NYSE and Mr. Thain. The complaints sought compensatory damages for alleged breach of fiduciary duty based on a purported duty of defendants to disclose NYSE's merger discussions with Archipelago prior to the sale of plaintiffs' NYSE memberships on March 1 and 2, 2005, respectively.

On April 19, 2006, NYSE and Mr. Thain served motions to dismiss the Hyman and Lief complaints. On June 9, 2006, Ms. Hyman and Ms. Lief each served an amended complaint, which added an additional cause of action for breach of fiduciary duty and a new cause of action for negligence. On June 22, 2006, D. Paul Rittmaster, another former NYSE member represented by the same law firm as Ms. Hyman and Ms. Lief, filed a complaint in New York Supreme Court against NYSE and Mr. Thain asserting the same causes of action alleged in the amended complaints of Ms. Hyman and Ms. Lief. On July 28, 2006, NYSE and Mr. Thain served a motion to dismiss the Hyman and Lief amended complaints and the Rittmaster complaint on the ground, among others, that defendants had no legal duty to make the disclosures plaintiffs assert they should have made.

Employment-Related Litigation

On April 20, 2006, Graciela DaSilva, Vjoca Selmanovic and Robin Max Morris filed a complaint in the U.S. District Court for the Southern District of New York against NYSE Group, Building Maintenance Service, LLC ("BMS") and five unnamed corporations, seeking compensatory and punitive damages for alleged gender discrimination and retaliation in violation of federal and local laws. Plaintiff DaSilva currently is employed as a porter by NYSE Group; Morris previously was employed by NYSE as a supervisor of porters. Selmanovic previously was employed as a porter by BMS, a cleaning service contractor. On May 24, 2006, NYSE Group filed an answer to the complaint in which it denied allegations of wrongdoing and asserted various defenses.

Listing Claim Letter

On September 7, 2005, NYSE postponed commencement of trading of the stock of Life Sciences Research ("LSR") on NYSE. On or about April 5, 2006, NYSE Group received a letter from counsel for LSR enclosing a draft complaint alleging breach of alleged agreements with LSR, including to list LSR stock, and seeking specific performance, damages, and other relief. The letter expressed LSR's interest in resolving the matter without litigation. Neither the likelihood of LSR's actually commencing a lawsuit nor the ultimate outcome of such a suit can reasonably be determined at this time.

IBAC Matter

On or about April 25, 2006, the Independent Broker Action Committee, Inc. ("IBAC"), which describes itself as a not-for-profit corporation whose membership consists of independent NYSE brokers, filed a petition in the U.S. Court of Appeals for the District of Columbia (the "DC Circuit") seeking review of two orders issued by the SEC (Exchange Act Release No. 34-53539 (March 22, 2006) and 34-53382 (February 27, 2006) (the "Orders")) insofar as they relate to the creation of the NYSE Hybrid Market^{SM} and NYSE's proposed method of allocating trading rights. The petition named only the SEC as respondent and asked the Court to vacate Exchange Act Release No. 34-53539 regarding the NYSE Hybrid Market^{SM} and that portion of Exchange Act Release No. 34-53382 that approved NYSE's proposed method of allocating trading rights at NYSE through annual trading licenses, and to remand the matter to the SEC for further proceedings. IBAC also asked the SEC to stay the authorization given to NYSE under Exchange Act Release No. 34-53539 to implement subsequent phases of the NYSE Hybrid Market^{SM}, pending the Court's resolution of IBAC's petition for review. NYSE opposed IBAC's stay request before the SEC and was granted leave to intervene to oppose IBAC's petition before the DC Circuit. Following joint requests to the SEC and the DC Circuit, the SEC has deferred ruling on IBAC's stay request and the DC Circuit has deferred briefing on the petition itself, to allow IBAC to determine whether it wishes to continue to pursue the petition in light of subsequent developments with regard to the NYSE Hybrid Market^{SM}.

Matters Relating to Gerald D. Putnam

In addition to the matters described above, Gerald D. Putnam, NYSE Group's president and co-chief operating officer, was or is currently involved in the following legal proceedings. Archipelago had previously been a party to each of the matters described below; however, Archipelago has since been dismissed from each matter.

Borsellino Litigation. In September 2000, plaintiffs Lewis Borsellino, a former business partner of Mr. Putnam and equity holder in Chicago Trading and Arbitrage ("CTA"), and I.M. Acquisitions, L.L.C, an entity owned by Mr. Borsellino, filed a complaint in Illinois State Circuit Court naming Mr. Putnam and other former members of CTA as defendants. The complaint alleged that Mr. Putnam and the other defendants secretly diverted assets of CTA to their other business ventures. The complaint also alleged that a 1998 Settlement Agreement between the parties addressing these allegations was based on fraud, and that defendants violated their fiduciary duties with respect to plaintiffs by allegedly failing to disclose material information during the 1998 settlement negotiations. Archipelago L.L.C. (the predecessor company to Wave Securities, L.L.C.) was also named as a defendant in this action although it was never a member of CTA.

On April 11, 2001, the court dismissed Archipelago L.L.C. and the other defendants with prejudice from the September 2000 complaint. In May 2001, plaintiffs filed a motion to vacate the court's dismissal order and for leave to file an amended complaint against the original defendants.

In November 2001, the court granted plaintiffs' motion and allowed plaintiffs to file their amended complaint against Mr. Putnam and the other defendants, except Archipelago L.L.C.

On January 16, 2002, plaintiffs filed a second amended complaint that sought compensatory and punitive damages in excess of $80.0 million, as well as reimbursement of attorneys' fees and the cost of litigation.

On March 24, 2004, plaintiffs filed a motion for leave to file a third amended complaint, which, if granted, would replace the second amended complaint. On April 28, 2004, defendants filed a motion in opposition to plaintiffs' motion for leave to file a third amended complaint. On September 23, 2005, plaintiffs filed a different third amended complaint against Putnam, and the other defendants. The third amended complaint is a one-count fraud claim seeking the same relief as the second amended complaint and containing additional similar allegations against defendants. Defendants have filed numerous motions to dismiss the third amended complaint.

In addition to the litigation described above, on March 23, 2004, plaintiffs filed a separate complaint against Archipelago Holdings, L.L.C. and "ArcaEx" alleging, among other things, unjust enrichment in connection with the alleged activities of the CTA member defendants, including Mr. Putnam. On September 14, 2004, the Illinois Circuit Court entered an order dismissing both Archipelago Holdings, L.L.C. and "ArcaEx" from this litigation with prejudice.

Lozman Litigation. Archipelago L.L.C., Archipelago Holdings, L.L.C., Terra Nova Trading, L.L.C. ("Terra Nova"), an investor in Archipelago and Mr. Putnam, were named as defendants in a civil action filed in the Circuit Court of Cook County, Illinois, on August 9, 1999. One plaintiff, Fane Lozman, is a former business associate of Mr. Putnam, and another plaintiff, Blue Water Partners, Inc., is a corporation owned by Mr. Lozman. Mr. Putnam was, at one time, its president. The wrongful conduct alleged in plaintiffs' complaint predates Archipelago's formation in December 1996. Plaintiffs alleged that Archipelago: (1) breached a joint venture agreement with plaintiffs; (2) engaged in corporate oppression in violation of Illinois law; (3) usurped corporate opportunities belonging to plaintiffs in the form of plaintiffs' "ideas" concerning electronic communication networks, electronic trading and electronic stock exchanges; (4) breached duties of good faith and fair dealing; and (5) conspired with the other defendants to injure plaintiffs. The lawsuit seeks, among other relief, money damages, an accounting and the imposition of a constructive trust on all property, benefits, profits and unjust enrichment defendants have received and will receive by virtue of the alleged wrongful acts. NYSE Group believes these claims relate only to Terra Nova's ownership in Archipelago and any direct or indirect interest of Mr. Putnam, Stuart Townsend and MarrGwen Townsend in Archipelago.

The Circuit Court dismissed all of plaintiffs' claims against Archipelago on March 20, 2000. In April 2002, the Appellate Court of Illinois affirmed the Circuit Court's order of dismissal, except that it determined that it did not have appellate jurisdiction to review the dismissal of plaintiffs' claims against Archipelago for usurpation of corporate opportunities, which contend that Archipelago is derivatively liable for the conduct of the remaining defendants.

With regard to the remaining claims against Mr. Putnam and Terra Nova, a trial by jury commenced in November 2004. On December 16, 2004, the jury rendered binding verdicts on the oral and written contract claims and found Mr. Putnam and Terra Nova not liable. The jury also found that the releases executed in 1995 by and between plaintiffs, Mr. Putnam and Terra Nova, were valid and enforceable. As for the claim that Mr. Putnam breached his fiduciary duty to plaintiffs, the jury issued an advisory verdict to the judge in which it determined that Mr. Putnam and Terra Nova had usurped a corporate opportunity in violation of their fiduciary duties. The jury also answered a non-binding special interrogatory in which it valued the usurped opportunity at $2.5 million. However, the judge determined that because plaintiffs' fiduciary duty claim is equitable in nature, the judge, rather than the jury, would make the final, binding determination as to Mr. Putnam's liability under this claim and the amount of damages. On July 25, 2005, the court entered a final judgment in favor of Mr. Putnam and the other defendants on all counts, including plaintiffs' claim of usurpation of corporate opportunity and breach of fiduciary duty. Plaintiffs filed a notice of appeal on March 31, 2006.

Other

In addition to the matters described above, NYSE Group is from time to time involved in various legal proceedings that arise in the ordinary course of NYSE Group's business. NYSE Group does not believe, based on currently available information, that the results of any of these various proceedings will have a material adverse effect on its operating results or financial condition.

Officers and Directors

Directors. NYSE Group's board currently includes 11 directors:

Marshall N. Carter (*Chairman*)
John A. Thain (*Chief Executive Officer*)
Ellyn L. Brown
William E. Ford
Shirley Ann Jackson
James S. McDonald
Duncan M. McFarland
James J. McNulty
Alice M. Rivlin
Robert B. Shapiro
Karl M. von der Heyden

For biographical information on the NYSE Group directors, see "Directors and Management of NYSE Euronext After the Combination."

Officers. The following are the current senior officers of NYSE Group:

Name	Position
John A. Thain	Chief Executive Officer
Catherine R. Kinney	President and Co Chief Operating Officer
Gerald D. Putnam	President and Co Chief Operating Officer
William M. Freeman	Senior Vice President and Acting General Counsel
Dale B. Bernstein	Executive Vice President of Human Resources
Nelson Chai	Executive Vice President and Chief Financial Officer
Margaret D. Tutwiler	Executive Vice President of Communications and Governmental Relations

For biographical information on the NYSE Group officers who will be officers of NYSE Euronext, see "Directors and Management of NYSE Euronext After the Combination."

In addition to the aforementioned executive officers, it has been determined that Richard G. Ketchum, as chief executive officer of NYSE Regulation, performs certain policy making functions with respect to NYSE Group, although he is not an officer or employee of any unit of NYSE Group other than NYSE Regulation, and he reports solely to the NYSE Regulation board of directors. For biographical information about Mr. Ketchum, see "Directors and Management of NYSE Euronext After the Combination."

Director Compensation and Indemnification

Pursuant to the Directors' Compensation Policy adopted June 1, 2006, NYSE Group directors (other than the chairman and chief executive officer) are entitled to an annual fee of $100,000. The chairman of the board is entitled to an annual fee of $350,000. The foregoing annual fees are payable 50% in cash, and 50% in Restricted Stock Units granted under the 2006 Stock Incentive Plan. The RSUs granted to each director will be distributed after the director's retirement, resignation or other termination (except for cause). Additional annual fees, payable entirely in cash, of (a) $25,000 are payable to the Chairperson of Audit Committee and (b) $10,000 are payable to the chairpersons of Nominating and Governance Committee and the Human Resources and Compensation Committee, and to all members of the Audit Committee other than the chairperson. These additional annual fees are not payable to the chairman of the board, should he serve in any of the capacities for which additional annual fees are payable. Compensation for the 2006-2007 Board year was prorated to account for an anticipated 10-month interval between annual meetings. No NYSE Group director is entitled to receive an annual fee except upon request. NYSE Group directors are also reimbursed for their out-of-pocket travel expenses.

In addition to their compensation for service on the NYSE Group board, Directors Jackson and Brown each receive an annual fee of $50,000 cash for their service as directors on the board of NYSE Regulation, Inc. and Dr. Jackson receives an additional $25,000 for chairing the NYSE Regulation board.

The NYSE Group bylaws provide indemnification to NYSE directors and others against liability arising from their service to the full extent permitted by law. NYSE Group has obtained a directors and officers' liability insurance policy.

Executive Compensation

NYSE Group was created in 2005 for the purpose of consummating the merger of the NYSE and Archipelago. Prior to the completion of this merger on March 7, 2006, NYSE Group conducted no significant business. Thus, for the past three fiscal years, NYSE Group's officers and directors were not compensated by NYSE Group, but rather by the NYSE or Archipelago, as and to the extent indicated below. The table below sets forth for the last three fiscal years the compensation of the chief executive officer of NYSE Group and the four most highly compensated executive officers (other than the chief executive officer) serving at the end of 2005, the last completed fiscal year.

		Annual Compensation(1)		Long Term Compensation(1)			
Name and Title	**Year**	**Salary(2)**	**Bonus**	**Restricted Stock Awards($)(3)**	**Securities Underlying Options(4)**	**Capital Accumulation Plan(5)**	**All Other Compensation(6)**
John A. Thain	2005	$ 4,120,000	$ 2,000,000				$ 120,000(7)
Chief Executive Officer	2004	$ 3,920,000					$ 120,000
Catherine R. Kinney	2005	$ 750,000	$ 1,500,000				$ 63,425(8)
President and Co-Chief	2004	$ 750,000	$ 1,200,000				$ 81,371
Operating Officer	2003	$ 750,000	$ 525,000			$ 262,500	$ 69,726
Gerald D. Putnam	2005	$ 750,000	$ 2,250,000	$ 2,250,076			$ 7,875,000(9)
President and Co-Chief	2004	$ 782,885	$ 1,500,000	$ 1,399,995	372,366		$ 743,207
Operating Officer	2003	$ 600,000	$ 1,800,000		222,222		6,300
Nelson Chai	2005	$ 365,000	$ 750,000	$ 660,068			$ 2,259,420(9)
Executive Vice President	2004	$ 341,192	$ 412,500	$ 649,994	95,648		9,510
and Chief	2003	$ 300,000	$ 540,000		122,222		9,660
Financial Officer							
Kevin J.P. O'Hara(10)	2005	$ 365,000	$ 750,000	$ 660,068			$ 2,256,000(9)
Executive Vice President	2004	$ 341,192	$ 412,500	$ 649,994	95,648		6,150
and Co-General Counsel	2003	$ 300,000	$ 540,000		122,222		6,300

(1) This table sets forth the compensation earned during the last three fiscal years of the chief executive officer of NYSE Group and the four most highly compensated executive officers (other than the chief executive officer) serving at the end of 2005, the last completed fiscal year. Because the merger of the NYSE and Archipelago was not completed until after the end of the last fiscal year of NYSE Group, the compensation for John A. Thain and Catherine R. Kinney represent compensation that they received as executive officers of the NYSE, and the compensation for Gerald D. Putnam, Nelson Chai and Kevin J.P. O'Hara represent compensation that they received as executive officers of Archipelago. Mr. Thain did not join the NYSE until January 15, 2004.

(2) Salaries were paid to Archipelago employees on a bi-weekly basis, and in 2004 there were 27 pay periods. As a result, the 2004 salaries for Messrs. Putnam, Chai and O'Hara include their respective base salary (consisting of $750,000 in the case of Mr. Putnam and $330,000 for Messrs. Chai and O'Hara), plus a payment for one additional pay period.

(3) The values of the restricted stock unit awards ("RSUs") as of grant date were determined for each named executive officer, respectively, by multiplying the number of RSUs awarded to each named executive officer by the fair market value of a share of Archipelago common stock on the grant date. Each RSU represents a right to receive one share of NYSE Group common stock upon vesting. The value at December 30, 2005 of RSUs granted in 2005 and 2004 to Mr. Putnam was $2,979,950 and $3,814,700, respectively, to Mr. Chai was $874,200 and $1,771,100, respectively, and to Mr. O'Hara was $874,200 and $1,771,100, respectively, based on a $50 per share fair market value of Archipelago common stock on December 30, 2005.

(4) Includes the following number of stock options granted on March 16, 2005 for the fiscal year ended December 31, 2004: 55,700 to Mr. Putnam and 25,648 for each of Messrs. Chai and O'Hara. These options have an exercise price of $19.30.

(5)

Effective January 1, 2004, the Capital Accumulation Plan was frozen. No further credits to the Capital Accumulation Plan have been made for services performed after December 31, 2003. Prior awards continue to vest according to the vesting schedules. The award is treated as a book entry earning the interest rate of the 10-year U.S. treasury note in effect on the last business day of the prior calendar year until it is vested. Vesting is based solely on the age of the participant and continued employment. Once vested, the awards are transferred to a Rabbi Trust, where the rate of return is based on the individual participant's selection of investment vehicles. Participants may currently choose from nine mutual funds as investment vehicles. Participants may elect to receive their vested account balances in a lump sum distribution or annual installments following termination of employment. The current vesting schedule is as follows:

Age	**% Vested**
<55	0
55	10
56	20
57	30
58	50
59	70
60	100

The vesting schedule for amounts credited through the year 2000 provided similar percentage vesting but over an age range from 50 to 55 years of age.

(6) Includes (a) NYSE company match to the executive's Employee Savings Plan account and Supplemental Executive Savings Plan account, and (b) taxable term life insurance premiums. The NYSE permitted all employees with five weeks of vacation (those with 18 or more years of service) to "cash in" up to five vacation days per year. The NYSE also permitted all employees to similarly "cash in" up to six sick days per year. These amounts, if any, for the named executives are also included in this column. Effective January 1, 2005, the ability to "cash in" vacation and sick days was terminated. The NYSE eliminated reimbursement for initiation fees and annual dues for country clubs and other entertainment venues (other than for luncheon clubs) and for financial planning benefits, effective July 2004.

(7) Consists of contributions to a non-qualified deferred compensation arrangement pursuant to Mr. Thain's employment agreement.

(8) Includes matching contributions to the NYSE Supplemental Executive Savings Plan in the amount of $36,346.

(9) On December 30, 2005, Archipelago entered into agreements with Messrs. Putnam, Chai and O'Hara that accelerated cash payments that would have occurred in March 2006 following certain terminations after the completion of the merger. The NYSE consented under the merger agreement to the execution of these agreements and related cash payments of $7,875,000, $2,250,000 and $2,250,000 for Messrs. Putnam, Chai and O'Hara, respectively.

(10) On March 24, 2006, Mr. O'Hara submitted his resignation, which was effective on April 12, 2006.

For business purposes only, NYSE Group provides three private aircraft, in each of which it owns a shared interest, a small number of cars with drivers and an apartment in New York City to various senior executive officers.

For additional information regarding Mr. Thain's Compensation, see "Information About NYSE Group Executive Compensation Agreements for Named Executive Officers John A. Thain."

The following tables set forth information regarding stock options granted to those named executive officers in their capacity as executive officers of Archipelago. The underlying stock for all such options at the time of grant was Archipelago common stock. On March 7, 2006 the NYSE and Archipelago merged becoming wholly owned subsidiaries of NYSE Group and the underlying stock for such options was converted to NYSE Group common stock and certain of these options were accelerated.

Stock Option Grants in 2005[(1)]

The following table sets forth information regarding stock options granted to the named executive officers in their capacity as executive officers of Archipelago with respect to services performed during the fiscal year ended December 31, 2005.

Name	Number of Securities Underlying the Options Granted	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term 5%	10%
Gerald D. Putnam	55,700	28.9%	19.30	03/15/15	$ 676,068	$ 1,713,289
Nelson Chai	25,648	13.3%	19.30	03/15/15	$ 311,307	$ 788,913
Kevin J.P. O'Hara	25,648	13.3%	19.30	03/15/15	$ 311,307	$ 788,913

(1) Granted by Archipelago on March 16, 2005 with respect to services performed the fiscal year ended December 31, 2004 and previously reported in Archipelago's 2005 annual meeting proxy statement.

Option Exercises in 2005 and Year-End Option Values

There were no options to purchase NYSE Group common stock outstanding prior to the conclusion of the merger on March 7, 2006. The following table sets forth the number of shares of Archipelago common stock subject to options and the value of such options held by certain of the named executive officers, in their capacity as executive officers of Archipelago as of December 31, 2005. The closing price of Archipelago common stock on December 30, 2005 was $50.00.

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-The-Money Options at Fiscal Year-End ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Gerald D. Putnam	0	N/A	190,279	404,309	7,113,481	14,919,331
Nelson Chai	0	N/A	173,056	117,036	7,262,286	5,274,595
Kevin J.P. O'Hara	0	N/A	173,056	117,036	7,262,286	5,274,595

Agreements for Named Executive Officers

John A. Thain

Pursuant to letter agreements with the NYSE, Mr. Thain served as the chief executive officer and a member of the board of directors of the NYSE at an annual base salary of $4,120,000. Under these letter agreements, Mr. Thain irrevocably waived his right to participate in any employee benefit plans, programs or arrangements of the NYSE, other than participation in the medical, dental, vision and short-term disability benefit plan portions of the NYSE's welfare benefit plan and the executive medical spending program. Mr. Thain is not eligible for an incentive award and does not participate in the Capital Accumulation Plan, the Supplemental Executive Retirement Plan ("SERP"), the Supplemental Executive Savings Plan ("SESP"), the Savings Plan or the Retirement Plan. In addition, Mr. Thain has agreed to defer $120,000 of his annual base pay each year, and the NYSE has agreed to credit Mr. Thain with a deemed matching contribution equal to $120,000 per year, all to be invested in the vehicles delineated under the SESP. This money may be withdrawn only after Mr. Thain reaches age 60.

Mr. Thain disclosed his then existing equity securities holdings to the NYSE in the letter agreements. Consistent with his responsibilities under the NYSE Officers' and Employees' Statement of Business Conduct and Ethics, the letter agreements reiterate his obligation to recuse himself from matters pertaining to his former employer, The Goldman Sachs Group, Inc. The NYSE employee ethics statement precluded (and NYSE Group's employee ethics statement precludes) employees from owning equity securities of member organizations and requires new employees to divest any of these securities within six months of employment. At the time that he accepted the position of chief executive officer, Mr. Thain had significant holdings of The Goldman Sachs Group, Inc. equity securities. The NYSE board of directors determined to waive the divestiture requirement and, instead, to require Mr. Thain to place the securities in a blind trust.

The NYSE Group board of directors has proposed to Mr. Thain an amendment to his letter agreement that would reduce his annual base salary to $750,000, create a performance based incentive compensation with cash and equity targets totaling $5.25 million, for a total compensation target of $6 million, and cause him to participate in the benefit plans currently available to senior executives. In anticipation of the execution of the amended agreement, Mr. Thain's annual base salary was reduced to $750,000 as of April 17, 2006.

Letter Regarding Mrs. Kinney's Supplemental Executive Retirement Plan Benefits

The minimum SERP benefits established for Mrs. Kinney are documented in a letter. If Mrs. Kinney terminates employment at age 55, she will receive a life annuity under the SERP equal to $1,000,000 per year, which will increase ratably each year until the life annuity reaches $1,250,000 per year at age 60, at which point she will continue to receive $1,250,000 per year. The present value of the SERP benefit will be paid in ten annual payments in accordance with the terms of the SERP, as soon as practicable after the date of retirement. In addition, if Mrs. Kinney terminates employment prior to age 55, she is vested in $900,000 per year payable as a life annuity commencing at age 55. These amounts are offset by social security benefits beginning at age 62 but not by amounts payable to her under the Retirement Plan.

Change-In-Control Severance Agreements

Prior to the merger of the NYSE and Archipelago, Archipelago had entered into employment or change-in-control severance agreements with each of Messrs. Putnam, Chai and O'Hara, who are now president and co-chief operating officer, executive vice president and chief financial officer, and, prior to Mr. O'Hara's resignation effective April 12, 2006, executive vice president and co-general counsel of NYSE Group, respectively.

On December 30, 2005, Archipelago entered into modification agreements, which modified certain payments and vesting that would have otherwise occurred in 2006 following certain terminations after the completion of the merger of the NYSE and Archipelago. The modification agreements were entered into in order to help ensure (i) the executive officers would remain with the combined company following the merger, (ii) compliance with Section 409A of the Internal Revenue Code (which governs the taxation of arrangements that provide for the deferral of compensation) and (iii) that certain significant tax-related cost savings for the combined company were achieved. In addition, the agreements helped to harmonize the compensation structure applicable to Archipelago executives after the closing of the merger with the compensation structure applicable to NYSE executives. The NYSE consented to the execution of these modification agreements.

Under the modification agreements, on December 30, 2005, (i) each of the Archipelago executive officers received a cash payment in lieu of the cash severance amount otherwise payable pursuant to the executive officer's employment agreement or change-in-control severance agreement, as applicable, and (ii) each of their Archipelago restricted stock units fully vested in lieu of the accelerated vesting otherwise provided under such equity awards. In addition, the modification agreements provided that, immediately prior to the closing of the merger, up to 75% of the unvested stock options held by each of the executive officers would vest.

In the case of Mr. O'Hara, the remainder of his stock options vested upon his termination of employment in accordance with the terms of his change in control severance agreement.

The table below sets forth the amounts provided by the modification agreements:

	Cash Severance ($)	RSUs Vesting	Options Vesting
Gerald D. Putnam	7,875,000	135,893	303,234
Nelson Chai	2,250,000	52,906	87,778
Kevin J.P. O'Hara	2,250,000	52,906	87,778

NYSE Group Plans

NYSE Group, Inc. 2006 Stock Incentive Plan

Generally. In order to properly reward and incentivize NYSE Group officers, employees and outside directors, and as is customary for for-profit, public companies, NYSE Group adopted and its stockholders approved the NYSE Group, Inc. 2006 Stock Incentive Plan. The purpose of the plan is to enhance NYSE Group's profitability and value for the benefit of stockholders by enabling it to offer equity based incentives to its officers and employees and those of its subsidiaries in order to attract, retain and reward such individuals, while strengthening the mutuality of interests between those individuals and its stockholders. Officers and employees of NYSE Regulation do not participate in the NYSE Group, Inc. 2006 Stock Incentive Plan but instead participate in a cash incentive plan.

Administration of NYSE Group, Inc. 2006 Stock Incentive Plan. The human resources & compensation committee of the NYSE Group board of directors administers the NYSE Group, Inc. 2006 Stock Incentive Plan and selects the individuals who are eligible to participate in the plan. With respect to the application of the plan to non-employee directors, NYSE Group's board of directors is expected to serve as the "Committee" and will administer the plan with respect to those directors. The NYSE Group, Inc. 2006 Stock Incentive Plan permits the Committee to grant stock options (non-qualified and incentive stock options), stock appreciation rights, restricted stock, performance shares and other stock-based awards (including, without limitation, restricted stock units and deferred stock units) to certain eligible employees and non-employee directors, as determined by the Committee.

Shares Reserved Under the NYSE Group, Inc. 2006 Stock Incentive Plan. Up to 11,500,000 shares of NYSE Group common stock may be issued under the NYSE Group, Inc. 2006 Stock Incentive Plan (subject to adjustment to reflect certain transactions and events specified in the plan). The plan's share reserve includes 3,000,000 shares of NYSE Group common stock for issuance to NYSE employees in connection with the merger. If any award granted under the plan expires, terminates or is canceled without having been exercised in full, the number of shares underlying such unexercised award will again become available for awards under the plan.

The human resources & compensation committee has discretion to delegate all or a portion of its authority under the NYSE Group, Inc. 2006 Stock Incentive Plan and also determines the terms and conditions of the awards at the time of grant in accordance with the terms of the plan.

Merger Transaction Restricted Stock Unit Awards. The Committee granted restricted stock unit awards to eligible non-regulatory employees of the NYSE and to certain employees of SIAC under the NYSE Group, Inc. 2006 Stock Incentive Plan in connection with the merger. These awards were made from the portion of the plan's share reserve authorized by the merger agreement for grants to NYSE and subsidiary employees upon completion of the merger. Each restricted stock unit award vests as follows: 50% of the award vested at the time of the grant, another 25% of the award vests one year after the grant date, and the remaining 25% of the award vests two years after the grant date. However, no shares covered by the vested portion of any restricted stock unit award will be delivered until the third anniversary of the grant date, unless otherwise determined by the human resources & compensation committee. John A. Thain, who is NYSE Group's chief executive officer, did not participate in this initial grant of equity awards under the Stock Incentive Plan.

Internal Revenue Code Section 162(m) and Transition Rule. The provisions of Section 162(m) of the Internal Revenue Code generally disallow a tax deduction to a publicly traded company for compensation in excess of $1,000,000 paid to its chief executive officer or any of its other four most highly compensated executive officers in any fiscal year, unless the plan and awards pursuant to which any portion of the compensation is paid meet certain requirements. Certain exceptions apply in the case of plans adopted by a private company that subsequently becomes publicly traded.

The NYSE Group, Inc. 2006 Stock Incentive Plan is intended to constitute a plan described in Treasury Regulation Section 1.162-27(f)(1), pursuant to which the deduction limits under Section 162(m) of the Internal Revenue Code do not apply during the applicable transition period. In general, the transition period ends upon the earliest of: (i) the expiration of the plan (i.e., 10 years after the date the plan is approved by stockholders); (ii) the material modification of the plan; (iii) the issuance of all available stock under the plan; or (iv) the first stockholder meeting at which directors are to be elected that occurs after December 31, 2007.

Section 409A of the Internal Revenue Code. Section 409A of the Internal Revenue Code, enacted by Congress in the American Jobs Creation Act of 2004, imposes an additional 20% income tax and interest on payments of deferred compensation to recipients that fail to meet certain payment and distribution requirements of Section 409A. The plan contains provisions that would allow NYSE Group to adjust payments under award grants to comply with Section 409A. There is no penalty imposed on NYSE Group for failure to comply with the payment and distribution requirements of Section 409A.

NYSE Group, Inc. 2006 Annual Performance Bonus Plan

NYSE Group's employees are eligible to participate in the NYSE Group, Inc. 2006 Annual Performance Bonus Plan. Employees hired between January and November in any fiscal year are eligible to participate in the plan in their year of hire. Employees hired in December are eligible to participate in the plan in the following year. Awards are completely discretionary and are paid in cash. The bonus, if any, is paid in January of the following year. While employees of NYSE Regulation are eligible to participate in this plan, their performance will be measured against the performance of NYSE Regulation, their particular division or department, and their own individual performance.

Discretionary Pool

In addition to the NYSE Group, Inc. 2006 Stock Incentive Plan, NYSE Group's chief executive officer will have the authority to grant awards of shares of NYSE Group common stock to its officers and employees and the officers and employees of NYSE Group's subsidiaries, other than employees of NYSE Regulation, in his discretion and based on individual employee discretionary award guidelines or limits approved by NYSE Group's human resources & compensation committee. This discretionary pool of 50,000 shares of NYSE Group's common stock will primarily be used for performance awards for individuals who may not normally be eligible to participate in the NYSE Group, Inc. 2006 Stock Incentive Plan based on managerial level and will give the chief executive officer the flexibility to reward officers and employees as he considers appropriate.

NYSE Compensation Plans

Generally, these plans were adopted by NYSE prior to its merger with Archipelago and now are maintained for the potential benefit of certain officers and employees of NYSE Group, NYSE Market, and NYSE Regulation, except as specifically noted otherwise.

The Retirement Plan

The NYSE sponsors the Retirement Plan for Eligible Employees of the NYSE (the "Retirement Plan"). As noted below, the Retirement Plan was frozen as of March 31, 2006. The Retirement Plan is a funded, tax-qualified, non contributory defined benefit pension plan that covers NYSE employees generally, but does not cover any of the named executives other than Ms. Kinney. The NYSE pays the entire cost of plan benefits. For employees hired before June 30, 2002, benefits under the Retirement Plan are based on a set percentage of the participant's annual base salary during each year of employment, subject to certain alternative calculations to mirror a final average compensation plan. Since 1989, that percentage has been 2.35%. Employees that were employed by the NYSE on or before February 17, 1998 receive an additional benefit equal to $100 for each year of service before January 1, 1981. For employees hired after June 30, 2002, benefits are calculated as follows: (1) 1.25% of final average compensation (i.e., average annual compensation during an employee's best five years) ("FAC") up to the average social security wage base ($46,200 in 2005), plus (2) 1.45% of final average compensation (i.e., average annual compensation during an employee's best five years) in excess of the average social security wage base, times (3) an employee's years of plan participation. The amount of annual compensation that may be considered in calculating benefits under the Retirement Plan is limited by law. In 2006, the limit is $220,000.

Normal retirement age under the plan is age 65. However, employees can retire and receive a reduced benefit at any time after they reach age 55. Employees become vested in their benefits upon completion of five years of service with the NYSE.

The estimated annual benefits payable from the Retirement Plan in the form of a life annuity commencing at normal retirement age (age 65) for the named executive officers hired prior to July 1, 2002 are as follows: $164,000 for Ms. Kinney. This amounts assumes future salary will be equal to the amounts earned in 2005.

Effective March 31, 2006, the Retirement Plan was frozen. Accrued benefits will continue to vest and will be paid according to the existing plan terms. No additional compensation or service credit will be awarded after March 31, 2006. Effective April 1, 2006, the Retirement Accumulation Plan described below was introduced.

Retirement Accumulation Plan

Effective April 1, 2006 for NYSE employees, a new employer funded defined contribution Retirement Accumulation Plan account was established in the Savings Plan (as described below).

Employees are eligible to receive a Retirement Accumulation Plan contribution beginning as of the later of April 1, 2006 or the first day of the month following the completion of the six-month eligibility requirement with the NYSE. Any service completed prior to April 1, 2006 will count toward determining eligibility for the new employer contribution.

To receive a contribution, an employee must be actively employed on December 31 of the plan year for which the Retirement Accumulation Plan contribution is made. The plan year is a calendar year (January 1 - December 31). However, if employment ends during the plan year due to death, retirement (termination of employment on or after age 55) or disability, the employee (or his/her beneficiary) is eligible to receive a contribution for that year based on the employee's age at the date of the event and the employee's base salary earned during the plan year.

NYSE Group will make annual contributions to this account based on the employee's age on December 31 and the employee's base salary earned during each plan year he/she is eligible for the plan. Since this new account became effective April 1, 2006, the first year's contribution will be calculated using base salary earned from April 1 to December 31, 2006.

The employer contribution amounts range from 3% to 6% of base salary depending on the employee's age according to the following schedule:

Age as of December 31	**Contribution Percentage**
Less than 35	3%
35 to 44	4%
45 to 54	5%
55 and over	6%

An employee will be fully vested in his/her Retirement Accumulation Plan contribution account:

- after completion of five years of service with the NYSE, or
- at age 55, regardless of years of service.

Service with the NYSE completed before and after April 1, 2006, will count toward vesting.

Since the Retirement Accumulation Plan is an account in the Savings Plan, the amounts credited to this account will be invested automatically in the investment options employees have elected for contributions under the Savings Plan.

Supplemental Executive Retirement Plan

The NYSE maintains a SERP for its employees who earn salary above a specified threshold ($184,442 in 2006) to supplement benefits under the Retirement Plan. As noted below, the SERP was frozen as of March 31, 2006. The SERP provides a base benefit to participants who have completed 10 years of NYSE service or are employed by the NYSE until age 55 with at least 36 months of SERP participation. In general, the benefit is based upon years of service and the participant's annual average of the highest 60 consecutive months of salary (plus, for senior officers, two-thirds of the bonus, not to exceed annual salary). Vested benefits do not become payable until the later of age 55 or the date of retirement. Generally, the benefit under the SERP is offset by benefits paid under the Retirement Plan and social security benefits and is further reduced if benefit payments commence prior to age 60. Participants may elect to receive their account balances in a lump sum distribution for those employees who were 55 or older and had 10 or more years of service as of December 31, 2004. Effective March 31, 2006, the SERP was frozen. Accrued benefits will continue to vest and will be paid according to the existing plan terms. No additional compensation or service credits will be awarded after March 31, 2006.

Employee Savings Plans

The NYSE sponsors two tax-qualified defined contribution plans, which are substantially similar (the "Savings Plans"). The New York Stock Exchange and Subsidiary Companies Employee Savings Plan covers salaried employees, and the New York Stock Exchange and Subsidiary Companies Operations Level Employee Savings Plan covers employees who are subject to a collective bargaining agreement.

Under the Savings Plans, which are tax-qualified retirement savings plans (401(k) plans), participating employees may contribute up to 25% of their base salaries into their Savings Plan accounts, on a pre-tax or after-tax basis, or both, subject to limitations under the Internal Revenue Code on the annual amount of contributions that participants may make and the amount of annual compensation that may be taken into account in computing benefits under the Savings Plan. The NYSE matches the first 6% of base salaries that employees contribute to the plan. Participants are immediately vested in all contributions and all earnings or loss on those contributions.

Effective January 1, 2006, matching contributions for new employees will vest at the rate of 20% per year for the first five years of recognized service.

Supplemental Executive Savings Plan

The NYSE maintains a SESP to provide deferred compensation opportunities to employees who earn compensation over the limit set by the Internal Revenue Code, including certain named executive officers, to supplement benefits under the Savings Plan that are subject to limitations under the Internal Revenue Code, as well as to permit additional deferrals.

Generally, employees are eligible to participate in the SESP if their base salary exceeds the Internal Revenue Service limit on annual contributions to a qualified savings plan ($44,000 in 2006) divided by 0.31. A participant's account is also credited with earnings based on a measurement alternative selected by the participant from among specified alternatives. Participants may elect to receive their account balances in a lump sum distribution or annual installments following termination of employment. The SESP continues to be under review for compliance with Internal Revenue Service Section 409(A). If the participant elects an installment payout, the account is credited with earnings based on a measurement alternative selected by the participant from among a choice of funds.

The SESP is divided into three different plans: SESP A, SESP B, and SESP C. Participation in one, two, or all three of these plans depends on how much the employees earn and how much they contribute to the SESP.

SESP A. This plan is intended to be an excess plan, which allows employees to defer a percentage of base salary up to $220,000 (in 2006) which cannot be contributed to the qualified savings plan because of the $44,000 Internal Revenue Service contribution limit.

SESP B. Employees are eligible to contribute to SESP B if their annual salary exceeds $220,000 (in 2006). This plan is also intended to be an excess plan, and it generally allows employees to defer up to 25% of base salary over $220,000 on a before-tax basis. The NYSE matches the first 6% of base salary that employees contribute to the plan.

SESP C. Employees are eligible to contribute to SESP C if their annual salary exceeds $220,000 (in 2006). This plan allows employees to contribute more than 25% of their base salary on a before-tax basis.

Participants prior to January 1, 2006 were always 100% vested in their pre-tax contributions, matching contributions by the NYSE and any earnings or losses thereon.

Effective January 1, 2006, matching contributions for new employees will vest at the rate of 20% per year for the first five years of recognized service.

The NYSE also maintains plans permitting senior officers and above to defer amounts otherwise paid to them as bonus. There is no NYSE match under these other plans.

Capital Accumulation Plan

The NYSE sponsored a Capital Accumulation Plan ("CAP") for designated senior executives through the end of 2003. Effective January 1, 2004, the Capital Accumulation Plan was frozen, and no further credits have been made for services performed after December 31, 2003. Existing awards will continue to vest in accordance with the plan, and will be distributed upon termination of employment. The plan provided supplemental retirement benefits to a select group of management and highly compensated employees of the NYSE who were designated as eligible to participate in the plan by the human resources & compensation committee of the NYSE board of directors. The plan is "unfunded" and is not intended to qualify under Section 401(a) of the Internal Revenue Code.

Historically under the CAP, each year, participating executives were credited with an amount based upon a percentage of their Annual Bonus Plan award. These awards vest, for each executive, between the ages of 55 and 60, and are transferred into a Rabbi Trust as they vest. Unvested CAP amounts earn interest based upon the 10-year Treasury Bond rate as of December 31 of the prior year. Participants may elect to receive their vested account balances in a lump sum distribution or annual installments following termination of employment. If the participant elects an installment payout, the account is credited with earnings based on a measurement alternative selected by the participant from among a choice of funds. Awards are included as compensation expense in the year awarded and any related interest is included in compensation expense in the year earned.

Long-Term Incentive Deferral Plan

The NYSE sponsored a Long-Term Incentive Deferral Plan for designated senior executives through the end of fiscal year 2000. The plan permitted eligible executives to defer receipt of their long-term performance awards. Effective May 1, 2001, the Long-Term Incentive Deferral Plan was frozen. A few executives have deferred balances under this plan that will be paid upon their termination or retirement. Participants may elect to receive their vested account balances in a lump sum distribution or annual installments following termination of employment. If the participant elects an installment payout, the account is credited with earnings based on a measurement alternative selected by the participant from among a choice of funds.

ICP Award Deferral Plan

The ICP Award Deferral Plan permits senior officers of the NYSE to defer receipt of their bonuses under the Annual Bonus Plan. Participants may elect to receive their vested account balances in a lump sum distribution or annual installments following termination of employment. If the participant elects an installment payout, the account is credited with earnings based on a measurement alternative selected by the participant from among a choice of funds.

Severance Plans

All employees of the NYSE (other than those covered by a collective bargaining agreement or those who are non-expatriate foreign employees) are eligible to participate in the Severance Pay Plan. The Severance Pay Plan provides for basic and enhanced severance benefits upon certain terminations of employment. Basic severance benefits are equal to two weeks of an employee's base salary, less any other severance payments the employee receives from the NYSE. Managerial/professional employees are eligible for enhanced severance benefits. Enhanced severance is generally calculated at two weeks of base pay per year of service up to a maximum of 52 weeks, less any other severance the employee receives from the NYSE.

All severance benefits are paid in equal installments in accordance with the NYSE's regular payroll practices. Payment of enhanced severance benefits is conditioned upon the employee's execution of a release of claims in favor of the NYSE and its related entities.

Archipelago Plans

NYSE Group assumed the Archipelago plans in connection with the merger of the NYSE and Archipelago, with NYSE Group common stock being substituted on a one-for-one basis for any Archipelago common stock as the underlying security of any grants under the plans. In the merger, subject to certain vesting accelerations, all outstanding options on Archipelago common stock and restricted stock units issued under the Archipelago plans prior to the merger were converted to options on NYSE Group common stock and NYSE Group restricted stock units, respectively.

Archipelago Holdings, L.L.C. 2000 Long-Term Incentive Plan

Archipelago Holdings, L.L.C. adopted the Archipelago Holdings, L.L.C. 2000 Long-Term Incentive Plan ("Archipelago 2000 LTIP") on July 6, 2000. Later, the board of directors of Archipelago Holdings, Inc. expressly adopted and assumed, and the stockholders approved, the 2000 LTIP and amended the plan to reflect the conversion of Class A shares to Archipelago Holdings, Inc. common stock.

Types of Awards Granted Under the Plan. Options to acquire and rights with respect to shares of NYSE Group's common stock have been granted under the Archipelago 2000 LTIP.

Exercisability. Subject to the applicable award agreements, no option or right granted under the 2000 Archipelago LTIP may be exercised until the earlier of (i) Archipelago's initial public offering, which has already occurred, and (ii) the fifth anniversary of the date of the grant.

Non-Transferability. Awards granted under the Archipelago 2000 LTIP are generally not transferable or assignable.

Amendment; Termination. The board of directors may amend, suspend or terminate the Archipelago 2000 LTIP or any portion thereof at any time.

Change in Control. In the event that Archipelago merges into or consolidates with another corporation or entity or sells all or substantially all of its assets to another corporation, the awards granted under the Archipelago 2000 LTIP will either be assumed or an equivalent award will be substituted by the successor corporation or, if not so assumed or substituted, immediately vest and be cashed out. In the merger of the NYSE and Archipelago, NYSE Group assumed the Archipelago 2000 LTIP. If the successor corporation assumes or substitutes the awards and the participant's employment is terminated without cause or if the participant quits for good reason within 18 months of the closing of the applicable transaction, then the awards will fully vest and be exercisable for at least 12 months.

Archipelago Holdings, L.L.C. 2003 Long-Term Incentive Plan

Archipelago Holdings, L.L.C. adopted the Archipelago Holdings, L.L.C. 2003 Long-Term Incentive Plan (the "Archipelago 2003 LTIP") on August 11, 2003, and amended such plan on November 6, 2003. Later, the board of directors of Archipelago Holdings, Inc. expressly adopted and assumed, and the stockholders of Archipelago Holdings, Inc. approved, the Archipelago 2003 LTIP and amended the plan to reflect the conversion of Class B shares of Archipelago Holdings, L.L.C. to Archipelago Holdings, Inc. common stock.

Types of Awards Granted under the Plan. Options to acquire shares of NYSE Group's common stock have been granted under the 2003 LTIP.

Exercisability. Subject to the applicable award agreements, no option or right granted under the Archipelago 2003 LTIP may be exercised until the earlier of (i) Archipelago's initial public offering, which already occurred, and (ii) the fifth anniversary of the date of the grant.

Non-Transferability. Awards granted under the Archipelago 2003 LTIP are generally not transferable or assignable.

Amendment; Termination. NYSE Group's board of directors may amend, suspend or terminate the Archipelago 2003 LTIP or any portion thereof at any time.

Change in Control. In the event Archipelago merges into or consolidates with another corporation or entity or sells all or substantially all of its assets to another corporation, the awards granted under the Archipelago 2003 LTIP will either be assumed or an equivalent award will be substituted by the successor corporation or, if not so assumed or substituted, immediately vest and be cashed out. In the merger of the NYSE and Archipelago, NYSE Group assumed the Archipelago 2003 LTIP. If the successor corporation assumes or substitutes the awards and the participant's employment is terminated without cause or if the participant quits for good reason within 18 months of the closing of the applicable transaction, then the awards will fully vest and be exercisable for at least 12 months.

Archipelago 2004 Stock Incentive Plan

Archipelago Holdings, L.L.C. adopted the 2004 Stock Incentive Plan (the "Archipelago 2004 SIP"). Later, the board of directors of Archipelago Holdings, Inc. expressly adopted and assumed, and the stockholders of Archipelago Holdings, Inc. approved, the 2004 SIP and amended the plan to reflect the conversion of shares of Archipelago Holdings, L.L.C. to Archipelago Holdings, Inc. common stock.

Type of Awards. The Archipelago 2004 SIP provides for grants of options, rights, dividend equivalent rights, restricted stock, restricted stock units, and other equity based awards (including unrestricted stock and performance shares).

Non-Assignability. Except to the extent otherwise provided in the award agreement or approved by the compensation committee, no award or right granted to any person under the 2004 SIP will be assignable or transferable other than by will or by the laws of descent and distribution, and all awards and rights will be exercisable during the life of the grantee only by the grantee or the grantee's legal representative.

Change in Control. The compensation committee may provide in any award agreement for provisions relating to a change in control of the company or any of its subsidiaries or affiliates, including, without limitation, the acceleration of the exercisability of, or the lapse of restrictions with respect to, the award. In the merger of the NYSE and Archipelago, NYSE Group assumed the Archipelago 2004 SIP.

Amendment; Termination. Except as otherwise provided in an award agreement, the board of directors may from time to time suspend, discontinue, revise or amend the Archipelago 2004 SIP provided that no amendment will materially adversely affect a grantee without such person's prior written consent.

Compensation Committee Interlocks and Insider Participation

The human resources & compensation committee was not constituted until after December 31, 2005. The following individuals served as members of the human resources & compensation committee of the board of directors of the NYSE (the predecessor to NYSE Group) during the fiscal year ended December 31, 2005: (1) Shirley Ann Jackson; (2) Edgar S. Woolard, Jr.; (3) Alice M. Rivlin; (4) Robert B. Shapiro; and (5) Dennis Weatherstone. None of these individuals was, during the fiscal year, an officer or employee of the NYSE, NYSE Group or any of its subsidiaries. The NYSE Group human resources & compensation committee first convened on March 7, 2006. No member of that committee is a current or former officer or employee of NYSE Group or any of its subsidiaries.

Principal Stockholders

The following table sets forth information, as of August 31, 2006, regarding the beneficial ownership of NYSE Group common stock and restricted stock units of:

- each person who is known by NYSE Group to beneficially own 5% or more of NYSE Group outstanding common stock;
- each director and named executive officer of NYSE Group (unless otherwise indicated, the business address of each such person is 11 Wall Street, New York, New York 10005); and
- all of the directors and executive officers of NYSE Group as a group.

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, NYSE Group believes that each stockholder identified in the table possesses sole voting and investment power over all shares of NYSE Group common stock shown as beneficially owned by that stockholder. Percentage of beneficial ownership is based on approximately 156,118,000 shares of NYSE Group common stock that were outstanding as of August 31, 2006.

Name and Address of Beneficial Owner	Number of Shares of Common Stock	Number of Restricted Stock Units+	Percentage of Class
Stockholders Owning Approximately 5% or more:			
AllianceBernstein, L.P.	10,339,744(1)	0	6.62%
1345 Avenue of the Americas			
New York, NY 10105			
Atticus Capital LP	11,298,773(2)	0	7.24%
152 West 57th Street			
45th Floor			
New York, NY 10019			
General Atlantic LLC	8,276,704(3)	0	5.30%
c/o General Atlantic Service Corporation			
3 Pickwick Plaza			
Greenwich, CT 06830			
Directors:			
Marshall N. Carter	2,538(4)	0	*
Ellyn L. Brown	697(4)	0	*
William E. Ford	13,948(4)(5)	0	*
Shirley Ann Jackson	697(4)	0	*
James S. McDonald	697(4)	0	*
Duncan M. McFarland	697(4)	0	*
James J. McNulty	18,067(6)	0	*
Alice M. Rivlin	697(4)	0	*
Robert B. Shapiro	697(4)	0	*
John A. Thain	100	0	*
Karl M. von der Heyden	697(4)	0	*
Non-Director Officers:***			
Catherine R. Kinney	0	6,119	*
Gerald D. Putnam	1,334,728(7)	0	*
Nelson Chai	199,577(8)	0	*
Dale B. Bernstein	0	4,634	*
William M. Freeman	0	3,398	*
Margaret Tutwiler	0	6,119	*
All directors, and executive officers as a group (17 individuals in total)	1,573,140	20,270	1.01%

+

Shares of NYSE Group common stock underlying an equivalent number of restricted stock units. The common stock underlying the restricted stock units is not distributable before March 7, 2009 and does not currently represent voting or dispositive power. The figures presented for non-director officers represent the number of RSUs that have vested (currently 50% of the total number of RSUs granted).

*

Less than 1%.

**

As of April 12, 2006, the effective date of his resignation as executive vice president and co-general counsel of NYSE Group, Kevin J.P. O'Hara, a "named executive officer" of NYSE Group within the meaning of section 402 of Regulation S-K, beneficially owned 322,127 shares of NYSE Group common stock, representing (a) 32,035 shares that Mr. O'Hara held directly and 290,092 shares

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underlying options that were vested and directly exercisable within 60 days and (b) 25,683 shares that Mr. O'Hara contributed to the Kevin J.P. O'Hara Family Foundation, a charitable organization, for which Mr. O'Hara does not have a pecuniary interest and for which Mr. O'Hara disclaims beneficial ownership.

(1)

Based on information included in a Schedule 13F, dated June 30, 2006, filed with the SEC by AXA on behalf of certain institutional managers including AllianceBernstein, L.P.

(2)

Based on information included in a Schedule 13F, dated June 30, 2006, filed with the SEC by Atticus Capital Management LLC.

(3)

Based on information included in a Schedule 13D, dated May 10, 2006, filed with the SEC by General Atlantic and its affiliated entities. Includes (a) 5,384,509 shares of NYSE Group common stock held by General Atlantic Partners 77, L.P. ("GAP 77"); (b) 2,333,995 shares of NYSE Group common stock held by GAP-W Holdings, L.P. ("GAP-W"); (c) 450,919 shares of NYSE Group common stock held by GAPCO II; (d) 96,813 shares of NYSE Group common stock held by GapStar, LLC ("GapStar"); and (e) 10,468 shares of NYSE Group common stock held by GAPCO GmbH & Co. KG ("GAPCO KG"). General Atlantic is the general partner of GAP 77, the general partner of GAP-W and the sole member of GapStar. The general partners of GAPCO II are Managing Directors of General Atlantic. GAPCO Management GmbH ("GAPCO Management") is the general partner of GAPCO KG. The Managing Directors of General Atlantic make voting and investment decisions with respect to GAPCO Management and GAPCO KG. General Atlantic, GAP 77, GAP-W, GapStar, GAPCO II, GAPCO KG and GAPCO Management (collectively, the "GA Group") are a "group" within the meaning of Rule 13d-5 of the Exchange Act. William E. Ford, a director of NYSE Group, is President and a Managing Director of General Atlantic and a general partner of GAPCO II. Mr. Ford owns 13,251 restricted stock units of NYSE Group, which are fully vested with the underlying shares (or cash equal to the fair market value thereof), and will be delivered upon Mr. Ford's resignation or other termination from NYSE Group's board of directors.

(4)

Shares of NYSE Group common stock underlying an equivalent number of restricted stock units. Directors have a right to acquire the shares underlying the restricted stock units after the director's retirement, resignation or other termination (except for cause).

(5)

Does not include the 10,380,505 shares held by investment entities affiliated with General Atlantic, which Mr. Ford, as President and Managing Director of General Atlantic and a general partner of GAP Coinvestment Partners II, L.P. ("GAPCO II"), could be deemed to beneficially own. Mr. Ford disclaims beneficial ownership of the shares held by such investment entities.

(6)

Includes 13,067 shares of NYSE Group common stock underlying an equivalent number of restricted stock units. Mr. McNulty has a right to acquire the shares underlying these restricted stock units upon cessation of his service as a director for any reason other than removal for cause.

(7)

Includes (a) 738,858 shares of NYSE Group common stock held by GSP, LLC, an entity in which Mr. Putnam owns a controlling interest, (b) 82,283 shares of NYSE Group common stock held by Leicester Enterprises LLC, an entity in which Mr. Putnam owns a controlling interest, (c) 20,076 shares that GSP, LLC donated by Mr. Putnam to the Putnam Family Foundation, a charitable organization, and (d) options to purchase 493,511 shares of NYSE Group common stock owned by Mr. Putnam, and exercisable within 60 days. Mr. Putnam disclaims beneficial ownership of the shares held by the Putnam Family Foundation. Mr. Putnam is the president of G&S Management, Co., which is the manager of GSP, LLC. Does not include unvested options to purchase 101,077 shares of NYSE Group common stock.

(8)

Includes 32,035 shares of NYSE Group common stock that Mr. Chai holds directly, as well as options to purchase 167,542 shares of NYSE Group common stock owned by Mr. Chai, which are vested and directly exercisable within 60 days. Does not include unvested options to purchase 29,259 shares of NYSE Group common stock.

SELECTED HISTORICAL FINANCIAL DATA OF NYSE GROUP

NYSE Group is a Delaware corporation formed for the purpose of consummating the business combination of the NYSE and Archipelago, which was completed on March 7, 2006. The merger of the NYSE and Archipelago has been treated as a purchase business combination for accounting purposes, with the NYSE designated as the acquirer. As such, the historical financial statements of the NYSE have become the historical financial statements of NYSE Group. Set forth below are selected historical financial data for: (1) the NYSE, as the predecessor to NYSE Group; and (2) Archipelago, as predecessor to NYSE Arca and which was acquired by NYSE Group on March 7, 2006 as a result of the merger. Because the merger was not consummated on or before December 31, 2005, the following selected historical financial data reflect the NYSE and Archipelago separately.

Selected Historical Financial Data of NYSE Group

The following selected historical financial data for NYSE Group for periods prior to this date reflect only the NYSE's results and do not include Archipelago's results.

The following selected consolidated financial data has been derived from the historical consolidated financial statements and related notes for the years ended December 31, 2001 through December 31, 2005. The information presented here is only a summary, and it should be read together with the consolidated financial statements set forth on pages FIN-5 to FIN-85 of this document. The information set forth below is not necessarily indicative of NYSE Group's results of future operations and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group."

	Six Months ended June 30,		Year ended December 31,				
(U.S. GAAP)	2006(1)	2005	2005	2004	2003	2002	2001
				(in millions)			
Results of Operations							
Revenues							
Activity assessment	$ 329.0	$ 234.7	$ 594.6	$ 359.8	$ 419.7	$ 290.4	$ 358.1
Transactions	274.2	75.8	145.8	153.6	157.2	152.8	144.6
Listing	177.2	171.5	342.7	329.8	320.7	299.6	297.2
Market data	108.6	90.4	178.2	167.6	172.4	168.9	160.3
Data processing	81.3	92.7	182.9	220.7	224.8	224.6	223.2
Regulatory	85.2	62.2	129.8	113.3	113.2	120.4	152.2
Licensing, facility and other	59.1	28.0	55.8	58.7	71.6	65.5	59.7
Total revenues	1,114.6	755.3	1,629.8	1,403.5	1,479.6	1,322.2	1,395.3
Section 31 fees	(329.0)	(234.7)	(594.6)	(359.8)	(419.7)	(290.4)	(358.1)
Compensation	(306.9)	(257.0)	(509.8)	(522.6)	(520.5)	(512.3)	(508.2)
Liquidity payments	(93.8)						
Routing and clearing	(29.6)						
Systems and communications	(60.6)	(63.8)	(124.1)	(138.6)	(146.0)	(143.6)	(151.8)
Professional services	(57.3)	(61.1)	(127.7)	(132.7)	(97.5)	(116.9)	(133.1)
Depreciation and amortization	(64.2)	(52.6)	(103.4)	(95.7)	(89.0)	(81.4)	(74.5)
Occupancy	(40.1)	(33.9)	(70.6)	(68.6)	(67.0)	(66.3)	(56.1)
Marketing and other	(47.0)	(31.8)	(69.7)	(84.3)	(76.5)	(102.4)	(126.2)
Merger expenses and related exit costs(2)	(12.3)		(26.1)				
Regulatory fine income	23.2	22.0	35.4	7.6	11.2	6.0	3.5
Operating income (loss)	97.0	42.4	39.2	8.8	74.6	14.9	(9.2)

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Investment and other income, net	33.8	23.2	51.7	34.5	32.4	42.7	74.8
Gain on sale of equity investment	20.9						
Income before provision for income taxes and minority interest	151.7	65.6	90.9	43.3	107.0	57.6	65.6
Provision for income taxes	(58.3)	(26.2)	(48.1)	(12.1)	(45.2)	(18.7)	(22.7)
Minority interest in income of consolidated subsidiary	(1.9)	(0.4)	(2.0)	(1.0)	(1.3)	(2.3)	(3.3)
Net income	$ 91.5	$ 39.0	$ 40.8	$ 30.2	$ 60.5	$ 36.6	$ 39.6

	As of June 30,	As of December 31,				
(U.S. GAAP)	2006(1)	2005	2004	2003	2002	2001
	(in millions)					
Balance Sheet						
Total assets	$ 3,494.9	$ 2,204.1	$ 1,982.3	$ 2,009.2	$ 1,999.8	$ 1,973.6
Current assets	$ 1,557.6	$ 1,464.2	$ 1,264.6	$ 1,293.9	$ 1,227.6	$ 1,225.9
Current liabilities	999.5	685.0	486.9	513.2	434.2	481.8
Working capital	$ 558.1	$ 779.2	$ 777.7	$ 780.7	$ 793.4	$ 744.1
Long term liabilities(3)	$ 932.7	$ 684.9	$ 694.7	$ 736.2	$ 877.8	$ 823.9
Stockholders' equity	$ 1,525.5	$ 799.1	$ 767.5	$ 728.5	$ 662.2	$ 639.8

(1) The six months ended June 30, 2006 results include the accounts of NYSE Group and all wholly owned subsidiaries, as well as SIAC. The results of operations of Archipelago have been included in NYSE Group's results of operations since March 8, 2006. For periods prior to June 30, 2006, only results of the NYSE are represented.

(2) Represents legal costs, severance payments and integration costs incurred in connection with the merger with Archipelago.

(3) Represents liabilities due after one year, including accrued employee benefits and the long term portion of deferred revenue.

Selected Historical Financial Data of Archipelago (as the predecessor to NYSE Arca)

The selected financial data presented below is derived from Archipelago's consolidated financial statements, which have been audited by Ernst and Young LLP, independent registered public accountants. Such selected financial data should be read in connection with Archipelago's consolidated financial statements and related notes included in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago." Historical financial statement information may not be indicative of Archipelago's future performance.

(U.S. GAAP)	Year ended December 31, 2005(1)	2004(2)	2003	2002(3)	2001
	(in millions, except per share data)				
Results of Operations					
Revenues(4):					
Transaction fees	$ 425.0	$ 434.5	$ 380.6	$ 346.2	$ 172.2
Activity assessment fees(5)	48.0				
Market data fees(6)	62.0	56.4	29.0	1.7	
Listing and other fees	6.4	0.4	0.5	0.3	
	541.4	491.3	410.1	348.2	172.2
Equity entitlements(7)					(17.0)
Total revenues	541.4	491.3	410.1	348.2	155.2
Expenses(4):					
Section 31 fees(5)	48.0				
Liquidity payments(8)	206.9	203.5	154.2	45.8	
Routing charges	66.7	88.7	113.8	150.5	63.9
Clearance, brokerage and other transaction expenses(9)	5.9	13.7	45.0	86.8	29.1
NYSE merger costs and related executive compensation(10)	46.1				
Other employee compensation and benefits	51.6	38.4	36.1	21.6	21.7
Depreciation and amortization	21.6	22.9	25.9	16.6	10.1
Communications	19.5	16.3	18.3	23.1	26.8
Marketing and promotion	22.2	20.1	8.1	19.0	24.5
Legal and professional	12.6	11.1	8.3	7.0	6.5
Occupancy	6.7	4.2	4.0	2.5	2.0
General and administrative	16.2	11.3	9.9	8.5	8.0
Total expenses	524.0	430.2	423.6	381.4	192.6
Operating income (loss)	17.4	61.1	(13.5)	(33.2)	(37.4)
Interest and other, net	4.5	1.6	0.6	1.3	3.3
Unrealized loss on investment owned				(2.7)	(3.9)
Income (loss) before income tax provision	21.9	62.7	(12.9)	(34.6)	(38.0)
Income tax provision(11)	9.4	5.3			
Income (loss) from continuing operations	12.5	57.4	(12.9)	(34.6)	(38.0)
Income (loss) from discontinued operations(12)	3.8	11.5	14.7	(1.0)	
Net income (loss)	16.3	68.9	1.8	(35.6)	(38.0)
Deemed dividend on convertible preferred shares(13)		(9.6)			
Net income (loss) attributable to common stockholders	$ 16.3	$ 59.3	$ 1.8	$ (35.6)	$ (38.0)

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	2005(1)	2004(2)	2003	2002(3)	2001
Basic earnings (loss) per share from:					
Continuing operations	$ 0.27	$ 1.42	$ (0.36)	$ (1.11)	$ (2.35)
Discontinued operations	0.08	0.29	0.41	(0.03)	
Deemed dividend on convertible preferred shares(13)		(0.24)			
Basic earnings (loss) per share(14)	$ 0.35	$ 1.47	$ 0.05	$ (1.14)	$ (2.35)
Diluted earnings (loss) per share from:					
Continuing operations	$ 0.26	$ 1.34	$ (0.35)	$ (1.11)	$ (2.35)
Discontinued operations	0.08	0.27	0.40	(0.03)	
Deemed dividend on convertible preferred shares(13)		(0.22)			
Diluted earnings (loss) per share(14)	$ 0.34	$ 1.38	$ 0.05	$ (1.14)	$ (2.35)
Basic weighted average shares outstanding(14)	46.8	40.3	36.2	31.2	16.2
Diluted weighted average shares outstanding(14)	47.8	42.9	37.0	31.2	16.2

	As of December 31,				
(U.S. GAAP)	**2005(1)**	**2004(2)**	**2003**	**2002(3)**	**2001**
	(in millions, except per share data)				
Balance Sheet(3)					
Cash and cash equivalents(1)(5)(15)(16)	$ 134.4	$ 145.2	$ 94.4	$ 28.2	$ 54.8
Receivables from brokers, dealers and customers, net(5)	56.6	31.4	31.7	21.6	20.8
Receivables from related parties, net(4)	23.3	42.9	35.4	16.2	10.1
Total assets	579.8	543.9	471.3	379.6	234.4
Total stockholders' equity	422.1	460.9	303.3	302.8	195.8

(1) In September 2005, Archipelago completed the acquisition of PCX Holdings and its subsidiaries for a total purchase price of approximately $94.0 million consisting of a $90.9 million cash payment to PCX Holdings stockholders and certain employees of PCX Holdings and its subsidiaries, and approximately $3.1 million of direct costs incurred by Archipelago as part of this acquisition. The results of operations of PCX Holdings have been included in Archipelago's results of operations since October 1, 2005.

(2) On August 11, 2004, prior to the consummation of its initial public offering, Archipelago Holdings L.L.C. converted from a Delaware limited liability company to a Delaware corporation, Archipelago Holdings, Inc.

(3) On March 15, 2002, Archipelago completed a merger with REDIBook ECN L.L.C., a competing ECN, as a result of which Archipelago significantly increased its trading volumes in Nasdaq-listed securities.

(4) Archipelago engages in a significant amount of business with related parties in the ordinary course of its business. For a discussion of Archipelago's related-party transactions, see Note 10 to Archipelago's consolidated financial statements included elsewhere in this prospectus.

(5) Archipelago pays Section 31 fees to the SEC based on fee schedules determined by the SEC and, in turn, collects activity assessment fees from equity trading permit and option trading permit holders trading on ArcaEx and the Pacific Exchange, respectively. Activity assessment fees received are included in cash and cash equivalents at the time of receipt, and, as required by law, the amount due to the SEC is recorded as an accrued liability and remitted semiannually. Following the September 2005 acquisition of PCX Holdings, activity assessment fee revenue and Section 31 fee expense are

presented gross in Archipelago's statement of operations. These fees have had no impact on Archipelago's consolidated statement of operations.

(6)

Following the launch of ArcaEx in March 2002, Archipelago began earning revenues from market data fees based on the level of trading activity on ArcaEx. As the operator of ArcaEx, Archipelago became eligible to participate in the sale of market data to, and the receipt of market data fees from, centralized aggregators of this information.

(7)

In January 2000, Archipelago implemented an equity entitlement program under which participating customers became eligible to earn "equity entitlements" based on the volume of order flow on Archipelago's trading platforms. Equity entitlements were converted into Class B shares of Archipelago Holdings L.L.C. without additional consideration. These shares were converted into shares of Archipelago common stock in the conversion of Archipelago Holdings L.L.C. into Archipelago Holdings, Inc.

(8)

In April 2002, to enhance the liquidity of its system, Archipelago began to pay a small fee per share, referred to as "liquidity payments," to participants that post certain buy and sell orders on the Archipelago system when the quote is executed against by other participants purchasing and selling internally on the Archipelago system. Archipelago generally does not pay these fees for orders posted on NYSE-listed securities.

(9)

Archipelago undertook self-clearing initiatives of its routing broker and introducing broker businesses. Effective in January 2005, Archipelago Securities Inc. began to clear trades it routed to other market centers for execution. In addition, effective in July 2004, Archipelago Securities, Inc. began to clear trades effected by non-ETP broker-dealer customers accessing ArcaEx through Archipelago Trading Services. In addition, due to the lower percentage of orders routed out to other market centers, Archipelago's number of trades subject to clearing costs has decreased.

(10)

In connection with its merger with the NYSE, Archipelago incurred legal, banking, regulatory and other fees in 2005. In addition, Archipelago incurred certain executive compensation expenses as a result of the acceleration of payments to, and vesting of restricted stock units of, Archipelago officers in 2005.

(11)

As a limited liability company, all income taxes were paid by the members of Archipelago. As a corporation, Archipelago is responsible for the payment of all U.S. federal, state and local corporate income taxes.

(12)

As part of a proposed rule change filed by the Pacific Exchange with the SEC, Archipelago undertook to divest Wave Securities L.L.C., a wholly owned subsidiary of Archipelago providing agency brokerage services. The results of operations and financial position of Wave Securities are presented as discontinued operations in the consolidated financial statements. All historical periods presented have been restated to reflect such presentation. Archipelago completed the sale of Wave Securities on March 3, 2006.

(13)

In August 2004, in connection with its initial public offering, Archipelago converted 16,793,637 Class A preferred shares of Archipelago (sold to GAP Archa Holdings, L.L.C., an affiliate of General Atlantic, on November 12, 2003 for total consideration of $50.0 million) into 4,449,268 shares of Archipelago common stock. Included in this conversion was the issuance of 717,349 shares of common stock attributable to a $9.6 million beneficial conversion feature included in the previously issued redeemable preferred interest.

(14)

In August 2004, in connection with Archipelago's reorganization, the members of Archipelago Holdings L.L.C. received 0.222222 shares of Archipelago common stock for each membership interest held by the member in Archipelago Holdings L.L.C. The weighted average number of shares used in the basic and diluted earnings per share computations gives retroactive effect to this 4.5-for-1 reverse stock split.

(15)

As approved by the board of managers of Archipelago Holdings L.L.C. on July 16, 2004, Archipelago Holdings L.L.C. made a cash distribution to its members immediately prior to the conversion transaction. The cash distribution provided funds to the members to permit them to pay taxes that the members owe for their share of Archipelago's profits in 2004 as a limited liability company through the date of the conversion transaction, calculated primarily based on the highest federal and state income tax rate applicable for tax withholding purposes to an individual. The cash distribution was approximately $24.6 million and resulted in a corresponding reduction to cash and cash equivalents. As used in this discussion, the term "members" refers to the former owners of Archipelago Holdings L.L.C.

(16)

In August 2004, Archipelago completed its initial public offering and sold 6,325,000 shares of Archipelago common stock at $11.50 per share. Archipelago received net proceeds of $67.6 million and incurred approximately $6.8 million in expenses in connection with its initial public offering.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF NYSE GROUP

The following discussion of the NYSE Group's financial condition and results of operations should be read in conjunction with the consolidated financial statements of the NYSE Group and the notes thereto included in this document. The following discussion contains forward-looking statements. Actual results could differ materially from the results discussed in the forward-looking statements. See "Risk Factors" and "Forward-Looking Statements."

Overview

NYSE Group is a holding company that, through its subsidiaries, operates two securities exchanges: the NYSE and NYSE Arca. NYSE is a leading provider of securities listing, trading and market data products and services. NYSE Group was formed in connection with the merger of the NYSE and Archipelago, which was completed on March 7, 2006. As of that date, the NYSE and Archipelago became wholly owned subsidiaries of NYSE Group. As such, the historical financial statements of the NYSE have become the historical financial statements of NYSE Group.

NYSE Group was organized on May 2, 2005. As of December 31, 2005 and up until March 7, 2006, NYSE Group had no assets (other than $200 that it received on December 29, 2005 from the sale of one share of its common stock to each of the NYSE and Archipelago) and had not conducted any material activities other than those incident to its formation. On March 7, 2006, upon the completion of the merger of the NYSE and Archipelago, NYSE Group became the parent company of the NYSE and Archipelago.

Business Development

NYSE/Archipelago Merger

On April 20, 2005, the NYSE entered into a definitive merger agreement with Archipelago, pursuant to which the NYSE and Archipelago agreed to combine their businesses and become wholly owned subsidiaries of NYSE Group, a newly-created, for profit and publicly-traded holding company. The merger closed on March 7, 2006. As of that date, the NYSE and Archipelago became wholly owned subsidiaries of NYSE Group. NYSE Group common stock is listed on the NYSE and is traded under the symbol "NYX."

In the merger, each NYSE member received in exchange for its NYSE membership $300,000 in cash and 80,177 shares of NYSE Group common stock. In addition, a cash dividend of $70,571 was declared and paid to each holder of record of a NYSE membership as of March 6, 2006. In the merger, the NYSE members had the opportunity to make either a cash election to increase the cash portion (and decrease the stock portion) of their merger consideration, or a stock election to increase the stock portion (and decrease the cash portion) of their merger consideration. These elections were subject to proration. The aggregate number of shares of NYSE Group common stock issued to all of the NYSE members in the merger, together with the aggregate number of shares reserved for issuance to NYSE employees, equaled approximately 70% of the NYSE Group common stock issued and outstanding at the closing of the merger, or approximately 109.5 million shares, on a diluted basis.

In the merger: (i) each share of the issued and outstanding shares of Archipelago's common stock was converted automatically into the right to receive one share of NYSE Group common stock; (ii) all outstanding stock options of Archipelago, whether vested or unvested, converted into options to purchase an equivalent number of shares of NYSE Group common stock; and (iii) all outstanding restricted stock units of Archipelago converted into an equal number of restricted stock units of NYSE Group common stock. The aggregate number of shares (including shares underlying stock options and restricted stock units) received by Archipelago stockholders, equaled approximately 30% of the issued and outstanding shares of NYSE Group common stock at the closing of the merger, or approximately 46.0 million shares.

As a result of the merger, NYSE Group expects to achieve operational synergies resulting from the consolidation of capabilities and elimination of redundancies, and to achieve greater efficiencies from increased scale, market integration, more automation and for-profit structure. NYSE Group has identified cost saving opportunities in a number of areas, including hiring freezes and headcount reductions, the elimination of overlaps in technology, marketing, occupancy, and general and administrative costs, and increased efficiencies in its general business processes.

Selling Shareholder Offering

On May 10, 2006, NYSE Group completed a selling shareholder offering of 28.75 million shares of common stock at $61.50 per share, for which NYSE Group received no proceeds.

Operating Data

NYSE Group's revenues are affected by many factors, including the number of companies listed on the NYSE and NYSE Arca (both new and continuing), corporate actions by these companies (for example stock splits and mergers), trading activity, demand for data processing, and demand for market information. The following table presents selected operating data for the periods presented. A description of the manner in which the NYSE and NYSE Arca calculate their trading volumes and other operating measures is set forth below.

	Three months ended June 30,		Six months ended June 30,		Twelve months ended December 31,		
	2006(1)	2005	2006	2005	2005	2004	2003
NYSE Company Listings(2):							
NYSE listed issuers(3)	2,697	2,637	2,697	2,637	2,672	2,618	2,561
Number of new issuer listings(4)	24	36	53	73	192	165	109
NYSE Listed Issues(5):							
NYSE Group Matched Volume(6)	121,582	102,969	235,235	203,958	400,792	364,138	348,762
NYSE Group Handled Volume(7)	124,024	104,500	239,713	207,007	404,908	368,509	353,835
Total NYSE Listed Consolidated Volume	162,452	127,745	313,292	252,938	523,505	460,455	439,905
NYSE Group Share of Total Consolidated Volume:							
Matched Volume(6)	74.8%	80.6%	75.1%	80.6%	76.6%	79.1%	79.3%
Handled Volume(7)	76.3%	81.8%	76.5%	81.8%	77.3%	80.0%	80.4%
NYSE Arca and Amex Listed Issues:							
NYSE Group Matched Volume(6)	7,841	4,655	13,856	8,340	1,364	1,996	2,669
NYSE Group Handled Volume(7)	9,067	5,325	15,983	9,563	1,627	2,115	2,752
Total NYSE Arca and Amex Listed Consolidated Volume	26,363	16,871	47,216	32,264	70,596	74,564	62,405
NYSE Group Share of Total Consolidated Volume:							
Matched Volume(6)	29.7%	27.6%	29.3%	25.8%	1.9%	2.7%	4.3%
Handled Volume(7)	34.4%	31.6%	33.9%	29.6%	2.3%	2.8%	4.4%
Nasdaq Listed Issues:							
NYSE Group Matched Volume(6)	27,841	20,734	52,077	43,457	N/A	N/A	N/A
NYSE Group Handled Volume(7)	33,971	26,010	64,043	54,660	N/A	N/A	N/A
Total Nasdaq Listed Consolidated Volume	134,946	112,756	265,639	234,264	N/A	N/A	N/A
NYSE Group Share of Total Consolidated Volume:							
Matched Volume(6)	20.6%	18.4%	19.6%	18.6%	N/A	N/A	N/A
Handled Volume(7)	25.2%	23.1%	24.1%	23.3%	N/A	N/A	N/A
Exchange-Traded Funds(5)(8):							
NYSE Group Matched Volume(6)	11,078	5,937	19,631	10,766	2,051	2,206	2,697
NYSE Group Handled Volume(7)	12,253	6,618	21,823	12,008	2,355	2,336	2,782
Total ETF Consolidated Volume	28,590	18,430	50,960	34,836	73,330	54,600	40,835
NYSE Group Share of Total Consolidated Volume:							
Matched Volume(6)	38.7%	32.2%	38.5%	30.9%	2.8%	4.0%	6.6%
Handled Volume(7)	42.9%	35.9%	42.8%	34.5%	3.2%	4.3%	6.8%

Equity Options(9):							
NYSE Group Options Contracts	44.2	29.7	92.7	66.3	N/A	N/A	N/A
Total Consolidated Options Contracts	470.0	315.1	916.5	633.7	N/A	N/A	N/A
NYSE Group Share of Total	9.4%	9.4%	10.1%	10.5%	N/A	N/A	N/A
Market Information(10):							
Tape A share of trades (%)	86.1%	91.8%	86.6%	91.7%	87.5%	90.6%	89.8%
Tape B share of trades (%)	33.7%	49.3%	38.0%	48.3%	0.7%	1.3%	3.0%
Tape C share of trades and shares (%)	24.2%	21.1%	23.1%	21.1%	N/A	N/A	N/A
Professional subscribers	417,329	423,447	417,329	423,447	413,458	411,343	402,152
Regulatory Fees:							
Gross FOCUS revenues ($ billions)(11)	66.1	47.0	127.3	84.8	187.3	145.4	145.7
Data Processing Fees:							
% SIAC revenues from customers other than NYSE	43.5%	40.8%	42.1%	41.3%	42.0%	45.1%	47.0%

(1) The three and six-month periods ended June 30, 2006 and 2005 include the combined operating data of NYSE Group (the NYSE and Archipelago) as if the acquisition of Archipelago by the NYSE had been completed on January 1, 2005. For the twelve-month periods ended December 31, 2005, 2004 and 2003, the operating data only includes the results of the NYSE (for Archipelago operating data, see Key Statistical Information of Archipelago included in Management's Discussion and Analysis of Financial Condition and Results of Operation of Archipelago).

(2) Number does not include issuers listed on NYSE Arca. There were 11 operating companies exclusively listed on NYSE Arca as of June 30, 2006.

(3) Number of listed operating companies, closed-end funds and ETFs as of period end.

(4) Includes initial public offerings, quotations and transfers from other markets of common equity securities.

(5) Includes NYSE Crossing Sessions 1, 2, 3 and 4.

(6) Represents the total number of shares of equity securities and ETFs executed on NYSE Group's exchanges.

(7) Represents the total number of shares of equity securities and ETFs internally matched on NYSE Group's exchanges or routed to and executed at an external market center. NYSE Arca routing includes odd-lots.

(8) Data included in previously identified categories.

(9) Includes trading in U.S. equity options contracts, not equity-index options.

(10) Represents the NYSE Group share of qualifying trades for Tapes A and B reported by NYSE Group to the consolidated tape, as compared to the total number of qualifying trades for Tapes A and B reported to the consolidated tape by all other participating market centers. NYSE Group share of Tape C represents the average of: (i) the share of qualifying trades for Tape C reported by NYSE Group to the consolidated tape, as compared to the total number of qualifying trades for Tape C reported to the consolidated tape by all other participating market centers; and (ii) the share of qualifying share volume for Tape C reported by NYSE Group to the consolidated tape, as compared to the total qualifying share volume for Tape C reported by all other participating market centers. The consolidated tape refers to the collection of market data that multiple markets make available on a consolidated basis.

(11) Gross FOCUS revenues represent revenues generated by member broker-dealers as reported on their "FOCUS" report (a report that is required to be filed with the SEC). A member broker-dealer's regulatory fee is based on the revenues reported. The NYSE records revenue on a six-month lag; the data is provided on this basis.

Sources of Revenues

Activity Assessment Fees

NYSE Group pays SEC fees pursuant to Section 31 of the Exchange Act. These Section 31 fees are designed to recover the costs to the government of supervision and regulation of securities markets and securities professionals. NYSE Group, in turn, collects activity assessment fees from organizations executing trades on the NYSE and NYSE Arca, and recognizes these amounts when invoiced. Fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. The activity assessment fees are

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designed so that they are equal to the Section 31 fees. As a result, neither the size of Section 31 fees nor the size of activity assessment fees has an impact on NYSE Group's net income.

Transaction Fees

On the NYSE, trading fees are paid by member organizations based on their trading activity. Fees are assessed on a per share basis for trading in equity securities. The fees are applicable to all transactions that take place on the NYSE, and the fee amounts vary, based on the size and type of trade that is consummated. There is no fee for small electronic trades. All members and member organizations pay trading fees except "$2 brokers" (who, by definition, effect transactions only for other member organizations) and specialists. There are two caps that apply to the trading fees (other than fees for trading ETFs), and member organizations pay the lesser of these two fee caps on a monthly basis. The first cap is a maximum fixed dollar amount of $600,000 per month. The second is a variable cap that is equal to 2% of the net commissions that a member organization earns on the trades it executes on the trading floor. As a result of these caps, fluctuations in trading volumes, regardless of direction or magnitude, do not have a significant impact on NYSE Group's trading fees.

On NYSE Arca, trading fees are charged to customers for trade execution of equity securities and equity options. NYSE Arca earns transaction fees for (i) customer orders of equity securities matched internally on NYSE Arca, as well as for customer orders routed out, and (ii) customer orders of equity options traded or cleared through NYSE Arca.

For equity securities, NYSE Arca charges a per share fee (denominated in tenths of a cent per share) to each customer that executes against a buy order or sell order posted internally. NYSE Arca refers to these customers when they purchase or sell securities as "liquidity takers," as they removed liquidity from NYSE Arca. A liquidity taker may be either a purchaser or a seller, and is distinguished from a "liquidity provider" generally by the type of buy order or sell order it posts on NYSE Arca. NYSE Arca also charges a per share fee (denominated in tenths of a cent per share) to customers whose orders of equity securities are routed out to an external market center displaying the best buy order or sell order in the market for a particular security.

On June 30, 2006, NYSE Group announced transaction-pricing changes for NYSE listed equities and NYSE Arca options, effective August 1, 2006. The new pricing includes, but is not limited to, the following changes:

- Transaction fees on NYSE-listed equities will be based on a fixed rate of 0.00025 per share rather than the current variable fee schedule.

- The monthly cap, referenced above on trading NYSE-listed cash equities, will be increased to $750,000 from $600,000.

- The cap equal to 2% of net commissions for trading on the NYSE will be eliminated.

- Free system orders on all NYSE-listed equities transactions will also be eliminated (fees for ETF system orders under 5,100 shares will continue to be waived).

- Specialists will not incur transaction fees for trading ETFs.

The pricing structures of the NYSE and NYSE Arca continue to be examined as part of a broad strategic review of NYSE Group's opportunities for revenue growth and efficiency improvement and to better capture value for the services rendered by aligning more closely transaction revenue with executed volume, product expansion and new product development. Transaction fees that NYSE Group earns in the future could also depend on the outcome of certain regulations and rule changes, such as Regulation NMS.

Listing Fees

Companies pay listing fees when they initially list on the NYSE or NYSE Arca, and annually thereafter. Listing fees consist of two components: original listing fees and other corporate action related fees. Original listing fees, subject to a minimum and maximum amount, are based on the number of shares that the company initially lists with the NYSE or NYSE Arca. Other corporate action related fees are paid by listed companies in connection with corporate actions involving the issuance of new shares to be listed on the NYSE or NYSE Arca, such as stock splits, rights issues, sales of additional securities, and mergers and acquisitions, which are subject to a minimum and maximum fee. Annual fees are charged based on the number of outstanding shares of the listed company at the end of the previous year. These fees are recognized on a pro-rata basis over the calendar year. Original listing fees are recognized on a straight-line basis over estimated service periods of 10 years for the NYSE and 5 years for NYSE Arca. Unamortized balances are recorded as deferred revenue on the consolidated statements of financial condition.

Data Processing Fees

SIAC charges data processing fees to customers other than NYSE Group (fees charged to NYSE Group are eliminated in consolidation) for communication services, data processing operations and systems development functions. SIAC operates on a cost recovery model driven by its customers' demands. Under this model, any increase or decrease in SIAC's operating expenses results in a corresponding change in its revenues. In addition, SIAC earns revenues through its subsidiary, Sector, which offers an array of communications and data processing services, primarily to the broker-dealer community.

Market Data Fees

NYSE Group collects market information fees principally for consortium-based data products and, to a lesser extent, for NYSE proprietary data products. Consortium-based data fees are determined by securities industry plans. Consortium-based data revenues that coordinated market data distribution generates (net of joint processing and administration costs) are distributed to participating markets on the basis of their respective number of trades. Last sale prices and quotes in NYSE-listed securities are disseminated through Tape A, which constitutes the majority of the NYSE's revenues from consortium-based market data revenues. NYSE Group also receives a share of the revenues from Tape B and Tape C, which represents data related to trading of certain securities that are listed on Nasdaq, AMEX, and other regional exchanges, including ETFs. These revenues are influenced by demand for the data by professional and non-professional subscribers, as well as the NYSE Group's share of trades. In addition, NYSE Group receives fees for television broadcasts, vendor access and other usage fees related to per quote or per trade data. NYSE Group proprietary products make available market data covering activity that takes place solely on the NYSE and NYSE Arca's markets, independent of activity on other markets.

Regulatory Fees

Regulatory fees are principally comprised of member firm regulation fees and market surveillance fees collected by NYSE Group. Member firm regulation fees are based on member organizations' gross revenues, as reported in their FOCUS filing with the NYSE, and assessed on a six-month lag. Market surveillance fees are charged to specialists and floor brokers to recover some of the costs of overseeing trading on the NYSE floor. Other regulatory fees include revenue from registration of branch offices, registered individuals and specialists, as well as fees for certain licensing examinations necessary to operate in the securities industry.

Licensing, Facility and Other Fees

On January 4, 2006, the NYSE completed a modified Dutch auction, as a result of which it sold 1,274 trading licenses at an annualized price of $49,290 per license, subject to SEC approval of applicable NYSE rules, which approval was obtained on February 27, 2006. The NYSE has made available a maximum of 1,366 trading licenses, and any unsold trading licenses can be purchased at a 10% premium to the established auction price, on a pro rata basis, during the course of 2006. Currently, NYSE Group anticipates approximately $51 million in revenue from trading licenses for the period from March 8 to December 31, 2006, which is recognized on a straight-line basis over this period. There could be significant uncertainty regarding the number and price of trading licenses that will be sold in a given year, which could result in fluctuation in the amount of trading license fees that NYSE Group receives each year.

Until recently, the NYSE charged each specialist firm for both the number of post spaces occupied on the trading floor, and for each registered specialist. However, as of January 1, 2006, the NYSE introduced a new pricing structure to replace several fees that had been previously charged by the NYSE to specialists. Under this new structure, referred to as the "Specialist Trading Privilege Fee," specialists are charged an annual fee per symbol traded on the NYSE, and this fee is determined based on the consolidated average daily dollar volume of each particular symbol traded by the specialists. The NYSE charges floor brokers for each booth occupied on the trading floor, and rates vary depending on the location of the particular booth. Specialists and floor brokers also pay an annual fee for each of their clerks working on the trading floor. Fees are also charged to trading floor participants for a variety of services provided by the NYSE, including NYSE e-Broker® handheld devices, phone service, radio paging and connections to third-party market data providers.

Facility and other fees primarily comprise fees received for services provided to specialists, brokers and clerks physically located on the NYSE floor that enable them to engage in the purchase and sale of securities on the trading floor. These services include booth and post space, communication, trading analysis and technology.

Components of Expenses

Section 31 Fees

See "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group Sources of Revenues Activity Assessment Fees" above.

Merger Expenses and Related Exit Costs

Merger expenses and related exit costs consist of severance costs, as well as legal, printing and accounting fees incurred in connection with the May 2006 selling shareholder offering of NYSE Group common stock, and other professional fees directly attributable to the merger with Archipelago.

Compensation

NYSE Group's compensation expense includes employee salaries, incentive compensation (including stock-based compensation) and related benefits expense, including pension, medical, postretirement medical, and SERP charges. Part-time help, primarily related to security personnel at the NYSE, is also recorded in this category.

Liquidity Payments

To enhance the liquidity of its system, NYSE Arca pays a small fee per share (denominated in tenths of a cent per share) to participants, referred to as "liquidity providers," that post buy orders and sell orders on NYSE Arca, when the quote is executed against, or "hit," by liquidity takers purchasing or selling securities internally on NYSE Arca.

Routing and Clearing

NYSE Arca incurs routing charges when NYSE Arca does not have the best buy or sell order in the market for a security that a customer is trying to buy or sell on NYSE Arca. In that case, NYSE Arca routes the customer's order to the external market center that displays the best buy order or sell order. The external market center charges NYSE Arca a fee per share (denominated in tenths of a cent per share) for routing to its system.

In addition, NYSE Arca incurs clearance, brokerage and related transaction expenses, which primarily include costs incurred in self-clearing activities, service fees paid per trade to exchanges for trade execution, and costs incurred due to erroneous trade execution.

Systems and Communications

NYSE Group's systems and communications expense includes (i) certain costs for development and maintenance of trading, regulatory and administrative systems, (ii) investments in system capacity, reliability and security and (iii) network connection with its customers and its data centers, as well as connectivity to various other market centers.

Professional Services

NYSE Group's professional services expense includes consulting charges related to various technological and operational initiatives, as well as legal and audit fees. NYSE Group's historical spending related to professional services consists principally of legal and consulting expenses. While NYSE Group is focused on reducing costs, including professional services costs, there is no guarantee that NYSE Group's professional services expenses will decline in the future. Under certain circumstances, particularly as NYSE Group pursues its business strategy, NYSE Group may be required to incur significant professional services costs, such as legal expenses.

Depreciation and Amortization

This item includes costs from depreciating fixed assets and amortizing intangible assets over their estimated useful lives. It also includes depreciation of computer hardware and capitalized software.

Occupancy

Occupancy includes costs related to NYSE Group's leased premises, as well as real estate taxes and maintenance of owned premises.

Marketing and Other

Marketing and other expenses includes advertising, printing and promotion expenses, insurance premiums, travel and entertainment expenses as well as other administrative expenses.

Regulatory Fine Income

Regulatory fine income is generated from fines levied by NYSE Regulation, which regulates and monitors the activities on NYSE Group's securities exchanges and enforces member organization compliance with applicable law and the rules of the exchanges. The frequency with which fines may be levied and their amount will vary based upon the actions of participants on the NYSE and NYSE Arca. Regulatory fines are used for regulatory purposes.

Segment Reporting

Subsequent to the merger of the NYSE and Archipelago, NYSE Group has operated under three reportable segments: Market, SIAC Services and Regulation. NYSE Group's segments are managed and operated as three business units and organized based on services provided to customers.

Market represents primarily the fees earned from (i) obtaining new listings and servicing existing listings on the NYSE and NYSE Arca, (ii) providing access to trade execution, (iii) distributing market information to data subscribers, and (iv) issuing trading licenses (previously membership fees).

SIAC Services provides communication and data processing operations and systems development functions to the NYSE and third-party customers.

Regulation provides regulatory services (including member firm regulation, market surveillance, enforcement, listed company compliance, and arbitration), performed by NYSE Regulation, to NYSE and NYSE Arca. Regulatory fees are paid by member organizations and are primarily assessed based upon their Gross FOCUS revenues. In addition, Regulation collects regulatory fines that are levied against members and member organizations.

Prior to the merger of the NYSE and Archipelago, the NYSE operated under two reportable segments: NYSE Market and SIAC Services. Prior to 2005, the NYSE did not maintain accounting systems that would have enabled the use of the allocation methodologies that NYSE Group is currently using. The segment information for the interim periods in the year ended December 31, 2005 have been restated. However, the related items of disclosure for the years ended December 31, 2003 and 2004 have not been restated because it is impracticable to do so. Accordingly, the comparison of results of operations for the year ended December 31, 2005 versus the year ended December 31, 2004, as well as that for the year ended December 31, 2004 versus the year ended December 31, 2003, have been presented using the two historical segments of the NYSE during those periods, and not using the three reportable segments currently used by NYSE Group.

Results of Operations

NYSE Group has treated the merger of the NYSE and Archipelago as a purchase business combination for accounting purposes, with the NYSE designated as the business and accounting acquirer. As a result, the historical results of the NYSE are the historical results of NYSE Group. The results of operations of NYSE Arca have been included in the results of operations of NYSE Group since March 8, 2006.

Three Months Ended June 30, 2006 Versus Three Months Ended June 30, 2005

The following table sets forth NYSE Group's consolidated statements of income for the three months ended June 30, 2006 and 2005, as well as the percentage increase or decrease for each consolidated statement of income item for the three months ended June 30, 2006, as compared to such item for the three months ended June 30, 2005:

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Revenues:			
Activity assessment	$ 189.8	$ 141.8	33.9%
Transaction	198.0	37.8	423.8%
Listing	88.8	85.5	3.9%
Market data	60.4	46.3	30.5%
Data processing	41.9	47.7	(12.3)%
Regulatory	44.7	32.6	37.2%
Licensing, facility and other	36.0	13.1	174.6%
Total revenues	659.6	404.8	62.9%
Section 31 fees	(189.8)	(141.8)	33.9%
Merger expenses and related exit costs	(9.7)		100.0%
Compensation	(138.4)	(128.3)	7.8%
Liquidity payments	(74.8)		100.0%
Routing and clearing	(23.4)		100.0%
Systems and communications	$ (30.7)	$ (32.0)	(4.2)%
Professional services	(29.4)	(34.2)	(13.9)%
Depreciation and amortization	(36.1)	(26.4)	36.4%
Occupancy	(21.5)	(17.1)	25.6%
Marketing and other	(28.0)	(17.5)	59.7%
Regulatory fine income	6.2	1.2	390.7%
Operating income	84.0	8.7	865.2%
Investment and other income, net	17.0	12.9	31.7%
Income before taxes and minority interest	101.0	21.6	367.2%
Provision for income taxes	(38.5)	(7.4)	419.8%
Minority interest in income of consolidated subsidiary	(1.3)	(1.2)	8.5%
Net income	$ 61.2	$ 13.0	371.1%

Consolidated Results

For the three months ended June 30, 2006, the results of operations of NYSE Group included the results of the NYSE, SIAC and the results of operations of NYSE Arca following the March 7, 2006 merger with Archipelago. For the same period a year ago, the results of operations of NYSE Group only included the results of the NYSE and SIAC.

For the three months ended June 30, 2006, NYSE Group reported revenues (excluding activity assessment fees), operating income and net income of $469.8 million, $84.0 million and $61.2 million, respectively. This compares to revenues (excluding activity assessment fees), operating income and net income of $263.0 million, $8.7 million and $13.0 million, respectively, for the three months ended June 30, 2005.

The $206.8 million increase in revenues (excluding activity assessment fees), $75.3 million increase in operating income and $48.2 million increase in net income for the period reflect the following principal factors:

Increased revenues. NYSE Arca's results of operations were consolidated for the three months ended June 30, 2006 and contributed revenues of $180.4 million (excluding activity assessment fees), which was the primary driver of the period-over-period increase.

Increased operating income. The period over period increase in operating income of $75.3 million was the result of NYSE Arca's contribution to operating income of $36.0 million as well as other revenue growth and overall operating efficiencies as NYSE Group continues to meet its integration goals.

Improved net income. Period over period, net income increased $48.2 million including $22.5 million related to NYSE Arca, revenue growth and overall operating efficiencies.

Market Segment Results Revenues

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Revenues:			
Activity assessment	$ 189.8	$ 141.8	33.9%
Transaction	198.0	37.8	423.8%
Listing	88.8	85.5	3.9%
Market data	60.4	46.3	30.5%
Market services provided to Regulation	29.7	31.1	(4.4)%
Licensing, facility and other	$ 36.0	$ 13.1	174.6%
Total revenues	$ 602.7	$ 355.6	69.5%

Transaction. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, transaction fees increased by $160.2 million, or 423.8%, primarily as a result of NYSE Arca's contribution since the completion of the merger on March 7, 2006.

Listing. The following table sets forth the revenues from listing fees calculated in accordance with U.S. generally accepted accounting principles ("as reported") and as would be reported on a basis without giving effect to U.S. generally accepted accounting principles ("billed basis"). NYSE Group believes that the presentation of billed basis revenues, as they relate to original fees, is a good indicator of current listing fee activity as billed basis information excludes the effects of recognizing revenues related to original fees over periods ranging from 5 to 10 years.

	Three months ended June 30,				Percent Increase (Decrease)	
	2006		2005			
	As reported	As billed	As reported	As billed	As reported	As billed
	(amounts in millions)					
Annual fees	$ 66.1	$ 66.1	$ 62.9	$ 62.9	5.1%	5.1%
Original fees	22.7	20.9	22.6	20.9		
	$ 88.8	$ 87.0	$ 85.5	$ 83.8	3.9%	3.8%

For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, listing fee revenue increased $3.3 million, or 3.9%, on an as reported basis.

Listing fees are primarily derived from annual listing fees and original listing fees. Original listing fees are deferred and recognized over the estimated service periods ranging from 5 to 10 years. The difference between the as reported revenues and the billed basis revenues is due to the amortization of listing fees in accordance with U.S. generally accepted accounting principles.

Annual listing fees totaled $66.1 million on both an as reported and billed basis for the three months ended June 30, 2006, compared with $62.9 million on both an as reported and billed basis for the three months ended June 30, 2005, an increase of 5.1%. The period over period improvement is due to the increase in aggregate shares billed at the beginning of the year, from approximately 387 billion to 408 billion, as well as new listings of shares during the year, which generate annual fees for the period of the year listed. Annual listing fees are recognized on a pro-rata basis over the calendar year.

Original listing fees amounted to $22.7 million on an as reported basis. On a billed basis, original listing fees totaled $20.9 million for the three months ended June 30, 2006, unchanged as compared to the same period a year ago.

Market Data. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, market data fees increased $14.1 million, or 30.5%, primarily from the contribution of NYSE Arca's operations, following the March 7, 2006 merger with Archipelago.

Market services provided to Regulation. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, market services provided to Regulation decreased $1.4 million, or 4.4%. These services, which include costs associated with supporting IT infrastructure, finance, human resources and other administrative functions, are provided by Market to support the operations of Regulation. The period over period decrease was primarily driven by overall cost savings initiatives.

Licensing, facility and other. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, licensing and facility fees increased $22.9 million, or 174.6%. License trading fees represented $16.0 million of the increase. Also driving the increase was the new pricing for certain facility charges implemented in January 2006. NYSE Group did not generate licensing fees in the same period a year ago.

SIAC Services Segment Results Revenues

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Data processing non-NYSE	$ 41.9	$ 47.7	(12.3)%
Data processing NYSE	54.4	65.8	(17.3)%
Total revenues	$ 96.3	$ 113.5	(15.2)%

Data processing non-NYSE. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, data processing fees decreased $5.8 million, or 12.3%, to $41.9 million. The decline is due to reduced level of services provided to SIAC's major customers and lower revenues from the communication services of Sector.

Data processing NYSE. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, data processing fees decreased $11.4 million, or 17.3%, to $54.4 million. These fees decreased due to cost reduction initiatives.

Regulation Segment Results Revenues

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Regulatory	$ 44.7	$ 32.6	37.2%
Regulatory services provided to Market	30.2	28.6	5.5%
Total revenues	$ 74.9	$ 61.2	22.4%

Regulatory Fees. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, regulatory fees increased $12.1 million, or 37.2%, to $44.7 million. For the three months ended June 30, 2006, NYSE Arca contributed regulatory fees of $2.8 million. The remaining $9.3 million increase was due to higher reported Gross FOCUS revenues ($66.1 billion compared to $47.0 billion period over period).

Regulatory services provided to Market. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, regulatory services provided to Market increased $1.6 million or 5.5%. These services, which include costs associated with surveillance, examination and enforcement with respect to Market activities, and overseeing compliance by listed companies, are provided by Regulation. The increase primarily reflects increased compensation costs for cash awards granted to Regulation employees following the merger with NYSE Arca.

Market Segment Results Expenses

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Section 31 fees	$ 189.8	$ 141.8	33.9%
Merger expenses and related exit costs	9.7		100.0%
Compensation	60.9	46.3	31.5%
Liquidity payments	74.8		100.0%
Routing and clearing	23.4		100.0%
Regulatory services provided to Market	30.2	28.6	5.5%
Systems and communications	13.1	6.3	107.8%
SIAC support(1)	54.4	65.8	(17.3)%
Professional services	19.7	23.8	(17.1)%
Depreciation and amortization	27.0	15.4	75.6%
Occupancy	10.4	6.6	57.8%
Marketing and other	21.7	13.4	61.7%
Total expenses	$ 535.1	$ 348.0	53.8%

(1) Market's SIAC support expense will not equal SIAC Services' revenues from Data processing NYSE as certain fees billed to the NYSE by SIAC relate to software developed for the NYSE's internal use, and as a result a portion of these fees incurred during the application development stage has been capitalized.

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Merger expenses and related exit costs. For the three months ended June 30, 2006, NYSE Group incurred $9.7 million in merger expenses and related exit costs consisting of severance costs ($5.8 million), legal, printing and accounting fees incurred in connection with the May 2006 selling shareholder offering of NYSE Group common stock ($2.1 million), and other professional fees ($1.8 million) directly attributable to the March 7, 2006 merger with Archipelago. NYSE Group did not incur any similar expenses in the same period a year ago.

Market Compensation

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 41.0	$ 32.5	26.2%
Stock-based compensation	3.9		100.0%
Benefits and other	16.0	13.8	15.9%
	$ 60.9	$ 46.3	31.5%

Compensation. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, compensation was up $14.6 million, or 31.5%. The employees of NYSE Arca accounted for $15.5 million of this increase. Excluding the impact of NYSE Arca's consolidation and stock-based compensation during the three months ended June 30, 2006, compensation decreased by $4.8 million primarily due to cost savings initiatives. NYSE Group did not record any stock-based compensation in the same period a year ago.

Liquidity payments. For the three months ended June 30, 2006, NYSE Arca incurred liquidity payments of $74.8 million. NYSE Group did not incur any similar expenses in the same period a year ago.

Routing and clearing. For the three months ended June 30, 2006, NYSE Arca incurred routing and clearing fees of $23.4 million. NYSE Group did not incur any similar expenses in the same period a year ago.

Regulatory services provided to Market. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, regulatory services provided to Market increased $1.6 million or 5.5%. The increase primarily reflects increased compensation costs for cash awards granted to Regulation employees following the merger with NYSE Arca.

Systems and SIAC Support. For the three months ended June 30, 2006, compared to three months ended June 30, 2005, systems related costs decreased $4.6 million, or 6.4%. For the three months ended June 30, 2006, the operations of NYSE Arca accounted for $5.9 million of the $13.1 million of systems and communications. SIAC support costs decreased by 17.3% to $54.4 million due to structural cost effectiveness efforts, which resulted in lower data processing operations and systems development costs, lower headcount and increased utilization rates.

Professional Services. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, professional services decreased $4.1 million, or 17.1%. This decrease was primarily due to reduced legal fees and the achievement of certain integration synergies.

Depreciation and Amortization. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, depreciation and amortization increased $11.6 million, or 75.6%. The operations of NYSE Arca represented $8.9 million of the increase following the March 7, 2006 merger with Archipelago. The remaining $2.7 million increase was associated with capital expenditures on technology and infrastructure.

Occupancy. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, occupancy increased $3.8 million, or 57.8%, which was primarily the result of the consolidation of NYSE Arca's operations following the completion of the March 7, 2006 merger with Archipelago.

Marketing and other. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, marketing and other expenses increased $8.3 million, or 61.7%, primarily as a result of continued increase in advertising and promotion activity, as well as higher insurance premiums and additional expenses incurred as a public company.

SIAC Segment Results Expenses

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Compensation	$ 50.3	$ 57.5	(12.4)%
Systems and communications	14.2	22.8	(37.6)%
Professional services	8.9	11.0	(18.8)%
Depreciation and amortization	7.8	9.9	(21.0)
Occupancy	8.5	8.0	5.7%
Marketing and other	4.2	2.2	81.1%
Total expenses	$ 93.9	$ 111.4	(15.7)%

SIAC Services Compensation

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 37.7	$ 42.9	(12.1)%
Stock-based compensation	1.9		100.0%
Benefits and other	10.7	14.6	(26.7)%
	$ 50.3	$ 57.5	(12.4)%

Compensation. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, compensation decreased $7.2 million, or 12.4%. This decrease was primarily due to cost reduction initiatives and the resulting decrease in average headcount, partially offset by $1.9 million of stock based compensation recognized for restricted stock units granted at the date of the merger with NYSE Arca.

Systems and communications. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, systems and communication expenses decreased $8.6 million, or 37.6%, to $14.2 million, primarily as a result of cost containment initiatives.

Professional Services. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, professional services decreased $2.1 million, or 18.8%, to $8.9 million. Lower average contract staff and decreased temporary support for trading operations contributed to the reduction.

Depreciation and Amortization. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, depreciation and amortization expense decreased $2.1 million, or 21.0% period over period, to $7.8 million, as the number of assets reaching full depreciation outpaced capital expenditures.

Occupancy. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, occupancy costs increased by $0.5 million, or 5.7%, to $8.5 million due to increased operating expenses.

Marketing and other. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, marketing and other expenses increased $2.0 million to $4.2 million.

Regulation Segment Results Expenses

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Compensation	$ 29.1	$ 26.4	10.2%
Market services provided to Regulation	29.7	31.1	(4.4)%
Systems and communications	0.5	0.2	117.7%
Professional services	1.8	0.3	489.9%
Depreciation and amortization	1.3	1.2	5.3%
Occupancy	2.5	2.4	4.5%
Marketing and other	2.2	1.9	17.5%
Total expenses	$ 67.1	$ 63.5	5.6%

Regulation Compensation

	Three months ended June 30, 2006	Three months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 22.5	$ 19.9	13.1%
Deferred compensation award	1.8		100.0%
Benefits and other	4.8	6.5	(26.2)%
	$ 29.1	$ 26.4	10.2%

Compensation. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, compensation increased $2.7 million, or 10.2%, to $29.1 million. This increase was primarily due to $1.8 million of cash awards granted to Regulation employees at the time of the merger coupled with a modest increase in the average Regulation headcount.

Market services provided to Regulation. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, market services provided to Regulation decreased $1.4 million, or 4.4%. The decrease was due to cost savings initiatives.

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Professional services. For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, professional services increased $1.5 million, to $1.8 million. These costs increased as newly established mandatory regulatory audits commenced during 2006.

Regulation's other operating expenses, including systems and communications, depreciation and amortization as well as marketing and general and administrative expenses were relatively stable period over period.

Regulatory Fine Income

For the three months ended June 30, 2006, compared to the three months ended June 30, 2005, fine income increased $5.0 million to $6.2 million. Regulatory fines result from actions taken by Regulation in its oversight of member organizations and accordingly may vary period over period.

Investment and Other Income, Net

The components of investment and other income, net, were as follows:

	Three months ended June 30,	
	2006	**2005**
	(amounts in millions)	
Investment income, net	$ 9.1	$ 9.8
Other income	7.9	3.1
Total	$ 17.0	$ 12.9

The decrease in investment income, net, is primarily attributable to a decrease in the average investment portfolio subsequent payments to the former members which is somewhat offset by the increased interest rates on NYSE Group's cash balances and investment portfolio. The increase in other income primarily relates to insurance reimbursements received which may vary period over period.

Income Taxes. The consolidated effective tax rate for the three months ended June 30, 2006 and June 30, 2005 was 38.1% and 34.3%, respectively. For the three months ended June 30, 2006, NYSE Group provided for income taxes at a 41.0% combined federal, state and local tax rate. NYSE Group's 38.1% consolidated effective rate for the three months ended June 30, 2006 reflected certain tax refunds.

Six Months Ended June 30, 2006 Versus Six Months Ended June 30, 2005

The following table sets forth NYSE Group's consolidated statements of income for the six months ended June 30, 2006 and 2005, as well as the percentage increase or decrease for each consolidated

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statement of income item for the six months ended June 30, 2006, as compared to such item for the six months ended June 30, 2005:

	Six months ended June 30,		Percent Increase (Decrease)
	2006	2005	
	(amounts in millions)		
Revenues:			
Activity assessment	$ 329.0	$ 234.7	40.2%
Transaction	274.2	75.8	261.7%
Listing	177.2	171.5	3.3%
Market data	108.6	90.4	20.1%
Data processing	81.3	92.7	(12.3)%
Regulatory	85.2	62.2	(36.8)%
Licensing, facility and other	59.1	28.0	110.7%
Total revenues	1,114.6	755.3	47.6%
Section 31 fees	(329.0)	(234.7)	40.2%
Merger expenses and related exit costs	(12.3)		100.0%
Compensation	(306.9)	(257.0)	19.4%
Liquidity payments	(93.8)		100.0%
Routing and clearing	(29.6)		100.0%
Systems and communications	(60.6)	(63.8)	(5.0)%
Professional services	(57.3)	(61.1)	(6.1)%
Depreciation and amortization	(64.2)	(52.6)	22.1%
Occupancy	(40.1)	(33.9)	18.0%
Marketing and other	(47.0)	(31.8)	48.1%
Regulatory fine income	23.2	22.0	5.4%
Operating income	97.0	42.4	128.5%
Investment and other income, net	33.8	23.2	45.9%
Gain on sale of equity investment	20.9		100.0%
Income before taxes and minority interest	151.7	65.6	131.2%
Provision for income taxes	(58.3)	(26.2)	122.2%
Minority interest in income of consolidated subsidiary	(1.9)	(0.4)	375.0%
Net income	$ 91.5	$ (39.0)	134.6%

Consolidated Results

For the six months ended June 30, 2006, the results of operations of NYSE Group included the results of the NYSE, SIAC and the results of operations of NYSE Arca since the March 7, 2006 merger with Archipelago. For the same period a year ago, the results of operations of NYSE Group only included the results of the NYSE and SIAC.

For the six months ended June 30, 2006, NYSE Group reported revenues (excluding activity assessment fees), operating income and net income of $785.6 million, $97.0 million and $91.5 million, respectively. This compares to revenues (excluding activity assessment fees), operating income and net income of $520.6 million, $42.4 million and $39.0 million, respectively, for the six months ended June 30, 2005.

The $265.0 million increase in revenues (excluding activity assessment fees), $54.6 million increase in operating income and $52.5 million increase in net income for the period reflect the following principal factors:

Increased revenues. NYSE Arca's results of operations were consolidated for the full six months ended June 30, 2006 and contributed revenues of $226.6 million (excluding activity assessment fees), which was the primary driver of the period-over-period increase.

Increased operating income. The period over period increase in operating income of $54.6 million was the result of (i) NYSE Arca's contribution to operating income of $45.8 million for the six months ended June 30, 2006 partially offset by (ii) $37.3 million of compensation expense recorded at the time of the merger following the immediate vesting of approximately 600,000 restricted stock units granted to NYSE employees, and the immediate vesting of other compensation arrangements with NYSE Regulation employees.

Improved net income. Period over period, net income increased $52.5 million primarily as a result of increased operating revenue as well as $20.9 million gain recognized on the sale of shares of DTCC common stock in March 2006.

Market Segment Results Revenues

	Six months ended June 30,		Percent Increase (Decrease)
	2006	2005	
	(amounts in millions)		
Revenues:			
Activity assessment	$ 329.0	$ 234.7	40.2%
Transaction	274.2	75.8	261.7%
Listing	177.2	171.5	3.3%
Market data	108.6	90.4	20.1%
Market services provided to Regulation	71.1	59.6	19.1%
Licensing, facility and other	59.1	28.0	110.7%
Total revenues	$ 1,019.2	$ 660.0	54.4%

Transaction. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, transaction fees increased by $198.4 million, or 261.7%, primarily as a result of NYSE Arca's contribution since the completion of the merger on March 7, 2006.

Listing. The following table sets forth the revenues from listing fees calculated in accordance with U.S. generally accepted accounting principles ("as reported") and as would be reported on a basis without giving effect to U.S. generally accepted accounting principles ("billed basis"). NYSE Group believes that the presentation of billed basis revenues, as they relate to original fees, is a good indicator of current listing fee activity as billed basis information excludes the effects of recognizing revenues related to original fees over periods ranging from 5 to 10 years.

	Six months ended June 30,				Percent Increase (Decrease)	
	2006		2005			
	As reported	As billed	As reported	As billed	As reported	As billed
	(amounts in millions)					
Annual fees	$ 132.1	$ 132.1	$ 126.4	$ 126.4	4.5%	4.5%
Original fees	45.1	39.6	45.1	42.5		(6.8)%
	$ 177.2	$ 171.7	$ 171.5	$ 168.9	3.3%	1.7%

For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, listing fee revenue increased $5.7 million, or 3.3%, on an as reported basis.

Listing fees are primarily derived from annual listing fees and original listing fees. Original listing fees are deferred and recognized over the estimated service periods ranging from 5 to 10 years. The difference between the as reported revenues and the billed basis revenues is due to the amortization of listing fees in accordance with U.S. generally accepted accounting principles.

Annual listing fees totaled $132.1 million on both an as reported and billed basis for the six months ended June 30, 2006, compared with $126.4 million on both an as reported and billed basis for the six months ended June 30, 2005, an increase of 4.5%. The period over period improvement is due to the increase in aggregate shares billed at the beginning of the year, from approximately 387 billion to 408 billion, as well as new listings of shares during the year, which generate annual fees for the period of the year listed. Annual listing fees are recognized on a pro-rata basis over the calendar year.

Original listing fees amounted to $45.1 million on an as reported basis. On a billed basis, original listing fees totaled $39.6 million for the six months ended June 30, 2006 compared with $42.5 million, a 6.8% decrease, for the same period a year ago. The decrease was due to reduced new issue listings, from 73 to 53 driven primarily by a reduction in the number of new closed end fund listings which are highly interest rate sensitive.

Market Data. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, market data fees increased $18.2 million, or 20.1%, primarily from the contribution of NYSE Arca since the completion of the merger on March 7, 2006.

Market services provided to Regulation. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, Market services provided to Regulation increased $11.5 million, or 19.1%. Market provides these services, which include costs associated with supporting IT infrastructure, finance, human resources and other administrative functions to support the operations of Regulation. The increase was primarily driven by the additional investment in technology supporting Regulation and increased compensation costs for vesting of restricted stock units granted to Market employees following the merger with NYSE Arca.

Licensing, facility and other. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, licensing and facility fees increased $31.1 million, or 110.7%. License trading fees represented $20.5 million of the increase. Also driving the increase was the new pricing for certain facility charges implemented in January 2006. NYSE Group did not generate licensing fees in the same period a year ago.

SIAC Services Segment Results Revenues

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Revenues:			
Data processing non-NYSE	$ 81.3	$ 92.7	(12.3)%
Data processing NYSE	111.8	127.9	(12.6)%
Total revenues	$ 193.1	$ 220.6	(12.5)%

Data processing non-NYSE. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, data processing fees decreased $11.4 million, or 12.3%, to $81.3 million. The decline is due to reduced level of services provided to SIAC's major customers.

Data processing NYSE. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, data processing fees decreased $16.1 million, or 12.6%, to $111.8 million. These fees decreased due to cost reduction initiatives.

Regulation Segment Results Revenues

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Revenues:			
Regulatory	$ 85.2	$ 62.2	36.8%
Regulatory services provided to Market	68.0	56.1	21.4%
Total revenues	$ 153.2	$ 118.3	29.5%

Regulatory Fees. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, regulatory fees increased $23.0 million, or 36.8%, to $85.2 million. For the six months ended June 30, 2006, NYSE Arca contributed regulatory fees of $3.5 million. The remaining $19.5 million increase was due to higher reported Gross FOCUS revenues ($127.3 billion compared to $84.8 billion period over period).

Regulatory services provided to Market. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, regulatory services provided to Market increased $11.9 million or 21.4%. These services, which include costs associated with surveillance, examination and enforcement with respect to Market activities, and overseeing compliance by listed companies, are provided by Regulation. The increase primarily reflects increased compensation costs for cash awards granted to Regulation employees following the merger with NYSE Arca.

Market Segment Results Expenses

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Section 31 fees	$ 329.0	$ 234.7	40.2%
Merger expenses and related exit costs	12.3		100.0%
Compensation	134.1	92.0	45.8%
Liquidity payments	93.8		100.0%
Routing and clearing	29.6		100.0%
Regulatory services provided to Market	68.0	56.1	21.4%
Systems and communications	19.6	13.2	48.5%
SIAC support (1)	111.8	127.9	(12.6)%
Professional services	39.4	41.2	(4.4)%
Depreciation and amortization	45.8	30.3	51.3%
Occupancy	18.2	13.5	35.4%
Marketing and other	36.9	23.7	55.3%
Total expenses	$ 938.5	$ 632.6	48.4%

(1) Market's SIAC support expense will not equal SIAC Services' revenues from Data processing NYSE as certain fees billed to the NYSE by SIAC relate to software developed for the NYSE's internal use and as a result a portion of these fees incurred during the application development stage has been capitalized.

Merger expenses and related exit costs. For the six months ended June 30, 2006, NYSE Group incurred $12.3 million in merger expenses and related exit costs consisting of severance costs ($5.8 million), legal, printing and accounting fees incurred in connection with the completion of the merger of the NYSE and Archipelago, as well as the May 2006 selling shareholder offering of NYSE Group common stock ($4.0 million), and other professional fees ($2.5 million) directly attributable to the March 7, 2006 merger with Archipelago. NYSE Group did not incur any similar expenses in the same period a year ago.

Market Compensation

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 76.7	$ 64.3	19.3%
Stock-based compensation	25.0		100.0%
Benefits and other	32.4	27.7	17.0%
Total compensation	$ 134.1	$ 92.0	45.8%

Compensation. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, compensation was up $42.1 million, or 45.8%. The employees of NYSE Arca accounted for $19.8 million of this increase following the completion of the merger on March 7, 2006. Excluding the impact of NYSE Arca's consolidation during the six months ended June 30, 2006, compensation increased by $22.3 million. This increase was primarily due to $25.0 million recognized for certain restricted stock units granted to NYSE Market employees following the merger with NYSE Arca and other stock based

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compensation, including a $21.0 million charge recorded at the time of the merger for the immediate vesting of certain restricted stock units. NYSE Group did not record any stock-based compensation in the same period a year ago. Excluding the impact of NYSE Arca's results and stock based compensation awards, compensation decreased by $2.7 million, primarily in relation to cost savings initiatives.

Liquidity payments. For the six months ended June 30, 2006, NYSE Arca incurred liquidity payments of $93.8 million. NYSE Group did not incur any similar expenses in the same period a year ago.

Routing and clearing. For the six months ended June 30, 2006, NYSE Arca incurred routing and clearing fees of $29.6 million. NYSE Group did not incur any similar expenses in the same period a year ago.

Regulatory services provided to Market. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, regulatory services provided to Market increased $11.9 million or 21.4%. The increase primarily reflects increased compensation costs for cash awards granted to Regulation employees following the merger with NYSE Arca.

Systems and SIAC Support. For the six months ended June 30, 2006, compared to six months ended June 30, 2005, systems related costs decreased $9.7 million, or 6.9%. For the six months ended June 30, 2006, the newly acquired operations of NYSE Arca accounted for $7.8 million of the $19.6 million of systems and communications. Other systems and communications expenses decreased $1.4 million as a result of cost reduction initiatives. SIAC support costs decreased by 12.6% to $111.8 million due to structural cost effectiveness efforts, which resulted in lower data processing operations and systems development costs, lower headcount and increased utilization rates.

Professional Services. For the six months ended June 30, 2006, compared to the year ended June 30, 2005, professional services decreased $1.8 million or 4.4%. NYSE Arca accounted for $4.5 million of the $39.4 million. Excluding the impact of NYSE Arca's consolidation during the six months ended June 30, 2006, professional services decreased by $6.3 million primarily due to reduced legal fees.

Depreciation and Amortization. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, depreciation and amortization increased $15.5 million, or 51.3%. The operations of NYSE Arca represented $11.3 million of the increase following the March 7, 2006 completion of the merger between the NYSE and Archipelago. The remaining $4.2 million increase was chiefly associated with continued capital expenditures on technology and infrastructure.

Occupancy. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, occupancy increased $4.7 million or 35.4%, which was primarily the result of the consolidation of NYSE Arca's operations following the completion of the March 7, 2006 merger.

Marketing and other. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, marketing and other expenses increased $13.2 million, or 55.3%, primarily as a result of increased advertising and promotion activity as part of the merger, as well as higher insurance premiums and additional expenses incurred as a public company.

SIAC Services Segment Results Expenses

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Compensation	$ 113.1	$ 115.7	(2.2)%
Systems and communications	33.7	45.0	(25.1)%
Professional services	17.5	21.0	(16.8)%
Depreciation and amortization	16.1	19.9	(19.2)%
Occupancy	16.8	15.6	7.7%
Marketing and other	6.6	4.7	41.5%
Total expenses	$ 203.8	$ 221.9	(8.1)%

SIAC Services Compensation

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 75.5	$ 84.1	(10.2)%
Stock-based compensation	15.6		100.0%
Benefits and other	22.0	31.6	(30.4)%
Total compensation	$ 113.1	$ 115.7	(2.2)%

Compensation. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, compensation decreased $2.6 million, or 2.2%. This decrease was primarily due to cost reduction initiatives and the resulting decrease in average headcount, which was partially offset by $15.6 million of stock-based compensation recognized for certain restricted stock units granted to SIAC employees following the merger with NYSE Arca, including a $13.6 million charge recorded at the time of the merger for the immediate vesting of certain restricted stock units.

Systems and communications. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, systems and communication expenses decreased $11.3 million, or 25.1%, to $33.7 million, primarily as a result of cost containment initiatives.

Professional Services. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, professional services decreased $3.5 million, or 16.8%, to $17.5 million. Lower average contract staff and decreased temporary support for trading operations contributed to the reduction.

Depreciation and Amortization. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, depreciation and amortization expense decreased $3.8 million, or 19.2%, period over period, to $16.1 million, as the number of assets reaching full depreciation outpaced capital expenditures.

Occupancy. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, occupancy costs increased by $1.2 million, or 7.7%, to $16.8 million due to increased operating expenses.

Marketing and other. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, marketing and other costs increased by $1.9 million, or 41.5%.

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Regulation Segment Results Expenses

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Compensation	$ 63.8	$ 52.6	21.3%
Market services provided to Regulation	71.1	59.6	19.1%
Systems and communications	0.7	0.4	88.6%
Professional services	2.8	0.8	264.2%
Depreciation and amortization	2.4	2.5	(3.0)%
Occupancy	5.0	4.9	3.1%
Marketing and other	3.5	3.2	4.3%
Total expenses	$ 149.3	$ 124.0	20.4%

Regulation Compensation

	Six months ended June 30, 2006	Six months ended June 30, 2005	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 45.0	$ 39.1	15.1%
Deferred compensation award	6.7		100.0%
Benefits and other	12.1	13.5	(10.4)%
Total compensation	$ 63.8	$ 52.6	21.3%

Compensation. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, compensation increased $11.2 million, or 21.3%, to $63.8 million. This increase was primarily due to the $6.7 million recognition of certain cash awards granted to NYSE employees at the time of the merger coupled with a modest increase in headcount and related increased compensation costs within Regulation.

Market services provided to Regulation. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, market services provided to Regulation increased $11.5 million, or 19.1%, to $71.1 million. The increase was primarily driven by increased compensation costs for vesting of restricted stock units granted to Market employees following the merger with NYSE Arca.

Professional services. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, professional services increased $2.0 million to $2.8 million. These costs increased as newly established mandatory regulatory audits commenced during 2006.

Regulation's other operating expenses, including systems and communications, depreciation and amortization as well as marketing and general and administrative expenses were relatively stable period over period.

Regulatory Fine Income. For the six months ended June 30, 2006, compared to the six months ended June 30, 2005, fine income increased $1.2 million, or 5.4%. Regulatory fines result from actions taken by Regulation in its oversight of member organizations and accordingly may vary period over period.

Investment and Other Income, Net. The components of investment and other income, net, were as follows:

	Six months ended June 30,	
	2006	2005
	(amounts in millions)	
Investment income, net	$ 19.2	$ 15.5
Other income	14.6	7.7
Total	$ 33.8	$ 23.2

The increase in investment income, net, is primarily attributable to the increased interest rates on NYSE Group's cash balances and investment portfolio. The increase in other income relates to insurance reimbursements received which may vary period over period.

Gain on Sale of Equity Investment. On March 28, 2006, NYSE Group sold its shares of DTCC common stock for a $23.4 million cash payment. NYSE Group carried this investment at its $2.5 million cost and therefore realized a $20.9 million pre-tax gain that is included in gain on sale of equity investment in the condensed consolidated statement of income for the six months ended June 30, 2006. The after-tax impact of this gain was included in the cash dividend paid to each former NYSE member in connection with the merger of NYSE and Archipelago.

Income Taxes. The consolidated effective tax rate for the six months ended June 30, 2006 and June 30, 2005 was 38.4% and 40.0%, respectively. The decrease was primarily associated with the $20.9 million gain on sale of equity investment during 2006, which was taxed at approximately 35%, and from certain refunds.

Year Ended December 31, 2005 Versus Year Ended December 31, 2004

Overview

The following table sets forth the NYSE's consolidated statements of income for the years ended December 31, 2005 and December 31, 2004, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase (Decrease)
	(amounts in millions)		
Revenues			
Activity assessment fees	$ 594.6	$ 359.8	65.3%
Listing fees	342.7	329.8	3.9%
Data processing fees	182.9	220.7	(17.1)%
Market information fees	178.2	167.6	6.3%
Trading fees	145.8	153.6	(5.0)%
Regulatory fees	129.8	113.3	14.5%
Facility and equipment fees	49.4	50.4	(1.9)%
Membership fees	6.4	8.3	(23.8)%
Total revenues	1,629.8	1,403.5	16.1%
Section 31 fees	(594.6)	(359.8)	65.3%
Compensation	(509.8)	(522.6)	(2.5)%
Systems and related support	(124.1)	(138.6)	(10.4)%
Professional services	(127.7)	(132.7)	(3.8)%
Depreciation and amortization	(103.4)	(95.7)	8.1%
Occupancy	(70.6)	(68.6)	3.0%
General and administrative	(69.7)	(84.3)	(17.3)%
Archipelago merger and related exit costs	(26.1)		
Regulatory fine income	35.4	7.6	365.8%
Operating income	39.2	8.8	345.5%
Investment and other income, net	51.7	34.5	50.1%
Income before provision for income taxes and minority interest	90.9	43.3	109.9%
Provision for income taxes	(48.1)	(12.1)	296.6%
Minority interest in income of consolidated subsidiary	(2.0)	(1.0)	98.8%
Net income	$ 40.8	$ 30.2	35.1%

The NYSE's operations for the year ended December 31, 2005 resulted in net income of $40.8 million compared to net income of $30.2 million for the year ended December 31, 2004. The NYSE's improved operating results were driven by a $226.3 million, or 16.1%, increase in revenues, a $27.8 million increase in Regulatory fine income, partially offset by a $223.7 million increase in expenses as compared to the year ended December 31, 2004.

For the year ended December 31, 2005, total revenues were $1,629.8 million. Revenues, excluding activity assessment fees, were $1,035.2 million compared with $1,043.7 million for the year ended December 31, 2004. The decrease of $8.5 million was driven primarily by reduced data processing fees offset by growth in many of its key businesses.

For the year ended December 31, 2005, total expenses, excluding Section 31 fees, were $1,031.4 million, compared with $1,042.5 million for the year ended December 31, 2004. Expenses,

Explanation of Responses:

excluding Section 31 fees and Archipelago merger and related exit costs, declined $37.2 million, or 3.6%, primarily due to ongoing cost reduction initiatives.

Revenues NYSE Market

Overview. The following table sets forth the revenues attributable to NYSE Market for the year ended December 31, 2005 and 2004, as well as the percentage increase or decrease for each consolidated statements of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase (Decrease)
	(amounts in millions)		
Revenues:			
Activity assessment fees	$ 594.6	$ 359.8	65.3%
Listing fees	342.7	329.8	3.9%
Market information fees	178.2	167.6	6.3%
Trading fees	145.8	153.6	(5.0)%
Regulatory fees	129.8	113.3	14.5%
Facility and equipment fees	49.4	50.4	(1.9)%
Membership fees	6.4	8.3	(23.8)%
Total revenues	$ 1,446.9	$ 1,182.8	22.3%

Listing Fees. The following table sets forth the revenues from listing fees calculated in accordance with U.S. generally accepted accounting principles ("as reported") and as would be reported on a basis without giving effect to U.S. generally accepted accounting principles ("billed basis"). The NYSE believes that the presentation of billed basis revenues, as they relate to original fees, is a good indicator of current listing fee activity as billed basis information excludes the effects of recognizing revenues related to original fees over 10 years.

	Year ended December 31, 2005		Year ended December 31, 2004		Percent Increase (Decrease)	
	As Reported	Billed Basis	As Reported	Billed Basis	As Reported	Billed Basis
	(amounts in millions)					
Annual fees	$ 252.2	$ 252.2	$ 241.3	$ 241.3	4.5%	4.5%
Original fees	90.5	83.9	88.5	79.6	2.3%	5.4%
	$ 342.7	$ 336.1	$ 329.8	$ 320.9	3.9%	4.8%

For the year ended December 31, 2005 compared to the year ended December 31, 2004, listing fees increased $12.9 million, or 3.9%, on an as reported basis.

Listing fees are primarily derived from annual listing fees and original fees. Original listing fees are deferred and amortized over the estimated service period of 10 years. The difference between the as reported revenues and the billed basis revenues is due to the amortization of listing fees in accordance with U.S. generally accepted accounting principles.

Annual listing fees totaled $252.2 million on both an as reported and billed basis for the year ended December 31, 2005 compared with $241.3 million on both an as reported and billed basis for the year ended December 31, 2004, an increase of 4.5%. This is due to the increase in aggregate shares billed at the beginning of the year, from 355 billion to 387 billion, as well as new listings of shares during the year, which generate annual fees for the period of the year listed. Annual listing fees are recognized on a pro-rata basis over the calendar year.

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For the year ended December 31, 2005, original fees totaled $90.5 million on an as reported basis. On a billed basis, original fees totaled $83.9 million in 2005 compared with $79.6 million in 2004, a 5.4% increase. Original listings of operating companies, closed-end funds and ETFs increased year over year from 165 to 192, which drove the increase in original fees billed.

Market Information Fees. For the year ended December 31, 2005, compared to the year ended December 31, 2004, market information fees increased $10.6 million, or 6.3%. The number of non-professional users increased by 13.4% year over year. The demand for NYSE Open Book®, one of the NYSE's proprietary data products, continued to increase, as the number of subscribers was 17.5% higher than the same period in the prior year causing NYSE Open Book® revenue to increase by 24.7% to $21.2 million. The NYSE's non-recurring revenue of $5.8 million is comprised of (i) charges for customers who had previously not reported the appropriate number of professional devices in use and (ii) an allowance for doubtful accounts reduction. In the normal course of business, the NYSE audits its customers and the number of devices they report (on which it generates its billing) and adjusts its records based on the audit results, if necessary. This can lead to both increases and decreases in current billings. Additionally, the NYSE's allowance for doubtful accounts was reduced after a review of its policy for reserving market data revenues, and based on current levels of recoveries and collections, which have improved over the past year. Somewhat offsetting the increase in market information fees was NYSE's share of Tape A trades decreasing period over period, from 90.6% to 87.5%.

Trading Fees. For the year ended December 31, 2005, compared to the year ended December 31, 2004, trading fees fell $7.8 million, or 5.0%. Although NYSE listed average daily volume was up 9.0%, current pricing structures relating to dollar caps inhibited the NYSE's ability to generate revenue growth. Partially offsetting this decline in revenue was an increase in revenue derived from ETF transactions. These revenues increased 136.3% as compared to 2004 as the trading activity increased from 236 million shares during 2004 to 926 million shares for 2005.

Regulatory Fees. For the year ended December 31, 2005, compared to the year ended December 31, 2004, regulatory fees increased $16.5 million, or 14.5%. Member regulation fees drove the increase for the year due to higher reported gross FOCUS revenues ($187.3 billion in 2005 as compared to $145.4 billion in 2004).

Facility and Equipment Fees. For the year ended December 31, 2005, facility and equipment fees were relatively flat as compared to December 31, 2004. Both the type and level of services provided to the floor were generally unchanged.

Membership Fees. For the year ended December 31, 2005, compared to the year ended December 31, 2004, annual membership fees from NYSE Market fell $1.9 million, or 23.8%. The decrease was due to fewer electronic access member renewals period over period and electronic access member prices.

Revenues SIAC Services

Overview. The following table sets forth the revenues attributable to SIAC Services for the years ended December 31, 2005 and December 31, 2004, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase (Decrease)
	(amounts in millions)		
Revenues:			
Data processing fees non-NYSE	$ 182.9	$ 220.7	(17.1)%
Data processing fees NYSE	252.8	266.1	(5.0)%
Total revenues	$ 435.7	$ 486.8	(10.5)%

Data Processing Fees Non-NYSE. For the year ended December 31, 2005, compared to the year ended December 31, 2004, data processing fees decreased $37.8 million, or 17.1%, to $182.9 million, due to decreases in services provided to SIAC's major non-NYSE customers and lower revenues from the communication services of Sector, Inc., SIAC's subsidiary.

Data Processing Fees NYSE. For the year ended December 31, 2005, compared to the year ended December 31, 2004, data processing fees decreased $13.3 million, or 5.0%, to $252.8 million. These fees decreased due to structural cost effectiveness efforts and continued transfer of certain lease obligations for data processing equipment from SIAC to the NYSE.

Expenses NYSE Market

Overview. The following table sets forth the expenses attributable to NYSE Market for the years ended December 31, 2005 and 2004, as well as the percentage increase or decrease for each statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Section 31 fees	$ 594.6	$ 359.8	65.3%
Compensation	293.7	279.4	5.1%
Systems	41.4	37.8	9.6%
SIAC Support(1)	240.2	255.8	(6.1)%
Professional services	81.8	80.4	1.7%
Depreciation and amortization	65.8	60.1	9.5%
Occupancy	40.0	38.3	4.4%
General and administrative	57.1	69.6	(18.0)%
Archipelago merger and related exit costs	26.1		
Total expenses	$ 1,440.7	$ 1,181.2	21.9%

(1) NYSE Market's SIAC Support expense does not equal SIAC Services' revenues from Data Processing Fees NYSE as certain fees billed to the NYSE by SIAC relate to software developed for the NYSE's internal use, and as such have been capitalized.

NYSE Market Compensation

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonuses	$ 202.6	$ 179.0	13.2%
Benefits and other	91.1	100.4	(9.3)%
Total compensation	$ 293.7	$ 279.4	5.1%

Compensation. For the year ended December 31, 2005, compared to the year ended December 31, 2004, compensation increased by $14.3 million, or 5.1%. Average headcount increased to 1,596 employees during 2005 from 1,551 in 2004 due principally to staff increases in NYSE Regulation. In addition, average salaries increased 4.9% and additional incentive awards were provided to NYSE Market employees during this period. Offsetting this increase was the impact of certain changes made to the NYSE Market employee benefit plans announced during 2005.

Systems and SIAC Support. For the year ended December 31, 2005, compared to year ended December 31, 2004, system costs increased $3.6 million, or 9.6%, as a result of additional operating leases during 2005. SIAC support decreased by 6.1% to $240.2 million due to efforts to achieve structural cost effectiveness, which reduced SIAC data processing operations and systems development costs, continued transfer of certain lease obligations for data processing equipment from SIAC to the NYSE, and reduced headcount.

Professional Services. For the year ended December 31, 2005, compared to the year ended December 31, 2004, professional services increased $1.4 million or 1.7%. Legal fees represented $24.0 million or 29.3% of total professional services, down from $28.2 million or 35.1%

of total professional services for the year ended December 31, 2004. Offsetting this decline were increases in

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consulting fees period over period due to various initiatives undertaken across the organization, including improving corporate and regulatory systems.

Depreciation and Amortization. For the year ended December 31, 2005, compared to the year ended December 31, 2004, depreciation and amortization increased $5.7 million, or 9.5% reflecting the full year impact of accelerated useful lives implemented during 2004. Capital expenditures for 2005 were consistent as compared to 2004 with continued investments in technology and infrastructure.

Occupancy. For the year ended December 31, 2005, compared to the year ended December 31, 2004, occupancy increased $1.7 million or 4.4% due to increased operating expenses.

General and Administrative. For the year ended December 31, 2005, compared to the year ended December 31, 2004, general and administrative expenses decreased $12.5 million, or 18.0%. Cost savings initiatives at the NYSE in 2005 led the reductions, consisting of decreased advertising, travel and entertainment expenses and decreased contributions to various organizations.

Archipelago Merger and Related Exit Costs. For the year ended December 31, 2005, the NYSE incurred $26.1 million in expenses related to the merger with Archipelago for which there was no comparison in 2004. These costs included $18.5 million in legal costs, $3.9 million in severance payments and $3.7 million in integration costs.

Regulatory Fine Income

For the year ended December 31, 2005, compared to the year ended December 31, 2004, regulatory fines increased from $7.6 million to $35.4 million including fines totaling $29.0 million to two member organizations. Regulatory fines result from disciplinary actions taken by NYSE Regulation in its oversight of member organizations and accordingly may vary significantly from period to period.

Expenses SIAC Services

Overview. The following table sets forth the expenses attributable to SIAC Services for the years ended December 31, 2005 and December 31, 2004, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2005, as compared to such item for the year ended December 31, 2004.

	Year ended December 31,		Percent Increase (Decrease)
	2005	2004	
	(amounts in millions)		
Expenses:			
Compensation	$ 224.2	$ 248.5	(9.8)%
Systems	82.7	100.8	(18.0)%
Professional services	50.2	57.3	(12.4)%
Depreciation and amortization	37.7	35.6	5.9%
Occupancy	30.6	30.3	1.0%
General and administrative	12.6	14.7	(14.3)%
Total expenses	$ 438.0	$ 487.2	(10.1)%

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SIAC Services Compensation:

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and bonus	$ 164.3	$ 180.7	(9.1)%
Benefits and other	59.9	67.8	(11.7)%
Total compensation	$ 224.2	$ 248.5	(9.8)%

Compensation. For the year ended December 31, 2005, compared to the year ended December 31, 2004, compensation decreased $24.3 million, or 9.8%, to $224.2 million due to a decrease in average headcount from 1,599 employees to 1,367. In 2004, additional expenses were incurred due to staff reductions, which were partially offset by changes made to certain benefit plans.

Systems. For the year ended December 31, 2005, compared to the year ended December 31, 2004, systems costs decreased $18.1 million, or 18.0%, to $82.7 million, primarily due to cost containment initiatives and the transfer of certain computer equipment leases to NYSE Market.

Professional Services. For the year ended December 31, 2005, compared to the year ended December 31, 2004, professional services decreased $7.1 million, or 12.4%, to $50.2 million. Lower average contract staff, from 262 to 213, and decreased temporary support for trading operations contributed to the reduction.

Depreciation and Amortization. For the year ended December 31, 2005, compared to the year ended December 31, 2004, depreciation and amortization expenses rose $2.1 million, or 5.9% year over year, to $37.7 million. This increase was due to the full year impact of accelerated useful lives, which began in December 2004 following the review of certain depreciation policies, and the continued capital expenditures in technology and infrastructure.

Occupancy. For the year ended December 31, 2005, compared to the year ended December 31, 2004, occupancy costs were relatively flat year over year, reflecting an increase of $0.3 million, or 1.0%, to $30.6 million.

General and Administrative. For the year ended December 31, 2005, compared to the year ended December 31, 2004, general and administrative expenses decreased by $2.1 million, or 14.3%, to $12.6 million. This decrease was primarily due to a loss on disposal of assets during 2004 associated with the decommissioning of services provided to SIAC's major customers, which did not occur in 2005.

NYSE Market Investment and Other Income, net

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase
	(amounts in millions)		
Investment and other income	$ 40.8	$ 29.2	39.7%

Investment and Other Income, net. For the year ended December 31, 2005, compared to the year ended December 31, 2004, investment and other income increased $11.6 million to $40.8 million. Increases were driven primarily by higher investment income of $16.6 million due to the effect of the portfolio reallocation initiated in December 2004 to higher yielding and more tax-efficient securities, a more favorable interest rate environment for investments over the same period in the prior year, and realized gains of certain investments. This increase was offset by a reduction of $5.2 million in insurance settlements received during 2005 as compared to 2004. Insurance proceeds received of $4.4 million in 2005 were the result of claims made for legal expenses incurred in prior years.

SIAC Services Investment and Other Income, net

	Year ended December 31, 2005	Year ended December 31, 2004	Percent Increase
	(amounts in millions)		
Investment and other income	$ 10.8	$ 5.2	107.7%

Investment and Other Income, net. For the year ended December 31, 2005, compared to the year ended December 31, 2004, investment and other income increased $5.6 million, or 107.7%, to $10.8 million, primarily due to a $5.5 million insurance settlement for Sector's business claims from the events of September 11, 2001.

Income Taxes

The NYSE's consolidated effective tax rates for the years ended December 31, 2005 and December 31, 2004 were 53.0% and 28.0%, respectively. The NYSE's 2004 effective tax rate was approximately 7% less than its standard effective tax rate, due to non-taxable insurance proceeds received during the year, which decreased the effective tax rate by 4.8%, as well as tax credits received during the year, which reduced the effective tax rate by 5.7%. These credits were related to investment tax credits not previously taken and totaled $3.7 million, which had an impact on net income in 2004 of approximately $2.4 million. To the extent there are tax credits identified in the future which have not been previously taken, they will potentially reduce the provision for income taxes and increase net income. The NYSE's 2005 effective tax rate was significantly higher than its standard rate due to non-deductible merger- related expenses for litigation, which accounted for 7.1% of the rate increase and a write-down of a deferred tax asset, which accounted for 9.9% of the rate increase. This write-down was recorded following the determination by management that the deferred tax asset related to tax depreciation would not be realized. Offsetting these rate increases in 2005 was a decrease of approximately 4% related to non-taxable municipal interest income.

The following table sets forth the provision for income taxes, and the overall effective tax rate for the NYSE, on a consolidated basis, as well as for its two reportable segments NYSE Market and SIAC Services for the years ended December 31, 2005 and December 31, 2004.

	Year ended December 31,			
	2005		2004	
	Provision for Income Taxes	Overall Effective Tax Rate	Provision for Income Taxes	Overall Effective Tax Rate
	(amounts in millions)		(amounts in millions)	
NYSE on a consolidated basis	$ 48.1	53.0%	$ 12.1	28.0%
NYSE Market	45.5	55.2%	10.3	26.8%
SIAC Services	2.6	30.4%	1.8	37.5%

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Year Ended December 31, 2004 Versus Year Ended December 31, 2003

The following table sets forth the NYSE's consolidated statements of income for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

	Year ended December 31,		Percent Increase (Decrease)
	2004	2003	
	(amounts in millions)		
Revenues			
Activity assessment fees	$ 359.8	$ 419.7	(14.3)%
Listing fees	329.8	320.7	2.8%
Data processing fees	220.7	224.8	(1.8)%
Market information fees	167.6	172.4	(2.8)%
Trading fees	153.6	157.2	(2.3)%
Regulatory fees	113.3	113.2	0.1%
Facility and equipment fees	50.4	60.6	(16.8)%
Membership fees	8.3	11.0	(24.5)%
Total revenues	1,403.5	1,479.6	(5.2)%
Section 31 fees	(359.8)	(419.7)	(14.3)%
Compensation	(522.6)	(520.5)	(0.4)%
Systems and related support	(138.6)	(146.0)	(5.0)%
Professional services	(132.7)	(97.5)	36.1%
Depreciation and amortization	(95.7)	(89.0)	7.5%
Occupancy	(68.6)	(67.0)	2.4%
General and administrative	(84.3)	(76.5)	10.2%
Regulatory fine income	7.6	11.2	(32.1)%
Operating income	8.8	74.6	(88.2)
Investment and other income	34.5	32.4	6.5%
Income before provision for income taxes and minority interest	43.3	107.0	(59.5)%
Provision for income taxes	(12.1)	(45.2)	(73.2)%
Minority interest in income of consolidated subsidiary	(1.0)	(1.3)	(23.1)%
Net income	$ 30.2	$ 60.5	(50.1)%

The NYSE's operations for the year ended December 31, 2004 resulted in net income of $30.2 million, compared to net income of $60.5 million for the year ended December 31, 2003. The decrease in the NYSE's net income was driven primarily by a $16.1 million, or 1.5%, decrease in revenues, excluding activity assessment fees, a $46.0 million, or 4.6%, increase in expenses, excluding Section 31 fees, and a $3.6 million decrease in Regulatory fine income for the year ended December 31, 2004, compared to the year ended December 31, 2003.

For the year ended December 31, 2004, total revenues were $1,403.5 million. Revenues, excluding activity assessment fees, for 2004, were $1,043.7 million compared to $1,059.8 million for the year ended December 31, 2003. An increase in listing fees of $9.1 million, or 2.8%, partially offset large percentage declines in facility and equipment, regulatory fine income and membership fees and more modest percentage declines in data processing, market information and trading fees.

For the year ended December 31, 2004, total expenses, excluding Section 31 fees, were $1,042.5 million, compared to $996.5 million for the year ended December 31, 2003. Expenses, excluding

Section 31 fees, increased by $46.0 million, or 4.6%, primarily as a result of a $35.2 million, or 36.1%, increase in professional services expense due primarily to higher legal and consulting expense, as well as higher general and administrative expense due to additional advertising in 2004 and greater depreciation expense due to shortened estimates of certain asset lives.

Revenues NYSE Market

Overview. The following table sets forth the revenues attributable to NYSE Market for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

NYSE Market

	Year ended December 31,		Percent Increase (Decrease)
	2004	**2003**	
	(amounts in millions)		
Revenues:			
Activity assessment fees	$ 359.8	$ 419.7	(14.3)%
Listing fees	329.8	320.7	2.8%
Market information fees	167.6	172.4	(2.8)%
Trading fees	153.6	157.2	(2.3)%
Regulatory fees	113.3	113.2	0.1%
Facility and equipment fees	50.4	60.6	(16.8)%
Membership fees	8.3	11.0	(24.5)%
Total revenues	$ 1,182.8	$ 1,254.8	(5.7)%

Listing Fees. The following table sets forth the revenues from listing fees as reported and on a billed basis:

	Year ended December 31,				Percent Increase (Decrease)	
	2004		**2003**			
	As Reported	**Billed Basis**	**As Reported**	**Billed Basis**	**As Reported**	**Billed Basis**
	(amounts in millions)					
Annual fees	$ 241.3	$ 241.3	$ 232.2	$ 232.2	3.9%	3.9%
Original fees	88.5	79.6	88.5	62.4		27.6%
	$ 329.8	$ 320.9	$ 320.7	$ 294.6	2.8%	8.9%

For the year ended December 31, 2004, compared to the year ended December 31, 2003, listing fees increased $9.1 million, or 2.8%, on an as reported basis.

Listing fees are primarily derived from annual listing fees and original fees. Original fees are deferred and amortized over the estimated service period of 10 years. The difference between the as reported revenues and the billed basis revenues were due to the amortization of listing fees in accordance with U.S. generally accepted accounting principles.

Annual listing fees totaled $241.3 million for the year ended December 31, 2004 on both an as reported and billed basis, an increase of 3.9% over the year ended December 31, 2003. This increase was primarily due to additional listings during the year, for which annual fees were billed for the remaining portion of the year. Annual listing fees are recognized on a pro-rata basis over the calendar year.

Original fees totaled $88.5 million on an as reported basis. On a billed basis, original fees totaled $79.6 million for the year ended December 31, 2004, compared with $62.4 million for the year ended December 31, 2003, a 27.6% increase. Increases in original listings from 109 to 165 period over period, including higher merger and acquisition activity and increased stock splits, which drove higher revenues.

Market Information Fees. For the year ended December 31, 2004, compared to the year ended December 31, 2003, market information fees declined $4.8 million, or 2.8%. Market information fees for Tape A products declined due to a lower average number of monthly professional subscribers, resulting in a decrease of $6.2 million in professional device revenue. The remaining decline was attributed to Tape B, due to a decrease in the NYSE's share of the trades. The non-professional/usage segment was flat and there was a decrease in the access fees. These decreases were offset by a 35% increase in NYSE Proprietary Products revenue and an increase in NYSE's share of Tape A trades. NYSE OpenBook® subscriptions increased 20% year-on-year.

Trading Fees. For the year ended December 31, 2004, compared to the year ended December 31, 2003, trading fees fell $3.6 million, or 2.3%. Although average daily volume was up 4.6% in 2004, current pricing structures, including dollar caps and the 2% commission cap, inhibited the NYSE's ability to generate revenue growth despite higher trading activity.

Regulatory Fees. For the year ended December 31, 2004, regulatory fees were $113.3 million, with no significant change over that in the year ended December 31, 2003. Member regulation fees are driven by gross FOCUS revenue, which was flat year over year at $145 billion.

Facility and Equipment Fees. For the year ended December 31, 2004, compared to the year ended December 31, 2003, facility and equipment fees decreased $10.2 million, or 16.8%, to $50.4 million. The decrease resulted from the NYSE's decision to suspend the floor technology fee in July 2003, due to the prevailing poor economic environment for floor participants. This fee, instituted in 2003, was intended to recover the cost of providing services from those receiving value for the services.

Membership Fees. For the year ended December 31, 2004, compared to the year ended December 31, 2003, annual membership fees fell $2.7 million, or 24.5%, to $8.3 million. The drop was due to fewer electronic access membership renewals (29 in 2004 compared to 33 in 2003) and lower electronic access membership prices, reflecting lower lease prices on the floor. Transfer and other charges remained flat through the year.

Revenues SIAC Services

Overview. The following table sets forth the revenues attributable to SIAC Services for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

SIAC Services

	Year ended December 31,		Percent Increase (Decrease)
	2004	**2003**	
	(amounts in millions)		
Revenues:			
Data processing fees non-NYSE	$ 220.7	$ 224.8	(1.8)%
Data processing fees NYSE	266.1	253.0	5.2%
Total revenues	$ 486.8	$ 477.8	1.9%

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Data Processing Fees Non-NYSE. For the year ended December 31, 2004, data processing fees were $220.7 million, $4.1 million, or 1.8%, lower than that in the year ended December 31, 2003. Lower revenues were driven by a decrease in data processing fees of major customers and lower revenues from Sector's communications services. These decreases were offset partially by increased decommissioning charges for a major customer, which is supplying itself services previously provided by SIAC, and communications revenues from the SFTI communications network.

Data Processing Fees NYSE. For the year ended December 31, 2004, compared to that in the year ended December 31, 2003, data processing fees increased $13.1 million, or 5.2%, to $266.1 million, primarily due to increased requests for service from the NYSE related to additional initiatives for trading systems, billings to NYSE for its share of costs related to SIAC's workforce reduction, physical security enhancements and depreciation relating to a change in the estimated useful life of assets, resulting in generally shorter depreciation schedules and higher depreciation expenses.

Expenses NYSE Market

Overview. The following table sets forth the expenses attributable to NYSE Market for the year ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

	Year ended December 31, 2004	Year ended December 31, 2003	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Section 31 fees	$ 359.8	$ 419.7	(14.3)%
Compensation	279.4	280.1	(0.3)%
Systems	37.8	34.4	9.9%
SIAC support(1)	255.8	245.0	4.4%
Professional services	80.4	45.9	75.2%
Depreciation and amortization	60.1	58.3	3.1%
Occupancy	38.3	38.0	0.8%
General and administrative	69.6	66.0	5.5%
Total expenses	$ 1,181.2	$ 1,187.4	(0.5)%

(1) NYSE Market's SIAC support expense does not equal SIAC Services' revenues from data processing fees from NYSE due to certain fees billed to the NYSE by SIAC relate to software developed for the NYSE's internal use and as such have been capitalized.

NYSE Market Compensation

	Year ended December 31, 2004	Year ended December 31, 2003	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and Bonus	$ 179.0	$ 163.7	9.3%
Benefits and Other	100.4	116.4	(13.8)%
Total compensation	$ 279.4	$ 280.1	(0.3)%

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Compensation. For the year ended December 31, 2004, compared to 2003, compensation was down $0.7 million. Average headcount grew to 1,551 employees from 1,526, due principally to increased staffing in NYSE Regulation and other customer oriented areas. Reflecting competitive market forces, especially for regulatory personnel, the average salary across the NYSE increased 2.1% in 2004. These increases, as well as higher medical benefit and bonus expense, were offset by a change in the NYSE's Supplemental Executive Retirement Program, which reduced the cost of these benefits, and the nonrecurring nature of the one-time deferred compensation accrual for the former chairman and chief executive officer in 2003.

Systems and SIAC Support. For the year ended December 31, 2004, compared to 2003, systems costs increased $3.4 million or 9.9%. Maintenance contracts, vendor services and additional operating lease expenses contributed to the increase. SIAC support increased $10.8 million or 4.4%, due to an increase for funding of key initiatives related to trading floor technology, the NYSE's share of costs for SIAC's workforce reduction and physical security enhancements.

Professional Services. For the year ended December 31, 2004, compared to 2003, professional services expense rose $34.5 million, or 75.2%. This change was driven by higher legal and consulting expense, higher investment management fees and other related expenditures, including corporate governance and business development. Legal fees, net of insurance reimbursements in the current year, totaled $28.2 million in 2004 compared with $12.5 million in 2003. Legal fees in 2004, representing 35.1% of professional services for NYSE Market, were incurred principally in connection with the specialist investigation, litigation related to the former chairman and chief executive officer of the NYSE, and a patent infringement case. Consulting fees increased due to the numerous initiatives undertaken across the organization.

Depreciation and Amortization. For the year ended December 31, 2004, compared to 2003, depreciation and amortization expense rose $1.8 million, or 3.1%, as NYSE capital expenditures nearly doubled to $82.3 million from $43.3 million. The NYSE saw an increase in expenditures across all areas, including investments in infrastructure and trading floor technology. In addition, through 2004, the NYSE completed a review of its depreciation policies to better reflect useful life of the assets. This review resulted in additional expense of $1.7 million and will lead to higher anticipated depreciation expense in future years, reflecting generally shorter depreciation lives.

Occupancy. For the year ended December 31, 2004, compared to 2003, occupancy costs rose due to higher operating and electricity costs, a $0.3 million, or 0.8%, increase.

General and Administrative. For the year ended December 31, 2004, compared to 2003, general and administrative expense rose $3.6 million, or 5.5%, to $69.6 million. Non-advertising general and administrative expense was essentially flat, while advertising increased.

Regulatory Fine Income

For the year ended December 31, 2004, compared to the year ended December 31, 2003, regulatory fines collected decreased from $11.2 million to $7.6 million during the year. Regulatory fines result from disciplinary actions taken by NYSE Regulation in its oversight of its member organizations.

Expenses SIAC Services

Overview. The following table sets forth the expenses attributable to SIAC Services for the years ended December 31, 2004 and December 31, 2003, as well as the percentage increase or decrease for each consolidated statement of income item for the year ended December 31, 2004, as compared to such item for the year ended December 31, 2003.

SIAC Services

	Year ended December 31, 2004	Year ended December 31, 2003	Percent Increase (Decrease)
	(amounts in millions)		
Expenses:			
Compensation	$ 248.5	$ 245.1	1.4%
Systems	100.8	111.6	(9.7)%
Professional services	57.3	54.9	4.4%
Depreciation and amortization	35.6	30.7	16.0%
Occupancy	30.3	29.0	4.5%
General and administrative	14.7	10.5	40.0%
Total expenses	$ 487.2	$ 481.8	1.1%

SIAC Services Compensation

	Year ended December 31, 2004	Year ended December 31, 2003	Percent Increase (Decrease)
	(amounts in millions)		
Salaries and Bonuses	$ 180.7	$ 186.9	(3.3)%
Benefits and Other	67.8	58.2	16.5%
Total compensation	$ 248.5	$ 245.1	1.4%

Compensation. For the year ended December 31, 2004, compared to 2003, compensation increased $3.4 million, or 1.4%, to $248.5 million. Increased expenses were primarily due to decommissioning charges for a major customer, which in 2004, internalized the services previously provided by SIAC, as well as benefit expenses associated with workforce reduction. Average headcount (average of the month-end headcount during the period) dropped from 1,724 in 2003 to 1,599 in 2004, but did not impact the full year 2004 due to timing of the reductions.

Systems. For the year ended December 31, 2004, compared to 2003, systems costs decreased $10.8 million, or 9.7%, to $100.8 million, primarily due to Sector's cost containment initiatives and reductions of communications expenses.

Professional Services. For the year ended December 31, 2004, compared to 2003, professional services increased $2.4 million, or 4.4%, to $57.3 million. Average contract staff headcount increased slightly to 262 in 2004 from 251 in 2003 as new projects contributed to the need for additional services. Transition costs related to the decommissioning of services from a major customer also contributed to the increase.

Depreciation and Amortization. For the year ended December 31, 2004, compared to 2003, depreciation and amortization increased $4.9 million, or 16.0%, to $35.6 million. A review of depreciation policies in an effort to better reflect estimates of certain assets' lives occurred in 2004, which resulted in additional expense of $5.9 million in 2004 and will lead to higher anticipated depreciation expense in future years, reflecting generally shorter depreciation schedules. Capital expenditures in 2004 of $7.5 million also contributed to the increase.

Occupancy. For the year ended December 31, 2004, compared to 2003, occupancy costs increased $1.3 million, or 4.5%, to $30.3 million due primarily to rent for additional offsite space.

General and Administrative. For the year ended December 31, 2004, compared to 2003, general and administrative expense rose $4.2 million, or 40.0%, to $14.7 million, owing primarily to expenses related to the transition of services to a major customer, in 2004 internalized services previously provided to it by SIAC.

NYSE Market Investment and Other Income, net

	Year ended December 31,		
	2004	2003	Percent Increase
	(amounts in millions)		
Investment and other income	$ 29.2	$ 22.1	32.1%

Investment and Other Income, net. For the year ended December 31, 2004, compared to the year ended December 31, 2003, investment and other income increased $7.1 million, or 32.1%. Declines in investment income were offset by reimbursements and recoveries from various sources throughout the year. Investment income fell 27% due to lower yields and greater volatility in the fixed income markets. Management undertook a complete review of the investment portfolio in 2004, including an analysis of risk, product diversification, all-in cost of management, and tax efficiency. Based on this review, the portfolio was reallocated in December 2004 to higher yielding and more tax-efficient securities. Offsetting the investment income declines were various settlement payments totaling $11.2 million that the NYSE received through the year. The key components were $3.2 million of insurance proceeds as a result of claims made for legal expenses incurred in prior years, and $6.4 million of recoveries related to business interruption and losses from the events of September 11, 2001.

SIAC Services Investment and Other Income

	Year ended December 31,		
	2004	2003	Percent (Decrease)
	(amounts in millions)		
Investment and other income	$ 5.2	$ 10.3	(49.5)%

Investment and Other Income, net. For the year ended December 31, 2004, compared to the year ended December 31, 2003, investment and other income decreased $5.1 million, or 49.5%, to $5.2 million, primarily as a result of net realized gains associated with SIAC's investment portfolio. During 2003, management undertook a complete review of the investment portfolio, asset allocations and fund manager performance. Based upon this review, the portfolio was rebalanced and reallocated. Sales of securities and improved stock market performance resulted in an increase in net realized gains during 2003.

Income Taxes

The overall effective tax rate for the years ended December 31, 2004 and December 31, 2003 was 28.0% and 42.3%, respectively. A decrease in net income before provision for income taxes of $60 million and the receipt of $6.4 million in 2004 of non-taxable insurance proceeds as a result of the September 11, 2001 events and receipt of $3.7 million in investment tax credits drove the year-over-year decrease in effective tax rate.

The following table sets forth the provision for income taxes, and the overall effective tax rate for the NYSE, on a consolidated basis, as well as for its two operating segments NYSE Market and SIAC Services for the years ended December 31, 2004 and December 31, 2003.

	Year ended December 31,			
	2004		2003	
	Provision for Income Taxes	Overall Effective Tax Rate	Provision for Income Taxes	Overall Effective Tax Rate
	(amounts in millions)		(amounts in millions)	
NYSE on a consolidated basis	$ 12.1	28.0%	$ 45.2	42.3%
NYSE Market	10.3	26.8%	42.8	42.5%
SIAC Services	1.8	37.5%	2.4	38.1%

Liquidity and Capital Resources

Liquidity and Capital Resources as of June 30, 2006

Historically, NYSE Group's primary source of liquidity has been cash generated by the NYSE's operations, and NYSE Group's liquidity requirements have been for working capital, capital expenditures and general corporate use.

NYSE Group's working capital was $558.2 million at June 30, 2006, and capital expenditures equaled $39.8 million for the six months ended June 30, 2006. Capital expenditures related primarily to the development and maintenance of corporate and regulatory systems and to trading technology, including expenditures relating to the development and implementation of NYSE Hybrid Market and compliance with Regulation NMS.

Cash and cash equivalents are generated primarily from listing services, sales of market information, collection of activity assessment fees (which are fully remitted to the SEC), data processing services provided by SIAC, collections of regulatory fees (which are based on FOCUS filing amounts), fees generated for trading (which are generally based on volume and commissions subject to certain caps), and investment income.

At June 30, 2006, NYSE Group had $272.7 million of cash and cash equivalents, an increase of $229.2 million from its cash and cash equivalents at December 31, 2005. Current assets readily convertible into cash include accounts receivable, securities purchased under agreements to resell and marketable securities. These assets totaled $1,147.1 million at June 30, 2006 and, when combined with cash and cash equivalents, represented 91.1% of NYSE Group's current assets.

Under the terms of the operating agreement of the New York Stock Exchange, LLC, no regulatory fees, fines or penalties collected by NYSE Regulation may be distributed to NYSE Group or any entity other than NYSE Regulation. As a result, the use of regulatory fees, fines and penalties collected by NYSE Regulation may be considered restricted. As of June 30, 2006, NYSE Group did not have any significant restricted cash balance.

With respect to investment activities, the boards of directors of NYSE Group and SIAC have separately approved investment policies for externally managed portfolios. The goals of these policies are to preserve principal, maintain adequate liquidity at all times to fund budgeted operating and capital requirements, and to maximize returns relative to investing guidelines and market conditions. NYSE Group's current policies prevent it from investing directly in any equity type investment, however, this policy can be modified at the discretion of the chief executive officer and chief financial officer of NYSE Group, based on the delegation of authority by the board of directors. SIAC's policies permit investing in equity funds. Participants in supplemental executive savings and other deferred compensation plans are permitted to invest in equity funds. Under NYSE Group's policies, it may invest only in securities that are rated AA or better by two nationally recognized rating organizations and that are in U.S. dollar denominations. A portion of SIAC's portfolio is used to fund its non-qualified benefit obligations. The average duration of the portfolios for both the NYSE Group and SIAC must not exceed two years. Both NYSE Group and SIAC periodically review their respective policies and investment managers.

As of June 30, 2006, NYSE Group had no outstanding short-term or long-term debt.

NYSE Group believes that cash flows from operating activities and financing capabilities along with future cash flows from operations are sufficient to meet the needs of its current operations. If existing cash balances are insufficient, NYSE Group intends to seek additional financing. NYSE Group may not be able to obtain additional financing on acceptable terms or at all.

Net cash provided by operating activities equaled $243.4 million for the six months ended June 30, 2006, consisting of net income of $91.5 million and the effects of non-cash items, such as depreciation, which does not adversely affect cash flows. Also, during the six months ended June 30, 2006, NYSE Group remitted $232.1 million to the SEC for Section 31 fees.

Net cash provided by investing activities equaled $479.9 million for the six months ended June 30, 2006. NYSE Group acquired $218.2 million of cash in connection with the Archipelago merger. Net sales in investment securities and securities purchased under agreements to resell of $275.7 million were liquidated to partially fund the $409.8 million distribution to NYSE former members.

As part of the merger, NYSE Group's financing activities included a total cash distribution of $506.2 million (consisting of a $409.8 million cash distribution and a $96.4 million dividend) to the NYSE's former members during the six months ended June 30, 2006.

Liquidity and Capital Resources as of December 31, 2005

Historically, the NYSE's primary source of liquidity has been cash generated by the NYSE's operations and its liquidity requirements have been for working capital, capital expenditures and general corporate purposes. The NYSE's working capital was $779.2 million at December 31, 2005. The NYSE's capital expenditures equaled $105.7 million for the year ended December 31, 2005. NYSE Market's capital expenditures (not including SIAC Services) equaled $84.2 million for the year ended December 31, 2005. NYSE Group's capital expenditures are expected to continue to relate primarily to the development and maintenance of NYSE's corporate and regulatory systems and to its trading technology, including expenditures relating to the development and implementation of NYSE Hybrid Market^{SM} and compliance with Regulation NMS.

Cash and cash equivalents are generated primarily from NYSE's listing services, sales of market information, collection of activity assessment fees (which are fully remitted to the SEC), data processing services provided by SIAC, collections of regulatory fees (which are based on FOCUS filing amounts), fees generated for trading (which are generally based on volume and commissions subject to certain caps), and investment income.

At December 31, 2005, the NYSE had $43.5 million of cash and cash equivalents, an increase of $28.0 million from its cash and cash equivalents at December 31, 2004. Current assets readily convertible into cash include accounts receivable, securities purchased under agreements to resell and marketable securities. These assets totaled $1,280.1 million at December 31, 2005 and, when combined with cash and cash equivalents, represented 90.4% of NYSE's current assets.

With respect to investment activities, the boards of directors of the NYSE and SIAC have separately approved investment policies for externally managed portfolios. The goals of these policies are to preserve principal, maintain adequate liquidity at all times to fund budgeted operating and capital requirements, and to maximize returns relative to investing guidelines and market conditions. The NYSE's current policies prevent it from investing directly in any equity type investment; however, this policy can be modified at the discretion of the chief executive officer and chief financial officer of NYSE Group, based on a delegation of authority by the NYSE Group board of directors. SIAC's policies permit investing in equity funds. Participants in supplemental executive savings and other deferred compensation plans are permitted to invest in equity funds. Under the NYSE's policies, it may invest only in securities that are rated AA or better by two nationally recognized rating organizations and that are in U.S. dollar denominations. A portion of SIAC's portfolio is used to fund its non-qualified benefit obligations. The average duration of the portfolios for both the NYSE and SIAC must not exceed two years. Both the NYSE and SIAC periodically review their respective policies and investment managers.

NYSE Group's future cash flows could fluctuate as a result of a number of factors, including: (1) changes in the demand for the NYSE's services resulting from changes in the number of initial public offerings (which generate original and annual listing fees) or the number of NYSE-listed companies that delist from the NYSE (which has an impact on annual listing fees collected by the NYSE); (2) changes in the NYSE's share of Tape A trades (which has an impact on the amount of market information revenues that the NYSE collects); (3) changes in the demand for data processing services from SIAC customers; (4) changes in volume or commissions on which trading fees are generated; (5) changes in FOCUS revenues reported by NYSE members (on which regulatory fees are calculated); and (6) changes in the fixed income environment in which the NYSE's investment portfolio is primarily invested. The NYSE implemented certain changes to its pricing for floor facility fees, which were filed with the SEC for immediate effectiveness on December 29, 2005 and became operative as of January 1, 2006. NYSE Group cannot predict the impact that such fee changes will have on liquidity, as a portion of these pricing changes are based on volumes traded in NYSE-listed securities, which cannot be projected. The NYSE has also introduced trading licenses, of which 1,274 were sold at an annualized price of $49,290.

Under the terms of the operating agreement of New York Stock Exchange, LLC, no regulatory fees, fines or penalties collected by NYSE Regulation may be distributed to NYSE Group or any entity other than NYSE Regulation. As a result, the use of regulatory fees, fines and penalties collected by NYSE Regulation may be considered restricted, and NYSE Group may be required to report the related cash balances, if any, as restricted cash in future periods.

As of December 31, 2005, the NYSE had $43.5 million of cash, had no outstanding short-term or long-term debt, and had no lines of credit. NYSE Group believes that cash flows from operating activities are sufficient for it to fund its current operations for at least the next 12 months, such as legal and other related items. If existing cash balances are insufficient, NYSE Group intends to seek additional financing. NYSE Group may not be able to obtain additional financing on acceptable terms or at all.

Operating Activities

Operating cash flows equaled $264.5 million for the year ended December 31, 2005, consisting of net income of $40.7 million and the effects of non-cash expenses and changes in working capital. The NYSE remits payments to the SEC biannually and, as of December 31, 2005, $232.1 million was payable to the SEC. Amounts are collected from NYSE members under Rule 440h in order to cover the SEC Section 31 fees.

Investing Activities

Net cash used in investing activities equaled $222.2 million for the year ended December 31, 2005. This cash was used to make additional investments in marketable securities and capital expenditures in upgrading the NYSE's trading floor technology and corporate and regulatory systems.

Quantitative and Qualitative Disclosure About Market Risk

Market risk represents the risks of changes in the fair value of financial instrument, derivative or non-derivative, caused by fluctuation in interest rates and equity prices. The primary market risk is associated with fluctuations in interest rates and the effects that such fluctuations may have on an investment portfolio. As of December 31, 2005, investments consist of fixed income instruments with an average duration of 0.57 years for NYSE Market. SIAC's investments at December 31, 2005 consisted of mutual funds. Both portfolios' investment objective is to invest in securities to preserve principal while maximizing yields, without significantly increasing risk. These investment securities are subject to interest rate risk and their fair values may fluctuate with changes in interest rates. Management does not believe that a 100 basis point fluctuation in market interest rates will have a material effect on income or cash flows from, or the carrying value of, the investment portfolios as of December 31, 2005.

NYSE Group does not believe that it has material exposure to interest rate or foreign currency risks as of December 31, 2005. Furthermore, NYSE Group has not entered into any derivative contracts to mitigate such risks.

Summary Disclosures About Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

The table below summarizes the NYSE's future minimum lease obligations on its operating and capital leases as of December 31, 2005.

	Payments due by year						
	Total	**2006**	**2007**	**2008**	**2009**	**2010**	**Thereafter**
				(in thousands)			
Operating lease obligations	$ 320,342	$ 57,740	$ 50,746	$ 39,977	$ 35,246	$ 35,722	$ 100,911
Capital lease obligations	22,604	8,973	7,422	5,669	540		
Total	$ 342,946	$ 66,713	$ 58,168	$ 45,646	$ 35,786	$ 35,722	$ 100,911

The NYSE also has obligations related to the deferred compensation and other post-retirement benefits. The date of payment under these obligations cannot be determined.

Off-Balance Sheet Arrangements

In January 2006, the NYSE entered into a standby letter of credit of $265,000. The standby letter of credit is intended to be utilized by an insurance vendor as part of the vendor's collateral requirements. NYSE Group will fund any additional collateral requirements from operating cash flows and, as such, does not intend to use this standby letter of credit.

Critical Accounting Policies and Estimates

The following provides information about NYSE Group's critical accounting estimates. Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions.

Revenue Recognition

Listing fees include original fees, which are paid whenever a company initially lists on the NYSE and whenever it effects a corporate action that results in the listing of additional shares. Companies also pay annual fees to remain listed on the NYSE. Annual fees are recognized ratably over the course of the related period. Original fees are recognized on a straight-line basis over their estimated service period.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained at a level that management believes to be sufficient to absorb probable losses in the NYSE's accounts receivable portfolio and is assessed periodically by management. Increases in the allowance for doubtful accounts are charged against operating results and the allowance is decreased by the amount of write-offs, net of recoveries. The allowance is based on several factors, including a continuous assessment of the collectibility of each account. In circumstances where a specific customer's inability to meet its financial obligations is known, the NYSE records a specific provision for bad debts against amounts due to reduce the receivable to the amount it reasonably believes will be collected. Accounts with outstanding balances in excess of 60 to 90 days are reviewed monthly to make changes to the allowance as appropriate.

Income Taxes

The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. NYSE Group reviews its deferred tax assets for recovery; when it believes that it is more likely than not that a portion of its deferred tax assets will not be realized, a valuation allowance is established. Significant judgment is required in assessing the future tax consequences of events that have been recognized in its financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could have a material impact on its financial position or results of operations.

***Pension and Other Post-Retirement Employee Benefits* (*OPEB*)**

Pension and OPEB costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest cost, expected return on plan assets, mortality rates, and other factors. In accordance with U.S. generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While NYSE Group management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect NYSE Group's pension and other post-retirement obligations and future expense.

Software Development

NYSE Group accounts for software development costs under AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and other related guidance. NYSE Group expenses software development costs as incurred during the preliminary project stage, while it capitalizes costs incurred during the application development stage, which included design, coding, installation and testing activities. Amortization of capitalized software development costs is computed on a straight-line basis over the software's estimated useful life, generally three years.

New Accounting Pronouncements

In July 2006, the Financial Accounting Standard Board (FASB) issued FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of Statement of Financial Standards (SFAS) No. 109, *Accounting for Income Taxes*. FIN 48 addresses how a reporting company accounts for all tax positions including the uncertain tax positions reflected or expected to be reflected in the company's past or future tax returns. The interpretation also requires the company to recognize interest and penalties associated with the uncertain tax positions. This interpretation is effective for fiscal years beginning after December 15, 2006. NYSE Group is currently evaluating the potential impact, if any, that the implementation of FIN 48 will have on its financial condition, results of operations and cash flows.

In July 2006, the FASB affirmed its previous decision to make the recognition provision of its proposed standard, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132R, effective for public companies for fiscal years ending after December 15, 2006. This decision requires the recognition on the statement of financial condition of the funded status of pension and other postretirement benefit plans. NYSE Group is currently evaluating the potential impact, if any, that the implementation will have on its stockholders' equity.

Controls and Procedures

As of June 30, 2006, NYSE Group evaluated, under the supervision and with the participation of its management, including its chief executive officer and chief financial officer, the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act, of NYSE Group and its subsidiaries. Based upon that evaluation, NYSE Group's chief executive officer and chief financial officer concluded that the design and operation of the disclosure controls and procedures were effective as of June 30, 2005. No significant changes were made in NYSE Group's internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting during the six months ended June 30, 2006. In July 2006, NYSE Group substantially completed a company-wide implementation of a single general ledger system. As of August 1, 2006, all of NYSE Group's subsidiaries were using this system. NYSE Group has reviewed the internal controls affected by this implementation and believes that the internal controls surrounding the general ledger system, as modified, are appropriate and functioning effectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF ARCHIPELAGO

Business Development

Archipelago's business grew substantially since it began trading operations in January 1997 on the Archipelago ECN, the precursor to ArcaEx (which, together with the Pacific Exchange, is now known as NYSE Arca). Archipelago attributes the growth of its business to the change in its business model and its organic and external growth. These developments included:

*Archipelago's Alliance with (and Subsequent Acquisition of) the Pacific Exchange.*Beginning in March 2002, Archipelago began the migration of trading activities in exchange-listed securities to ArcaEx, which it extended to Nasdaq-listed securities on a phased basis in February 2003. During this transition period, Archipelago continued to operate the Archipelago ECN until Archipelago completed the migration of all Nasdaq-listed securities to ArcaEx in April 2003. This document refers to the Archipelago ECN and ArcaEx, collectively, as the Archipelago system. As the operator of the exclusive equities trading facility of PCX Equities, Archipelago became eligible to earn revenues from two additional sources, market data fees and listing fees, and Archipelago also reduced its clearing costs. On September 26, 2005, Archipelago completed its acquisition of PCX Holdings and its subsidiaries. As a result of its acquisition of PCX Holdings, Archipelago operates an exchange for trading equity options listed on exchanges, including the facilities, technology, systems and regulatory surveillance and compliance services required for the operation of a marketplace for trading options. The results of PCX Holdings for 2005 were as follows: for the nine months ended September 30, 2005, PCX Holdings had an operating loss of $2.5 million; for the three months ended December 31, 2005, PCX Holdings had operating income of $4.5 million. As a result of the completed acquisition of PCX Holdings on September 26, 2005, the results of PCX Holdings for the three month period ended December 31, 2005 were consolidated into Archipelago's financial statements.

Strategic Transactions. In 2002, Archipelago completed two strategic transactions: Archipelago's merger with REDIBook ECN LLC, and Archipelago's acquisition of GlobeNet Securities, Inc. REDIBook was a competing ECN that had a trading share similar to Archipelago's ECN at the time of the acquisition. The REDIBook acquisition allowed Archipelago to significantly increase Archipelago's trading volume in Nasdaq-listed securities. In the GlobeNet acquisition, Archipelago acquired intangible technology assets; including a matching engine technology platform that GlobeNet had used to develop an alternative trading system for bulletin board stocks. This acquisition increased Archipelago's technology resources, which led to the development of software applications for Archipelago's trading platform.

Growth in Trading Volumes and Increased Internal Match Rate. Through internal growth and the REDIBook merger, Archipelago was able to increase its share volumes in U.S. equity securities traded on the Archipelago system. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Archipelago Key Statistical Information." Archipelago's transaction fees accounted for 93.5% of its total revenues in 2003, 89.5% of its total revenues in 2004 and 86.1% of its total revenues in 2005.

As discussed above, in recent years, Archipelago has experienced significant growth in its trading volumes, which exceeded its growth in revenues. This trend resulted from declining revenue per transaction, which NYSE Group believes has been driven by increased price competition and the resulting shift in the market fee structure. In addition to growth in trading volumes, Archipelago witnessed an increasing percentage of share volume (as well as of shares handled on ArcaEx) executed within its internal liquidity pool or "matched internally." It is believed that this trend has been driven by: (i) industry consolidation, its acquisitions and a more competitive market environment; (ii) the migration of its trading operations to a more reliable trading platform in connection with the launch of ArcaEx, which NYSE

Group believes has attracted more customers to its system and (iii) its sales and marketing efforts and its customers' pursuit of greater cost efficiencies, which led them to rely on Archipelago's technology and embed it in their infrastructure, enabling them to do business with Archipelago more easily.

Business Environment

Like the NYSE, Archipelago operated in a business environment characterized in recent years by challenging business and economic conditions, intense competition among market participants and an increased focus on electronic trading due to technological advancements and regulatory changes. Archipelago's business was impacted by the following key factors:

- trading volumes in U.S. equity securities and options, which are driven by overall macroeconomic conditions;
- competition (in terms of trading share, pricing and product and service offerings);
- technological advancements; and
- regulatory developments.

The interplay of these factors affected Archipelago's revenues and profitability. For a discussion of these factors and their impact on Archipelago's historical results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group Sources of Revenues," "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group Components of Expenses" and "Management's Discussion and Analysis of Financial Condition and Results of Operations of NYSE Group Results of Operations." See also "Risk Factors Risks Relating to NYSE Euronext's Business Market fluctuations and other risks beyond NYSE Euronext's control could significantly reduce demand for its services and harm its business."

Archipelago Reorganization

On August 11, 2004, Archipelago converted from a Delaware limited liability company (Archipelago Holdings, L.L.C.) to a Delaware corporation (Archipelago Holdings, Inc.). Archipelago's conversion to the corporate form of organization did not have any material effect on its consolidated financial statements. When the term "Archipelago" is used in the following discussion, it means, prior to the conversion, Archipelago Holdings, L.L.C., a Delaware limited liability company, and its consolidated subsidiaries and, after the conversion, Archipelago Holdings, Inc., a Delaware corporation, and its consolidated subsidiaries.

Income Taxes

As a limited liability company, Archipelago was treated as a partnership for federal, state and local income tax purposes. As a result, all items of income, expense, gain and loss of Archipelago were generally reportable on the tax returns of members of Archipelago Holdings, L.L.C. Accordingly, Archipelago made no provisions for income taxes at the company level.

Following Archipelago's conversion to a corporation, its earnings were subject to federal, state and local income taxes at a combined rate of approximately 42.5% and 41.5% for the years ended December 31, 2005 and 2004, respectively. For the year ended December 31, 2004, Archipelago's effective tax rate was 9.2% primarily because the taxable income Archipelago generated from January 1, 2004 through August 11, 2004 the date Archipelago converted to the corporate form of organization was the responsibility of Archipelago Holdings, L.L.C.'s members. Archipelago does not have any deferred tax assets related to Archipelago Holdings, L.L.C.'s net operating loss carry forwards, as those losses were incurred when it was treated as a partnership for federal income tax purposes.

Segment Reporting

For financial reporting purposes, Archipelago's business was divided into two reportable segments: Transaction Execution Services and Agency Brokerage Services. Archipelago's Transaction Execution Services business included trade execution on the Archipelago system as well as fees that Archipelago received for market data and from issuers with equity securities listed on the Pacific Exchange for trading on ArcaEx. Archipelago's trade execution customers were required to hold an ETP or be a broker-dealer introduced to ArcaEx by an ETP holder in order to trade on ArcaEx. An ETP holder must be a broker-dealer. Archipelago's Agency Brokerage Services were provided through Wave Securities, Archipelago's broker-dealer subsidiary, and consisted of order execution services, on an agency basis, for orders received exclusively from institutions involving primarily exchange-listed securities.

Because Archipelago's Agency Brokerage Services were discontinued, the information required to be disclosed by SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, is no longer required.

Following the September 2005 acquisition of PCX Holdings, Archipelago's business was divided into two reportable segments: ArcaEx Equities and ArcaEx Options. The ArcaEx Equities business included the reportable segment formerly named Transaction Execution Services. The ArcaEx Options business consisted primarily of transaction execution services, market data services on a real-time or summary basis and a trading venue for issuers of options contracts. The customers of ArcaEx Options were required to hold an Option Trading Permit, or OTP.

Sources of Revenues

In its transaction execution business, Archipelago derived revenues from three sources: transaction fees, market data fees and listing and other fees.

Transaction Fees. Archipelago's revenues in its transaction execution services segment were derived primarily from transaction fees, which Archipelago charged customers for trade execution of equity securities on the Archipelago system and equity options on the Pacific Exchange. Archipelago earned transaction fees for: (i) customer orders of equity securities matched internally on ArcaEx, as well as for customer orders routed out and (ii) customer orders of equity options traded or cleared through the Pacific Exchange.

For equity securities, Archipelago charged a per share fee (denominated in tenths of a cent per share) to each customer that executed against a buy order or sell order posted internally on the Archipelago system. Archipelago referred to these customers when they purchase or sell securities as "liquidity takers," as they removed liquidity from the Archipelago system. A liquidity taker may be either a purchaser or a seller, and is distinguished from a "liquidity provider" generally by the type of buy order or sell order it posts on Archipelago's system. A liquidity provider will likely enter a non-marketable limit order on the Archipelago system (i.e., either a limit order to buy a security with a limit price below the best offer or a limit order to sell a security with a limit price above the best bid). Non-marketable limit orders were placed on the Archipelago limit order book and await execution. A liquidity taker, on the other hand, is likely to enter a marketable limit order (i.e., a limit order to buy a security with a limit price at or above the best offer or a limit order to sell a security with a limit price at or below the best bid for that security). Accordingly, liquidity providers generally "post" buy orders or sell orders that are subsequently executed against by the sell order or buy order, as the case may be, of a customer that is the liquidity taker. As discussed below, Archipelago paid liquidity providers a per share fee for posting buy orders and sell orders on Archipelago's system.

Archipelago also charged a per share fee (denominated in tenths of a cent per share) to customers whose orders of equity securities were routed out to an external market center displaying the best buy order or sell order in the market for a particular security.

The amount of transaction fees Archipelago earned for trading of equity securities in any period fluctuated based upon: (i) trading volumes of shares handled and (ii) the prices Archipelago charged for trade execution. As a result of increased price competition, in the past, Archipelago reduced the amount per share it charged customers for taking liquidity from the Archipelago system, as well as for routing orders to an external market center.

Market Data Fees. Following the launch of ArcaEx in March 2002, Archipelago began earning revenues from market data fees in connection with the sale of its market data pursuant to the Consolidated Tape Association Plan, or CTA Plan, in the case of exchange-listed securities, and the Nasdaq OTC/UTP Plan, in the case of Nasdaq-listed securities. As an ECN, Archipelago was ineligible to participate in these Plans directly. Under the Plans, the information collected from all participants was sold to data vendors that in turn sold the data to third-party consumers such as Thomson Financial Inc. and Bloomberg, L.P. Under the CTA Plan, Archipelago's market data fees were directly related to both the percentage of its trades in exchange-listed securities executed on ArcaEx that were reported through the CTA Plan and the size of the revenue sharing pool. Under the Nasdaq OTC/UTP Plan, Archipelago shared revenues with Nasdaq and exchanges that are members of the Nasdaq OTC/UTP Plan and that trade Nasdaq-listed securities. The market data fees Archipelago received under this plan were directly related to the total shares and trades that are executed on ArcaEx as a percentage of all shares and trades executed in Nasdaq-listed securities. Archipelago did not earn market data fees in connection with customer orders or shares handled that were routed out to an external market center for execution.

In 2005, Archipelago rebated 50% of the market data fees it received under the CTA Plan to customers that traded exchange-listed securities (except with respect to NYSE-listed securities), including exchange-traded funds, on ArcaEx based on their aggregate exchange-listed trading activity. Archipelago introduced this revenue rebate plan in the fourth quarter of 2002, and set the rate at 50% in response to competitive market conditions. In the future NYSE Arca may, at its discretion, change the percentage of fees it rebates or eliminate the plan. For financial reporting purposes, Archipelago recorded its market data fees net of amounts rebated to customers under this revenue rebate arrangement. Archipelago rebated approximately 27.6% of the total market data fees it received in both 2005 and 2004. Archipelago initiated its revenue rebate plan to encourage customers to execute trades of exchange-listed securities on ArcaEx and to remain competitive with other market centers. The SEC does not permit market data fees generated under the Nasdaq OTC/UTP Plan to be rebated to participants in this manner.

Listing Fees. Under Archipelago's facility services agreement with the Pacific Exchange, Archipelago was entitled as the operator of ArcaEx to all listing fees from issuers that list their equity securities on the Pacific Exchange. After launching ArcaEx in March 2002, Archipelago began receiving listing fees from legacy issuers that had selected the Pacific Exchange as a listing venue and maintained their listing following the creation of ArcaEx, as well as from new listings on the Pacific Exchange. Since the launch of ArcaEx in March 2002, there have been only 6 new listings of equity securities on the Pacific Exchange. Listing fees represented less than 1.0% of Archipelago's total revenues in 2005.

Activity Assessment Fees. In 2005, Archipelago paid SEC fees pursuant to Section 31 of the Exchange Act. These fees were designed to recover costs incurred by the government for the supervision and regulation of securities markets and securities professionals. Archipelago, in turn, collected activity assessment fees from ETP and OTP holders trading on ArcaEx and the Pacific Exchange, respectively, and paid Section 31 fees to the SEC based on fee schedules determined by the SEC. Fees received were included in cash and cash equivalents at the time of receipt, and, as required by law, the amount due to the SEC is recorded as an accrued liability and remitted semiannually. Following the September 2005 acquisition of PCX Holdings, activity assessment fee revenue and Section 31 fee expense were presented gross on Archipelago's consolidated statement of operations. Activity assessment fee revenue and Section 31 fee expense had no impact on Archipelago's consolidated statement of operations.

Quarterly Fluctuations

In the securities industry, quarterly revenue fluctuations are common and are due primarily to variations in trading volumes, competition and technological and regulatory changes. Typically, revenues are lowest in the third quarter, primarily in August, due to reduced trading activity during the summer months.

Related Party Revenues

Some of Archipelago's customers were also its investors. Revenues generated from Archipelago's investors represented 38.0%, 43.3% and 42.8% of its total revenues, respectively, in 2005, 2004 and 2003. Archipelago generated 9.6%, 10.2% and 14.2% of its total revenues, respectively, in 2005, 2004 and 2003 from The Goldman Sachs Group, Inc. and its subsidiaries. For more information regarding Archipelago's transactions with its investors as its customers, see Archipelago's Consolidated Financial Statement and Note 13 thereto included elsewhere in this prospectus.

Components of Expenses

Archipelago's business was dependent on the liquidity of the Archipelago system (i.e., the number and range of buy orders and sell orders posted on its system and available to its customers). As a result, Archipelago's most significant cost of generating revenues was the cost of liquidity, which Archipelago paid for in one of two ways. First, to enhance the liquidity of its system, Archipelago paid a small fee per share (denominated in tenths of a cent per share) to participants, referred to as "liquidity providers," that posted buy orders and sell orders on the Archipelago system, when the quote was executed against, or "hit," by liquidity takers purchasing or selling securities internally on Archipelago's system. Archipelago began incurring the cost of liquidity payments in April 2002. Archipelago did not pay these fees for orders posted in NYSE-listed securities. Second, as part of its best execution business model, Archipelago incurred routing charges when the Archipelago system did not have the best buy or sell order in the market for a security that a customer was trying to buy or sell on Archipelago's system. In that case, Archipelago routed the customer's order to the external market center that displayed the best buy order or sell order. The external market center charged Archipelago a fee per share (denominated in tenths of a cent per share) for routing to its system.

As a general matter, the pricing model for transaction execution services has changed over time in response to increasing competition. As the amount of liquidity is determined by the number and ranges of buy or sell orders posted to a particular trading platform, the concept of paying liquidity providers developed to encourage these customers to place their orders on the trading system that paid them a per share fee to post their order. As discussed above, Archipelago began paying fees to liquidity providers in April 2002. Making liquidity payments and incurring routing charges are part of the costs Archipelago incurs to generate revenues through increased liquidity on the Archipelago system. Archipelago sought to reduce these costs by increased trade execution on the Archipelago system. Archipelago's cost of liquidity generally fluctuated based on (i) trading volumes and (ii) the per share fee Archipelago paid liquidity providers for trades executed internally on ArcaEx or the per share routing charge Archipelago paid to external market centers for outbound trades. Under Regulation NMS, liquidity payments and routing charges could be functionally eliminated due to the cap that would be imposed on access fees, which could impact the liquidity of NYSE Arca's platform.

In addition to liquidity payments and routing charges, Archipelago also incurred clearance, brokerage and related transaction expenses, which included transaction expenses paid to clearing entities for clearing and settlement, service fees paid per trade to exchanges for trade execution, costs incurred due to erroneous trade execution and charges Archipelago recorded from time to time for doubtful accounts, or bad debt, once Archipelago determined a receivable was not likely to be collected. Prior to the completion of the PCX Holdings acquisition, the contractual right to operate ArcaEx as the exclusive equities trading facility of the Pacific Exchange and PCX Equities (and following the completion of the PCX Holdings acquisition, Archipelago's ownership of the Pacific Exchange and PCX Equities), allowed Archipelago not to incur clearing charges for trades executed on ArcaEx by two independent market participants. As a result, Archipelago's cost per trade was lower for trades executed internally on ArcaEx. If Archipelago routed a trade to an external market center, it bears clearing and settlement costs.

In addition, Archipelago incurred the following expenses:

- NYSE merger costs and related executive compensation;

- employee compensation and benefits expenses, which included salaries, incentive compensation (including stock-based compensation) and related employee benefits and taxes;

- depreciation and amortization expenses, which resulted primarily from the depreciation of the fixed assets Archipelago purchases, including computer software and hardware used in the development of Archipelago's trading systems;

- communications expenses, which consisted primarily of costs for Archipelago's network connection with its customers and its data centers, as well as connectivity to various other market centers;

- marketing and promotion expenses, which consisted primarily of media, print and other advertising expenses as well as customer marketing expenses;

- legal and professional expenses, which consisted primarily of legal and accounting expenses;

- occupancy expenses, which consisted primarily of rental expenses; and

- general and administrative expenses, which included insurance, travel and entertainment expenses and other administrative expenses and general office costs.

As a public company, Archipelago was subject to the provisions of the Sarbanes-Oxley Act of 2002, which required it to incur significant expenditures to establish systems, and to hire and train personnel to comply with these requirements.

In addition, starting in the first quarter of 2006, Archipelago is required to recognize in its financial statements the compensation costs associated with share-based payment transactions, including stock options. For the year ending December 31, 2006, management anticipates that Archipelago will recognize a pre-tax expense of approximately $2.0 million in connection with share-based payment transactions.

Key Statistical Information

Archipelago's revenues and certain of Archipelago's expenses were directly impacted by trading volumes of U.S. equity securities on the Archipelago system. Archipelago's profitability depended to a significant extent on its ability to attract and retain trading volumes, both in absolute terms and relative to other market centers. Archipelago derived revenues on both a per-share basis and a per-transaction basis, depending upon the source of revenue. The transaction fees Archipelago received for trade execution, and the payments Archipelago made to liquidity providers, were determined on a per share basis. Market data fees for exchange-listed securities were determined on a per transaction basis, and market data fees for Nasdaq-listed securities were determined based on a combination of share volume and transaction volume.

The following table presents unaudited key transaction volume information, as well as selected operating information, for the periods presented. A description of how Archipelago calculates its trading share, its trading volumes and other operating measures is set forth below.

	Year ended December 31, 2005	2004	2003
Trading days	252	252	252
Total U.S. market volume (millions of shares)(1)	1,047,720	990,511	926,500
Archipelago's total U.S. market volume (millions of shares)(1)	144,318	140,306	116,800
Archipelago's share of total U.S. market volume(1)(2)	13.8%	14.2%	12.6%
% of handled shares matched internally(3)	11.1%	10.9%	8.6%
% of handled shares routed out(3)	2.7%	3.3%	4.0%
Total volume of Nasdaq-listed securities (millions of shares)	453,363	455,550	424,607
Archipelago's total volume of Nasdaq-listed securities (millions of shares)	104,271	115,008	104,312
Archipelago's share of total volume of Nasdaq-listed securities(2)	23.0%	25.2%	24.6%
% of handled shares matched internally(3)	18.4%	19.2%	16.8%
% of handled shares routed out(3)	4.6%	6.0%	7.8%
Total volume of NYSE-listed securities (millions of shares)	523,615	460,455	439,608
Archipelago's volume in NYSE-listed securities (millions of shares)	18,855	8,375	4,904
Archipelago's share of total volume of NYSE-listed securities(2)	3.6%	1.8%	1.1%
% of handled shares matched internally(3)	2.8%	1.2%	0.5%
% of handled shares routed out(3)	0.8%	0.6%	0.6%
Total volume of AMEX-listed securities (millions of shares)	70,742	74,506	62,285
Archipelago's volume in AMEX-listed securities (millions of shares)	21,192	16,924	7,585
Archipelago's share of total volume of AMEX-listed securities(2)	30.0%	22.7%	12.2%
% of handled shares matched internally(3)	25.8%	19.4%	9.4%
% of handled shares routed out(3)	4.2%	3.3%	2.8%
Archipelago's ETF volume (millions of shares)	25,152	15,637	6,349
Archipelago's U.S. equity transaction volume (thousands of transactions)	486,638	416,629	295,107
Archipelago's average U.S. equity transaction size (shares per transaction)	297	337	396
Archipelago's average U.S. equity transactions per day (thousands of transactions)	1,931	1,653	1,176
Archipelago's average transaction-related revenue (per share)(4)	$ 0.0029	$ 0.0031	$ 0.0033
Archipelago's average transaction-related cost of revenue (per share)(5)	$ 0.0019	$ 0.0021	$ 0.0023
Archipelago's average transaction-related marginal contribution (per share)(6)	$ 0.0010	$ 0.0010	$ 0.0010
% of customer order volume matched internally(7)	88.8%	86.6%	80.6%
% of customer order volume routed out(7)	11.2%	13.4%	19.4%

(1) U.S. market volume is calculated based on the trading of shares of equity securities listed on the NYSE, Nasdaq, AMEX, and other regional exchanges, including exchange-traded funds, as reported in the consolidated tape. The "consolidated tape" is the system that continuously provides the last sale price and volume of securities transactions in listed securities to the public.

(2)

Archipelago's trading share is calculated based on the number of shares handled on the Archipelago system as a percentage of total volume.

(3)
Represents Archipelago's share of the total volume of such securities handled on ArcaEx that was either matched internally on ArcaEx or routed out to an external market center.

(4)
The per share amount is calculated based on Archipelago's total revenues derived from equity transaction fees of $425.0 million, $434.5 million and $380.6 million for the years ended December 31, 2005, 2004 and 2003, respectively.

(5)

The per share amount is calculated based on Archipelago's cost of revenues derived from transaction fees, which consist of routing charges and liquidity payments of $273.6 million, $292.2 million and $268.1 million for the years ended December 31, 2005, 2004 and 2003, respectively. The cost of revenue from transaction fees used in the per share computation does not include clearance, brokerage, other transaction expenses and certain other indirect expenses.

(6)

The per share amount is calculated based on Archipelago's net revenues received from transaction fees, and Archipelago's total U.S. market volume for the relevant period.

(7)

The percentage of customer order volume matched internally is calculated by dividing the volume of customer orders executed within Archipelago's internal liquidity pool (including the volume of both buy orders and sell orders) by the total volume of customer orders (again including the volume of both buy orders and sell orders when such orders are matched internally). The percentage of customer orders routed out is calculated by dividing the volume of customer orders routed to other market centers by the total volume of customer orders.

For purposes of calculating its volume, Archipelago included all shares that are "handled" on the Archipelago system. Handled shares include both shares that were bought or sold within Archipelago's internal liquidity pool and shares that were routed to external markets for execution. Archipelago counted every transaction handled by the Archipelago system once; Archipelago did not count both sides of any transaction. For example, if a customer's 10,000 share buy order was matched with another customer's 10,000 share sell order in Archipelago's internal liquidity pool, Archipelago's handled volume would be 10,000 shares. As another example, if one of Archipelago's customers sent it an order to buy 10,000 shares and the best price for that order is displayed at another market center, Archipelago would have routed that order to the other market center for execution. The other market center would report a 10,000 share transaction in the consolidated tape, and Archipelago's handled volume would have been 10,000 shares. As a result, the 10,000 shares Archipelago reported as handled by it in this example were also handled by the external market center.

In computing the percentage of customer order volume matched internally and the percentage of customer order volume routed out, Archipelago calculated the percentage based on the volume of individual customer orders, not the volume of matched trades (i.e., only counting one side of a matched transaction). For example, Archipelago calculated two customer orders matched internally on its system as two customer orders matched internally, and it included the volume of both the buy order and the sell order in computing its percentages of customer order volume matched internally and routed out. Archipelago calculated one customer order routed to an external market center (which was matched with an order at that other market center) as one outbound trade or one customer order. Archipelago calculated one customer order routed to it from an external market center and matched with an order on its system as one inbound trade or one customer order.

Transactions in Nasdaq and exchange-listed securities are reported in the consolidated tape, a high-speed system that continuously provides last sale price and volume in listed securities. Archipelago's handled volume was higher than its volume reported to the centralized aggregators for inclusion in the consolidated tape for two reasons. First, Archipelago did not report trades routed to another market center to the centralized aggregators of this data. Instead, the destination market center reported these trades. For example, if a customer's 10,000 share buy order was routed to another market center for execution, Archipelago's handled volume would have been 10,000 shares, but it would not have reported the trade. Second, its handled volume included odd lot transactions, generally defined as trades of fewer than 100 shares, which, by rule, Archipelago did not report to the centralized aggregators for inclusion in the consolidated tape. For example, if one of Archipelago's customers bought 50 shares, its handled volume would have been 50 shares but it would not have reported this trade.

For purposes of calculating its trading share, Archipelago used the volume of shares that were handled on the Archipelago system (as described above) as the numerator, and the aggregate volume of shares reported by all securities exchanges and associations in the consolidated tape as the denominator. Archipelago's trading share could have been expressed as:

$$\frac{\text{Number of shares handled on the Archipelago system}}{\text{Overall market volume as reported in the consolidated tape}}$$

As an alternative method of calculating trading share, Archipelago could have included in the numerator of the above formula only transactions that it reported in the consolidated tape. This would have excluded shares routed to other market centers and odd-lot transactions from its trading share calculation.

For purposes of calculating the percentage of handled shares matched internally or routed out, Archipelago counted all shares that were "handled" on the Archipelago system as described above. Archipelago counted every transaction handled by the Archipelago system once; Archipelago did not count both sides of any transaction. Therefore, if five trades were executed on ArcaEx for 10,000 shares each, three of which are routed out, Archipelago would have handled 50,000 shares and its percentage of that share volume matched internally would have been 40% and routed out would have been 60%.

Alternatively, for the purpose of calculating the percentage of customer order volume matched internally or routed out, Archipelago counted each customer order exactly once. If two customers' orders were matched within its internal liquidity pool, Archipelago counted the volume of both the buy order and the matched sell order. On the other hand, if a customer's order was routed to another market center and matched with an order posted at that other market center, Archipelago counted only the volume of the order routed out.

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Results of Operations

The following table sets forth Archipelago's consolidated statements of operations data for the periods presented as a percentage of revenues:

	Year ended December 31,		
	2005	2004	2003
Revenues:			
Transaction fees	78.5%	88.4%	92.8%
Activity assessment fees	8.9		
Market data fees	11.5	11.5	7.1
Listing fees	1.1	0.1	0.1
Total revenues	100.0	100.0	100.0
Expenses:			
Section 31 fees	8.9		
Liquidity payments	38.3	41.4	37.6
Routing charges	12.3	18.1	27.7
Clearance, brokerage and other transaction expenses	1.1	2.8	11.0
NYSE merger costs and related executive compensation	8.5		
Other employee compensation and benefits	9.5	7.8	8.8
Depreciation and amortization	4.0	4.7	6.3
Communications	3.6	3.3	4.5
Marketing and promotion	4.1	4.1	2.0
Legal and professional	2.3	2.3	2.0
Occupancy	1.2	0.9	1.0
General and administrative	3.0	2.3	2.4
Total expenses	96.8	87.7	103.3
Operating income (loss)	3.2	12.3	(3.3)
Interest and other, net	0.8	0.3	0.1
Income (loss) before income tax provision	4.0	12.6	(3.2)
Income tax provision	1.9	1.1	
Income (loss) from continuing operations	2.1	11.5	(3.2)
Income from discontinued operations	0.8	2.3	3.6
Net income	2.9	13.8	0.4
Deemed dividend on convertible preferred shares		(2.0)	
Net income attributable to common stockholders	2.9%	11.8%	0.4%

Year Ended December 31, 2005 Versus Year Ended December 31, 2004

The following table sets forth Archipelago's consolidated statements of operations data for the periods presented (in millions):

	Year ended December 31, 2005	Year ended December 31, 2004	Amount Change	Percentage Change
Revenues:				
Transaction fees	$ 425.0	$ 434.5	$ (9.5)	(2.2)%
Activity assessment fees	48.0		48.0	100.0
Market data fees	62.0	56.4	5.6	9.9
Listing fees	6.4	0.4	6.0	1,500.0
Total revenues	541.4	491.3	50.1	10.2
Expenses:				
Section 31 fees	48.0		(48.0)	(100.0)
Liquidity payments	206.9	203.5	(3.4)	(1.7)
Routing charges	66.7	88.7	22.0	24.8
Clearance, brokerage and other transaction expenses	5.9	13.7	7.8	56.9
NYSE merger costs and related executive compensation	46.1		(46.1)	(100.0)
Other employee compensation and benefits	51.6	38.4	(13.2)	(34.4)
Depreciation and amortization	21.6	22.9	1.3	5.7
Communications	19.5	16.3	(3.2)	(19.6)
Marketing and promotion	22.2	20.1	(2.1)	(10.4)
Legal and professional	12.6	11.1	(1.5)	(13.5)
Occupancy	6.7	4.2	(2.5)	(59.5)
General and administrative	16.2	11.3	(4.9)	(43.4)
Total expenses	524.0	430.2	93.8	21.8
Operating income	17.4	61.1	(43.7)	(71.5)
Interest and other, net	4.5	1.6	2.9	181.3
Income before income tax provision	21.9	62.7	(40.8)	(65.1)
Income tax provision	9.4	5.3	(4.1)	(77.4)
Income from continuing operations	12.5	57.4	(44.9)	(78.2)
Income from discontinued operations	3.8	11.5	(7.7)	(67.0)
Net income	16.3	68.9	(52.6)	(76.3)
Deemed dividend on convertible preferred shares		(9.6)	9.6	100.0
Net income attributable to common stockholders	$ 16.3	$ 59.3	$ (43.0)	(72.5)%

Highlights

For the year ended December 31, 2005, Archipelago's income from continuing operations decreased to $12.5 million, a $44.9 million decline compared to $57.4 million for the year ended December 31, 2004. Archipelago's operations for the period primarily reflect the following principal factors:

Increased volume and lower trading share. While Archipelago's total volume traded increased 2.9% to 144.3 billion shares for the year ended December 31, 2005 from 140.3 billion shares for the year ended December 31, 2004, its trading share of the total U.S. equity trading volume (Nasdaq-, NYSE- and AMEX-listed securities) declined to 13.8% for 2005 from 14.2% for 2004.

More liquidity posted on ArcaEx. The percentage of customer orders matched internally increased to 88.8% in 2005 from 86.6% in 2004 and therefore reduced the percentage routed to other market centers, resulting in a change in the amount and mix of the following expenses:

liquidity payments increased to $206.9 million, or 41.9% of total revenues in 2005, from $203.5 million, or 41.4% of total revenues in 2004;

routing charges declined to $66.7 million, or 13.5% of total revenues in 2005, from $88.7 million, or 18.1% of total revenues in 2004; and

clearance, brokerage and other transaction expenses declined to $5.9 million, or 1.2% of total revenues in 2005, from $13.7 million, or 2.8% of total revenues in 2004.

Increased expenses. Despite the positive impact of the additional liquidity posted on ArcaEx, Archipelago's operating income declined $43.7 million, or 71.5%, to $17.4 million for the year ended December 31, 2005 from $61.1 million for the year ended December 31, 2004. This was primarily associated with $46.1 million of expenses incurred in 2005 in connection with Archipelago's merger with NYSE, including legal, banking and regulatory fees, and the acceleration of certain executive compensation associated with the merger. Archipelago did not incur such costs in 2004.

Total U.S. share volume in equity securities (Nasdaq-, NYSE-, and AMEX-listed shares) increased by 5.8% to 1,047.7 billion shares for the year ended December 31, 2005 from 990.5 billion shares for the year ended December 31, 2004. Over the same period, Archipelago's total U.S. market volume increased 2.9% from 140.3 billion shares to 144.3 billion shares. For the year ended December 31, 2005, Archipelago handled 23.0%, 3.6% and 30.0% of the consolidated trading volume in Nasdaq-, NYSE-, and AMEX-listed equities, respectively. This compares to 25.2%, 1.8% and 22.7% for the year ended December 31, 2004.

Revenues

Archipelago's total revenues (excluding activity assessment fees) increased by $2.1 million, or 0.4%, from $491.3 million for the year ended December 31, 2004 to $493.4 million for the year ended December 31, 2005.

Transaction fees declined to $425.0 million for the year ended December 31, 2005 from $434.5 million for the year ended December 31, 2004, a decrease of $9.5 million, or 2.2%. Transaction fees in 2004 were made up entirely of revenues generated by Archipelago's ArcaEx Equities segment. For the year ended December 31, 2005, transaction fees were derived from both Archipelago's ArcaEx Equities segment and its ArcaEx Options segment that Archipelago established in the fourth quarter of 2005 with Archipelago's acquisition of the Pacific Exchange. For the year ended December 31, 2005, transaction fees generated by ArcaEx Equities were $415.4 million and transaction fees derived from ArcaEx Options were $9.6 million.

Despite the fact that the total share volume handled on ArcaEx increased during the period, transaction fees generated by ArcaEx Equities decreased $19.1 million, or 4.4%, $434.5 million for the year ended December 31, 2004 to $415.4 million for the year ended December 31, 2005. This primarily resulted from changes in Archipelago's internal match rate and changes in the relative amounts of NYSE-listed, AMEX-listed and Nasdaq-listed securities Archipelago handled on ArcaEx.

The percentage of customer orders matched internally increased to 88.8% for the year ended December 31, 2005 compared to an internal match rate of 86.6% for the year ended December 31, 2004. Archipelago's transaction fee pricing is structured such that routed shares generate greater gross revenue per share than those matched internally. As the number of shares routed out to other market centers declines relative to the overall share volume, Archipelago's transaction revenue growth trails volume growth. Archipelago's transaction fee pricing is also structured such that trades handled by ArcaEx in NYSE-listed securities are charged lower fees than trades consisting of Nasdaq-listed and AMEX-listed securities. Archipelago's trade mix has changed to include more shares of NYSE-listed securities relative to Archipelago's overall share volume handled. For the year ended December 31, 2005, NYSE- listed securities comprised 13.1% of Archipelago's total share volume handled compared to 6.0% for the year ended December 31, 2004.

Market data fees increased from $56.4 million for the year ended December 31, 2004 to $62.0 million for the year ended December 31, 2005, an increase of $5.6 million, or 9.9%. Market data fees derived from trading Nasdaq-listed securities were unchanged at $32.4 million. Market data fees derived from trading Amex-listed securities increased to $24.1 million in 2005 from $21.8 million in 2004. Market data fees derived from trading NYSE-listed securities increased to $4.8 million in 2005 from $2.2 million in 2004. For the year ended December 31, 2005, market data fees generated by ArcaEx Options, which Archipelago acquired in September 2005, were $0.7 million.

Revenues from listing and other fees increased to $6.4 million for the year ended December 31, 2005 from $0.4 million for the year ended December 31, 2004. For the year ended December 31, 2005, ArcaEx Options contributed $5.9 million to other revenues, including OTP fees, exchange floor-based charges and regulatory fees.

Expenses

Expenses (excluding Section 31 fees) increased $45.8 million, or 10.6%, to $476.0 million for the year ended December 31, 2005 from $430.2 million for the year ended December 31, 2004.

As Archipelago's internal match rate increases, Archipelago's liquidity payments increase, while routing charges and clearance, brokerage and other transaction expenses decline. The percentage of customer order volume matched internally on ArcaEx increased to 88.8% (with 11.2% routed to other market centers for execution) for the year ended December 31, 2005 from 86.6% (with 13.4% routed to other market centers for execution) for the year ended December 31, 2004.

Liquidity payments increased to $206.9 million for the year ended December 31, 2005 from $203.5 million for the year ended December 31, 2004, an increase of $3.4 million, or 1.7%. The increase in liquidity payments associated with Archipelago's increased volume and its higher internal match rate was mitigated by a greater contribution of NYSE-listed shares to its total trading volume. Based on its current pricing structure, Archipelago generally does not make liquidity payments for trades in NYSE-listed securities.

Routing charges declined $22.0 million, or 24.8%, to $66.7 million for the year ended December 31, 2005 from $88.7 million for the year ended December 31, 2004. This decline is primarily attributable to Archipelago's increased internal match rate and the resulting reduction in routed volume as well as lower routing costs per share as a result of certain cost management initiatives and changes in trade behavior and product mix. Although Archipelago experienced an increase of 2.9% in its total share volume handled, shares routed out to other market centers declined by 13.5% to 28.4 billion shares for the year ended December 31, 2005 compared to 32.8 billion shares for the year ended December 31, 2004.

Clearance, brokerage and other transaction expenses declined from $13.7 million for the year ended December 31, 2004 to $5.9 million for the year ended December 31, 2005, a $7.8 million, or 56.9%, decrease. Clearance, brokerage and other transaction expenses declined primarily due to the decrease in the number of trades subject to clearing costs due to the lower percentage of orders routed out to other market centers and the reduction of Archipelago's clearing costs following the self-clearing of Archipelago's routing broker and introducing broker businesses. Effective January 2005, Archipelago Securities, Inc. began to clear trades it routed to other market centers for execution. In addition, effective in July 2004, Archipelago Securities, Inc. began to clear trades effected by non-ETP broker-dealer customers accessing ArcaEx through Archipelago's subsidiary, ATS.

The increase in other expenses was primarily due to the following:

For the year ended December 31, 2005, Archipelago incurred $46.1 million in NYSE merger costs and related executive compensation, including:

$28.8 million of compensation expense which was incurred as a result of the acceleration of $20.7 million cash severance payments and vesting of approximately 400,000 restricted stock units to Archipelago's executive officers. These payments and vestings would have occurred in 2006 following the termination of employment agreements or change in control severance agreements after the completion of Archipelago's merger with the NYSE or, in the case of one executive, upon the sale of Wave. However, in 2005, Archipelago terminated the existing agreements and entered into new agreements with its executive officers to accelerate the cash severance payment and vesting of RSUs in furtherance of the following objectives: (i) retain its executive officers (other than the Wave executive) as officers of the combined company following the merger with NYSE; (ii) comply with Section 409A of the Internal Revenue Code (which governs the taxation of arrangements that provide for the deferral of compensation) and (iii) achieve certain significant tax-related cost savings for the combined company;

$14.3 million of legal, banking, regulatory and other fees incurred directly in connection with the NYSE merger; and

$3.0 million of legal fees incurred in litigation regarding the merger with NYSE brought by certain NYSE members.

Archipelago did not incur these costs in 2004.

Other employee compensation and benefits increased by $13.2 million, or 34.4%, to $51.6 million from $38.4 million. The increase was the result of increased staffing and the employee stock-based compensation expense recognized in relation to restricted stock units granted in the 2005. In 2004, long-term incentive compensation consisted of stock options granted at the then estimated fair value of Archipelago's stock for which no compensation expense was recognized due to the absence of intrinsic value. In addition, Archipelago incurred $5.5 million in additional compensation and benefits associated with the employees of ArcaEx Options. Archipelago acquired the operations of ArcaEx Options in September 2005.

Depreciation and amortization declined $1.3 million, or 5.7%, to $21.6 million from $22.9 million. The decrease is primarily associated with the accelerated depreciation that Archipelago recognized in the first quarter of 2004 in relation to the retirement of its original trading platform in March 2004, which was partially offset by additional depreciation that it recognized in connection with capital expenditures it made throughout the year ended December 31, 2005.

Marketing and promotion increased from $20.1 million to $22.2 million, a $2.1 million, or 10.4%, increase. In 2005, Archipelago accentuated Archipelago's brand recognition advertising efforts.

Legal and professional fees increased from $11.1 million for the year ended December 31, 2004 to $12.6 million for the year ended December 31, 2005, a $1.5 million, or 13.5%, increase, including $0.7 million in additional legal and professional expenses incurred by ArcaEx Options, which Archipelago acquired in September 2005.

Over the same period, communications and occupancy costs increased by $3.2 million and $2.5 million, respectively. This was mainly due to incremental expenses incurred in connection with Archipelago's operation of a data center in New Jersey (which Archipelago started building in the fourth quarter of 2004) and the operations of ArcaEx Options, which Archipelago acquired in September 2005.

General and administrative expenses increased $4.9 million, or 43.4%, to $16.2 million from $11.3 million. Insurance premiums and computer maintenance costs increased $1.7 million and $1.9 million, respectively, for the year ended December 31, 2005 compared to the year ended December 31, 2004. In addition, for the year ended December 31, 2005, the newly acquired operations of ArcaEx Options added general and administrative expenses in the amount of $2.2 million.

Interest and Other

Interest and other income and expenses increased $2.9 million to $4.5 million for the year ended December 31, 2005. The increase was primarily driven by higher interest rates earned on Archipelago's invested cash balances.

Income Tax Provision

For the year ended December 31, 2005, Archipelago provided for income taxes at a 42.8% blended tax rate. In the 2004 period, for the income earned from the date of Archipelago's conversion to a Delaware corporation through December 31, 2004, Archipelago provided for income taxes at a 41.5% blended tax rate. Prior to that date, Archipelago was treated as a partnership for federal, state and local income tax purposes. As a result, all items of income, expense, gain and loss were generally reportable on the tax returns of Archipelago's members.

Income from Continuing Operations

As a result of the foregoing, Archipelago reported income from continuing operations of $12.5 million for the year ended December 31, 2005; a decrease of $44.9 million compared to $57.4 million income from continuing operations for the year ended December 31, 2004.

Year Ended December 31, 2004 Versus Year Ended December 31, 2003

The following table sets forth Archipelago's consolidated statements of operations data for the periods presented:

	Year ended December 31,			
	2004	2003	Amount Change	Percentage Change
	(in millions)			
Revenues:				
Transaction fees	$ 434.5	$ 380.6	$ 53.9	14.2%
Market data fees	56.4	29.0	27.4	94.5
Listing fees	0.4	0.5	(0.1)	(20.0)
Total revenues	491.3	410.1	81.2	19.8
Expenses:				
Liquidity payments	203.5	154.2	(49.3)	(32.0)
Routing charges	88.7	113.8	25.1	22.1
Clearance, brokerage and other transaction expenses	13.7	45.0	31.3	69.6
Employee compensation and benefits	38.4	36.1	(2.3)	(6.4)
Depreciation and amortization	22.9	25.9	3.0	11.6
Communications	16.3	18.3	2.0	10.9
Marketing and promotion	20.1	8.1	(12.0)	(148.1)
Legal and professional	11.1	8.3	(2.8)	(33.7)
Occupancy	4.2	4.0	(0.2)	(5.0)
General and administrative	11.3	9.9	(1.4)	(14.1)
Total expenses	430.2	423.6	6.6	1.5
Operating income (loss)	61.1	(13.5)	74.6	(552.6)
Interest and other, net	1.6	0.6	1.0	166.7
Income (loss) before income tax provision	62.7	(12.9)	75.6	(586.0)
Income tax provision	5.3		(5.3)	(100.0)
Income (loss) before continuing operations	57.4	(12.9)	70.3	(545.0)
Income from discontinued operations	11.5	14.7	(3.2)	(21.8)
Net income	68.9	1.8	67.1	3,727.8
Deemed dividend on convertible preferred shares	(9.6)		(9.6)	(100.0)
Net income attributable to common stockholders	$ 59.3	$ 1.8	$ 57.5	3,194.4%

Highlights

For the year ended December 31, 2004, Archipelago's income from continuing operations increased to $57.4 million, a $70.3 million improvement compared to the year ended December 31, 2003. Archipelago's improved results of operations for the period primarily reflect the following principal factors:

Increased volume and trading share. While total U.S. market volumes increased 6.9% to 990.5 billion shares traded, Archipelago's total volume traded increased 20.1%, to 140.3 billion shares traded. This increased its share of the trading volume of the total U.S. listed-equity market from 12.6% for 2003 to 14.2% for 2004.

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More liquidity posted on ArcaEx. The percentage of customer orders matched internally increased from 80.6% in 2003 to 86.6% in 2004 and therefore reduced the percentage routed to other market centers, resulting in a change in the amount and mix of the following expenses:

liquidity payments increased to $203.5 million, or 41.4% of total revenues in 2004, from $154.2 million, or 37.6% of total revenues in 2003;

routing charges declined to $88.7 million, or 18.1% of total revenues in 2004, from $113.8 million, or 27.7% of total revenues in 2003; and

clearance, brokerage and other transaction expenses declined to $13.7 million, or 2.8% of total revenues in 2004, from $45.0 million, or 11.0% of total revenues in 2003.

Fully-operational ArcaEx. Archipelago realized the benefits of operating ArcaEx as a facility of PCX Equities rather than as an ECN effective April 11, 2003, including increased market data revenues and reduced clearing costs.

Continued reduction of clearing expenses. Archipelago reduced clearing costs per trade as a result of both the renegotiation of existing clearing agreements and the transition to self-clearing transactions effected by broker-dealers accessing ArcaEx through Archipelago's subsidiary, ATS.

Total U.S. market volumes in Nasdaq-, NYSE-, and AMEX-listed securities increased by 6.9% from 926.5 billion shares for the year ended December 31, 2003 to 990.5 billion shares for the year ended December 31, 2004. Over the same period, Archipelago's total U.S. market volume increased 20.1% from 116.8 billion shares to 140.3 billion shares. For the year ended December 31, 2004, Archipelago handled 25.3%, 1.8%, and 22.7% of the total trading volume in Nasdaq-, NYSE-, and AMEX-listed equities, respectively, compared to 24.6%, 1.1% and 12.2% for the year ended December 31, 2003.

Revenues

Archipelago's total revenues increased $81.2 million, or 19.8%, from $410.1 million for the year ended December 31, 2003 to $491.3 million for the year ended December 31, 2004. This growth in its total revenues was primarily driven by:

a $53.9 million, or 14.2%, increase in transaction fees, reflecting both industry-wide volume growth and Archipelago's expanded trading share, and

a $27.4 million, or 94.5%, increase in market data fees, reflecting Archipelago's transition to the ArcaEx platform in April 2003, increased trading volume, and an increase in customer orders matched internally, for which Archipelago receives market data revenues.

Transaction fees increased from $380.6 million for the year ended December 31, 2003 to $434.5 million for the year ended December 31, 2004. The increase was driven by the 20.1% increase Archipelago experienced in transaction volumes and was partially offset by the increase in the percentage of customer shares matched internally.

Market data fees increased from $29.0 million for the year ended December 31, 2003 to $56.4 million for the year ended December 31, 2004, an increase of $27.4 million, or 94.5%. Market data fees derived from trading Nasdaq-listed securities increased from $19.0 million in 2003 to $32.4 million in 2004. Market data fees derived from trading Amex-listed securities increased from $9.3 million in 2003 to $21.8 million in 2004. Market data fees derived from trading NYSE-listed securities increased from $0.7 million in 2003 to $2.2 million in 2004. For the year ended December 31 2004, Archipelago benefited fully from the improved economics of operating ArcaEx as a facility of PCX Equities.

Revenues from listing fees decreased from $0.5 million for the year ended December 31, 2003 to $0.4 million for the year ended December 31, 2004.

Explanation of Responses:

Expenses

Expenses increased $6.6 million, or 1.5%, to $430.2 million for the year ended December 31, 2004 from $423.6 million for the year ended December 31, 2003.

As Archipelago's internal match rate increases, its liquidity payments increase and routing charges and clearance, brokerage and other transaction expenses decline. The percentage of customer order volume matched internally on ArcaEx increased from 80.6% (with 19.4% routed to other market centers for execution) for the year ended December 31, 2003 to 86.6% (with 13.4% routed to other market centers for execution) for the year ended December 31, 2004.

Liquidity payments increased by $49.3 million, or 32.0%, from $154.2 million for the year ended December 31, 2003 to $203.5 million for the year ended December 31, 2004. Archipelago's increased liquidity payments primarily reflect an increase in the percentage of customer order volume matched internally on ArcaEx and the larger transaction volumes Archipelago achieved in 2004 compared to 2003.

Routing charges declined $25.1 million, or 22.1%, from $113.8 million for the year ended December 31, 2003 to $88.7 million for the year ended December 31, 2004. This decline primarily reflects an increase in the percentage of customer order volume matched internally, partially offset by increased trading volume year-over-year.

Clearance, brokerage and other transaction expenses declined $31.3 million, or 69.6%, from $45.0 million for the year ended December 31, 2003 to $13.7 million for the year ended December 31, 2004. This decline was the result of reduced clearing costs per trade that became effective in November 2003, the migration of trading from the Archipelago ECN to ArcaEx as a facility of PCX Equities in April 2003 (as a result of which Archipelago did not incur clearing charges for trades executed internally), and a decrease in the relative number of trades subject to clearing costs due to the lower percentage of orders routed out. In addition, effective in July 2004, Archipelago began to self-clear trades effected by non-ETP broker-dealer customers accessing ArcaEx through Archipelago's subsidiary, ATS, which contributed to the reduction of Archipelago's clearing costs.

Clearance, brokerage and other transaction expenses for the year ended December 31, 2003 included the following:

- $4.5 million in costs related to fees charged by Spear, Leeds & Kellogg L.P., a subsidiary of The Goldman Sachs Group, Inc., under Archipelago's service bureau agreement with them for the development, operation, management and support services provided to the REDIBook ECN in connection with the integration of the REDIBook ECN into the Archipelago system. Archipelago did not incur these charges in 2004 due to the migration of trading of Nasdaq-listed securities from the Archipelago ECN to ArcaEx in April 2003.

- $7.0 million of bad debt expense for accounts receivable balances that Archipelago deemed uncollectible. For the year ended December 31, 2004, Archipelago took back into income approximately $0.9 million as a result of improved collections, which provided for a $7.9 million decrease of clearing, brokerage and other transaction expenses year-over-year.

The increase in other expenses was primarily due to the following:

- Employee compensation and benefits increased $2.3 million, or 6.4%, to $38.4 million from $36.1 million primarily as a result of increased staffing.

- Depreciation and amortization declined by $3.0 million, or 11.6%, to $22.9 million from $25.9 million. The decrease was primarily associated with the accelerated depreciation Archipelago recognized for the period from June 2003 to March 2004 in relation to the retirement of its original trading platform. This was partially offset by additional depreciation Archipelago recognized in connection with capital expenditures Archipelago made throughout the year ended December 31, 2004.

Marketing and promotion increased from $12.0 million to $20.1 million from $8.1 million primarily as a result of the brand recognition advertising campaign Archipelago launched in September 2004.

Legal and professional fees increased by $2.8 million, or 33.7%, to $11.1 million from $8.3 million in relation to additional expenses incurred as a public company, including increased board of directors and audit fees.

General and administrative expenses increased by $1.4 million, or 14.1%, to $11.3 million from $9.9 million also in relation to additional expenses incurred as a public company, including directors and officers' insurance premiums. This was partially offset by reduced computer lease expenses.

Interest and Other

Interest and other income and expenses increased by $1.0 million to $1.6 million for the year ended December 31, 2004, compared to $0.6 million for the year ended December 31, 2003. This was due to increased average cash and cash equivalent balances and higher interest rates earned on those balances.

Income Tax Provision

For the income earned from the date of Archipelago's conversion to a Delaware corporation through December 31, 2004, Archipelago provided for income taxes at a 41.5% blended tax rate. In 2003, Archipelago was treated as a partnership for federal, state and local income tax purposes. As a result, all items of income, expense, gain and loss were generally reportable on the tax returns of Archipelago's members.

Income (Loss) from Continuing Operations

As a result of the foregoing, Archipelago reported income from continuing operations of $57.4 million for the year ended December 31, 2004, which represents an increase of $70.3 million compared to the loss from continuing operations of $12.9 million for the year ended December 31, 2003.

Deemed Dividend on Convertible Preferred Shares

Upon the conversion of redeemable preferred shares into shares of common stock in connection with of Archipelago's IPO, Archipelago issued approximately 717,000 additional shares of common stock attributable to a beneficial conversion feature included in the previously issued redeemable preferred interest. The $9.6 million intrinsic value of such shares was deemed a dividend on convertible preferred shares, which was reported after net income to reach net income attributable to common stockholders.

Net Income Attributable to Common Stockholders

Archipelago reported net income attributable to common stockholders of $59.3 million for the year ended December 31, 2004; an increase of $57.5 million compared to net income of $1.8 million for the year ended December 31, 2003.

Liquidity and Capital Resources

Historically, Archipelago's primary sources of liquidity were cash provided by operations and proceeds generated from the sale of its common equity and preferred shares. On August 19, 2004, Archipelago completed the sale of 6,325,000 shares of common stock at $11.50 per share in its IPO, for which it received net proceeds of $67.6 million. Archipelago incurred approximately $6.8 million in expenses related to its IPO. Certain former members of Archipelago Holdings LLC sold another 6,325,000 million shares to the public, for which Archipelago received no proceeds.

On September 26, 2005, Archipelago completed the acquisition of PCX Holdings and its subsidiaries for a total purchase price of approximately $94.0 million consisting of a $90.9 million cash payment to PCX Holdings stockholders and certain PCX Holdings employees, and direct costs of acquisition of $3.1 million. The $90.9 million cash payment represented the total dollar value of 1,645,415 shares of Archipelago common stock held by PCX Holdings at the time of the closing, or $66.3 million, plus $24.6 million.

In connection with its merger with NYSE, at closing, Archipelago maintained a minimum $120.0 million net cash balance, as defined. For the year ended December 31, 2005, Archipelago incurred $46.1 million in NYSE merger costs and related executive compensation, including (i) $28.8 million of compensation expense ($21.3 million in cash and $7.5 million as a non-cash charge) incurred as a result of the acceleration of certain payments and vesting of restricted stock units to Archipelago's executive officers that would have occurred in 2006 following the termination of employment agreements or change in control severance agreements after the completion of Archipelago's merger with the NYSE or, in the case of one executive, upon the sale of Wave, (ii) $14.3 million of legal, banking, regulatory and other fees incurred directly in connection with the NYSE merger, and (iii) $3.0 million of legal fees incurred in connection with litigation matters related to the merger of the NYSE and Archipelago brought by certain NYSE members.

Archipelago's principal liquidity requirements have historically been for working capital, capital expenditures and general corporate purposes. Archipelago's capital expenditures have historically related primarily to developing its trading platforms, which included investments in software development and hardware, as well as building its data centers.

As of December 31, 2005, Archipelago had $145.3 million of cash and cash equivalents (including cash from discontinued operations of $11.0 million). For the year ended December, 2005, Archipelago provided cash of $91.5 million from the operating activities of its continuing operations, consisting of income from continuing operations of $12.5 million and the $79.0 million net effect of non-cash items and changes in its working capital. Archipelago used $118.4 million in investing activities of its continuing operations to acquire PCX Holdings and its subsidiaries and to purchase fixed assets and develop software. In addition, Archipelago's continuing operations provided cash from financing activities of $16.0 million primarily in relation to a $24.0 million capital contribution from the discontinued operations of Wave, which was partially offset by $7.8 million Archipelago spent repurchasing shares of its common stock.

Archipelago's broker-dealer subsidiaries are subject to regulatory requirements intended to ensure their respective general financial soundness and liquidity, which require that they comply with certain minimum capital requirements. These regulations, which differ in the United States, the United Kingdom and Canada the three countries in which Archipelago's broker-dealer subsidiaries do business generally prohibit a broker-dealer subsidiary from repaying borrowings from Archipelago or its affiliates, paying cash dividends, making loans to Archipelago or its affiliates or otherwise entering into transactions that would result in a significant reduction in its regulatory net capital position without prior notification or approval of its principal regulator. Archipelago's capital structure was designed to provide each of its subsidiaries with capital and liquidity consistent with its business and regulatory requirements.

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Summary Disclosures About Contractual Obligations and Off-Balance Sheet Arrangements

Contractual Obligations

As of December 31, 2005, Archipelago's contractual cash obligations and other commercial commitments consisted of the following:

	Payments due by year					
	Total	2006	2007	2008	2009	Thereafter
	(in thousands)					
Lease obligations	$ 43,207	$ 9,352	$ 8,093	$ 7,016	$ 4,967	$ 13,779
Purchase obligations	5,100	4,800	300			
Total	$ 48,307	$ 14,152	$ 8,393	$ 7,016	$ 4,967	$ 13,779

Off-Balance Sheet Arrangements

In November 2004, pursuant to a lease agreement, Archipelago applied for a $1.2 million irrevocable standby letter of credit, which has periodic reductions to the amount required to be maintained until expiration in July 2015. In connection with this letter of credit, Archipelago entered into a compensating balance agreement with its bank for one and one-half times the amount of the letter of credit. The beneficiary of this letter of credit is the landlord of certain office space leased by Archipelago in New York.

Critical Accounting Policies

Archipelago management's discussion and analysis of Archipelago's financial condition and results of operations is based on its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements required Archipelago to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. Archipelago historically reviewed its estimates on an on-going basis. Archipelago based its estimates on historical experience and on various other assumptions that it believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. While Archipelago's significant accounting policies are described in more detail in the notes to its financial statements, Archipelago believes the following accounting policies to be critical to the judgments and estimates used in the preparation of its financial statements.

Revenue Recognition

Archipelago recognized revenue in the form of transaction fees paid by customers for trade execution on the Archipelago system, whether the trade is executed internally or routed out to an external market center. Archipelago also simultaneously recognized an expense, in the form of either a liquidity payment or a routing charge, paid to the liquidity provider or the external market center, as the case may be. Archipelago recognized these fees and expenses on a gross basis in its consolidated financial statements in accordance with Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent." Archipelago's application of EITF Issue No. 99-19 included an evaluation of a number of factors deemed relevant by management in making its determination with respect to gross versus net reporting of revenue.

Archipelago also earned market data fees from the sale of market data, and in turn rebated a portion of those fees to Archipelago's customers. In accordance with EITF Issue No. 99-19, Archipelago recognized these fees as revenue net of the rebates provided to its customers in its consolidated financial statements. Archipelago estimated the market data fees it earned each quarter based on the number of transactions executed on the Archipelago system in that quarter that qualify for payment under the various market data plans.

Archipelago's listing fees consisted of original listing fees, fees payable in connection with the listing of additional shares of equity securities and annual listing fees. Archipelago recognized annual listing fees ratably over the following twelve-month period. Archipelago recognized initial listing fees and additional share listing fees over five-year estimated service periods.

Archipelago's other revenues primarily consisted of regulatory and registration fees including agent annual registration and new application and transfer fees from parties that have equities or options trading privileges on the Pacific Exchange. Regulatory and registration fees were billed and collected by the National Association of Securities Dealers (the "NASD"). The registration fee was billed annually in advance and remitted to Archipelago before the start of the effective year. Archipelago recognized the annual registration fee ratably over the related twelve-month period. New registration and transfer application fees were remitted monthly to Archipelago and recognized in the year received.

Archipelago paid SEC fees pursuant to Section 31 of the Securities Exchange Act of 1934. These fees were designed to recover costs incurred by the government for the supervision and regulation of securities markets and securities professionals. Archipelago, in turn, collected activity assessment fees from ETP and OTP holders trading on ArcaEx and the Pacific Exchange, respectively, and paid Section 31 fees to the SEC based on fee schedules determined by the SEC. Fees received were included in cash and cash equivalents at the time of receipt, and, as required by law, the amount due to the SEC was recorded as an accrued liability and remitted semiannually.

Following the September 26, 2005 acquisition of PCX Holdings, Archipelago recorded activity assessment fee revenue and Section 31 fees expense gross on its consolidated statement of operations as Archipelago bore the credit risk associated with the collection of these fees, while maintaining similar treatment within the consolidated statement of financial condition.

Goodwill and Indefinite-Lived Intangible Assets

As of December 31, 2005, Archipelago had approximately $240.6 million in goodwill and intangible assets. Under SFAS No. 142, "Goodwill and Other Intangible Assets," management was required to perform a detailed review at least annually of the carrying value of Archipelago's intangible assets, which included goodwill and Archipelago's national securities exchange registration. In this process, management was required to make estimates and assumptions in order to determine the fair value of Archipelago's assets and liabilities and projected future earnings using various valuation techniques, including a discounted cash flow model. Management used its best judgment and information available to it at the time to perform this review, as well as the services of an expert valuation specialist. Because management's assumptions and estimates were used in the valuation, actual results may differ. If management determines that the fair value of the intangible assets is less than their carrying value, an impairment loss would be recognized in an amount equal to the difference between the fair value and the carrying value.

Provision for Doubtful Accounts

Archipelago evaluated the collectibility of accounts receivable based on the financial condition of its customers, the length of time a receivable was past due, its historical experience with the particular customer and the likelihood of projected payments. If Archipelago knew of a customer's inability to meet its financial obligations, it recorded a specific provision for doubtful accounts for estimated losses resulting from the inability of that customer to make payments. The amount of the provision was then charged against the amounts due to reduce the receivable to the amount Archipelago reasonably believes would be collected. Due to changing economic, business and market conditions, Archipelago reviewed the provision monthly and made changes to the provision as appropriate.

Stock-Based Compensation

Archipelago elected to follow APB No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its employee stock options. Under APB No. 25, Archipelago recorded compensation expense equal to the difference between the exercise price of the stock option and the fair market value of the underlying stock as of the measurement date. For disclosure purposes only, Archipelago also estimated the impact on its net income of applying the fair value method of measuring compensation cost on stock options with the fair value determined under the minimum value method as provided by SFAS No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure."

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R) (revised 2004), "Share-Based Payment," requiring that compensation cost associated with share-based payment transactions be recognized in financial statements. Statement No. 123(R) replaces the former SFAS No. 123 and supersedes APB No. 25. Archipelago adopted SFAS No. 123(R) on January 1, 2006 using the modified-prospective method. For the year ending December 31, 2006, management anticipates that Archipelago will recognize a pre-tax expense of approximately $2.0 million in connection with share-based payment transactions recorded under SFAS No. 123(R).

Related-Party Transactions

Archipelago has entered into significant transactions with its affiliates in the normal course of business. In the opinion of management, transactions and agreements with affiliates are made at prevailing market rates, terms and conditions, and do not involve more than the normal risk of collectibility or present other unfavorable features. For a discussion of transactions with Archipelago's affiliates, see Archipelago's Consolidated Financial Statements and Note 10 thereto included elsewhere in this prospectus.

Software Development

Archipelago accounts for software development costs under SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and other related guidance. Archipelago expenses software development costs incurred during the preliminary project stage, while it capitalizes costs incurred during the application development stage, which includes design, coding, installation and testing activities. Amortization of capitalized software development costs is computed on a straight-line basis over the software's estimated useful life, generally three years.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Significant judgment is required in assessing the future tax consequences of events that have been recognized in Archipelago's financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could have a material impact on Archipelago's financial position or results of operations.

Other Significant Accounting Policies

Other significant accounting policies not involving the same level of measurement uncertainties as those described above are nevertheless important to an understanding of Archipelago's consolidated financial statements. Policies related to certain accounting policies require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. For a discussion of Archipelago's other significant accounting policies, see Archipelago's Consolidated Financial Statements and Note 2 thereto included elsewhere in this prospectus.

Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2005, an evaluation was carried out under the supervision and with the participation of Archipelago's management, including Archipelago's chief executive officer and chief financial officer, of the effectiveness of the Archipelago's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, Archipelago's chief executive officer and chief financial officer concluded that, as of December 31, 2005, these disclosure controls and procedures were effective.

INFORMATION ABOUT EURONEXT

Overview

Euronext is the first genuinely cross-border exchange organization. Created in 2000 through the merger of the Paris, Amsterdam and Brussels exchanges, after a series of acquisitions Euronext now provides services for regulated cash and derivatives markets in Belgium, France, the UK (derivatives only), the Netherlands and Portugal. It also has (jointly with Borsa Italiana) a major stake in *Società per il Mercato del Titoli di Stato* (or MTS), the leading electronic market for European wholesale fixed income securities, and sells software and IT trading solutions through its subsidiary GL TRADE, a leading provider of front to back-office trading, clearing and settlement solutions, and Atos Euronext Market Solutions, an associate held 50/50 by Atos Origin S.A. and Euronext under the control of Atos Origin S.A.

In 2005, Euronext was Europe's largest stock exchange organization in terms of the volume and value of transactions processed through the central order book, the second largest derivatives exchange in Europe in terms of the volume of transactions processed and the second largest derivatives exchange worldwide in terms of the value of transactions processed per day. Thirty-two of Europe's one hundred largest companies by market capitalization as at June 30, 2006 were listed on Euronext and Euronext was the leading European market for initial public offerings in 2005 by offer value. Euronext had 2,302 employees at the end of 2005 (including 1,133 GL TRADE employees and Euronext's share of MTS' employees).

Since its creation, Euronext has fostered the consolidation of European financial markets by integrating local exchanges across Europe in order to provide users with a single market that is broad, highly liquid and cost-effective. After the initial three-way merger of the Paris, Amsterdam and Brussels exchanges, Euronext acquired the London-based derivatives market LIFFE (London International Financial Futures and Options Exchange), and merged with the Portuguese exchange BVLP (*Bolsa de Valores de Lisboa e Porto*). Euronext integrated its constituent markets based on a horizontal market model designed to generate synergies by incorporating the individual strengths and assets of each local market. This business model covers technological integration, the reorganization of activities into cross-border, streamlined strategic business units (or SBUs), and the harmonization of market rules and the regulatory framework.

Following successful completion in 2004 of a four-year migration, Euronext's cash and derivatives markets operate on single, harmonized IT platforms, NSC (*nouveau système de cotation*) for cash trading and LIFFE CONNECT® for derivatives. As a result, every market participant now has a single point of access to trading cash and derivatives instruments, respectively. This has also helped to enhance the visibility of listed companies, reduce average trading fees and facilitate the comparison of investments. IT services, including the management of its trading platforms, are provided to Euronext by Atos Euronext Market Solutions, which is a leading global provider of technology services to the capital markets.

The integration of Euronext's trading platforms has been fostered and accompanied by regulatory harmonization. A single rulebook governs trading on Euronext's cash and derivatives markets, respectively, containing a set of harmonized rules and a set of exchange-specific rules. Regulation of Euronext and its constituent markets is conducted in a coordinated fashion by the respective national regulatory authorities pursuant to memoranda of understanding relating to the cash and derivatives markets.

Euronext operates as a fully integrated organization of multinational teams based on three cross-border, product-based strategic business units, which are assisted by cross-border central support departments that provide services to the entire group. Each of the strategic business units (Cash Trading and Listing, Derivatives Trading, and Information Services) operates under a single chain of command, and is responsible for activities and staff at all of Euronext's markets, irrespective of their actual geographic location. The central support departments are responsible for various functions (finance;

human resources; legal affairs, regulation, compliance and European affairs; corporate information systems; corporate strategy, etc.) and coordinate matters between the strategic business units.

Euronext's customers are comprised mainly of exchange organization members and financial institutions that have direct access to trading on Euronext's markets, companies whose securities are listed on Euronext's markets and that seek to raise capital, institutional and retail investors who trade on Euronext's markets, organizations that use Euronext's technologies and services and users of financial information. As of September 1, 2006, there were 240 members of Euronext's cash markets and 848 members of its derivatives markets.

Clearing and settlement of trades on Euronext's markets is effected by the LCH.Clearnet Group Limited (LCH.Clearnet) and Euroclear, respectively, except for Euronext Lisbon where settlement is currently effected by Euronext's wholly owned subsidiary, Interbolsa. LCH.Clearnet and Euroclear provide these services pursuant to contractual arrangements with Euronext, which also has a substantial minority shareholding in the former and a small shareholding in the latter. Euronext previously owned its clearing and settlement service providers but gradually divested them through the creation of LCH.Clearnet, which resulted from the merger of Euronext's former subsidiary Clearnet S.A. and the London Clearing House Limited, and the sale to Euroclear of its national central securities depositories (Sicovam, Necigef and CIK) other than Interbolsa.

Business Segments

Euronext has seven principal cross-border business segments, as summarized in the table below. Euronext manages its primary business segments on the basis of three cross-border, product-based strategic business units (Cash Trading and Listing, Derivatives Trading and Information Services).

The following information is prepared in accordance with IFRS.

Business Segment	Function	2005 Revenues	% of Total Revenues
		(in millions of euros)	
Cash trading	Management of trading in cash instruments	215.7	22.4%
Listing	Listing of cash instruments	63.1	6.6%
Derivatives Trading	Management of trading in derivative products	331.9	34.5%
Information services	Sale of market data and related information	93.6	9.7%
Sale of software	Provision of electronic trading solutions through GL TRADE	195.2(1)	20.3%
MTS fixed income	Management of trading in government bonds and repos, etc.	1.4(2)	0.15%
Settlement and custody(4)	Settlement of transactions and the safe-custody of physical securities	39.3(3)	4.1%
Other		21.6	2.25%
Total		961.9	100.0%

(1) Includes the revenues of Euronext.liffe's technology division, LIFFE Market Solutions, until July 1, 2005, when it was transferred to Atos Euronext Market Solutions.

(2) Consists of the proportional consolidation (51%) of MBE Holding as of December 1, 2005.

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(3)
Includes the revenues of CIK, a wholly owned subsidiary, which Euronext sold to Euroclear plc on January 1, 2006.

(4)
Included in Post-Trade Services Providers.

Cash Trading

General

Euronext is Europe's largest cash market based on average daily trades and average daily turnover. During 2005 and the first half of 2006, on an average day, 632,000 and 915,000 trades, respectively, valued at €7.1 billion and €10.2 billion, respectively, were executed on Euronext exchanges. The total number of trades in all cash products amounted to 162 million during 2005 and 116 million during the first half of 2006.

The following tables set forth comparative data regarding cash trading (total market capitalization of listed companies and number of trades conducted via the central order book) on different European exchanges during 2005.

Using Euronext's electronic trading platform, NSC (*nouveau système de cotation*), Euronext's members enter trades into a cross-border central order book and have access to equities with a total market capitalization of €2,500 million as of June 30, 2006 issued by issuers in 23 countries. The cash trading business unit comprises trading in equity securities and other cash instruments including funds, bonds, warrants, trackers and structured funds. Euronext generates cash trading revenues by collecting fees charged based on trades made, by number and value. Euronext also charges its members connection fees for access to its NSC trading platform (€10 million in 2005). In 2005, Euronext generated cash trading revenues of €215.7 million, or 22.4% of its total revenues.

Trading Platform and Market Structure

Trading Platform

Cash trading on Euronext's markets in Amsterdam, Brussels, Lisbon and Paris takes place via the NSC system, Euronext's common electronic trading platform for the cash market. The NSC system was originally the trading platform for Euronext Paris; Euronext Brussels and Euronext Amsterdam migrated to NSC in 2001 and Euronext Lisbon migrated in 2003. The NSC system is a fully automated electronic trading platform that allows trading members either to route their clients' orders electronically or to enter orders manually into computer workstations installed on their premises and linked to the NSC system. The NSC system maintains an order book for every traded security, in which it matches buy and sell orders electronically. After a trade has been executed, trade confirmations are sent electronically in real time to the trading members.

Customized versions of the NSC system, which Atos Euronext Market Solutions supplies to other stock exchanges, are currently used by 15 exchanges worldwide (including Euronext's four cash markets), more than any other trading platform. One of the strengths of the NSC system is its ability to process the wide variety of order types permitted under Euronext's trading rules, as further described below. The NSC system also includes the ability to combine most of these order types and to execute large orders within a single order book, which allows trading members to adapt their trading strategies and also to increase liquidity. Another strength of the NSC system is its scalability. Between 2003 and 2005, technology enhancements allowed Euronext to expand the order handling capacity of the NSC system by more than three times and to improve response times by more than 50%. Enhancements completed or planned for 2006 are expected to increase order handling capacity by an additional 300%.

Harmonized Rulebook and Market Model

Cash trading on Euronext is governed both by a single harmonized rulebook for trading on each of Euronext's markets in Paris, Amsterdam, Brussels, and Lisbon and by the various non-harmonized Euronext Rulebooks containing local exchange specific rules. Euronext's trading rules provide for an order-driven market using an open electronic central order book for each traded security; various order types and automatic order matching; and a guarantee of full anonymity both for orders and trades. See "Regulation European Regulation." The main features of the Euronext market model include:

Order matching and execution. Trading on Euronext takes place on the basis of two trading mechanisms:

Continuous trading. During continuous trading, each incoming order is checked immediately for possible execution against orders already in the central order book to determine whether the new order can be matched against an already-recorded order. Orders in the central order book are executed according to price/time priority at the limit price of orders then contained in the central order book. Continuous trading is advantageous only if there are sufficient orders in the central order book. Accordingly, under Euronext's trading rules, financial instruments may be traded continuously only if they meet specified liquidity criteria or are traded with the support of a liquidity provider.

Auction mechanism. Under the auction mechanism, orders are not executed immediately, but instead are recorded and accumulated without execution until prices are determined by auction at set times. The auction price is the price that produces the highest executable volume. For securities in which the auction mechanism is the sole basis of trading, the auction method increases the likelihood of matching orders by concentrating orders at a particular moment in time. Under Euronext's trading rules, less liquid securities are required to be traded in auctions only.

Liquidity providers. For certain segments, Euronext's trading rules allow for, and in some cases require, the involvement of liquidity providers. Liquidity providers are trading members that agree with Euronext to enter buy and sell orders for their own account in the central order book, with a view to enhancing the liquidity of a given financial instrument. These orders must meet minimum size requirements and the spread (the difference between the prices of buy and sell orders) may not exceed a pre-determined level.

Order types. Euronext's trading rules permit a wide variety of order types, from "market" orders (orders to execute trades at any price in the central order book until all orders on the opposite side have been executed) and "limit" orders (orders to execute trades at or above (in the case of sell orders) or at or below (in the case of buy orders) certain specified price limits) to more complex orders such as "iceberg" orders and "stop loss" orders (orders stored and automatically triggered by the system when specific prices are reached). Additional order types supported include "fill-and-kill," "fill-or-kill," "minimum-quantity," "must-be-filled," "market-to-limit"/"market-on-opening," "stop-limit" and "stop-loss." Certain of these order types add additional liquidity to the market. For example, the ability to place iceberg orders (which are large orders displayed in smaller parts) allows investors that do not wish to reveal the exact volume of securities they wish to buy or sell to nevertheless place their orders in order to keep their price privacy in the order book. It is unlikely that such orders would be placed if the full volume of the orders were revealed, due to the effect that such information might have on the market (the market moves against the large order). Euronext also offers the possibility to match, directly in the order book, guaranteed cross-trades, *i.e.*, the possibility to organize a trade between two internal accounts (house or client orders).

Trading outside the central order book. Euronext's trading rules permit market participants to execute certain trades, including block trades or VWAP trades, outside the central order book. Off-order book trading can facilitate trades that are particularly large or enhance off-hours trading capabilities. Using this option, market participants can carry out mutually agreed trades that do not have to be routed through the central order book and that can be carried out at any time of day. The Euronext rulebook specifies minimum transaction sizes for block trades as well as price ranges relative to specified prices displayed in the central order book. Although executed off-order book, these trades executed in accordance with the Euronext rulebook are considered to be executed on one of Euronext's regulated markets and are required to be immediately reported using Euronext's trade confirmation system.

Trading safeguards. To avoid undesired volatility, if any order entered in the central order book would cause the price of any security to cross a specified threshold, the NSC system triggers automatic trading interruptions to ensure fair and orderly trading. In continuous trading, the member that entered the order that triggered the trading suspension is provided a time window within which it can confirm the pending balance of its order. Absent such confirmation, the balance of the trade is cancelled.

Products Traded

Euronext's cash trading markets accommodate trading in a wide variety of cash instruments, including:

Equities. Euronext is Europe's largest cash equities market in terms of average daily trading volume. During the first six months of 2006, on an average day, 873,736 shares, valued at €9.9 billion, were traded on Euronext. As of June 30, 2006, customers using Euronext's NSC trading platform could execute trades in the stock of 1,224 companies located in 23 countries.

Funds. As of June 30, 2006, members could execute trades in over 287 investment funds.

Trackers. Euronext has developed a special product segment, NextTrack, that is dedicated to trading in trackers, also known as Exchange Traded Funds, or ETFs. As of June 30, 2006, members could execute trades in 121 trackers linked to 75 different indices. Trackers are open-ended investment funds that track an index or replicate the performance of an index or a basket of shares, and are traded on Euronext in the same way as ordinary financial instruments. Originally focused on European large caps including geographical and sector indices, the range has gradually been extended to other asset classes such as bonds and real estate. Different investment styles have also been integrated with the addition of trackers on small and mid-caps and social responsibility indices, along with new geographical regions including Japan and emerging markets.

Structured funds. In 2005, Euronext listed its first structured funds, which allow investors to combine management techniques such as leverage and guaranteed principal with the benefits of listing. As of June 30, 2006, members could execute trades in seven structured funds linked to three different indices, which form part of the NextTrack segment.

Warrants & Certificates. Via NextWarrants, Euronext's market segment dedicated to warrants, warrants on over 250 underlying instruments were available as of June 30, 2006. NextWarrants trades are executed on a specific module of the NSC trading system, NSC-Warrants, a dedicated platform that takes into account the specific market structure of warrants.

Bonds. A broad selection of bonds is traded on the Euronext platform, such as corporate (including convertible) bonds and government bonds. As of June 30, 2006, 3,413 bonds were listed.

Trading Members

As of June 30, 2006, 240 members from 14 countries were eligible to trade on Euronext's cash markets. The majority of the members are based in Euronext's marketplaces, while remote members are mostly found in the UK and Germany. Between 2002 and 2005, the share of cross-border trading on Euronext marketplaces (*i.e.*, trades originating from members not located in the corresponding country) increased from 9.0% to 23.0%. The following table shows the evolution in cross-border trading between 2002 and 2005:

Market Position and Competition

Euronext provides cash equity trading services in respect of Belgian, Dutch, French and Portuguese-listed equities, and in respect of such services does not face significant competition from any other stock exchange. Inter-exchange competition is marginal and inherently limited by the circumstance that trading in individual equities is typically concentrated on a single exchange, generally the domestic exchange on which the equity was initially listed.

While the competitive constraint exercised by other exchanges is limited, Euronext faces significant and growing competition from trading services provided by a wide array of alternative off-exchange trading venues. Euronext faces competition from large brokers and customers, who have the ability to divert trading volumes from Euronext in one of two ways. First, large banks may assume the role of principal and act as counterparty to orders originating from retail investors, thus "internalizing" order flow that would otherwise be traded on an exchange. Second, banks and brokers may enter into bilateral trading arrangements by matching their respective order flows, thus bypassing the trading platform Euronext provides. Furthermore, Euronext competes with an array of automated multi-lateral trading platforms, such as ITG/Posit, E-crossnet, and Instinet CBX. The competitive significance of these various alternate trading venues is likely to increase substantially in the future, with the regulatory environment in Europe becoming more hospitable to off-exchange trading as a result of the reforms contained in MiFID. MiFID will come into effect on November 1, 2007, although individual EU Member States are required to incorporate MiFID into their domestic legal regimes by January 31, 2007. See "Risk Factors Risks Relating to NYSE Euronext's Business The implementation of the European Directive on Markets in Financial Instruments, or MiFID, may accelerate the development of off-exchange trading in Europe, which may harm NYSE Euronext's competitive position."

Listing

General

Euronext's listing business manages the admission of new securities to its markets. As of June 30, 2006, 32 of the top 100 European companies by market capitalization (FTSEurofirst 100 index) were listed on Euronext. In 2005, €17.2 billion in offering proceeds was raised in 78 IPOs on Euronext, including those of EDF S.A. and GDF S.A., which were two of the largest IPOs worldwide in 2005.

Euronext's exchanges list a wide variety of securities, including non-U.S. and domestic equity securities, convertible bonds, warrants, trackers and debt securities, including corporate and government bonds. Representatives of the listing business work with domestic and international candidates as well as their financial intermediaries and manage their files until the first day of listing. Once a security has been admitted to listing, Euronext handles all of the corporate events related to the security and produces notices for the market.

At the end of 2005, 1,259 companies were listed on Euronext, of which 966 were based in one of Euronext's home markets. The remaining 293 listed companies are registered elsewhere and chose Euronext as their primary European market for raising capital. Intent on becoming the gateway to the eurozone, Euronext is focused on increasing its share of these "non-domestic" listings in the future.

Euronext generates listing revenues when securities are admitted to listing for the first time. It also generates revenues by charging admission fees to companies that wish to issue additional shares or other financial instruments, and by charging annual listing fees to companies listed on its markets. In 2005, Euronext generated €63.1 million in listing revenue, or 6.6% of total revenues.

Organization of Listed Companies

EU Regulated markets: Eurolist

In 2005, Euronext created a single list, Eurolist by Euronext, to encompass all of its regulated national markets. The three main markets of Paris (*Premier Marché*, *Second Marché* and the *Nouveau Marché*) were merged into Eurolist by Euronext in February, followed by corresponding steps in Amsterdam, Brussels and Lisbon in April. Issuers still choose an initial entry point (Paris, Amsterdam, Brussels or Lisbon) for the listing of their securities, which has important regulatory consequences, but once admitted these securities are then accessible from all Euronext markets through Eurolist.

As part of their admission to Eurolist by Euronext, all companies are placed in market segments based on their market capitalization, in order to enable investors to distinguish easily between large, medium-sized and small companies (capitalizations of over €1 billion (Segment A), between €150 million and €1 billion (Segment B), and below €150 million (Segment C), respectively).

Sector classifications

Every company listed on Euronext (and other financial markets) is assigned a standardized sector classification based on its activities. In 2005, a new classification system, the Industry Classification Benchmark, was launched by the FTSE and Dow Jones Indices to replace the FTSE Global Classification System. The new Industry Classification Benchmark system came into force on Euronext's markets on January 2, 2006 following a transitional period.

Market segments

Euronext offers listed companies that meet specified criteria the opportunity to become members of its market segments, primarily for marketing purposes. The market segments are separate from the industrial sector classification received by each listed company. Listed companies are not required to be included in one of Euronext's market segments, but may opt in through an inclusion agreement. These market segments include NextEconomy® (which consists of companies whose core business lies in new technologies) and NextPrime® (which consists of companies from traditional sectors of the economy). To be admitted to membership in the NextEconomy and NextPrime market segments, an issuer must meet specified financial transparency requirements (including a requirement to publish accounts in English and in accordance with International Financial Reporting Standards (or IFRS)) and satisfy (*e.g.*, via a market maker) the liquidity conditions to be eligible for continuous trading. Euronext actively seeks to raise the profile of companies choosing to be admitted to NextPrime and NextEconomy through special indices, a dedicated section of its website and other tools such as special road shows and events.

Indices

Euronext compiles and promotes indices to enhance the profiles of issuers listed and products traded on its exchanges and to increase trading revenues, in particular national indices. See "Information About Euronext Information Services."

Alternext and other tailored solutions for SMEs

In May 2005, Euronext launched Alternext Paris, an innovative market tailored to the needs of small to medium-sized companies, or SMEs, which was followed by the announcement of approval of Alternext Amsterdam on May 30, 2006 and the launch of Alternext Brussels in June 2006. Alternext is governed by the respective local legal framework and a body of rules laid down by the market operator, Euronext, and applicable to all participants. It is not a regulated market, as defined by MiFID, but provisions equivalent to those set forth in the European Market Abuse Directive nevertheless apply to trading on Alternext for the benefit of investors. From Alternext's launch in May 2005 through June 30, 2006, 48 companies were listed on Alternext. These companies do business in a variety of sectors, ranging from software and internet services to electronics and real estate. Key features of the Alternext market include:

- Alternext is open to SMEs from all sectors of the economy, so long as they can present at least two years of financial statements.

- Companies listing on Alternext can make their initial listing in connection with a public offering pursuant to a prospectus approved by the competent EU authority. They can also directly list their shares on Alternext in connection with a private placement via an information document, so long as the private placement was made in the two preceding years of an initial listing and involved placing at least €5 million with at least five qualified investors.

- For a public offering, the minimum free float after listing is only €2.5 million. For a private placement, the minimum free float after listing is €5 million.

- Companies seeking a listing on Alternext must engage the services of a listing sponsor, both in the run-period prior to initial listing and while they remain a listed company. The listing sponsor declares to Euronext that it will ensure that listed companies meet their disclosure requirements for Alternext and guides and counsels the listed company and in France the listing sponsor makes a contractual commitment to Euronext to ensure that listed companies meet their disclosure requirements.

- Companies listing on Alternext have greater flexibility in their choice of accounting standards and are subject to less extensive ongoing post-listing reporting requirements than companies listing on

Eurolist. For a description of these requirements see "Information About Euronext Listing Listing Standards."

Other efforts to promote trading in the securities of SMEs include:

Euronext introduced small and mid-cap expert status in 2005 to promote analysis of SMEs (segments B and C of Eurolist) and enhance their liquidity. Euronext grants small and mid-cap expert status to brokers meeting specific research, marketing and promotion requirements relating to small and mid-caps.

In 2005, Euronext launched a new line of indices especially for SMEs in Amsterdam, Brussels and Paris.

Listing Standards

Through close cooperation with the regulators of the financial markets in each of the EU member states where Euronext operates, Euronext has adopted a harmonized rulebook that sets out a unified set of listing standards with which issuers must comply, regardless of which of Euronext's markets (Paris, Brussels, Amsterdam, Lisbon) is chosen as the entry point. These harmonized listing standards and the local applicable rules from Euronext Rulebook II set forth the criteria required for the listing of securities on Euronext's exchanges, as well as ongoing requirements, particularly with respect to financial reporting. The following chart summarizes certain of the applicable listing standards.

	EUROLIST	**ALTERNEXT**	
Nature of Market	EU Regulated Market	Alternext-Regulated Market	
Target Issuers	Blue Chip and Mid-Cap	SMEs	
Initial Listing Transaction	Public offering	Public offering	Private Placement
Offer Document	Prospectus	Prospectus	Offering Circular
Free float requirement	25% of outstanding securities; or 5% of capital amounting to at least €5 million	At least €2.5 million	At least €5 million
Sponsor	Yes	Yes	
Listing Agent	Yes	No	
Years of Accounts Required	3 years audited, half year interims (reviewed) required if more than 9 months after end of fiscal year	2 years, most recent year audited, half year interims required if more than 9 months after end of fiscal year	
Accounting Standards	IFRS	Local GAAP permitted	
Shareholder reporting thresholds	Varies per country	50%, 95%	
Ongoing Financial Reporting	Annual audited accounts, reviewed six month accounts	Annual audited accounts, six month unaudited accounts (no review necessary)	

Each year, a number of companies cease to be listed on Euronext, as a result of both normal corporate actions, such as mergers and acquisitions, and a desire on the part of some companies, in light of continued European integration, to reduce the number of exchanges on which they are listed given the related regulatory commitments. New listings on Euronext have helped to offset partially these delistings.

Market Position and Competition

Euronext provides primary and secondary listing services to issuing companies, with the level of competition in respect of each service varying significantly. In relation to the provision of primary listing services to issuers based in Euronext's home markets, Euronext does not face significant competition. Most issuing companies seek to list their shares only once, on their relevant domestic exchange. Accordingly, Belgian, Dutch, French and Portuguese companies typically obtain a primary listing on the relevant regulated national exchange operated by Euronext, and are admitted to trading either on Eurolist by Euronext, or, in the case of certain small- to medium-sized companies, Alternext. There are no rival regulated exchanges offering primary listing services in Euronext's home territories, and therefore no material competition in respect of those issuing companies seeking primary listings that are situated in Euronext's home markets, except for MEDIP, a regulated market operating in Portugal by MTS Portugal that provides a platform for the wholesale trading between specialists of Portuguese government bonds.

Euronext competes with other exchanges worldwide to provide secondary listing services to issuing companies located outside Euronext's home territories, and primary listing services to those companies that do not have access to a well-developed domestic exchange. With its presence in five European national markets, and its cross-border integrated exchange model, Euronext is the natural gateway to the Eurozone, providing issuing companies with access through a single point of entry to a broad European investor base. As such, Euronext competes primarily with those other continental European exchanges that offer access to the Eurozone capital pool.

Euronext expects that competition to provide primary and secondary services to non-European issuing companies will intensify in the future, with Euronext having launched market initiatives in several key developing markets, including China, Russia and Israel, in 2005. As Euronext continues to target issuing companies located in developing markets, it will likely compete more vigorously with exchanges globally.

Derivatives Trading

General

Euronext.liffe is Euronext's international derivative markets business, comprising derivative markets in Amsterdam, Brussels, Lisbon, London and Paris. Euronext.liffe is the second largest derivative market in Europe by volume, and the second largest in the world by average daily value of trading. During 2005 and the first half of 2006, average daily volume was 2.9 million contracts valued at almost €1.4 trillion. 606 million and 387 million contracts were traded on Euronext.liffe in 2005 and the first half of 2006, respectively. The total value of contracts traded on Euronext.liffe was €307 trillion in 2005 and €185 trillion in the first half of 2006.

The following tables set forth comparative data regarding derivatives trading on the principal exchanges during 2005:

Average Daily Volume (in € millions) **Number of Contracts Traded (in millions)**

Through a single electronic trading platform (known as LIFFE CONNECT®), Euronext.liffe offers a wide and growing range of derivative products to customers in 31 countries. The roll-out of LIFFE CONNECT®, which was originally the trading platform of LIFFE, was effected in 2003 and 2004 across all of Euronext's derivatives markets. Through this platform, Euronext.liffe offers customers sophisticated trading in a wide range of interest-rate, equity, index, commodity and currency derivative products. Moreover, customers who might normally use the OTC market to trade equity derivatives can also now trade cheaply and efficiently using one or more of Euronext.liffe's three new wholesale services Afirm, Bclear and Cscreen launched in 2005, as described below.

Euronext's revenue from derivatives trading on LIFFE CONNECT® consists of fixed per-contract fees for the execution of trades of derivatives contracts (futures and options, including equity, commodity and interest-rate derivatives) on Euronext.liffe. Revenues therefore depend on the number of contracts traded on Euronext.liffe and fees charged per contract. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext" for further information. In 2005, derivatives trading revenues were €331.9 million, or 34.5% of Euronext's total revenues.

Trading Platform and Market Structure

LIFFE CONNECT® is the central electronic trading platform for Euronext's derivative markets. Initially developed in 1998 with customers and selected independent software vendors to replace LIFFE's open outcry trading floor with a fully electronic market, reflecting the benefits of the trading platform, LIFFE CONNECT® is now used not only by Euronext.liffe's derivative markets in Amsterdam, Brussels, Lisbon, London and Paris, but also by other exchanges including the Chicago Board of Trade (CBOT), the Kansas City Board of Trade (KCBT), Minneapolis Grain Exchange (MGEX), Winnipeg Commodity Exchange (WCE) and Tokyo Financial Exchange (TFX).

LIFFE CONNECT® features an open system architecture. An Application Program Interface (API) allows users to build or purchase trading or view-only applications to suit their specific business needs. Traders commonly do this via one of the many front-end trading applications that have been developed by independent software vendors (ISVs). These applications are personalized trading screens that link the user to the market via a chosen network. This offers the potential to integrate front/back office trading, settlement, risk management and order routing systems.

Key features of the LIFFE CONNECT® trading platform include:

Capacity, performance and scalability. LIFFE CONNECT® has been designed to handle significant order flows and transaction volumes and to be scalable. Between 2003 and 2005, technology enhancements resulted in a more than five-fold expansion of the order handling capacity of the LIFFE CONNECT® system, and further enhancements took place in 2006 leading to a doubling of order handling capacity as compared to the level achieved at year-end 2005.

LIFFE Market In Depth. LIFFE CONNECT® disseminates the full order book to all trading clients. Users are continually notified of all active orders in the central order book, making market depth easy to monitor. Furthermore, the Euronext liquidity provider system ("ELPS") delivers full screens and tight spreads for all series, delivering deep liquidity and enabling investors to enter and exit the market easily.

International distribution network. LIFFE CONNECT® is available in the world's major financial centers with approximately 800 sites trading on the system in 31 countries, covering all major time zones.

Matching. Orders can be matched either on a price/time or pro rata basis, configurable by contract with transacted prices and the aggregate size of all bids and offers above and below the market updated on a real-time basis.

Wide range of strategies and order types. It is possible to trade a wide range of order types and strategies on LIFFE CONNECT®, providing flexibility and increased trading opportunities. LIFFE CONNECT® offers a large choice of strategy trading with implied pricing, to maximize derivatives liquidity. The range of strategy-types offered at host level includes six futures strategy types with implied in and out prices on calendar spreads, butterflies, strips, packs, bundles and condors, as well as 40 options strategies. LIFFE CONNECT® also offers 20 delta neutral strategy types. Offering this full range of strategy markets at the trading host level reduces 'legging risk' and lowers the cost of trading.

Products

Interest rate products

Euronext.liffe's core product line (in addition to equity option contracts, described below) is its portfolio of short-term interest rate contracts. Short-term interest rate contracts enable users to manage the risks associated with interest rate fluctuations in the world's major currencies, from anywhere between three months to five years into the future. Euronext.liffe's main products within this range are based on the euro and sterling interest rate. Trading volumes in Euronext.liffe's flagship product in this area, the Euribor Contract, have grown as the euro has increasingly established itself as a global reserve currency.

Equity products

Equity options enable holders to hedge against, or speculate on, changes in share prices. More than 400 European equity options (including options on shares not listed on Euronext) can be traded on Euronext.liffe, making the exchange a leading market for equity options trading worldwide. Equity options trading has historically been particularly active at Euronext Amsterdam. The successful full- screen market model, which now characterizes this equity options market, is currently being rolled out to the other Euronext.liffe centers.

Equity index products

Equity index derivatives allow holders to hedge against, or speculate on, changes in the future level of a particular index, the investor paying or receiving a cash sum representing its loss or gain on the future or option. Euronext.liffe's equity index derivatives allow customers to hedge against fluctuations in a range of European stock market indices and the European equity market as a whole.

Commodity products

Commodity derivatives allow holders to hedge against changes in the price of a number of commodities, including agricultural products such as wheat, corn, rapeseed, potatoes and soft products such as cocoa, sugar and coffee. Euronext.liffe is a leading provider of soft and agricultural commodity derivatives, and is the only exchange to offer commodities globally on an electronic trading platform. Volumes have grown strongly in recent years, as investors seek to use commodities to help diversify their portfolios.

Currency products

Currency derivatives allow investors to speculate upon, or protect themselves from, changes in the exchange rate between two currencies. Trading in currency derivatives on Euronext.liffe has declined significantly in recent years following the introduction of the euro.

OTC products

In 2005, Euronext.liffe launched three integrated services designed to provide straight-through-processing from pre-trade price discovery to post-trade registration, administration and clearing of wholesale equity derivatives trades. Together, these new services offer a flexible, secure, simple and cost-effective way of conducting wholesale equity derivatives trades. The three services include:

Afirm. Afirm is an "off-exchange" post-trade matching service offering affirmation or matching through to confirmation for over-the-counter (OTC) equity derivatives transactions. Afirm is designed to allow equity derivative market participants to reduce costs through the automation of manual processes and to reduce operational risk through real-time confirmation. Benefits offered by the service include automated trade confirmation, FpML messaging capability, and flat fees per trade confirmed through the service, irrespective of the size of the transaction.

Bclear. Bclear provides OTC equity derivative market participants a means of registering, processing and clearing wholesale equity derivatives within the secure framework of an exchange and clearing house. Through Bclear, users can register OTC business for trade confirmation, administration and clearing as an exchange contract, while retaining the flexibility to specify contract maturity, exercise price and settlement method on futures and options on over 350 European blue-chip stocks and 12 indices.

Cscreen. Cscreen is a dynamic application that enables brokers and traders to post and respond to "Indications of Interest" (IOI) for wholesale equity derivatives.

Trading members

Trading members in Euronext's derivative markets are either dealers or brokers. Trading members can also become liquidity providers. Liquidity providers enter into agreements with Euronext, specifying their responsibilities. Liquidity providers are able to place several series of bulk quotes in one order, allowing trading members to send buy and sell orders for many contract months using only one message. If a trading member is disconnected from the trading system, all of its quotes (except good-till-cancelled orders) will be automatically cancelled by the system through a bulk cancellation function.

Market position and competition

Euronext competes with a number of European derivatives exchanges, most notably Eurex, the derivatives platform operated by Deutsche Börse. However, Euronext primarily faces competition from the OTC trading of derivatives. The overwhelming majority of derivatives transactions are executed OTC, and the ability of customers to switch trading volumes OTC exercises a significant competitive constraint on Euronext's activities.

Information Services

General

Financial information is essential for exchange trading. Accordingly, Euronext's Information Services business unit distributes and sells market information to data vendors (such as Reuters and Bloomberg), listed companies and financial institutions and manages over 200 national and international indices. Its core activity is the distribution of real-time market data. This data includes price and transaction data, and order book data on all of the instruments traded on the cash markets and derivative markets of Euronext, as well as information about Euronext's indices. Euronext generally makes the market data linked to trading on each of Euronext's trading platforms available as close to real time as possible, a service referred to as "real-time" price information. This real-time data is subject to fees, to be paid by vendors and users. In addition, delayed data, meaning data that is at least 15 minutes old, is currently provided free of charge.

Revenue from Information Services consists of fees Euronext charges to a variety of users for the use of Euronext's real-time market data services. In addition, Euronext charges data distributors license fees for the right to distribute Euronext data to third parties and service fees for their direct terminal connections. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext" for further information. In 2005, Euronext generated Information Services revenues of €93.6 million, or 9.7% of Euronext's total revenues. A significant proportion of these revenues came from monthly end user fees, which are collected by data distributors based on the level of end user usage they report to Euronext.

Real-time Market Data

The distribution of real-time market data is the core activity of Information Services. This data includes price and transaction data, and order book data on all of the instruments traded on the cash markets and derivative markets of Euronext, as well as information about Euronext's indices. The data is sold in different forms, and can be packaged according to the type of instrument (shares, derivatives or indices), the depth of the information (depth of the order book, number of lines of bid and ask prices), and the type of customer (professional or private).

The data is disseminated primarily via data vendors, but also directly to financial institutions, websites and other service providers in the financial sector. The information services strategic business unit charges fees for the dissemination of data, such as an annual fee for the direct receipt of data, and license fees for the redistribution of real-time data. In addition, license holders pay a monthly fee based on the number of end users who receive data from them and the information package subscribed to; generally, these user fees are paid by end users themselves and collected by license holders. As of June 30, 2006, the information services strategic business unit had 168 license holders, and the number of Euronext real-time information packages viewed by end users amounted to approximately 201,000. Many other users receive the same market data with a delay of 15 minutes.

In 2004, Euronext introduced a new data feed platform, Euronext Market Data Solution (or EMDS), aimed at consolidating its data delivery. This real-time feed will eventually distribute all of Euronext's market data. As part of this consolidation process, Euronext began distributing information relating to the cash market and the Amsterdam derivative market on EMDS in 2005, and expanded the feed to include the remaining derivatives markets in February 2006. In addition to EMDS, data will also continue to be made available through trading application programming interfaces (APIs).

Other Data Products

In addition to the real-time market data Euronext provides as described above, Euronext provides the following additional market data services:

- *Historical market data covering all Euronext's markets.* This service, called NextHistory, is aimed at professionals in the financial industry. NextHistory gives customers online access to historical market data via www.databyeuronext.com or via DVD. It offers a choice between end-of-day and intraday market data on both equities and derivatives for all of Euronext's markets, in some cases going back as far as the early 1980s.

- *Daily updates about the composition of all Euronext indices.* Euronext has developed a product called the Index File Service for traders, asset managers, structured product desks, analysts, professional investors, vendors and others that rely on up-to-date index information for activities including trading, fund management, research, data dissemination and risk management. Euronext's

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subscribers pay a fee to receive daily information on the exact composition and weighting of indices as well as precise details of changes in index levels and the closing prices of constituent shares.

Market snapshots. This service provides full market overviews at fixed times every trading day. Various services are available and are aimed at vendors and professionals in the financial industry. A more harmonized version of this service is scheduled to be launched before the end of 2006.

ListQuote. This service provides real-time stock price information to Euronext's listed companies, for publication on their own website.

Official Lists

The Information Services business unit publishes a number of daily official price lists, such as the *Cote officielle* in Paris, the Daily Bulletin in Lisbon and the Amsterdam Daily Official List.

Indices

Euronext creates and compiles indices based on Euronext's market segments, Euronext's product segments and other products traded on Euronext's exchanges to enhance the profiles of issuers listed and products traded on Euronext's exchanges and to increase trading revenues. Euronext also continues to produce indices that were created by Euronext's exchanges prior to Euronext's formation, particularly national indices. Euronext's indices are compiled by Euronext's exchanges and their subsidiaries and are marketed by Euronext's subsidiary, Euronext Indices B.V.

Euronext has over 200 indices, including the flagship AEX®, BEL 20®, CAC 40®, PSI 20® and Euronext 100® indices. Euronext's primary indices are set forth in the following table:

	Euronext Amsterdam	Euronext Brussels	Euronext Lisbon	Euronext Paris	Euronext wide
Blue-chip indices	AEX®	BEL 20®	PSI 20®	CAC 40®	Euronext 100 Index®
				CAC Next 20®	NEXTCAC 70®
Mid-cap indices	AMX®	BEL Mid®		CAC Mid 100®	Next 150®
Small cap indices	AScX®	BEL Small®		CAC Small 90®	
All-share indices	AAX®	BAS®	PSI Geral®	CAC ALLShares	

Companynews

Euronext's Information Services business unit also distributes and sells press releases from listed companies to the market, to vendors, news agencies and financial institutions. In response to the adoption of the EU transparency directive, which is expected to be implemented in 2007, Euronext will restructure its product offering with respect to listed companies, to whom these distribution services had previously been provided free of charge. Pursuant to the transparency directive, listed companies must adhere to certain minimum requirements in disclosing price sensitive information. In order to do so, most of these companies are expected to outsource their needs to a specialized service provider. In March 2006, Euronext acquired Companynews, one such provider with a strong market position in France, to help satisfy the anticipated needs of listed companies in the European countries.

Sale of Software: GL TRADE

General

GL TRADE, a subsidiary of Euronext, is a global provider of front to back-office solutions for international financial institutions on both the buy side and the sell side. GL TRADE's software and proprietary network give GL TRADE's customers real-time access to more than 120 electronic markets around the world and link participants in the international financial community. Using GL TRADE's products and services, its customers can trade shares, bonds, commodities and derivative instruments, view comprehensive financial information and automate all of their order flow from the front to the back office. GL TRADE has over 3,500 clients, including 650 major financial institutions.

GL TRADE has been listed on Eurolist by Euronext in Paris since 1999 and has been included in the Next Economy segment since the segment's launch. It had a market capitalization of approximately €325 million as of June 30, 2006. As the owner of approximately 40% of GL TRADE's shares, both directly (9.3%) and indirectly via a 55.8% shareholding in a company (Financière Montmartre) that holds 55.2% of GL TRADE's shares, Euronext is GL TRADE's major shareholder and consolidates the financial statements of GL TRADE into its own financial statements. In 2005, Euronext's revenues from GL TRADE amounted to €179.2 million, or 18.6% of Euronext's total revenues.

Products and Services

GL TRADE has developed a range of front-to-back office solutions and services to meet the needs of the financial community. GL TRADE's offering is structured around six business lines, consisting of:

- Front Office Solutions (GL TRADE's historical core business);
- Buy Side Trading Solutions: GL FAST;
- Post Trade Derivatives;
- Back Office Securities;
- Cash and Risk Management: TRADIX; and
- Banking Risk: Fermat.

Front Office Solutions

GL TRADE offers its clients GL STREAM , the first straight through processing solution for multiple listed security types (equities, futures, options, commodities, forex and bonds). The system offers automated handling and real-time optimization of all processes involved in managing a market order.

GL STREAM covers trading and order management and market connectivity. It has been developed with an open architecture and a flexible infrastructure that can operate either on the client's site or on an ASP model. GL STREAM is fully compatible with third-party applications via the FIX (Financial Interface eXchange) protocol, and, for clients seeking the best possible performance, via APIs (Application Protocol Interface).

Trading and order management. Volumes traded on financial markets are constantly growing. Client needs are therefore evolving towards more powerful order management and trading solutions. In addition, the future implementation of new regulations in the U.S. (Reg. NMS) and in Europe (MiFID) will require brokers to make strategic choices in terms of best execution, order internalization and reporting. The GL STREAM Workstation combines client orders and market orders on a single screen (with 500,000 listed products viewable on a single screen, along with visualization of a full range of market data). A wide range of fully integrated modules facilitates the execution of complex orders.

Market connectivity. Traders can access electronic financial markets via GL GATEWAYS, which are directly connected to the central systems of markets. GL TRADE offers broad access to centers of liquidity: 120 electronic markets worldwide, including 68 equity and bond markets and 52 derivatives markets, including commodities. Continuous efforts to optimize order-processing servers have made it possible to transfer an order to the market in under three milliseconds, with the ability to place 6,000 orders per second in each market.

Market data and content. GL TRADE's market information service supplies essential financial information directly to users' screens. It offers, in real time, data from specialist information providers (AFP, AFX, Dow Jones, S&P MarketScope, Trading Central, etc.) and from connected markets: real-time pricing, order books and market depth. It includes all U.S. data flows (NASDAQ, NYSE, INET, Supermontage, Archipelago) in particular.

GL NET: A dedicated network for order routing and transmission of financial data. GL NET is a dedicated international private network serving clients in the financial services industries. It enables real-time trading in all types of financial securities on 120 cash, derivative and OTC markets. Designed with an open architecture, it can be accessed not only through GL TRADE workstations by both buy siders and brokers, but also via FIX applications or third-party systems. The GL NET network links the main members of the financial community with the growing number of buy side users. The network provides its members with optimal levels of security, reliability and availability for the transmission of orders. Its large bandwidth ensures an average speed for order routing of 0.25 seconds worldwide, with no loss or distortion.

Buy Side Trading Solutions: GL FAST. GL FAST offers the buy side community the GL WINWAY workstation. This links the recognized benefits of the GL WIN platform with the features of GL XLS, an analytical module designed for clients that use Excel to manage their orders. This solution enables buy side clients to develop trading strategies and to forward their orders to several brokers. GL WINWAY provides all buy side trading functionality, such as market access and algorithmic trading. This solution is also available as an ASP offering.

Post Trade Derivatives: post-trade management for derivatives markets. Post trade solutions provide automated real-time management of the entire deal settlement process and manage the allocation and delivery of all necessary information to the back office. The acquisition of Ubitrade in December 2004 enabled GL TRADE to integrate a dedicated listed derivative market back office solution within its existing product range. GL TRADE is currently able to offer full and integrated solutions from front office to back office on listed derivatives markets. This integration has also led to the creation of a wholly ASP front to back solution, which will enable faster deployment for new members.

Back Office Securities: post-trade management for equity and bond markets. The acquisition of MSTS' back office business in late 2003, and that of Oasis in July 2005, have enabled GL TRADE to integrate sophisticated electronic back office solutions for equity and bond markets into its product offering. These provide management of settlement and delivery data flows with international custodians, calculation of provisional cash balances and associated borrowing-lending functions. Oasis has also added connection to U.S. clearing houses and settlement agents to its offering, which includes the production of information required under local laws.

Cash and risk management: TRADIX. The TRADIX business line offers French and international banks and major companies effective cash management and risk hedging solutions. Following the strong sales performance of TRADIX in 2005, particularly in France and the Middle East, GL TRADE plans to seek similar success in other regions, drawing on the strength of GL TRADE's sales networks and the synergy identified with trading and order management products.

Banking risk management: Fermat. GL TRADE is the sole distributor in Germany of Fermat banking risk management products. These help calculate regulatory solvency ratios, produce simulations and supply regulatory authorities with the information required under the Basel II rules.

Customers

GL TRADE sells its products and services primarily to large international financial institutions that use its solutions in connection with their brokerage activities. GL TRADE has approximately 650 clients (excluding individual GL multimedia clients). Sell side clients account for approximately 70% of the total and buy side clients for approximately 20%. Back office clients make up most of the remaining balance. Approximately 60% of GL TRADE's clients are equities specialists and 20% are derivatives specialists.

Market Position and Competition

GL TRADE's business can be split into four main competitive segments: order processing, electronic trading networks, provision of financial information to financial institutions and settlement-delivery systems. GL TRADE's order processing systems for equity markets compete with those offered by Orc Software, SunGard, Royal Blue and RTS. For derivatives markets, GL TRADE's main competitors are Patsystems, NYFIX and Trading Technologies. In electronic trading networks, GL NET faces competition from companies like Bloomberg and Reuters as well as financial institutions that develop solutions in-house. In the derivatives back office market, GL TRADE competes with the market leaders, Rolfe & Nolan and SunGard. TRADIX, which faces competition from numerous other companies, has made a strategic decision to focus on the specific niche of corporate cash management teams. On the buy side market, GL TRADE's flagship product, GL WINWAY, faces competition primarily from very large brokers and from Trading Screen. Companies such as Flextrade and Portware pose the main challenges in algorithmic trading, sometimes known as execution management systems.

MTS

Euronext currently owns 51% of an Italian joint venture entity, MBE Holding, that owns 60.37% of the voting shares of *Societa per il Mercato del Titoli di Stato* (which is referred to in this document as MTS), which is a leading electronic trading platform for European fixed-income securities, particularly government bonds. Borsa Italiana owns the other 49% of MBE Holding as of June 30, 2006. Euronext proportionally consolidates MBE Holding in its accounts. MTS generated total revenues of €58.3 million in 2005. Euronext consolidated MTS for one month in 2005 following its acquisition by MBE Holding, recording consolidated revenues from MTS of €1.4 million.

Overview of MTS

MTS is a regulated electronic exchange for government bonds and other types of fixed income securities. MTS is authorized to conduct these activities by Italy's Ministry of Economy and Finance and is regulated by the Bank of Italy and the *Commissione Nazionale per le Società e la Borsa* (CONSOB), the Italian stock market regulator. Since the adoption of the Euro in 1999, MTS has covered the national debt markets of every EU member state as well as government bond markets of other countries. The MTS market model uses a common trading platform for all domestic marketplaces, while corporate governance and market supervision are based on the respective national regulatory regimes. The MTS Group today covers over 30 marketplaces through various companies and continues to expand its geographic scope. In 2005, MTS signed a memorandum of understanding with the Shanghai Stock Exchange to cooperate in creating a domestic fixed income market in the People's Republic of China, and also signed an agreement with the State of Israel to establish MTS Israel, which will be the official electronic inter-dealer market for Israeli government bonds.

MTS Marketplaces

MTS and its subsidiaries operate several marketplaces offering a wide range of products, among which the most significant are:

- MTS Italy Cash, which provides wholesale electronic markets for Italian government bonds and other types of fixed income securities;

- EuroMTS Cash, which is the reference electronic market for EuroBenchmark bonds with a pool of instruments that includes benchmark securities from Austria, Belgium, Brazil, Bulgaria, China, Croatia, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Lithuania, Mexico, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, South Africa, Spain, Turkey and Venezuela, as well as agency and supranational bonds, inflation-linked bonds, covered bonds from Spain, France, Germany, the UK and Ireland, and benchmark treasury bills;

- MTS Deutschland Cash, which manages the electronic trading platform for German government bonds, Länderbonds and German treasury certificates;

- MTS Money Markets, which deals primarily in repos and European treasury bills; and

- BondVision, which is a leading dealer-to-client ("B2C") fixed income electronic bond trading market. It was launched in 2001 in response to demand from institutional investors for access to the liquidity of the MTS Markets. While the dealers active on BondVision are largely those dealers active on the MTS B2B platforms, its clients are institutional investors, including investment managers, hedge funds, private banks and proprietary traders.

Before the acquisition of MTS, Euronext and MTS had closely cooperated for many years through two partnerships aimed at promoting bond markets and indices: MTS France and MTSNext. MTS France operates the leading electronic trading platform for French sovereign and quasi-sovereign securities. Euronext Paris and MTS each hold a 22.5% stake in MTS France, with the remainder being held by French primary dealers. MTSNext is a joint-venture between MTS and Euronext responsible for the management and promotion of the EuroMTS Indices.

Competition

Almost the entirety of fixed income securities trading takes place off-exchange. MTS' key competitors are inter-dealer brokers, such as ICAP plc and Cantor Fitzgerald & Co. (that, through eSpeed, Inc., operates the world's largest market for government bonds), which provide specialist intermediary services that facilitate fixed income securities transactions. Fixed income securities are also traded bilaterally by large financial institutions and commercial banks, and through a variety of electronic multi-lateral trading venues.

The MTS Acquisition and Related Agreements

On November 18, 2005, Borsa Italiana and Euronext acquired 51% of MTS through MBE Holding. Euronext and Borsa Italiana's respective cash contributions were €69 million and €56 million to capitalize MBE Holding, which in turn subscribed newly issued MTS shares in a share capital increase. The subscription price paid by MBE Holding was subsequently distributed as share premium reserve to compensate MTS' original shareholders. After the acquisition by MBE Holding of the 51% stake in MTS, MBE Holding purchased, via a pre-emptive rights subscription and sale mechanism, an additional 9.37% of MTS shares, bringing its current shareholding to a 60.37% stake. Primary international banks and financial institutions own the remaining 39.63% of MTS.

Under the terms and conditions of the acquisition agreement, each of Euronext and Borsa Italiana undertook, for a period of 10 years:

- to maintain and develop the role of MTS as a European hub for all sovereign and governmental bonds and develop the role of MTS as a European hub for fixed-income products;

- to maintain the headquarters of MTS in Italy and to keep MTS subject to Italian corporate and regulatory laws and regulations;

- to preserve the MTS market as a regulated investment exchange with the highest standards of transparency; and

- not to amend certain provisions of the bylaws of MTS without the consent of the Italian Ministry of Economy and Finance.

Further, the bylaws of MTS prohibit Euronext from undertaking, directly or indirectly, including through any company within the group of such controlling entity, any new activity in the European Union that competes with any screen-based wholesale bond markets which MTS operates, except for the wholesale market of derivative financial instruments.

MTS and MBE Holding Governance Arrangements

On October 21, 2005, Euronext and Borsa Italiana entered into a shareholders' agreement with a five-year term relating to MTS and MBE Holding. The most important ownership arrangements contained in the shareholders' agreement and the related bylaws of MTS and MBE Holding include:

- Each of Euronext and Borsa Italiana agrees to hold MTS shares only through MBE Holding and to automatically terminate the shareholders' agreement in the event that either party ceases to hold its initial holding in MBE Holding.

- Until November 18, 2010, Borsa Italiana has the right, at its sole discretion, to sell to Euronext (which will be obliged to purchase) all, but not less than all, of the shares then owned by Borsa Italiana in MBE Holding at a price reflecting agreed pricing terms mainly correlated to MTS' performance.

- In the event of a change of control of either Euronext or Borsa Italiana, the other party will have the right to purchase all of the other party's shares in MBE Holding at fair market value within 90 days thereof.

- Under the MBE Holding and MTS by-laws, in the event that either party intends to transfer MBE Holding Shares or MTS shares to a third party (other than an affiliate), the other party has a right to purchase the underlying shares on a preferential basis. As to MBE Holding shares, in the event that the non-transferring party decides not to exercise such right and the transfer results in a change of control in MBE Holding, the non-transferring party has the right to sell to the acquiring third party all or part (but not less than 15% of the share capital of MBE Holding) of its MBE Holding shares. As to MTS shares, a transferring shareholder must obtain prior approval from the Italian Ministry of Economy and Finance before executing a transfer of MTS shares that would result in a change of control of MTS.

Post-Trade Service Providers

Clearing and settlement of trades executed on the Euronext exchanges is effected by LCH.Clearnet (for central counterparty clearing) and Euroclear Group (for settlement, except for trades executed on the markets organized by Euronext Lisbon in Portugal, where it is still effected by Interbolsa, a wholly-owned subsidiary of Euronext Lisbon). LCH.Clearnet and Euroclear are independent entities that provide services to Euronext pursuant to contractual arrangements. Euronext initially owned the entities that provided clearing and settlement services to its continental European exchanges, but gradually divested them to LCH.Clearnet (for the clearing entities) and Euroclear (for the settlement entities). Interbolsa, which provides settlement services to Euronext Lisbon, is the only post-trade entity currently fully-owned by Euronext. In addition to receiving clearing services from LCH.Clearnet, Euronext also has a substantial minority shareholding in and board representation on LCH.Clearnet. Euronext also has a small shareholding in and board representation on Euroclear.

Euronext's Relationship with LCH.Clearnet

The LCH.Clearnet Group was created in December 2003 as a result of the merger between Banque Centrale de Compensation S.A. (known as Clearnet) and The London Clearing House Limited (LCH). Prior to the merger, Clearnet was owned, directly and indirectly, as to 80.2% by Euronext, and 19.8% by Euroclear, and LCH was owned as to 75% by various commercial and investment banks, stockbrokers, dealers and trading companies that in each case were party to an active clearing membership agreement with LCH, and 25% by three UK-based exchanges, namely LIFFE Administration and Management (a Euronext subsidiary) (17.7%); London Metals Exchange (LME) (5.4%); and International Petroleum Exchange (now ICE Futures) (1.8%). Upon completion of the merger, LCH (now LCH.Clearnet Limited) and Clearnet (now LCH.Clearnet S.A.) became wholly-owned subsidiaries of LCH.Clearnet Group.

Euronext has a multi-faceted relationship with LCH.Clearnet, as shareholder, clearer to its exchanges and service provider.

Euronext's Relationship as Shareholder

Euronext currently holds, through its subsidiaries, a number of shares in LCH.Clearnet representing 24.9% of LCH.Clearnet's fully diluted share capital, and redeemable convertible preference shares (or RCPS), which are voted by an independent third party and which on conversion or sale will convert into ordinary shares representing 16.6% of LCH.Clearnet's fully diluted share capital. Euronext is entitled to appoint two board representatives for so long as it holds shares representing 15% or more of LCH.Clearnet's fully diluted share capital, and one representative for so long as it holds between 5% and 15% of LCH.Clearnet's fully diluted share capital. In addition, Euronext is entitled to appoint two board representatives for so long as it holds RCPS representing in excess of 6.6% of LCH.Clearnet's fully diluted share capital, but such entitlement decreases to one board representative once Euronext holds RCPS representing less than that amount.

Currently, Euronext has appointed Jean-Francois Théodore, Olivier Lefebvre, Clara Furse (the Chief Executive of the London Stock Exchange) and Dominique Hoenn to the board of LCH.Clearnet pursuant to these rights.

LCH.Clearnet shares may only be held by three categories of shareholders: users, exchanges or Euroclear, and each member is subject to a specified maximum number of voting rights that may be exercised at a general meeting. Where shares are to be transferred, pre-emption rights will operate to provide either users or exchanges with a right of first refusal over the shares, thus maintaining, at the shareholders' option, the initial balance between shareholder categories, but there may be no transfer to any person (other than Euroclear) not party to a clearing agreement as user or exchange. The restrictions on share ownership and transfer are in effect until at least December 22, 2008 and may be extended by the board with shareholder approval.

LCH.Clearnet and Euronext have been involved in recent discussions regarding the potential redemption of RCPS prior to their scheduled redemption date. In that context, Euronext has entered into an agreement with LCH.Clearnet dated April 26, 2006 pursuant to which Euronext has agreed to vote its shares in LCH.Clearnet in order to support a proposal by which LCH.Clearnet would redeem the outstanding RCPS at par (*i.e.*, €10 per share) plus accrued but unpaid RCPS dividends as at the date of redemption out of the proceeds of a public offering of securities by a member of the LCH.Clearnet group.

Upon redemption of the RCPS, Euronext would cease to be entitled to appoint board representatives by virtue of its holding of RCPS, but this would not affect Euronext's right to appoint 2 directors by virtue of its ordinary share holding. Implementation of the proposal is subject, among other things, to the successful completion of the securities offering and the approval by the appropriate majorities of the shareholders of LCH.Clearnet and the English High Court. Subject to the foregoing, Euronext understands that LCH.Clearnet currently anticipates that the redemption of the RCPS will take place prior to March 31, 2007.

Euronext's Relationship as Exchange

The LCH.Clearnet Group clears trades executed on the markets organized by Euronext Amsterdam, Euronext Brussels, Euronext Lisbon, Euronext Paris and LIFFE. The Euronext group remains the most significant group of exchanges to which the LCH.Clearnet Group provides clearing services.

Euronext Amsterdam, Euronext Brussels, Euronext Lisbon and Euronext Paris are parties to an amended and restated clearing agreement with LCH.Clearnet S.A. and LCH.Clearnet Group, pursuant to which such Euronext exchanges designate LCH.Clearnet S.A. as their central counterparty clearing house to provide clearing services for transactions executed on those exchanges. The agreement has a 30-month initial term (it was entered into in October 2003) and a 30-month termination notice provision.

LIFFE is party to a clearing agreement with LCH.Clearnet Limited, originally entered into on June 7, 1988 and amended and restated on July 16, 1996, pursuant to which LCH.Clearnet Limited is appointed as the designated clearing house.

Euronext as Administrative Service Provider

Under the terms of a transitional services agreement entered into in connection with the merger between LCH and Clearnet, Euronext agreed to provide on a transitional basis certain administrative services to LCH.Clearnet that, prior to the merger, had been provided to Clearnet by or on behalf of Euronext. LCH.Clearnet's reliance on the provision of such transitional services has been decreasing over time and the obligation of Euronext to provide such transitional services under the terms of the agreement is due to expire on December 22, 2006, unless extended by mutual agreement.

Euronext's Relationship with Euroclear

Euroclear is a partner of Euronext for the settlement of transactions concluded on its markets pursuant to contractual arrangements in place.

The Euroclear system was created in 1968 to hold securities for its participants and to settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment. The Euroclear system provides various other services, including securities lending and borrowing and collateral management. In addition to its role as the leading International Central Securities Depositary (ICSD), Euroclear also acts as the Central Securities Depository (CSD) for Dutch, French, Irish, Belgian and UK securities.

Euroclear Group currently settles transactions conducted on each of Euronext's markets, except for Euronext Lisbon. Euronext formerly had a substantial minority stake in the French CSD (Sicovam SA) and was formerly the owner of the CSDs in the Netherlands (Necigef) and Belgium (CIK), but divested them to Euroclear in 2001, 2002 and 2006, respectively, and they now operate as Euroclear France, Euroclear Netherlands and Euroclear Belgium, respectively.

Euronext has a direct shareholding of 2.75% in Euroclear plc, together with an indirect shareholding through Sicovam Holding (Euronext holds 9.6% of Sicovam Holding, which holds 13.1% of Euroclear plc). Jean-Francois Théodore currently represents Euronext on the Supervisory Board of Euroclear plc.

Interbolsa

Interbolsa is the Portugal-based CSD that settles trades conducted on Euronext's market in Lisbon. Interbolsa is a wholly-owned Euronext Lisbon subsidiary. Euronext has been in regular contact with Euroclear to discuss developments in the area of European consolidation its impact on the Portuguese securities market and intends to divest its interests in Interbolsa. In 2005, Interbolsa generated revenues of €15.1 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext" for further information.

Atos Euronext Market Solutions

Background

Euronext outsources the information technology requirements of its business such as development, maintenance of information technology applications, and use of resources and software to Atos Euronext Market Solutions S.A.S. ("AEMS"), an entity 50% owned by Euronext and 50% owned by Atos Origin. The AEMS outsourcing arrangements provide Euronext with several substantial benefits in its day-to-day business, as well as generating additional revenue for Euronext. By working with Atos Origin, an information management services and information technology company, Euronext gains access to international technology skills and resources at reduced cost. The nature of the arrangements ensure that Euronext continues to receive high levels of service for its information technology needs from employees of AEMS who are already familiar with Euronext's systems. Euronext also benefits, through its equity investment in AEMS, from third-party revenues generated by AEMS, which licenses software and provides information technology services to third-party customers around the world.

AEMS grew out of Euronext's prior outsourcing 50/50 entity with Atos Origin, called AtosEuronext S.A. (AtosEuronext). The AtosEuronext entity was created in 2000 through the contribution of assets, people and technology. Euronext's contribution to AtosEuronext included the intellectual property rights for its NSC trading system, originally developed by Euronext Paris. AtosEuronext became responsible for developing, maintaining, and marketing the majority of Euronext's software products for its exchange activities.

On July 22, 2005, Euronext formed AEMS as a continuation and expansion of Atos Euronext. The main assets Euronext contributed were the activities of LIFFE Market Solutions, the information technology division of its derivatives trading business Euronext.liffe (including the proprietary LIFFE CONNECT® electronic trading system developed by LIFFE), and its 50% stake in Atos Euronext. Atos Origin contributed its own 50% share in AtosEuronext, plus other major assets from market-related businesses, including middle and back-office solutions, and its 51% stake in the connectivity platform Bourse Connect.

AEMS Business Overview

AEMS is the world's largest provider of information technology solutions for exchanges, clearing houses, banks and intermediaries. AEMS has approximately 1,200 employees, mainly in Paris and London, and has customer sites in 16 countries, and operates data centers in London, Chicago and Paris. AEMS provides hosting and technical operations for each of Euronext's five markets and Euronext is AEMS' largest customer.

AEMS provides solutions for the entire range of activities of the exchange business, from exchange trading and trade support to post-trade activities. AEMS provides Euronext and other exchanges with trade services such as the capture, booking, routing, and matching of trading orders, and links to exchanges. Its trade support services, primarily to banks and brokers, include deal capture and trade administration, trade confirmation, position monitoring, risk control, portfolio management, and back-office services. Finally, AEMS provides post-trade services to clearing houses, banks, and brokers, including clearing and settlement-related services, interface to clearing and depositary services and clearing houses, custodial services, depository management, credit control and collateral management, and general ledger services.

Some of the major systems and platforms that are now owned or licensed to AEMS, and are provided or licensed by AEMS to Euronext, and in some cases to third-party customers in the financial industry, are:

NSC (*nouveau système de cotation*): A cash trading system for equity securities, bonds and other products, currently used by 15 exchanges globally (including Euronext's four cash markets).

LIFFE CONNECT®: An electronic trading platform for futures and options used by major derivatives exchanges worldwide.

Clearing 21®: A global clearing services solution for equities, bonds, futures and options used by clearing houses.

PAM: A market-access workstation used by traders to view market information and send and manage financial exchange orders.

ARAMIS: A real-time financial market supervision tool used by market regulators and supervision teams to ensure market integrity.

SARA: An international (G30) standards-compliant solution for clearing, settlement and depository.

TRS-CPS: A combined post-trade management and clearing solution used by Euronext.liffe's London derivatives market, ICE Futures and LCH.Clearnet.

In addition to the services provided to the exchange industry, AEMS offers interbanking solutions through platforms such as the Cristal platform, which manages the flow of cash between banking institutions and the French Central Interbank Settlement System. AEMS also provides solutions for the securities industry based on the Titan and Investiciel platforms.

AEMS Business Units

AEMS is organized into three business units: Exchange; Clearing & Settlement; and Capital Markets.

Exchange Business Unit

The Exchange Business Unit provides a broad range of information technology solutions and products for Euronext's cash and derivatives exchanges as well as for a number of other leading exchanges including, on the derivatives side, the Chicago Board of Trade (CBOT) and the Tokyo Financial Exchange (TFX) and, on the cash side, 15 cash markets. The services offered include end-to-end solutions linking exchanges to trading institutions and post-trading settlement, delivery and payment.

One of the most important products offered by the Exchange Business Unit is LIFFE CONNECT®, which is used by Euronext.liffe's five derivative markets, as well as by third-party customers such as CBOT, the Kansas City Board of Trade, Minneapolis Grain Exchange, Winnipeg Commodity Exchange and the TFX.

NSC (*nouveau système de cotation*) is another important system operated by the Exchange Business Unit, and is now used by 15 exchanges on four continents and handles the largest amount of cash trading globally by turnover. The average daily value of turnover on NSC is over €9.4 billion, and in addition 2.6 million derivative contracts are exchanged daily on markets using NSC.

Clearing & Settlement Business Unit

The Clearing & Settlement Business Unit provides and manages technology for the post-trade industry. AEMS provides customized platforms to manage clearing and settlement for cash and derivatives markets. Its principal customer is LCH.Clearnet. In addition, AEMS runs the entire portfolio of technology services for the Belgium Central Depository for Securities, is a full member of the Euroclear Group and also provides trade processing services for Euronext.liffe and ICE Futures.

AEMS also operates Clearing 21® for LCH.Clearnet. Initially developed by the Chicago Mercantile Exchange (CME) and the New York Mercantile Exchange (NYMEX) to harmonize clearing procedures in the U.S. futures industry, Clearing 21® is the only existing system that enables clearing houses to clear cash and derivative products on a single technical platform, in real-time and with a central guarantee. With the consent of NYMEX, CME granted to Euronext Paris a license to use the Clearing 21® system, which also allowed Euronext Paris to sublicense the Clearing 21® system to LCH.Clearnet. LCH.Clearnet therefore holds a non-exclusive and non-transferable sublicense to use and modify the Clearing 21® system.

Capital Markets Business Unit

The Capital Markets Business Unit works with banks and intermediaries to provide information technology solutions from trading through to settlement, and currently has over 1,000 banks, brokers, and trading firms on its global distribution network. AEMS currently processes 80% of "large" payments and 50% of "small" payments in the French market. More than 150 investment firms are directly or indirectly processed on its applications, including 20% of Euronext's orders and 30% of Euroclear flows.

Euronext's Contractual Arrangements with AEMS

AEMS provides IT services to Euronext pursuant to a tripartite overarching services agreement (the "umbrella service agreement"), dated July 2005, between itself, Euronext and Atos Origin entered into at the time of the formation of AEMS. This agreement put in place a framework under which the existing contracts governing the provision of services to the Euronext group by AtosEuronext were brought together with new services to be provided by AEMS, and the overall terms were harmonized. AEMS is responsible for overseeing the provision of services by itself and its affiliates under these contracts, and the agreement puts in place a mechanism for the negotiation of a combined master outsourcing agreement going forward.

Under the umbrella services agreement, the IT Facilities Management Agreement dated October 2004 and the Office Automation Agreement dated January 2005, each between Euronext and AtosEuronext, were extended (except as modified by the umbrella services agreement) to run for a period of up to forty-two months from the establishment of the entity, to enable a new master agreement to be negotiated. At the same time a fourth interim contract governing the provision of the derivatives platform services, including LIFFE CONNECT®, was put in place between AEMS and Euronext. Finally, a new Network Services Agreement was entered into in May 2005.

The umbrella services agreement also provides for a reduction of fees under the interim contracts going forward, in line with agreed targets, as well as certain commitments by AEMS to invest in the provision of services. In line with the strategic rationale behind the outsourcing, intellectual property generated by AEMS in providing Euronext with IT services is *prima facie* owned by AEMS, unless Euronext specifically requests a certain development which Euronext funds. However, the Umbrella Services Agreement provides that in the event of a handover of the IT services to a third-party supplier, the Euronext group retains the ability to demand a license to use certain key information technology systems going forward on market terms.

Legal Structure

AEMS is a limited liability company (*société par actions simplifiée*) incorporated under the laws of France. Atos Origin and Euronext each own (either directly or indirectly) 50% of the issued shares of AEMS. The financial results of AEMS are fully consolidated into the annual accounts of Atos Origin. AEMS is recorded in Euronext's accounts as an equity investment.

AEMS has a dual-board structure, with a managing board responsible for the day-to-day running of AEMS and an overseeing supervisory board. At current shareholding levels, Atos Origin has the right to appoint five supervisory board directors, and Euronext has the right to appoint four. The nomination and appointment of the chairman of the supervisory board is made by the supervisory board, acting by a qualified (two-thirds) majority. The chairman is appointed from the members of the supervisory board. The managing board is composed of up to five members, who are appointed and removed by the supervisory board.

AEMS has a Strategic and Investment Committee, a Remuneration Committee and an Audit Committee that report to the supervisory board. For so long as Euronext holds one-third of the shares, each of these committees will comprise three Euronext directors and two Atos Origin directors, except that the Audit Committee comprises two Euronext directors and two Atos Origin directors.

Each of Atos Origin and Euronext pursuant to a shareholders' agreement with respect to AEMS has veto rights over specified corporate actions for so long as it holds at least one-third of AEMS' shares. Euronext has additional specified veto rights for so long as its shareholding remains above such level. The shareholders agreement also provides for specific circumstances (including events relating to change in control or service quality levels) in which Euronext will have the right to require Atos Origin to sell Euronext a specified percentage of Atos Origin's AEMS shares at specified discounts to the valuation price, including as a consequence of repeated breaches of critical service levels that give rise to a termination event under the agreement described above.

Powernext

Euronext holds a 34% stake in Powernext, a multilateral trading facility in charge of managing an organized power exchange, which has become a leading benchmark for energy prices in France and throughout Europe. In 2005, Powernext generated revenues of €7.5 million. Powernext was launched in November 2001 following the liberalization of Europe's electricity markets under a 1996 European Directive, which was implemented under French law in 2000. On this market, electricity producers, consumers and traders can trade power for delivery on the French electricity network. Since its creation, Powernext has benefited fully from France's leading position in Europe's electricity market and network.

Powernext aims at (i) creating a benchmark reference price in Europe, through a dedicated platform and an increase in the diversity of market participants, and by benefiting from the privileged position of the French electricity hub, and (ii) playing a decisive part in European electricity markets' rationalization.

Powernext has three trading markets:

- Powernext Day-Ahead , a market launched in order to create a short time reference price on the French electricity market and to provide participants with the means necessary to effect a day-ahead balance of their portfolio;

- Powernext Futures , a market that allows members to use derivatives contracts for hedging, arbitrage or risk management purposes. Powernext Futures constitutes a medium-term price reference in the electricity market; and

- Powernext Carbon, a new spot market for carbon dioxide emissions trading.

Contracts for 19.7 terra watt hours (TWh) were traded on the Powernext Day-Ahead electricity spot segment and contracts for 62.4 TWh were traded on the Powernext Futures market in 2005. In addition, Powernext introduced a new market for its users in 2005: Powernext Carbon, Europe's spot market for carbon dioxide emissions trading.

Powernext also provides weather indices in partnership with Meteo France that are designed for use in weather derivatives and other weather-related applications.

Intellectual Property

Euronext has trademark registrations for the most important names of the Euronext companies, and for the indices and services Euronext provides. Many of Euronext's trademarks are registered in a number of countries. For example, the Euronext trademark has been registered worldwide.

The following is a sample of the registered trademarks that Euronext owns: Euronext®, Alternext®, Eurolist by Euronext®, AEX®, BEL 20®, CAC 40®, PSI 20®, NextCAC 70® and LIFFE CONNECT®.

For a description of intellectual property that Euronext has transferred or sub-licensed to AEMS, see above under "Information About Euronext Atos Euronext Market Solutions."

Real Estate

Euronext's registered office is located at Beursplein 5, 1012 JW Amsterdam, the Netherlands. Euronext occupies 10,080 square meters of space at this site, which it owns outright. Euronext has also established local headquarters in each of the other European countries where it operates an exchange, as set forth below:

Palais de la Bourse/Beurspaleis, Place de la Bourse/Beursplein, 1000 Brussels, Belgium. Euronext Brussels occupies 11,855 square meters of space at this site, pursuant to a long-term lease;

Avenida da Liberdade, n.°196, 7°Piso, 1250-147, Lisbon, Portugal. Euronext Lisbon occupies 949 square meters of space at this site, pursuant to a long-term lease;

39, rue Cambon, 75039 Paris Cedex 01, France. Euronext Paris occupies 13,517 square meters of space at this site, pursuant to a long-term lease; and

Cannon Bridge House, 1 Cousin Lane, EC4R 3XX London, United Kingdom. LIFFE Administration and Management occupies 10,672 square meters of space at this site, pursuant to a long-term lease.

In addition to the premises above, Euronext and its subsidiaries own or lease space in the following locations:

Location	Owned/Leased	Approximate Square Meters
Palais Brongniart (Paris)	Leased	14,347
EVERE Building (Brussels)	Owned	8,730
Damrak Building (Amsterdam)	Leased	6,961
Porto Building (Porto)	Leased	824

For further information related to Euronext's owned and leased real estate, see notes 3.2.1 and 3.5.4 to Euronext's consolidated financial statements included herein.

Insurance

Euronext maintains a comprehensive insurance program, which is intended to cover its commercial and operational risks. All of its main insurance policies are consolidated at the group level in order to ensure consistency of coverage across the group and to reduce premiums through economies of scale.

Euronext's insurance policies generally fall into three categories:

- financial policies, which cover directors' and officers' liability, professional indemnity and criminal acts;
- general policies, which cover property, theft, equipment damage, business interruption, civil and product liability; and
- local policies, which cover employer responsibility with respect to workers' compensation, travel, motor vehicles, etc.

The scope of risks covered pursuant to these insurance policies is determined by reference to Euronext's activities, while coverage limits are based on Euronext's total assets and revenues. Euronext's insurance brokers advise the group on insurance-related matters, and all underwriters are analyzed from a credit rating perspective. Euronext has also developed risk management procedures and business continuity plans to complement its insurance coverage.

Legal Proceedings

Euronext is involved from time to time in various legal proceedings in the ordinary course of business. Euronext does not believe that any of the legal proceedings in which Euronext is currently involved will have a material adverse effect on Euronext's results of operations, liquidity or financial condition.

Via Net.Works Inc.

Following the IPO of Via Net.Works Inc. on the Euronext Amsterdam market and Nasdaq on February 11, 2000, the Euronext Amsterdam market was criticized by the media for allowing trading in shares of Via Net.Works Inc. to start before trading started on Nasdaq. Prior to the start of trading of these shares on Nasdaq, trading on the Euronext Amsterdam market opened and closed at a price of €89 per share. After the close of trading on the Amsterdam market, trading on the Nasdaq opened at a price of $41 per share. At the start of the next trading day, Via Net.Works Inc. share price on the Amsterdam market dropped to €50 per share. The STE (the predecessor of the AFM) conducted an inquiry into the listing of Via Net.Works. In 2002, the AFM notified Euronext Amsterdam that it had decided not to fine or sanction the company in connection with this IPO. This decision is final.

Following the IPO, legal proceedings were instituted against the Amsterdam Exchanges N.V., the predecessor of Euronext Amsterdam, by a private investor and the Via Net.Works Foundation, claiming to represent approximately 600 investors and currently claiming compensation in respect of trading losses of approximately €11 million. Euronext Amsterdam is strongly defending itself against these claims. The private investor claim (€250,000) and Foundation claim were both dismissed by the District Court of Amsterdam. Appeals were filed by the parties with the Amsterdam Court of Appeals and judgment is pending in both cases.

NCP

To date, 48 dealers on the French Derivative Markets (NCPs) have filed similar claims on several dates against Euronext Paris before the Paris Commercial Court, claiming damages due to the malfunction of the IT platform for derivatives trading at the time of the migration from floor to screen trading, and also to the development of automated price injection models, which strongly reduced their own trading activity.

Damages claimed to date total €73.8 million. Since the basis of the claim and its legal grounds were considered unclear, no provision was recorded as of December 31, 2005 or as of June 30, 2006.

Trading Technologies

Euronext's subsidiary, GL TRADE, is involved in a litigation initiated by Trading Technologies (TT) in the U.S., which also concerns other companies in the same industry as GL TRADE. TT alleges infringement of its patents relating to trading screen technology. TT has not yet specified the amount of damages it is seeking. Since it pre-existed TT by many years, GL TRADE believes that it has a strong "prior art" defense and therefore did not record a provision in respect of this litigation as of December 31, 2005 or as of June 30, 2006.

Major Shareholders and Affiliates

The following table sets forth information concerning persons Euronext knows or understands based on public filings to be beneficial owners of more than five percent of Euronext's common shares as of August 31, 2006. The amounts and percentages of shares beneficially owned are reported on the basis of SEC regulations governing the determination of beneficial ownership of securities. Under such regulations, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. A person is also deemed to be a beneficial owner of any securities of which that person has a right to acquire beneficial ownership within 60 days. Under these rules, more than one person may be deemed to be a beneficial owner of such securities as to which such person has voting or investment power.

Shareholder Name and Address	Number of shares	Percentage of share capital	Number of voting rights	Percentage of voting rights
Atticus Capital LP (Mr. Timothy R. Barakett)[1] 152 West 57th Street, New York, NY 10019, USA	8,599,375	7.64%	8,599,375	7.72%
The Children Investment Master Fund Ltd[2] 7 Clifford Street, London W1S 2WE, U.K.	9,612,390	8.54%	9,612,390	8.63%
Affiliates of Société Générale[3] 29, boulevard Haussmann, 75009 Paris, France	3,927,711	3.49%	3,927,711	3.53%
Affiliates of BNP Paribas[4] 16, Boulevard des Italiens, 75009 Paris, France	1,934,645	1.72%	1,934,645	1.74%
Affiliates of Crédit Agricole[5] 91/93, Boulevard Pasteur, 75015 Paris, France	1,890,540	1.68%	1,890,540	1.70%
Affiliates of Dexia[6] Square de Meeus 1-1000, Brussels, Belgium	417,875	0.37%	417,875	0.38%
Affiliates of Caisse des Dépôts et Consignations[7] 56, rue de Lille, 75356 Paris, France	4,144,641	3.68%	4,144,641	3.72%
Euronext	2,169,160	1.93%	1,020,053	0.92%
Public and other investors	79,860,922	70.95%	79,860,922	71.66%
Total	112,557,259	100%	111,408,152	100%

(1) Based on Atticus Capital LP's filing with the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, or "AFM") as of January 16, 2006.

(2)
Based on The Children Investment Master Fund Ltd's filing with the AFM as of January 24, 2006.

(3)
Based on Société Générale's filing with the French market regulator (*Autorité des marchés financiers*, or "AMF") as of April 24, 2006, in which it declared that it was acting together with BNP Paribas, Crédit Agricole, Dexia and Caisse des Dépôts et Consignations with respect to its holdings in Euronext. The filing states that together, these entities held 12,315,412 shares of Euronext as of such date, representing approximately 10.94% of Euronext's share capital and 11.06% of Euronext's voting rights. Société Générale stated in that filing that it and the other entities were acting pursuant to a shareholders' agreement dated April 12, 2006 within the context of their trading activities. To the extent that shareholders' agreement provides Société Générale with shared voting or dispositive power over the shares subject to such agreement, Société Générale may be deemed to have beneficial ownership over such shares. Société Générale's stake in Euronext is held both directly and indirectly through the companies Fimat Banque, Fimat SNC, Société de Bourse Gilbert Dupont, Parel, SG Option Europe, SG Securities (Paris) and SG Bank de Maetelaere.

(4)
Based on the filing of April 24, 2006 referred to above. BNP Paribas holds its stake indirectly through the companies BNP Paribas Arbitrage, BNP Paribas Securities Services and BNP Paribas Assurance. To the extent that shareholders' agreement provides BNP Paribas with shared voting or dispositive power over the shares subject to such agreement, BNP Paribas may be deemed to have beneficial ownership over such shares.

(5)
Based on the filing of April 24, 2006 referred to above. Crédit Agricole holds its stake indirectly through the companies Calyon and Foncaris. To the extent that shareholders' agreement provides Crédit Agricole with shared voting or dispositive power over the shares subject to such agreement, Crédit Agricole may be deemed to have beneficial ownership over such shares.

6)
Based on the filing of April 24, 2006 referred to above. Dexia holds its stake indirectly through the companies Dexia Bank Belgium and Bank Artesia Nederland. To the extent that shareholders' agreement provides Dexia with shared voting or dispositive power over the shares subject to such agreement, Dexia may be deemed to have beneficial ownership over such shares.

(7)
Based on the filing of April 24, 2006 referred to above. To the extent that shareholders agreement provides Caisse de Dépots et Consignations ("CDC") with shared voting or dispositive power over the shares subject to such agreement, CDC may be deemed to have beneficial ownership over such shares.

No major shareholder has different voting rights than Euronext's other shareholders. To the best of Euronext's knowledge (1) no person other than those listed above directly or indirectly held 5% or more of its shares or voting rights as of August 31, 2006; (2) Euronext is not directly or indirectly owned or controlled by another corporation, by any non-U.S. government or by any other natural or legal person severally or jointly; (3) other than as described above, there are no shareholders' or other agreements relating to its shares.

SELECTED HISTORICAL FINANCIAL DATA OF EURONEXT

The following table sets forth selected consolidated financial data for Euronext. The selected IFRS balance sheet data as of December 31, 2005, 2004 and 2003 and the selected IFRS income statement data for each of the years in the three-year period ended December 31, 2005 have been derived from the audited consolidated financial statements and related notes set forth on pages FIN-110 to FIN-200 of this document. The selected IFRS balance sheet data as of June 30, 2006 and selected IFRS income statement data for the six months ended June 30, 2006 and 2005 have been derived from the unaudited interim condensed consolidated financial statements and related notes set forth on pages FIN-87 to FIN-108 of this document. The selected IFRS balance sheet data as of December 31, 2001 and 2002 and the selected IFRS income statement data for each of the years in the two-year period ended December 31, 2002 have been derived from audited consolidated financial statements and related notes not included in this document. The selected IFRS balance sheet data as of June 30, 2006 and the operating data for the six months ended June 30, 2006 and 2005 include, in the opinion of management, all adjustments considered necessary for a fair statement of such data. The results of operations for the six months ended June 30, 2006 and 2005 are not necessarily indicative of results that may be expected for the entire year, nor is the information below necessarily indicative of Euronext's future results. The information presented here is only a summary, and it should be read together with the audited consolidated financial statements set forth on pages FIN-110 to FIN-200 and the unaudited interim condensed consolidated financial statements set forth on pages FIN-87 to FIN-108 of this document, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext."

Euronext's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union, which differ in certain significant respects from U.S. GAAP. For a description of the principal differences between IFRS and U.S. GAAP as they relate to Euronext and to its consolidated subsidiaries, and for a reconciliation of Euronext's shareholders' equity and net income to U.S. GAAP, see Note 3.14 to the audited consolidated financial statements on pages FIN-192 to FIN-200 of this document, and Note 11 to the unaudited interim condensed consolidated financial statements on pages FIN-99 to FIN-108 of this document. U.S. GAAP shareholders' equity and net income data presented in the following tables has been derived from these Notes. Other U.S. GAAP data presented in the following tables has been derived from unaudited analyses prepared by Euronext from its accounting records.

(IFRS)	Six months ended June 30, 2006[5]	2005	Year-ended December 31, 2005[4]	2004	2003[3]	2002[1][2]	2001
	(in millions of euros, except share and per share data)						
Results of Operations							
Revenues							
Cash trading	€150.1	€100.8	€215.7	€189.7	€187.5	€190.5	€177.4
Listing fees	22.9	20.8	63.1	43.3	30.7	38.4	49.7
Derivatives trading	205.0	162.2	331.9	324.9	300.0	290.1	84.3
Clearing					165.1	183.7	172.8
MTS fixed income	12.4		1.4				
Settlement and Custody	7.0	22.0	39.3	33.1	28.2	29.1	33.3
Information services	54.3	43.9	93.6	87.3	91.2	92.1	64.3
Sale of software	89.9	103.2	195.2	186.0	172.5	148.5	101.6
Other income	16.1	8.3	21.7	22.5	15.8	24.2	14.5
Total revenues	557.7	461.2	961.9	886.8	991.0	996.6	697.9
Expenses							
Salaries and employee benefits	130.7	131.6	264.4	272.0	267.8	296.6	199.0
Depreciation	14.2	33.3	49.7	67.4	67.6	74.1	36.7
Goodwill amortization[6]				39.9	64.8	53.1	19.0
IT expenses	82.4	56.5	139.8	129.3	187.8	176.5	176.8
Office, telecom and consultancy	64.3	51.5	98.8	84.4	86.2	100.5	74.6
Accommodation	22.8	26.4	50.1	51.0	52.9	52.4	20.1
Marketing	11.0	7.4	15.6	15.3	19.3	16.1	20.1
Other expenses	11.9	14.5	25.0	27.3	35.7	42.6	52.6
Operating expenses	337.3	321.2	643.4	686.6	782.1	811.9	598.9
Profit from operations	220.4	140.0	318.5	200.2	208.9	184.7	99.0
Net financing income (expense)	8.3	7.1	13.4	7.7	23.6	(0.5)	81.6
Impairment of investments					(47.1)		
Gain on disposal of discontinued operation					175.1		
Gain (loss) on sale of associates and activities	15.5		9.1	4.4	(1.2)	97.4	33.8
Income (loss) from associates	19.3	2.7	18.5	3.3	2.4	(4.2)	5.6
Total	43.1	9.8	41.0	15.4	152.8	92.7	121.0
Profit before tax	263.5	149.8	359.5	215.6	361.7	277.4	220.0
Income tax expense	64.3	44.7	104.3	54.8	134.6	92.6	86.0
Profit for the period	199.2	105.1	255.2	160.8	227.1	184.8	134.0
Attributable to shareholders of the parent company	193.7	98.4	241.8	149.7	211.7	166.2	127.3
Minority interests	5.5	6.7	13.4	11.1	15.4	18.6	6.7
Basic earnings per share	1.74	0.88	2.18	1.28	1.77	1.39	1.20
Diluted earnings per share	1.73	0.87	2.17	1.28	1.76	1.38	1.19
Basic weighted average shares outstanding	111,047,780	112,176,426	110,603,062	116,786,810	119,419,446	118,942,571	105,879,031
Diluted weighted average shares outstanding	111,947,534	112,635,254	111,105,390	117,277,653	120,207,882	119,761,119	106,763,098
Dividends declared per share[7]							
Euro			4.00	0.60	0.50	0.45	0.35

	Six months ended June 30,		Year-ended December 31,				
US$			4.74	0.81	0.63	0.47	0.31

(IFRS)	At June 30, 2006	At December 31, 2005	2004	2003	2002	2001
	(in millions of euros)					
Balance sheet						
Property and equipment	€43.5	€50.7	€88.6	€108.7	€112.2	€57.3
Investment property	4.9					
Intangible assets	869.8	837.7	771.8	739.9	1.011.6	324.1
Cash and cash equivalents	547.1	429.5	523.7	496.8	959.2	950.9
Total assets	2,680.8	2,601.7	2,352.6	2,389.6	7,213.3	4,543.6
Current financial liabilities	18.2	27.5	11.7	222.3	80.6	1.1
Non-current financial liabilities	399.8	377.2	365.9		246.1	5.6
Total liabilities	1,180.0	846.9	808.2	711.4	5,633.1	3,211.9
Minority interests	29.0	33.6	21.0	33.2	71.8	16.5
Total shareholders' equity	1,471.7	1,721.3	1,523.4	1,645.0	1,508.4	1,315.1

(U.S. GAAP)	Six months ended June 30 2006(5)	2005	Year-ended December 31, 2005(4)	2004
	(in millions of euros, except per share data)			
Results of operations				
Revenues	€536.4	€456.4	€945.5	€881.1
Operating expenses	346.3	331.0	665.7	681.2
Operating income	190.1	125.4	279.8	199.9
Net income	169.7	100.5	221.1	173.9
Basic earnings per share	1.53	0.90	2.00	1.49
Diluted earnings per share	1.51	0.89	1.99	1.48
Basic weighted average shares outstanding	111,047,780	112,176,426	110,603,062	116,786,810
Diluted weighted average shares outstanding	112,113,185	112,738,045	111,148,538	117,488,361
Dividends declared per share				
Euro			4.00	0.60
US$			4.74	0.81

(U.S. GAAP)	At June 30, 2006	At December 31, 2005	2004
	(in millions of euros)		
Balance sheet			
Property and equipment	€42.0	€49.2	€87.7
Intangible assets	1,096.5	1,104.0	1,133.3
Short-term financial investments and cash and cash equivalents	699.2	687.3	606.7
Total assets	2,968.5	2,922.9	2,713.6
Current financial liabilities	14.0	8.9	11.6
Non-current financial liabilities	364.6	377.2	365.9
Total liabilities	1,383.8	1,061.2	1,049.1
Shareholders' Equity	1,554.7	1,820.9	1,640.1

(1) In January 2002, Euronext Group acquired all the outstanding shares of LIFFE (Holdings) plc. The total consideration paid amounted to € 926 million, including the cash settlement of outstanding options and warrants and including acquisition costs. Total goodwill in relation to the acquisition amounted to €647 million. In addition to own funds used for an amount of €476 million, the transaction was financed by a credit facility of GBP 250 million (€409 million), and the issuance of Variable Rate Guaranteed Unsecured Loan Notes for an amount of €27 million. The remainder of the loan facility (GBP 150 million) was redeemed in February 2004 with the proceeds of a GBP 250 million fixed-rate bond loan issued also in February 2004.

At the same time the fixed rate was swapped to floating rate by means of an interest rate swap. The assets, liabilities, results and cash flows of LIFFE have been included in the consolidated accounts of Euronext as from January 1, 2002.

(2)

In January 2002, the Group acquired 100% of the shares of Bolsa de Valores de Lisboa e Porto (BVLP). The total consideration paid, based on the Euronext share price at the time of the acquisition and including acquisition costs, amounted to €138 million. The consideration was paid partly in cash (€35 million) and partly in newly issued Euronext N.V. shares (4.8 million shares). The

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assets, liabilities, results and cash flows of BVLP have been included in the consolidated accounts of Euronext as from January 1, 2002.

(3)

In June 2003 the Group reached an agreement with the London Clearing House (LCH) to merge BCC/Clearnet and LCH into a new independent UK holding company LCH.Clearnet Group Ltd. On December 22, 2003 the Group exchanged its 80% stake in BCC/Clearnet and its 17.7% interest in LCH for 49.1% of LCH.Clearnet Group.Simultaneously, Euronext sold 7.6% of these shares to third parties. The Group's 41.5% interest in LCH.Clearnet Group is divided into ordinary shares (24.9%) and Redeemable Convertible Preference Shares (16.6%). Euronext recorded a gain on disposal of discontinued operation of €175 million in connection with the transaction. As from December 22, 2003, Euronext no longer records clearing revenues, but instead accounts for its interest in LCH.Clearnet under the equity method, recording its share of income under "Income from associates."

(4)

On July 22, 2005, Euronext formed Atos Euronext Market Solutions as a continuation and expansion of its pre-existing Atos Euronext relationship with Atos Origin. The main assets Euronext contributed were the activities of LIFFE Market Solutions, the information technology division of its derivatives trading business Euronext.liffe, and its 50% stake in Atos Euronext. Atos Origin contributed its own 50% share in Atos Euronext, plus other major assets from market-related businesses, including middle- and back-office solutions, and its 51% stake in the connectivity platform Bourse Connect. The transfer of the activities of LIFFE Market Solutions to AEMS led to a significant reduction in Euronext's salaries and employee benefit costs, consultancy expenses, other office, telecom and consultancy costs and depreciation charges, and a parallel increase in IT expenses, which from the date of creation of AEMS include all IT expenses related to Euronext.liffe.

(5)

In January 2006, Euronext completed the sale of the Belgian central securities depository CIK N.V./SA, a wholly-owned subsidiary of Euronext Brussels, to Euroclear. In exchange for this asset, Euronext received an additional 0.4% stake in Euroclear.

(6)

As from January 1, 2005, the Group no longer amortizes goodwill relating to acquisitions made before March 31, 2004 as part of a business combination, in line with IFRS 3.

(7)

Dividends declared with respect to 2005 consist of a €1 per share ordinary dividend. In addition, a €3 per share capital reduction was made.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF EURONEXT

The following discussion and analysis should be read in conjunction with Euronext's audited consolidated financial statements as of and for the years ended December 31, 2005, 2004 and 2003 and with Euronext's unaudited interim condensed consolidated financial statements as of and for the six-month periods ended June 30, 2006 and 2005 included herein. Euronext's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. IFRS differ in certain material respects from generally accepted accounting principles in the United States of America. For a discussion of certain material differences between IFRS and generally accepted accounting principles in the United States, see "Summary of Material Differences Between IFRS and U.S. GAAP" below and the related notes in Euronext's consolidated financial statements.

Overview

Since it was founded in 2000, Euronext has been committed to promoting the integration and consolidation of Europe's capital markets and increasing the efficiency of cross-border trading. In pursuit of that objective, Euronext has pursued opportunities to consolidate and integrate its markets, most notably through the adoption of a harmonized rulebook and the integration of the Group's trading platforms through a four-year migration plan that was completed in 2004. These efforts, combined with Euronext's efforts to streamline its organizational structure to create a cross-border, business-oriented organization based on strategic business units, have allowed Euronext to reduce operating costs and to eliminate redundancies.

As a result of Euronext's continued efforts to cut operating costs and increase its revenues, despite an increasingly competitive market and sometimes turbulent market conditions, net income increased from €149.7 million in 2004 to €241.8 million in 2005. In 2003, Euronext's net income amounted to €211.8 million, but reflected in large part the one-off capital gain it recorded on its sale of BCC/Clearnet. Aside from this one-off gain, the changes in net income during the period under review primarily reflected changes in profit from operations, which amounted to €208.9 million in 2003, €200.2 million in 2004 and €318.5 million in 2005. Over the three-year period, Euronext's profit from operations increased as a percentage of revenues from 21.1% in 2003 to 22.6% in 2004 to 33.1% in 2005.

Net income and profit from operations continued to increase in the first half of 2006. High trading activity combined with strict cost control produced a 57.3% increase in profit from operations, from €140.1 million in the first half of 2005 to €220.3 million in the first half of 2006. As a percentage of revenues, profit from operations increased from 30.4% in the first half of 2005 to 39.5% in the first half of 2006.

Sources of Revenue and Principal Expense Items

Operating revenues

Cash trading

Euronext generates cash trading revenue from fees charged primarily for the execution of trades of equity and debt securities and other cash instruments on Euronext's cash market, which is comprised of the separate cash markets operated in Amsterdam, Brussels, Paris and Lisbon. For historical reasons relating to Euronext's prior ownership of Clearnet, part of the trading fee consists of a commission paid by LCH.Clearnet to Euronext as a retrocession. These payments were recorded by Euronext as part of its cash trading revenues in 2005 and 2004. In 2003, these payments were recorded as clearing revenues since Clearnet was consolidated in Euronext's accounts until the end of 2003.

Euronext has implemented a harmonized fee structure for its cash trading activity, which was most recently updated in February 2005. Under the current fee structure:

For trading in equities, there are three different fee packages. The first package involves a flat fee per trade and no minimum activity charge. The other two packages involve a monthly minimum activity charge and a fee per trade calculated on a sliding scale based on volume and the level of the minimum activity charge. An ad-valorem fee based on transaction size is also applied to each trade. No order fee is charged so long as the order/trade ratio does not exceed a specified level.

For trackers and investment funds, a flat fee is charged for each order placed, and an ad-valorem fee based on transaction size is applied to each trade.

For warrants and certificates, a flat fee is charged for each order placed, and a flat fee per trade is charged.

For bonds, no order fee is charged as long as the order/trade ratio does not exceed a specified level, and a fee per trade is charged according to a sliding scale based on volume.

The retrocession for cash trading activity from LCH.Clearnet is based, in the case of Euronext Paris, on a fixed amount per trade from each side of the transaction plus a variable amount that is based on a percentage of the value of the trades cleared. The retrocession for each of Euronext Amsterdam, Brussels and Lisbon is based on a flat percentage (which varies by exchange) of clearing fees collected by LCH.Clearnet in respect of trades on such exchange's cash market. The fee amounts are determined under the clearing agreement between LCH.Clearnet and Euronext's continental European exchanges, and increased on an annual basis during the 2004-2006 period. For more information concerning the relationship between Euronext and LCH.Clearnet, see "Information About Euronext Post-Trade Service Providers Euronext's Relationship with LCH.Clearnet."

Revenue from cash trading in any given period depends primarily on the number of trades executed on Euronext and the average price per trade charged for their execution. The level of trading activity is heavily influenced by general market conditions. Other factors may include the number and financial health of companies listed on Euronext's cash markets, and general competitive conditions.

Listing fees

Listing fees comprise admission fees paid by issuers to list securities on the cash market, annual fees paid by companies whose financial instruments are listed on the cash market, and corporate activity and other fees, consisting primarily of fees charged by Euronext Paris for centralizing shares in IPOs and tender offers. Revenues from listing fees primarily relate to shares.

Euronext has adopted a common set of listing fees for Euronext Paris, Euronext Amsterdam and Euronext Brussels. Under the harmonized fee book, domestic issuers (*i.e.*, those from France, the Netherlands and Belgium) pay admission fees based on market capitalization to list their securities (in Portugal, the admission fee is based on the product of the number of shares to be listed and the nominal value per share), as well as annual fees based on the number of shares listed (in Portugal, the annual fee is based on the product of the number of shares listed and the nominal value per share). Subsequent listings of securities receive a 50% discount on admission fees. Non-domestic companies are charged admission and annual fees on a similar basis but are subject to lower maximum admission fees and annual fees. Euronext Paris also charges centralization fees for collecting and allocating retail investor orders in IPOs and tender offers. Listing fees are recognized upfront except for annual fees, which are recognized ratably throughout the year.

The revenue Euronext derives from listing fees is primarily dependent on the number and size of new company listings and tender offers. The number and size of new company listings and tender offers in any period depends primarily on factors outside of Euronext's control, including general economic conditions in Europe and in France, the Netherlands, Belgium and Portugal (in particular, stock market conditions) and the success of competing stock exchanges in attracting and retaining listed companies.

Derivatives trading

Revenue from derivatives trading consists of fixed per-contract fees for the execution of trades of derivatives contracts on Euronext's derivatives markets in Paris, London, Amsterdam, Brussels and Lisbon. Revenues are driven by the number of trades and fees charged per contract. The principal types of contracts traded are equity and index products and short-term interest rate products, which contributed 33% and 59%, respectively, of trading revenues in 2005. Trading in equity products is primarily driven by price volatility on equity markets and indices and trading in short-term interest rate products is primarily driven by volatility resulting from uncertainty over the direction of short-term interest rates. The level of trading activity is largely outside of Euronext's control.

Euronext has recorded retrocession fees from LCH.Clearnet in respect of trades executed on Euronext's continental derivatives markets under derivatives trading revenues in 2005 and 2004. In 2003, these payments were recorded as clearing revenues since Clearnet was consolidated in Euronext's accounts until the end of 2003. The retrocession for derivatives trading activity from LCH.Clearnet is based, in the case of Euronext Paris, on a fixed amount per transaction from each side of the transaction plus a variable amount that is based on a percentage of the value of the trades cleared. The retrocession for each of Euronext Brussels and Euronext Lisbon is based on a flat percentage (which varies by exchange) of clearing fees collected by LCH.Clearnet in respect of trades on such exchange's derivative market. No retrocession fee is paid with respect to trading on Euronext Amsterdam's derivatives market.

Euronext.liffe's fee grid varies by type of contract and by type of member. With respect to the various contracts available through Euronext.liffe, fees are charged as follows:

Individual equity options: a flat fee per lot is charged in all Euronext.liffe business centers, except in Paris (where fees are dependent on order size) and in Amsterdam (where the fees are capped).

Individual equity futures: this type of contract is available in Lisbon and London, in respect of which a flat fee is charged per lot.

Index products: fees for these products in Amsterdam and Brussels are based on a flat fee per contract depending on premium size, and are capped in Amsterdam above a certain level. Fees in Paris are based on a flat fee per contract with a maximum of 1% of the traded amount. Fees in London and Lisbon are based on a flat fee per lot.

BClear: this is one of three services for wholesale equity derivatives that Euronext launched in 2005. The fee structure is based on a per lot fee per side up to a fee cap.

Interest rate products: these products are available in London, in respect of which a fee is charged per lot.

Commodity products: these products are available in London and Paris, in respect of which a flat fee is charged per lot.

Each Euronext.liffe center, except for Lisbon, provides preferred rates to market makers as follows:

In London, with respect to single equity options, market makers may be categorized as primary market makers (PMM) or designated market makers (DMM), which are exempt from transaction charges or receive fee discounts on business they transact in a market making capacity. A separate DMM category exists for the FTSE 100 Index options contract (ESX) as well as a specific regime that governs trades in the FTSEurofirst contract.

In Amsterdam, market makers pay a liquidity provider fee (€0.10 per lot) based on the category, or Euronext Class Combination (ECC), in which a market maker falls.

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In Paris, market makers pay either €0.30 or €0.40 per lot for orders of up to 6,000 lots, depending on whether they act as a permanent market maker (PMM) or responding market maker (RMM). For orders above 6,000 lots, PMMs or RMMs pay €80 per trade.

In Brussels, market makers are eligible for a low fee, equivalent to the liquidity provider fee in Amsterdam on equity options.

MTS fixed income

In November 2005, Euronext acquired 51.0% of a joint venture entity, MBE Holding, which currently owns 60.37% of the voting shares of MTS. Euronext proportionally consolidated MTS for only one month in 2005, recording proportionally consolidated revenues from MTS of €1.4 million.

Revenues from MTS are derived from membership fees, transactions fee and post trading fees for the execution of trades of cash and money market products. MTS implemented a new fee structure in January 2005 with the following principal characteristics:

For the trading of cash products on its main markets (MTS Italy, EuroMTS and MTS Deutschland), MTS charges a per trade fee calculated on a sliding scale based on annual volume. Under the new fee structure, membership fees for market makers are waived.

For the trading of money market products, MTS charges a per-trade fee calculated on a sliding scale based on annual volume.

For trading on BondVision, MTS charges a fee per trade calculated on a sliding scale based on annual volume.

Post-trading fees are calculated on the number of settlement messages.

Revenue from MTS in any given period depends primarily on the number of trades executed on its platform and the average price per trade charged for their execution. The level of trading activity is heavily influenced by general market conditions (volatility levels in the bond markets and interest rate levels) and thus outside of Euronext's control.

Settlement and custody

Revenue from settlement and custody currently consists of fees for settling securities trades and fees for associated custodial services relating to securities traded in Euronext's cash markets in Lisbon, which are generated by Interbolsa. During each of the three fiscal years ended December 31, 2005, these fees also included settlement and custody fees generated by Euronext's cash markets in Brussels, which were generated by CIK (Belgium) which was sold to Euroclear in 2006. Settlement and custody fees vary by market, and are charged on a per-trade basis for settlement fees and on a fee based on the market value of the securities in question for custody services.

Information services

Revenue from information services consists of fees that Euronext charges to a variety of users, primarily the end-users, for the use of Euronext's real-time market data services. Euronext also collects annual license fees from vendors for the right to distribute Euronext data to third parties and a service fee from vendors for direct connection. A substantial majority of Euronext's data revenues is derived from monthly end-user fees. Euronext also derives revenues from selling historical and reference data about securities, and by publishing the daily official lists for the Euronext markets. The principal drivers of information services revenues are the number of end-users and the prices for data packages.

Sale of software

Revenue from sale of software primarily consists of license fees received from securities exchanges and other financial institutions for software that Euronext develops internally or licenses. Throughout the periods under review, this revenue was generated primarily by GL TRADE. In addition, until June 30, 2005, sale of software included fees received by LIFFE Market Solutions for its LIFFE CONNECT® software package. On July 1, 2005, these latter activities were transferred to Atos Euronext Market Solutions ("AEMS").

GL TRADE's revenues are earned mainly from annual subscriptions to its software and technology offerings (subscriptions represented approximately 75% of GL TRADE's revenues in 2005). Subscriptions generally have an initial term of two years, and are renewed annually absent notice of cancellation. Most subscription contracts are on a calendar year basis. Subscriptions are generally paid in advance. The group records revenues from subscription agreements on a pro rata basis over the life of the subscription agreements, with the unrealized portions of invoiced subscription fees recorded as deferred revenues. Because of the annual nature of subscription agreements, changes in subscription revenues typically lag developments in the markets that GL TRADE serves. Subscription fees include basic service packages. Customers are invoiced separately for GL TRADE's enhanced service packages. A portion of GL TRADE's revenues, principally for its advanced order management offering, are derived from sales of five-year software licenses, which are generally accompanied by annual maintenance and service contracts. The bulk of GL TRADE's revenues from these arrangements are recorded at the time of the license sale, while the maintenance contracts are typically renewed over time and thus generate recurrent revenues. As a result, a major license contract can have a significant impact on GL TRADE's revenues for a given period, which will not necessarily carry forward to the same extent into future periods.

Other income

The primary recurring items within other income are rental income, administrative services provided to LCH.Clearnet on a transitional basis following its creation and since July 1, 2005, charges to AEMS for the supply of transitional services provided by Euronext.

Costs and expenses

The following is a summary of Euronext's principal cost and expense categories.

Salaries and employee benefits

Salaries and employee benefits consist primarily of employee salaries and bonuses, compulsory social security contributions with respect to employees and pension expenses. Since January 1, 2004, this line item has included stock option expense recorded under IFRS 2.

Depreciation

Depreciation consists of depreciation of tangible fixed assets and intangible fixed assets (excluding goodwill) as well as write-offs on intangible assets.

Goodwill amortization

Euronext adopted IFRS 3 for all business combinations agreed on or after March 31, 2004. Starting January 1, 2005, Euronext no longer amortizes goodwill relating to acquisitions made before March 31, 2004 as part of a business combination, in line with IFRS 3. From January 1, 2005, goodwill is assessed periodically for impairment. During 2003 and 2004, goodwill amortization primarily consisted of amortization of goodwill related to Euronext's acquisition of LIFFE. The balance of goodwill primarily related to the merger that led to Euronext's creation in September 2000, as well as goodwill relating to Euronext's acquisition of BVLP (*Bolsa de Valores de Lisboa e Porto*, now known as Euronext Lisbon).

Information technology expenses

IT expenses consist primarily of costs relating to fees paid to third-party providers of networks and information technology resources, including fees for consulting, research and development services, software rental costs and licenses, hardware rental and related fees paid to third-party maintenance providers. Since July 1, 2005, these expenses consist primarily of fees charged by AEMS for IT services relating to the operation and maintenance of Euronext's cash and derivatives trading platforms, including license fees relating to NSC and LIFFE CONNECT®.

Office, telecom and consultancy

Office, telecom and consultancy costs consist primarily of travel expenses, telecommunications expenses, fees for insurance and information services, third-party contracting fees and fees paid to consultants, (other than information technology consultants) attorneys and accountants.

Accommodation

Accommodation costs and expenses include lease payments for rented office space and related service charges for utilities, security, maintenance and cleaning and related items. Euronext is reimbursed for certain expenses by third parties, including AEMS, under sublease arrangements.

Marketing costs

Marketing costs consist primarily of advertising and other promotional expenses including costs relating to presentations, events, sponsorships, foreign offices and similar items.

Other expenses

Other expenses consist of miscellaneous costs, including irrecoverable VAT and other sundry non-income taxes, regulatory fees, production costs for information services and other miscellaneous costs.

Net financing income

Net financing income consists of interest income (primarily interest earned on short-term investments, deposits and cash balances with banks), interest expense, foreign exchange gains and losses, gains and losses on disposal of investments and gains and losses on revaluation of financial assets and liabilities the changes in fair value of which are booked in the income statement (primarily derivative instruments).

Income from associates

Income from associates consists of Euronext's share in the results of operations of associated companies (i.e., companies over which Euronext has a significant influence, but over which it does not exercise control). Euronext accounts for these entities under the equity method after taking into consideration the effect of intercompany transactions. Income from associates during the period under review primarily consisted of Euronext's share of the results of LCH.Clearnet and AEMS.

Minority interests

Minority interests during the period under review related primarily to the approximately 60% interest held by third parties in GL TRADE and, since December 2005, the interest held by minority investors in MTS.

Results of Operations for the Six Months Ended June 30, 2006 Compared to the Six Months Ended June 30, 2005

Revenues

Euronext's total revenues increased by 20.9% from €461.2 million in the first half of 2005 to €557.7 million in the first half of 2006, driven by a very high level of trading activity on Euronext markets. The following table summarizes the composition of Euronext's revenues for the first half of each of 2005 and 2006.

	Six Months ended June 30,		
	2006	2005	% Change 2006/2005
	(in thousands of euros)		
Cash trading	150,135	100,827	48.9%
Listing fees	22,877	20,831	9.8%
Derivatives trading	205,017	162,242	26.4%
MTS fixed income	12,421		
Settlement and custody	7,013	21,994	(68.1)%
Information services	54,265	43,881	23.7%
Sale of software	89,903	103,177	(12.9)%
Other income	16,106	8,219	96.0%
Total revenues	**557,737**	**461,171**	**20.9%**

Cash trading

Revenue from cash trading increased by 48.9% to €150.1 million in the first half of 2006, due primarily to the continuation and acceleration of the strong recovery in market activity which started in the second half of 2005. A record level of 116 million cash transactions were executed on Euronext's cash markets in the first half of 2006, a 51.6% increase over the first half of 2005 (in which 76.5 million trades were recorded) corresponding to a daily average of approximately 915,000 trades. As a consequence, trade execution and connection fees increased 45% in the first half of 2006 to €119.9 million from €82.5 million in the first half of 2005, with the average fee per trade decreasing slightly due to Euronext's sliding fee scale. The clearing fee retrocession paid by LCH.Clearnet for trades on the Euronext cash markets increased by 65.6% to €30.3 million in the first half of 2006 from €18.3 million in the first half of 2005, driven by an increase in both transaction values and in trading volume.

Listing fees

Listing revenues increased 9.8% from €20.8 million in the first half of 2005 to €22.9 million in the first half of 2006. The increase resulted from an increase in the number of new listings from 27 in the first half of 2005 to 62 in the first half of 2006, leading to a 28% increase in admission fees to €15.7 million. Of the 62 new listings in the first half of 2006, 28 were listed on Alternext. The increase in admission fees was partially offset by a decline in annual fees, which fell by 2% to €6.7 million in the first half of 2006, reflecting delistings or mergers during the year. As of June 30, 2006, 1,224 companies were listed on Euronext, compared to 1,293 companies as of June 30, 2005.

Derivatives trading

Revenue from derivatives trading increased by 26.4% to €205.0 million in the first half of 2006, driven primarily by higher volumes across the main markets and products and, to a lesser degree, by the launch in November 2005 of fully integrated transactional products, Afirm, Cscreen and Bclear. Overall, the increased volumes resulted from market volatility, strong cash markets activity and interest rate uncertainty. Overall volumes (excluding call option dividend trading activity) were 26.6% higher in the first half of 2006 than the first half of 2005, increasing from 305.4 million contracts to 386.8 million contracts. Volumes were higher in all major product categories: interest rate products increased by 18.3%, equity products by 39% and commodity products by 6%. It should be noted for purposes of this discussion (and for ease of comparison) that volume figures for the first half of 2005 have been restated to reflect changes made in the second half of 2005 to the notional sizes of various contracts, i.e., they have been treated as if they were new-style contracts by dividing their volumes by ten.

Trading revenues from interest rate products amounted to €120 million in the first half of 2006, a 26.2% increase over the first half of 2005. The increase was due primarily to an 18.3% increase in the number of contracts traded to 209.8 million, itself due to higher volatility induced by on-going speculation over interest rate trends (and in particular interest rate decisions of the European and UK central banks). The fact that the Euro dollar contract, which negatively affected results in the first half of 2005, was not offered in 2006 also contributed to the increase in revenues.

Equity derivatives trading revenues increased by 32.5% to €65.6 million in the first half of 2006, of which €5.9 million related to OTC trading. Excluding Bclear, volumes increased by 13% due in particular to the high level of trading activity on the cash markets. Bclear itself generated 32.8 million contracts traded in the first half of 2006; it had not been operational in the first half of 2005.

Commodity product trading revenues increased by 7.3% to €6.1 million in the first half of 2006, driven by a 6% increase in volume, with an additional 4.6 million contracts traded.

As a consequence of the change in the underlying contract sizes in the French market (which mechanically reduced the number of contracts traded), the clearing fee retrocession paid by LCH.Clearnet for continental derivatives trading decreased by 79% to €0.7 million in the first half of 2006.

MTS Fixed Income

Euronext's share of MTS' revenues amounted to €12.4 million in the first half of 2006. There were no corresponding revenues in the first half of 2005, as Euronext acquired MTS (via its joint venture with Borsa Italiana) in November 2005. On a comparable basis and for informational purposes only, Euronext's share of MTS' revenues would have amounted to €12.2 million in the first half of 2005 had Euronext held the same interest in MTS during such period.

Settlement and custody

The 68.1% decrease in settlement and custody revenues between the periods is due to the sale, effective January 1, 2006, of CIK, which had accounted for €12.2 million of revenues in the first half of 2005. Settlement and custody revenues in the first half of 2006, which amounted to €7 million, were generated solely by Interbolsa. These were 28% lower than those generated by Interbolsa in the first half of 2005, as a result of a change in fee structure in January 2006 and certain one-off revenues (relating to a restructuring of a Portuguese company) recorded in 2005.

Information services

Information services revenues increased 23.7% to €54.3 million for the first half of 2006. The increase resulted partly from revenues generated by newly consolidated companies (€1.7 million from MTS and €1.4 million from Companynews). The increase on a stand-alone basis was 17% and was due mainly to increases in the number of both cash and derivatives terminals receiving Euronext data and to the positive effect of the harmonization of the derivatives information services package implemented in July 2005.

Sale of software

The 12.9% decrease in revenue from the sale of software from €103.2 million in the first half of 2005 to €89.9 million in the first half of 2006 is due to the transfer of LIFFE Market Solutions to AEMS in July 2005. First half 2005 revenues included €16.2 million of software revenues generated by licenses of the LIFFE CONNECT® product by LIFFE Market Solutions, whereas first half 2006 revenues consisted solely of revenues generated by GL TRADE. GL TRADE's revenues increased by 3.4% (or €3 million) between the periods. Of this increase, €1.6 million was generated through its subsidiary OASIS, acquired in July 2005.

Other income

Other income nearly doubled from €8.2 million in the first half of 2005 to €16.1 million in the first half of 2006. The increase is due principally to €6.3 million in services charged to AEMS (versus none in the first half of 2005 prior to the transfer of LIFFE Market Solutions to AEMS), as well as income from services (mainly IT) provided to unconsolidated local MTS markets (€1.4 million).

Costs and expenses

Euronext's total costs and expenses increased by 5.1% to €337.4 million in the first half of 2006. The following table summarizes costs and expenses for the first six months of 2005 and 2006.

	Six months ended June 30,		
	2006	**2005**	**% Change 2006/2005**
	(in thousands of euros)		
Salaries and employee benefits	130,678	131,580	(0.7)%
Depreciation	14,243	33,312	(57.2)%
IT expenses	82,352	56,517	45.7%
Office, telecom and consultancy	64,294	51,496	24.9%
Accommodation	22,812	26,355	(13.4)%
Marketing	10,969	7,413	48.0%
Other expenses	12,056	14,431	(6.4)%
Total costs and expenses	**337,404**	**321,104**	**5.1%**

Changes in scope of consolidation affecting costs

The comparability of expenses between the first six months of 2005 and 2006 is affected by several changes in scope of consolidation between the periods.

Creation of Atos Euronext Market Solutions

On July 22, 2005, Euronext formed Atos Euronext Market Solutions as a continuation and expansion of its existing AtosEuronext relationship with Atos Origin. The main assets Euronext contributed were the activities of LIFFE Market Solutions, the information technology division of its derivatives trading business Euronext.liffe (including Euronext's proprietary LIFFE CONNECT® electronic trading system), and its 50% stake in AtosEuronext. Atos Origin contributed its own 50% share in AtosEuronext, plus other major assets from market-related businesses, including middle- and back-office solutions, and its 51% stake in the connectivity platform Bourse Connect.

The transfer of the activities of LIFFE Market Solutions to AEMS led to a significant reduction in Euronext's salaries and employee benefit costs, consultancy expenses, other office, telecom and consultancy costs and depreciation charges, and a parallel increase in IT expenses, which now include all

IT expenses related to Euronext.liffe. The transfer of LIFFE Market Solutions to AEMS represented in the aggregate a €9.9 million reduction in costs from the first half of 2005 to the first half of 2006.

Other Changes

Euronext acquired MTS in November 2005 through a joint-venture entity with Borsa Italiana, acquired 100% of Companynews in March 2006 and sold CIK effective January 1, 2006. In the aggregate, newly consolidated MTS and Companynews added €11.3 million and €1.4 million in costs, respectively, for the first half of 2006, and the sale of CIK reduced costs by €8.1 million in such period.

Salaries and employee benefits

Salaries and employee benefits expenses decreased 0.7% from €131.6 million in the first half of 2005 to €130.7 million in the first half of 2006. This resulted from a reduction in headcount at Euronext's entities other than MTS, Companynews and GL TRADE. Excluding such entities, Euronext had 361 fewer full-time employees at June 30, 2006 than June 30, 2005, a reduction of 25.6% that resulted primarily from the transfer of 207 employees from LIFFE Market Solutions to AEMS in July 2005 and the sale of CIK (itself leading to a headcount reduction of 102 employees).

This lower headcount more than offset the impact of a 1% (€0.4 million) increase in GL TRADE's staff costs, Euronext's share (€3.8 million) of staff costs at MTS (99 full-time employees as of June 30, 2006) and €0.6 million of staff costs at Companynews (25 employees), as well as a number of specific increases including €2.1 million related to past and new stock option grants, €2 million of additional employee profit sharing expense and €2.3 million of additional redundancy costs.

Depreciation

Depreciation expense amounted to €14.2 million in the first half of 2006, 57.2% less than the €33.3 million recorded in the first half of 2005. This is due primarily to the transfer of LIFFE Market Solutions' IT-related tangible and intangible assets to AEMS as of July 1, 2005; depreciation expense related to these assets had amounted to €21.3 million in the first half of 2005. Excluding the effect of this transfer, depreciation expense increased by €2.1 million from period to period, due to a combination of increases in London, Amsterdam and GL Trade (€2.1 million, €0.7 million and €0.7 million) and the consolidation of MTS (€0.3 million) which offset the effect of the completion of amortization of certain assets in Paris (€1 million effect) and a €0.6 million decrease in amortization in Brussels due to the sale of CIK.

Information technology expenses

IT expenses increased by 45.7% to €82.4 million in the first half of 2006. This increase resulted primarily from the transfer of LIFFE Market Solutions' activities to AEMS, which accounted for €35.1 million of additional IT costs. In addition, Euronext's share of IT expenses at MTS amounted to €4.9 million. These increases more than offset stand-alone cost reductions in Paris, London and Amsterdam totaling €10 million and a €3 million reduction resulting from the sale of CIK. Excluding the first-time impact of the transfer of LIFFE Market Solutions' activities to AEMS and Euronext's share of IT expenses at MTS, IT expenses decreased by 25%, reflecting the rationalizations effected throughout 2005.

Office, telecom and consultancy

Office, telecom and consultancy expense increased 24.9% to €64.3 million in the first half of 2006, resulting primarily from an additional €11.3 million of costs relating to corporate transactions as well as higher advisory costs particularly in GL Trade. These additional costs more than offset the reductions resulting from the transfer of LIFFE Market Solutions to AEMS and the sale of CIK (€5.4 million and €0.7 million, respectively).

Accommodation

Accommodation costs decreased by 13.4% to €22.8 million in the first half of 2006. This decrease resulted from the transfer of LIFFE Market Solutions to AEMS and sale of CIK (accounting for differences of €1.6 million and €0.8 million, respectively) and a €1.3 million decrease in maintenance expenses. Maintenance expenses in the first half of 2005 had been unusually high due to one-off improvement projects, maintenance operations and cleaning services). These reductions more than offset the €0.4 million of additional accommodation expense from MTS.

Marketing

Marketing costs increased 48.0% to €11 million in the first half of 2006, due primarily to a major corporate advertising campaign implemented during the period as well as sponsorship initiatives targeted at developing proprietary business in the UK.

Other expenses

Other expenses decreased 16.4% to €12.1 million in the first half of 2006. The principal reason for the decrease was a €2.9 million reduction in VAT resulting from the transfer of LIFFE Market Solutions to AEMS, as well as a €0.3 million reduction in compulsory professional fees.

Segment Operating Profit

The following table provides information concerning segment operating profit in thousands of euros and as a percentage of segment revenues for the periods indicated.

	Six Months ended June 30,			
	2006		2005	
	In thousands of euros	**% of segment revenue**	**In thousands of euros**	**% of segment revenue**
Cash Trading	92,285	59.3%	40,482	37.8%
Listing	10,587	46.2%	10,822	51.8%
Derivatives Trading	108,663	50.6%	62,144	33.3%
MTS Fixed Income	4,205	27.1%		
Information Services	20,047	51.0%	14,933	47.9%
Settlement and Custody	4,707	66.2%	12,357	54.5%
Sale of Software	14,579	16.2%	14,812	17.0%
Holding & Unallocated(1)	(34,740)		(15,483)	
Profit from Operations	**220,333**	**39.5%**	**140,067**	**30.4%**

(1) Holding & Unallocated includes central office charges at the group level as well as corporate transaction costs. Revenues for this segment consist of "Other income", as described above.

Euronext's operating profit increased as a percentage of revenues from 30.4% in the first half of 2005 to 39.5% in the first half of 2006. This increase was driven by strong increases in operating profit margin in cash trading and derivatives trading, itself resulting from buoyant trading conditions and strict cost control. Holding and unallocated expenses increased due primarily to an increase in corporate transactional expenses.

Other Items affecting Net Profit

The following table summarizes the income statement line items below the line Profit from Operations for the first six months of 2005 and 2006.

	Six Months ended June 30,		% Change 2006/2005
	2006	2005	
	(in thousands of euros)		
Profit from operations	**220,333**	**140,067**	**57.3%**
Net financing income	8,336	7,099	17.4%
Gain on sale of associates and activities	15,469		
Income from associates	19,326	2,677	
Subtotal	**43,131**	**9,776**	
Profit before tax	**263,464**	**149,843**	**75.8%**
Income tax	(64,304)	(44,726)	43.8%
Profit after tax	**199,160**	**105,117**	**89.5%**
Minority interests	(5,469)	(6,728)	(18.7)%
Net profit attributable to shareholders of the parent company	**193,691**	**98,389**	**96.9%**

Net financing income

Net financing income increased 17.4% to €8.3 million, due to an increase in market interest rates in Europe. Since January 2006, Euronext's equity investments have been recorded as available-for-sale financial assets, variations in the fair value of which are recorded within shareholders' equity. During 2005, these variations in fair value were recorded under net financing income, and amounted to €0.6 million in the first half of 2005.

Gain on sale of associates and activities

The sale of CIK in January 2006 resulted in a capital gain of €15.5 million.

Income from associates

Income from associates increased from €2.7 million in 2005 to €19.3 million in 2006. This increase resulted primarily from improved performance by LCH.Clearnet, which contributed €14 million of income in the first half of 2006. This contribution was made notwithstanding the recognition by LCH.Clearnet in the first half of 2006 of a €47.8 million charge to write off certain IT-related assets (relating to its Generic Clearing System initiative), following a €20.1 million write-off of assets related to such initiative in the first half of 2005. The contribution of AEMS amounted to €4.6 million, as compared with the €0.6 million contribution from Atos Euronext in the first half of 2006, reflecting the larger size of AEMS.

Income tax expense

Income tax expense increased from €44.7 million in the first half of 2005 to €64.3 million in the first half of 2006, primarily as a result of increased profit for Euronext. Partially offsetting the effect of increased profitability was a €11 million adjustment, in light of the change in French tax law adopted in 2004, of Euronext's deferred tax assets relating to the sale of Clearnet to LCH.Clearnet to reflect a reduced capital gain tax rate applicable in 2007 when the related positions can be liquidated.

Minority interests

Minority interests decreased by 18.7% primarily due to decreased net profits at GL TRADE and despite the presence of additional minority interest following the acquisition of MTS.

Net profit attributable to shareholders of the parent company

For the reasons discussed above, net profit after tax and minority interests, increased by 96.9% from €98.4 million for the six months ended June 30, 2005 to €193.7 million for the six months ended June 30, 2006.

Results of Operations for the Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

Revenues

Euronext's total revenues increased by 8.5% from €886.8 million in 2004 to €961.9 million in 2005. The following table summarizes the composition of Euronext's revenues for 2004 and 2005.

	Year ended December 31,		% Change
	2005	**2004**	**2005/2004**
	(in thousands of euros)		
Cash trading			
Trade execution fees, order fees and connection fees	174,624	156,437	11.6%
Clearing fee retrocession for cash trading	41,119	33,300	23.5%
Subtotal	215,743	189,737	13.7%
Listing fees	63,130	43,270	45.9%
Derivatives trading			
Order fees	326,125	317,549	2.7%
Clearing fee retrocession for continental derivatives trading	5,798	7,369	(21.3)%
Subtotal	331,923	324,918	2.2%
MTS fixed income	1,437		
Settlement and custody	39,280	33,122	18.6%
Information services	93,592	87,297	7.2%
Sale of software	195,212	185,965	5.0%
Other income	21,550	22,528	(4.3)%
Total revenues	**961,867**	**886,837**	8.5%

Cash trading

Revenue from cash trading increased by 13.7% to €215.7 million in 2005, due primarily to a strong recovery in market activity in the second half of 2005 that drove an 11.6% increase in trade execution fees, order fees and connection fees and a 23.5% increase in the related clearing fee retrocession for trades on the cash markets cleared by LCH.Clearnet.

A record 155.5 million share transactions were executed on Euronext's cash markets in 2005, up 15.7% over 2004. The total number of trades in all cash products amounted to 162 million during 2005 (an increase of 15.0% over 2004), corresponding to a daily average of 632,000 trades (an increase of 15.8% over 2004).

The recovery in market activity was driven primarily by a recovery in the confidence in the profitability of listed companies, as illustrated by rising indices, and a solid market for primary offerings, including some major IPOs. NextTrack, Euronext's tracker market segment, recorded a 28.5% increase in the number of transactions and a 38.0% increase in value traded during 2005, due in part to the creation of 40 new products in 2005, which brought the total number of trackers to 95 at year end, as well as to the creation of partnerships with e-brokers. The number of transactions (excluding cross-trades) on NextWarrants, Euronext's segment for certificates and warrants, grew by 46% compared to 2004.

Higher trading volumes were also encouraged by a new fee structure introduced in February 2005 that includes volume discounts designed to promote higher activity. Trade execution fees alone amounted to €163.1 million in 2005, an increase of 11.7% over 2004. The increase in trading volumes described above helped to offset a reduction in the average fee charged per trade (excluding liquidity provider trades), from €1.07 in 2004 to €1.03 in 2005.

The clearing fee retrocession paid by LCH.Clearnet in 2005 increased by 23.5% to €41.1 million, compared to €33.3 million in 2004. The increase was driven by an increase in transaction values, as well as by an increase in trading volume.

Listing fees

Revenue from listing fees increased 45.9% to €63.1 million in 2005. This increase resulted primarily from a significant increase in admission fees, which more than doubled to €47.5 million in 2005. The increase in admission fees was driven by higher IPO activity. 78 IPOs were completed during 2005, compared to 52 during 2004, raising €17.2 billion and adding €105 billion in additional market capitalization. Two of these IPOs those of EDF S.A. and GDF S.A. were among the largest in Europe in recent years. Of the 78 IPOs in 2005, 20 were listed on Alternext, a new exchange-regulated market targeted at SMEs launched in May 2005. The increase in admission fees was also favorably affected by strong listing activity for warrants, with approximately 11,000 new warrants and certificates listed in 2005, up 4% compared to 2004.

The increase in admission fees was partially offset by a decline in annual fees, which fell by 5% to €13.6 million in 2005, reflecting delistings during the year, principally by companies with listings in multiple markets. At the end of 2005, 1,259 companies were listed on Euronext, compared to 1,333 companies at the end of 2004. 966 of the companies listed at the end of 2005 were companies based in one of Euronext's home markets.

Derivatives trading

Revenue from derivatives trading increased 2.2% to €331.9 million in 2005, driven primarily by higher trading revenues from short-term interest rate products and commodity derivatives, which more than offset a decrease in trading revenues from equity derivatives.

In 2005, changes were made to the notional sizes of various contracts in response to customer demand. To enable year-on-year comparisons of changes in volume, 2004 volume figures below have been treated as if they were new-style contracts by dividing their volumes by ten. Overall volumes (excluding call option dividend trading activity) were 7.0% higher in 2005, increasing from 566.1 million contracts in 2004 to 605.9 million in 2005. Volumes were higher in all major product categories: interest rate products increased by 10.8%, equity products by 2.1% and commodity products by 6.0%. Open interest stood at 78 million contracts, up 13% over 2004 (at 69 million contracts after rebasing of the underlying contract sizes in Paris, or 88.4 million without rebasing). Higher levels of open interest which consists of the total number of futures contracts or option contracts that have not yet been exercised, expired or fulfilled by delivery can be the source of revenue growth due to the likely management of these positions.

Trading revenues from interest rate products amounted to €193.4 million in 2005, a 10% increase over 2004. Trading volumes in interest rate products ended the year 10.8% higher than in 2004, with more than 347 million contracts traded, driven primarily by an increase in trading in the second half of the year due to higher volatility resulting from expected changes in the European Central Bank's interest rate policy following a long period of stability.

Equity derivatives trading revenues declined by 7.5% in 2005 to €102.4 million. Equity derivatives trading volume was 2.1% higher for the year, driven primarily by activity in the second half of the year due to higher volatility in the financial markets. The modest increase in overall volume for the year was more than offset by lower average fees, primarily reflecting the impact of fee decreases for single equity options introduced in November 2004.

Commodity product revenues increased by 4.0% to €11.1 million in 2005, driven by a 6.0% increase in volume, increased rebates in London and a change in the business mix in Amsterdam.

The clearing fee retrocession paid by LCH.Clearnet for continental derivatives trading in 2005 decreased by 21.3% to €5.8 million, primarily as a result of lower trading volumes in the Paris derivatives market and the change in the underlying contract sizes in the French market (which had the mechanical effect of reducing the number of contracts traded).

MTS Fixed Income

Euronext proportionately consolidated 51.0% of MTS (via MBE Holding) for one month in 2005, following its acquisition in late November, recording proportionately consolidated revenues of €1.4 million.

Settlement and custody

Revenues from settlement and custody services amounted to €39.3 million in 2005, an increase of 18.6% over 2004, driven primarily by higher indices, a strong performance in 2005 by new products launched by Euronext Brussels in 2004 and certain one-off transactions (such as the restructuring of a Portuguese company) on Euronext Lisbon.

Information services

Revenue from information services increased 7.2% to €93.6 million in 2005, driven primarily by a 5% increase in fees charged for real-time cash market data. Revenues were also positively affected by an increase in the number of end-users in the financial services industry, the introduction of a harmonized derivatives trading data offering beginning in July 2005 and the launch of Euronext's Index File Service and NextHistory products.

Sale of software

Revenue from the sale of software increased 5.0% to €195.2 million in 2005, of which €179.3 million, or 91.8%, was generated by GL TRADE. The remaining €15.9 million of software revenues for 2005 were generated by licenses of the LIFFE CONNECT® product by LIFFE Market Solutions prior to the contribution of LIFFE Market Solutions to AEMS in July 2005.

GL TRADE generated revenues of €179.3 million in 2005, an increase of €29.3 million, or 18.8%, over 2004, primarily reflecting the positive impact of the November 2004 acquisition of Ubitrade S.A. and Davidge Inc. The increase in revenues resulted primarily from sales of risk management and back-office product lines originally developed by Ubitrade, which generated €32.3 million of revenues in 2005. Of the Ubitrade product revenues, €13.0 million were attributable to the UBIX post-trade derivatives product line, €4.4 million were attributable to the TRADIX risk management product line and €14.9 million (including non-recurring license fees and a significant proportion of outsourced consulting services) were attributable to the FERMAT product line, a credit risk management tool that meets the requirements of the new Basel II regulatory regime for banking institutions.

The positive impact of the Ubitrade acquisition more than offset a decline in GL TRADE's revenues from its traditional front-office business lines, which continued to be negatively affected by consolidation in the financial services sector, particularly in France and Italy, as this reduces GL TRADE's accessible client base. Front-office revenues were also negatively affected by the decisions of several international financial institutions to shut down or reduce their trading operations in the UK and Italy. Overall, front-office revenues declined by 1% to €133.4 million in 2005, a figure that also reflected in part the positive impact of new front-office revenues generated by the Davidge acquisition.

Although GL TRADE faced difficulties in its traditional European markets, sales of front-office products in the Asia-Pacific region recorded organic revenue growth of more than 19% in 2005. GL TRADE's expansion into Eastern Europe showed promising signs as well during 2005, recording revenues of nearly €1.5 million in Russia, where it opened an office at the end of 2005. In the United States, revenues increased by 52.0% compared to 2004, reflecting the integration of Ubitrade S.A., Davidge Inc. and OASIS.

Other income

Other income decreased 4.3% to €21.6 million in 2005, primarily reflecting a decrease in rental revenues following the termination of a sublease to LCH.Clearnet in Paris, and a €2.9 million decrease in transitional services fees collected from LCH.Clearnet due to its increased self-sufficiency. These items were partially offset by €5.9 million in charges to AEMS during the six months beginning July 1, 2005.

Costs and expenses

Euronext's total costs and expenses decreased 6.3% to €643.4 million in 2005, primarily due to the fact that goodwill was no longer amortized as of January 1, 2005. The following table summarizes costs and expenses for 2004 and 2005.

	Year ended December 31,		
	2005	**2004**	**% Change 2005/2004**
	(in thousands of euros)		
Salaries and employee benefits	264,360	271,996	(2.8)%
Depreciation	49,687	67,386	(26.3)%
Goodwill amortization		39,875	
IT expenses	139,772	129,336	8.1%
Office, telecom and consultancy	98,785	84,392	17.1%
Accommodation	50,111	50,990	(1.7)%
Marketing	15,586	15,250	2.2%
Other expenses	25,088	27,434	(8.6)%
Total costs and expenses	**643,389**	**686,659**	(6.3)**%**

Salaries and employee benefits

Salaries and employee benefits decreased 2.8% from €272.0 million in 2004 to €264.4 million in 2005, primarily as a result of a reduction in headcount at Euronext's operations other than MTS and GL TRADE. Euronext had 268 fewer full-time employees in its operations other than MTS and GL TRADE at the end of 2005 than at the end of 2004, a reduction of 18.6% that resulted primarily from the transfer of 207 employees from LIFFE Market Solutions to AEMS in July 2005.

These headcount reductions more than offset the impact of a 17.1% (€12.5 million) increase in GL TRADE staff costs, primarily reflecting the impact of a full year of staff costs from Ubitrade and Davidge compared to only one and two months, respectively, in 2004, and an increase of €2.1 million in stock option expense at Euronext and GL TRADE compared to 2004.

In late November 2005, Euronext acquired an indirect interest in MTS, which had 98 full-time employees at the end of 2005.

Depreciation

Depreciation expense decreased by €17.7 million, or 26.3%, to €49.7 million in 2005, primarily as a result of the transfer of LIFFE Market Solutions' IT-related tangible and intangible assets to AEMS as of July 1, 2005, which resulted in savings of €18.0 million. The decrease also reflects the recording in 2004 of a €9.0 million write-off at Euronext.liffe following the migration of LIFFE CONNECT®. These decreases were partially offset by the migration of the Euronext Amsterdam derivatives market from SWITCH to LIFFE CONNECT® at the end of 2004 and various other capital expenditures that led to new depreciation charges in 2005. In addition, Euronext recorded €3.4 million in amortization of certain intangible assets in GL TRADE in 2005.

Goodwill amortization

Euronext adopted IFRS 3 for all business combinations agreed on or after March 31, 2004. Starting January 1, 2005, Euronext no longer amortizes goodwill relating to acquisitions made before March 31, 2004 as part of a business combination in line with IFRS 3. From January 1, 2005, goodwill is assessed periodically for impairment. Accordingly, there was no goodwill amortization expense in 2005. In 2004, goodwill amortization totaled €39.9 million and related primarily to Euronext's acquisition of LIFFE (€24.9 million), the merger that led to Euronext's creation in September 2000 (€9.1 million), and goodwill relating to Euronext's acquisition of BVLP (€4.0 million).

Information technology expenses

IT expenses increased by €10.4 million, or 8.1%, to €139.8 million in 2005. This increase resulted primarily from the transfer of LIFFE Market Solutions' activities to AEMS, which accounted for €27.9 million in additional IT costs, and a €3.1 million increase in IT costs at GL TRADE during 2005 as a result of external growth. These increased expenses were partially offset by an aggregate €22.0 million decrease in other IT costs, resulting primarily from the completion of the derivatives market IT migration in Amsterdam in November 2004, which caused IT operating costs in continental Europe to fall by €16.4 million to €64.3 million in 2005, and a lower number of working days billed to Euronext for software development.

Office, telecom and consultancy

Office, telecom and consultancy expense increased 17.1% from €84.4 million in 2004 to €98.8 million in 2005, due to expenses relating to the envisaged acquisition of the London Stock Exchange (€16.6 million) and external growth at GL TRADE (€8.7 million). This increase was partially offset by a €6.0 million reduction in consultancy costs relating to the transfer of LIFFE Market Solutions to AEMS.

Accommodation

Accommodation costs decreased 1.7% to €50.1 million in 2005, primarily reflecting the full year impact of the termination of certain leases (one in Paris and six in London) as well as a number of new subletting contracts that helped to decrease costs. This decrease was partially offset by a 14.0% increase in accommodation costs at GL TRADE, stemming from its external growth.

Marketing

Marketing costs increased 2.2% from €15.3 million in 2004 to €15.6 million in 2005, due primarily to higher advertising and related costs in connection with the geographic expansion of Euronext's derivatives trading markets.

Other expenses

Other expenses decreased 8.6% to €25.1 million in 2005, primarily reflecting lower expenses for non-recoverable VAT and lower regulatory fees, partially offset by an increase in administrative costs and commissions.

Segment Operating Profit

The following table provides information concerning segment operating profit in thousands of euros and as a percentage of segment revenues for the periods indicated.

	Year ended December 31,			
	2005		2004	
	In thousands of euros	% of segment revenue	In thousands of euros	% of segment revenue
Cash Trading	92,790	40.8%	66,296	33.0%
Listing	41,543	65.7%	23,721	54.8%
Derivatives Trading	130,621	35.5%	99,048	26.1%
MTS Fixed Income	(113)			
Information Services	32,294	47.8%	27,819	44.0%
Settlement and Custody	18,605	45.3%	14,075	42.0%
Sale of Software	27,220	15.2%	26,681	17.7%
Holding & Unallocated(1)	(24,482)		(17,587)	
Subtotal	318,478		240,053	
Goodwill amortization			(39,875)	
Profit from Operations	**318,478**	**33.1%**	**200,178**	**22.6%**

(1) Holding & Unallocated includes central office charges at the group level as well as corporate transaction costs. Revenues for this segment consist of "Other income", as described above.

Euronext's operating profit increased as a percentage of revenues from 22.6% in 2004 to 33.1% in 2005. Revenues grew faster than costs and expenses in all segments other than the sale of software, where the decline in margins reflected in part, the impact of integrating Ubitrade and Davidge for the full year in 2005. In addition, as noted above, goodwill is no longer amortized beginning January 1, 2005.

Other Items affecting Net Profit

The following table summarizes the income statement line items below the line Profit from Operations for 2005 and 2004.

	Year ended December 31,		% Change
	2005	2004	2005/2004
	(in thousands of euros)		
Profit from operations	**318,478**	**200,178**	**59.1%**
Net financing income	13,447	7,680	75.1%
Gain on sale of associates and activities	9,054	4,386	106.4%
Income from associates	18,456	3,327	454.7%
Subtotal	**40,957**	**15,393**	**166.1%**
Profit before tax	**359,435**	**215,571**	66.7%
Income tax	(104,268)	(54,814)	90.2%

	Year ended December 31,		
Profit after tax	**255,167**	**160,757**	58.7%
Minority interests	(13,409)	(11,019)	21.7%
Net profit attributable to shareholders of the parent company	**241,758**	**149,738**	61.5%

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Net financing income

Net financing income increased 75.1% from €7.7 million in 2004 to €13.4 million in 2005, primarily as a result of a net foreign exchange gain of €1.0 million in 2005 compared to a €4.4 million loss in 2004.

Gain on sale of associates and activities

Euronext recorded gains of €5.0 million and €4.1 million on the transfer of LIFFE Market Solutions and Bourse Connect, respectively, to AEMS in July 2005. In 2004, Euronext recorded a gain of €4.4 million on the sale of Cote Bleue S.A.

Income from associates

Income from associates increased from €3.3 million in 2004 to €18.5 million in 2005, which primarily reflected the absence during 2005 of goodwill amortization relating to the acquisition of LCH.Clearnet, since goodwill is no longer amortized under IFRS. In 2004, goodwill amortization relating to the acquisition of LCH.Clearnet amounted to €12.3 million. The increase in income from associates during 2005 was also partially due to an increased contribution from AEMS. AEMS contributed €5.0 million in 2005, compared to the €1.9 million contribution from AtosEuronext in 2004, largely reflecting the larger size of AEMS. This increase was partially offset by a lower contribution from Bourse Connect during 2005 of €0.9 million (compared to €1.5 million in 2004), which was contributed to AEMS in July 2005.

Income tax expense

Income tax expense increased from €54.8 million in 2004 to €104.3 million in 2005, primarily as a result of increased profit for Euronext. In addition, during 2004 the French government enacted legislation through which the capital gains tax will be reduced in the years up to 2007. As a result, Euronext's deferred tax positions were adjusted in 2004 to reflect the expected tax rates when the related positions could be liquidated. This resulted in a €27.3 million reduction in income tax expense for 2004.

Minority interests

Minority interests increased by 21.7% primarily due to increased net profits of GL TRADE.

Net profit attributable to shareholders of the parent company

For the reasons discussed above, net profit after goodwill amortization, tax and minority interests, increased 61.5% from €149.7 million in 2004 to €241.8 million in 2005.

Results of Operations for the Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003

Basis of Presentation

On December 22, 2003, Euronext transferred its 80.48% stake in the share capital of BCC/Clearnet and 17.7% of LCH (the latter held through LIFFE) to a newly-formed entity, LCH.Clearnet Group Limited, in exchange for 49.1% of share capital of the newly formed company and simultaneously sold 7.6% of the company's ordinary shares to third parties. Euronext's remaining interest in LCH.Clearnet Group Limited consists of 16.6% of total capital in the form of Redeemable Convertible Preference Shares (RCPSs) and 24.9% of total capital in the form of ordinary shares. The preference shares are intended to be either redeemed by December 2008 at the latest or to be sold earlier. The net assets, results and cash flows of BCC/Clearnet were fully consolidated in the Euronext consolidated accounts in the period prior to December 22, 2003. As of that date, the assets and liabilities of BCC/Clearnet have been deconsolidated.

Since the sale of BCC/Clearnet on December 22, 2003, Euronext's clearing revenues have consisted solely of retrocession fees received from LCH.Clearnet. Subsequent to the sale of BCC/Clearnet, Euronext began recording these fees as part of cash trading and derivatives trading revenues. Prior to the sale of BCC/Clearnet, Euronext included these fees under the separate line item "Clearing." Euronext's clearing operations were treated as a separate segment.

Revenues

Euronext's total revenues decreased by 10.5% from €991.0 million in 2003 to €886.8 million in 2004, primarily due to the sale of Clearnet at the end of 2003. The following table summarizes the composition of Euronext's revenues for 2003 and 2004.

	Year ended December 31,		% Change
	2004	**2003**	**2004/2003**
	(in thousands of euros)		
Cash trading			
Trade execution fees, order fees and connection fees	156,437	187,463	(16.6)%
Clearing fee retrocession for cash trading[1]	33,300	NA	NA
Subtotal	189,737	187,463	1.2%
Listing fees	43,270	30,652	41.2%
Derivatives trading			
Order fees	317,549	299,984	5.9%
Clearing fee retrocession for continental derivatives trading[1]	7,369		NA
Subtotal	324,918	299,984	8.3%
MTS fixed income			
Settlement and custody	33,122	28,236	17.3%
Information services	87,297	91,154	(4.2)%
Sale of software	185,965	172,511	7.8%
Clearing[1]	NA	165,071	NA
Other income	22,528	15,969	41.1%
Total revenues	**886,837**	**991,040**	(10.5)%

(1) Effective January 1, 2004, clearing revenue in the form of retrocession fees received from LCH.Clearnet is included in cash trading and derivatives trading revenues.

Cash trading

Revenue from trade and connection fees cash trading decreased 16.6% to €156.4 million in 2004, primarily as a result of lower levels of trading activity, ongoing consolidation in the brokerage industry and a new fee structure implemented in January 2004 that reduced the average trading fee (excluding connections) to €1.07 per trade. Average prices were also affected by the introduction of price incentives in April 2004 for all members trading Dutch securities.

In terms of volume, although the first quarter of 2004 was marked by high levels of activity which led to record trading volumes in March (in particular IPO activity, as discussed below under "Management's Discussion and Analysis of Financial Condition and Results of Operations of Euronext Results of Operations for the Year Ended December 31, 2004 Compared to the Year Ended December 31, 2003 Listing fees"), the terrorist attacks in Madrid later that month had a strong negative impact on the markets. This marked the beginning of a drop in volatility on both the equity and interest rate markets,

which led to a decline in activity on both markets that brought volumes down further each month, reaching a low point in August. Although the capital markets enjoyed a limited rebound at the end of 2004 following the end of uncertainty over U.S. elections, Euronext's cash trading volumes declined overall during 2004. The total number of trades in all cash products amounted to 141 million during 2004 (a decrease of 6% over 2003), corresponding to a daily average of 545,870 trades (a decrease of 5.3% over 2003).

Following the sale of BCC/Clearnet in December 2003, retrocession fees received from LCH.Clearnet are included in cash trading revenues effective January 1, 2004. These fees amounted to €33.3 million in 2004.

Listing fees

Revenue from listing fees increased by 41.2% to €43.3 million in 2004. This increase primarily resulted from an 82.0% increase in admission fees, which amounted to €29.0 million in 2004. The increase in admission fees was driven by a recovery in IPO activity on Euronext (52 IPOs were completed during 2004, compared to 38 during 2003, raising a total of €9.4 billion in capital). Euronext handled a number of major IPOs, such as Autoroutes Paris-Rhin-Rhône (SAPRR), Pages Jaunes, Snecma and Belgacom, the latter of which was the biggest IPO in Europe in 2004. A number of significant tender offers also took place, including Sanofi-Aventis. The increase in admission fees was partially offset by a 3.0% decline in annual fees during 2004, to €14.3 million, as a result of delistings throughout the year.

At the end of 2004, 1,333 companies were listed on Euronext (compared to 1,392 companies at the end of 2003), of which 999 were based in one of Euronext's home markets (Belgium, France, the Netherlands and Portugal).

Derivatives trading

Revenue from order fees derivatives trading increased by 5.9% to €317.5 million in 2004, due primarily to a 14% increase in volumes during 2004 to more than 790 million (non-rebased) contracts, representing a notional value of €283.3 trillion. Euronext recorded increased volumes in all product categories during 2004: interest rate products increased by 14%, equity products by 14% and commodity products by 21%. Open interest stood at 88 million contracts, up 12% over 2003. The higher volumes were offset in part by lower average fees. In November 2004, Euronext.liffe lowered its fees for equity options trading in the Amsterdam, Brussels, London and Paris derivatives markets, reducing the cost of trading by an average of 25%.

In the category of interest rate products, interest rate futures volumes increased 20% compared to 2003, while option volumes decreased slightly by 2%. Euribor futures recorded a solid performance in 2004 (up 15% over 2003), as did sterling futures (up 21%) and long gilt (up 38%). Because the European Central Bank did not modify its interest rate policy during 2004, Euribor option volumes were down 10% compared to 2003. The Bank of England, however, raised interest rates four times over the course of the year, leading to a 51% increase in Sterling option volumes compared to 2003.

In the category of equity products, products based on individual equities were up 26% overall compared to 2003, with futures rising 93% and options 24%, driven by increased volatility in equity markets. However, equity index products decreased by 5% compared to 2003. Index futures fell by 7%, while index options declined by 4%, due to a decrease in CAC 40 contract volumes.

Following the sale of BCC/Clearnet in December 2003, retrocession fees received from LCH.Clearnet are included in derivatives trading revenues effective January 1, 2004. These fees amounted to €7.4 million in 2004.

Settlement and custody

Revenues from settlement and custody services amounted to €33.1 million in 2004, an increase of 17.3% over 2003, benefiting from the recovery in securities prices, which had a positive impact on custody revenues generated, as well as higher dividend payments.

Information services

Revenue from information services decreased 4.2% from €91.2 million in 2003 to €87.3 million in 2004. Although the level of subscriptions for information services remained stable, revenues declined due to the elimination of terminal fees previously charged by Euronext Lisbon following integration of Euronext Lisbon data into the overall Euronext data feed.

Sale of software

Revenue from sale of software increased 7.8% from €172.5 million in 2003 to €186.0 million in 2004, due primarily to GL TRADE's continued geographic expansion. GL TRADE's revenues increased by 17.5% to €150.1 million in 2004 as a result of its external growth. Additional revenue was generated by the newly integrated entities GLESIA in Italy and the Misys subsidiaries in the UK, Japan and Hong Kong, which were all acquired at the end of 2003, as well as €2.7 million generated by Davidge and Ubitrade following their acquisition in the fourth quarter of 2004.

Organic growth was limited in 2004 due to the maturity of certain markets, such as France where consolidation in the banking sector was the major factor behind lower revenues (down 11%,). Nevertheless, satisfactory levels of organic growth were recorded in Asia and the U.S., despite the weak dollar. GL STREAM revenues rose 22.0% to €95.0 million, offset in part by a 9.0% decline in revenues from GL NET to €21.1 million, and market data activities rose 1% to €16.2 million. Settlement revenues rose from €1.1 million in 2003 to €7.4 million in 2004, supported by the November 2004 acquisition of Ubitrade.

Clearing

No revenues were recorded as "clearing revenue" in 2004, reflecting the sale of BCC/Clearnet to LCH.Clearnet in December 2003. As discussed above, revenues previously recorded as clearing revenues were included in cash trading and derivatives trading revenues effective January 1, 2004. In 2003, clearing revenues of €165.1 million were generated by BCC/Clearnet.

Other income

Other income increased 41.1% from €16.0 million in 2003 to €22.5 million in 2004, due primarily to €7.5 million billed to LCH.Clearnet for transitional services rendered in 2004.

Costs and expenses

Euronext's total costs and expenses decreased 12.2% to €686.7 million in 2004, reflecting the sale of BCC/Clearnet on December 22, 2003, which more than offset a 2.5% increase in costs and expenses from

Euronext's remaining operations. The following table summarizes the major components of costs and expenses for 2003 and 2004.

	Year ended December 31, 2004	Year ended December 31, 2003	% Change 2004/2003
	(in thousands of euros)		
Salaries and employee benefits	271,996	267,763	1.6%
Depreciation	67,386	67,575	(0.3)%
Goodwill amortization	39,875	64,793	(38.5)%
IT expenses	129,336	187,781	(31.1)%
Office, telecom and consultancy	84,392	86,169	(2.1)%
Accommodation	50,990	52,919	(3.6)%
Marketing	15,250	19,271	(20.9)%
Other expenses	27,434	35,902	(23.6)%
Total costs and expenses	**686,659**	**782,173**	(12.2)%

Salaries and employee benefits

Salaries and employee benefits increased by 1.6% to €272.0 million in 2004, reflecting a 9.2% increase in salaries and employee benefits from Euronext's non-clearing operations that was largely offset by expense reductions attributable to the sale of BCC/Clearnet. Of the €22.9 million increase in costs from Euronext's remaining operations, €12.1 million related to GL TRADE's ongoing growth and expansion, €9.0 million related to other expenses including one-off redundancy packages paid to departing employees and €1.5 million related to foreign exchange variation. Partially offsetting these increases was a drop in headcount at Euronext's operations other than GL TRADE during 2004. At the end of 2004, 1,437 full-time employees (excluding GL TRADE) were working at Euronext, 11.6% less than the 1,625 full-time employees (excluding Clearnet and GL TRADE) in 2003.

Depreciation

Depreciation expense decreased by 0.3% to €67.4 million in 2004, primarily reflecting the sale of BCC/Clearnet, which more than offset a 12.3% increase in depreciation expenses from Euronext's remaining operations due primarily to a €9.0 million write-off at Euronext.liffe following the end of the migration to LIFFE CONNECT®.

Goodwill amortization

Goodwill amortization decreased 38.5% from €64.8 million in 2003 to €39.9 million in 2004. The decrease was primarily due to the recording of goodwill impairment losses in 2003 of €13.8 million in connection with the acquisition of Euronext Lisbon. In addition, following the sale of BCC/Clearnet in 2003, the corresponding annual goodwill amortization charge (which amounted to €11.8 million in 2003) was no longer recorded. In 2004, goodwill amortization related primarily to Euronext's acquisition of LIFFE (€24.9 million). The remainder of goodwill amortization in 2004 primarily related to the merger that led to Euronext's creation in September 2000 (€9.1 million), as well as goodwill relating to Euronext's acquisition of BVLP (€4.0 million).

Information technology expenses

IT costs decreased 31.1% to €129.3 million in 2004, reflecting the sale of BCC/Clearnet as well as a 12.9% decrease in IT costs from Euronext's remaining operations. This decrease was primarily due to the synergies generated by Euronext's multi-year IT migration program, which was completed upon the

Amsterdam derivatives market migrating to LIFFE CONNECT® in November 2004. IT costs related to AtosEuronext were €95.3 million (of which €7.5 million were capitalized), representing a €17.0 million drop in operating costs compared to 2003. In addition, the number of working days charged to Euronext for development decreased by 26% compared to 2003, reflecting a reduced need for development following the completion of the IT migration. Partially offsetting these cost decreases was the integration of GLESIA, Davidge and Ubitrade within GL TRADE during 2004, which resulted in €7.0 million in additional IT expenses.

Office, telecom and consultancy

Office, telecom and consultancy expenditure decreased by 2.1% to €84.4 million in 2004, reflecting the impact of the sale of BCC/Clearnet, which more than offset a 6.8% increase in such expenses for Euronext's remaining operations. The increase in expenses was due to advisory costs related to the migration of the Amsterdam derivatives market to LIFFE CONNECT® and new initiatives such as the launch of the Eurodollar contract, which led to a 29% increase in total advisory costs, to €45.0 million. All other costs including travel, telecom and mailing, data and information costs recorded a year-over-year decrease.

Accommodation

Accommodation costs decreased by 3.6% to €51.0 million in 2004, reflecting the sale of BCC/Clearnet, which more than offset a 1.3% increase in costs from Euronext's remaining operations due to growth at GL TRADE. During 2004, Euronext strove to consolidate its facilities and decrease its use of leases.

Marketing

Marketing costs decreased 20.9% to €15.3 million in 2004, reflecting the sale of BCC/Clearnet as well as a 15.2% decrease in marketing costs for Euronext's remaining operations, due to strict cost control over non-mandatory and strategic expenses.

Other expenses

Other expenses decreased by 23.6% to €27.4 million in 2004, reflecting the sale of BCC/Clearnet, which more than offset a 6.3% increase in such costs relating primarily to litigation settlements and an increase in non-recoverable value added tax.

Segment Operating Profit

The following table provides information concerning Euronext's segment operating profit on a euro basis and as a percentage of segment revenues for the periods indicated.

	Year ended December 31,			
	2004		2003	
	In thousands of euros	**% of segment revenue**	**In thousands of euros**	**% of segment revenue**
Cash Trading	66,296	33.0%	97,787	43.8%
Listing	23,721	54.8%	4,906	16.9%
Derivatives Trading	99,048	26.1%	90,259	24.3%
Information Services	27,819	44.0%	21,466	33.1%
Settlement and Custody	14,075	42.0%	9,317	31.4%
Sale of Software	26,681	17.7%	23,868	18.6%
Clearing			38,685	28.9%
Holding & Unallocated(1)	(17,587)		(12,628)	
Subtotal	240,053		273,660	
Goodwill amortization	(39,875)		(64,793)	
Profit from operations	**200,178**	**22.6%**	**208,867**	**21.1%**

(1) Holding & Unallocated includes central office charges at the group level as well as corporate transaction costs. Revenues for this segment consist of "Other income", as described above.

Euronext's operating profit increased as a percentage of revenues from 21.1% in 2003 to 22.6% in 2004. The increase resulted in part from a decrease in goodwill amortization, which in 2003 had included substantial one-off charges as noted above. In addition, declines in the operating profit margins of the cash trading and sale of software segments were more than offset by improvements in Euronext's other segments. The decline in cash trading margins resulted from a decline in segment revenues due to the factors described above, combined with an increase in the level of segment expenses. The decline in sale of software margins resulted primarily from the costs of integrating MSTS and Glesia.

Other Items affecting Net Profit

The following table summarizes the income statement line items below the line Profit from Operations for 2004 and 2003.

	Year ended December 31,		
	2004	**2003**	**% Change 2004/2003**
	(in thousands of euros)		
Profit from operations	**200,178**	**208,867**	(4.2)%
Net financing income	7,680	23,561	(67.4)%
Impairment of investment		(47,100)	
Gain (loss) on sale of associates and activities	4,386	(1,153)	
Gain on disposal of discontinued operations		175,107	
Income from associates	3,327	2,413	37.9%
Subtotal	**15,393**	**152,828**	
Profit before tax	**215,571**	**361,695**	(40.4)%
Income tax	(54,814)	(134,552)	(59.3)%
Profit after tax	**160,757**	**227,143**	(29.2)%
Minority interests	(11,019)	(15,388)	(28.4)%
Net profit attributable to shareholders of the parent company	**149,738**	**211,755**	(29.3)%

Net financing income

Net financing income decreased 67.4% to €7.7 million in 2004, resulting from the sale of BCC/Clearnet as well as a 29.0% decrease in net financing income from Euronext's remaining operations, resulting primarily from the revaluation of assets to fair value, which provided €9.9 million in net financing income in 2003, compared to €1.8 million in 2004. This revaluation in turn related primarily to Euronext's equity investment in Atos Origin, which was revalued upward by €8.9 million in 2003, and downward by €0.2 million in 2004.

Impairment of investment

In 2003, an impairment was recognized in the income statement for €47.1 million relating to Euronext's direct shareholding of 2.34% in Euroclear plc. The impairment charge was recorded following a revaluation of the discounted cash flows expected in the new environment created by increased competition in the settlement and custody business in Europe.

Gain (loss) on sale of associates and activities

Euronext recorded a gain of €4.4 million in 2004 relating to the disposal of its remaining interest in Cote Bleue S.A. In 2003, Euronext recorded a net loss of €1.2 million on the voluntary liquidation of various non-consolidated companies.

Gain on disposal of discontinued operations

Euronext recorded a gain of €175 million in 2003 on the sale of its interests in BCC/Clearnet and London Clearing House.

Income from associates

Income from associates increased 37.9% from €2.4 million in 2003 to €3.3 million in 2004, which primarily reflected the full consolidation of NQLX LLC within Euronext's financial statements from

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July 24, 2003, the date on which Euronext became its sole shareholder. In 2003, Euronext recorded a loss of €6.0 million under this line item in respect of its stake in NQLX LLC. This change was partially offset by a decreased contribution from AtosEuronext SBF, to €1.9 million, compared to €5.8 million in 2003, reflecting restructuring costs incurred in connection with Dutch activities.

Income tax expense

Income tax expense decreased 59.3% to €54.8 million in 2004, reflecting the sale of BCC/Clearnet in 2003, as well as a 30.8% decrease in income tax expense from Euronext's remaining operations. During 2004 the French government enacted legislation through which the capital gains tax was reduced in the years up to 2007. As a result, Euronext's deferred tax positions were adjusted in 2004 to reflect the expected tax rates when the related positions could be liquidated. This resulted in a €27.3 million reduction in income tax expense for 2004.

Minority interests

Minority interests decreased by 28.4% due primarily to the sale of BCC/Clearnet in December 2003 as well as the increase of Euronext's stake in GL TRADE, which more than offset an 8.7% increase in Euronext's minority interests relating to its remaining interests, primarily due to increased net profits of GL TRADE.

Net profit attributable to shareholders of the parent company

For the reasons discussed above, net profit decreased by 29.3% to €149.7 million in 2004.

Liquidity and Capital Resources

Euronext's primary uses of funds are for capital expenditures, working capital, dividend payments, share repurchases under its share repurchase program and repayment or refinancing of debt. Euronext has historically met these requirements through a combination of cash generated by operating activities and short and long term debt. Euronext believes these sources of funds will continue to be adequate to meet its currently anticipated funds requirements.

In addition, in order to expand its business, Euronext may make other strategic acquisitions or enter into business combinations, joint ventures or other strategic partnership arrangements with other companies (including other securities exchanges). Any such transaction (particularly an acquisition or similar business combination) may involve the payment of consideration in the form of cash, shares or other securities, or a combination of both. Euronext has had, and expects to continue to have, discussions with numerous third parties regarding potential strategic alliances. As of the date hereof, Euronext has not entered into any definitive agreement for an acquisition or other business combination, other than as described herein.

Sources of Funds

Euronext's principal sources of liquidity are cash and cash equivalents on hand, short-term financial investments and cash flow from operating activities. At December 31, 2005, Euronext had cash and cash equivalents of €429.5 million and short-term financial instruments of €265.1 million; these amounts were respectively €547.1 million and €162.1 million at June 30, 2006. At June 30, 2006, Euronext did not have any assets classified as held for sale. Euronext generated positive cash flows from operating activities of €259.5 million in 2005 and €163.1 million in the six months to June 30, 2006.

Euronext believes that it is well positioned to access the bank lending and capital markets in the event it requires additional financing. Standard & Poor's and Moody's have assigned ratings of "AA" and "Aa2", respectively, to Euronext in July 2005. In 2004, Euronext issued £250 million of 5.125% fixed-rate bonds that mature on June 16, 2009. This issuance refinanced the syndicated bank loan that Euronext had contracted in 2001 to finance its acquisition of LIFFE. In 2006, Euronext obtained a 5-year multi-currency €300.0 million revolving credit facility for general corporate purposes, of which €70.0 million was drawn down on August 10, 2006. In addition, GL TRADE has an amortized bank facility maturing in June 2009 for an outstanding amount of €9 million as of June 30, 2006.

Uses of Funds

Capital Expenditures

Following the completion of the IT migration program and the transfer of LIFFE Market Solutions to AtosEuronext to form AEMS, Euronext's capital expenditures (which primarily related to software and equipment) decreased from €63.5 million in 2004 to €42.7 million in 2005. Capital expenditures in the first half of 2006 amounted to €17.4 million of which €10.3 million relate to software development. For the remainder of 2006, investments either in progress or with respect to which Euronext has made firm commitments amount to approximately €8 million.

Acquisitions

In 2005, Euronext used net cash of €66.8 million on acquisitions, €60.5 million of which related to the acquisition of MTS. The remaining €6.3 million related to the acquisitions of Cscreen and Oasis.

In the first half of 2006, Euronext acquired additional shares of MTS for €12.6 million in cash and CompanyNews Group S.A. for €5.5 million in cash, which purchases were funded using operating cash flows.

Dividends and Share Repurchase Programs

Euronext's has paid dividends in each year since its formation in 2000. In 2005, Euronext paid dividends of €66.4 million. At the annual general meeting held on May 23, 2006, Euronext's shareholders approved an ordinary dividend in respect of 2005 of €1 per share and a share capital repayment of €3 per share, amounting to €446 million in total, that were paid in June and August 2006, respectively.

Euronext used €219.4 million in cash to repurchase its shares in 2004.

Working Capital

Euronext's working capital requirements increased by €25.6 million in 2005, primarily due to an increase in the level of receivables, reflecting higher activity in the fourth quarter of 2005 including listing fees receivable in connection with major IPOs**.** At the end of 2005, Euronext had a working capital surplus of €133.7 million, equal to 1.7 months of revenues compared to 2.0 months in 2004. At June 30, 2006, the working capital surplus capital surplus was €123.2 million.

Debt and Minority Put Options

Euronext's financing policy is aimed at financing the growth of its business and ensuring that it is financially flexible while maintaining a strong balance sheet. Euronext's indebtedness structure mainly consists of (i) the June 2009 £250.0 million Bonds issued in 2004 to refinance the LIFFE acquisition indebtedness, (ii) an outstanding €12.0 million bank loan contracted by GL TRADE., and (iii) an August 2006 5-year multi-currency €300.0 million revolving credit facility for general corporate purposes, of which €70.0 million was drawn down on August 10, 2006. None of these loans contain any financial covenants or other provisions that could lead to early redemption, other than customary events of default and change of control provisions. The €300.0 million revolving credit facility permits a change of control of Euronext in certain circumstances (including the proposed combination). The credit agreement also contemplates that following such a change of control, Euronext may undertake certain steps by way of reorganization which will result in an affiliate of Euronext acceding to the credit agreement in place of Euronext. Such accession is subject to the prior consent of the majority lenders, such consent not to be unreasonably withheld or delayed if specified conditions are satisfied. A permitted change of control or reorganization will only trigger a mandatory prepayment if, after the change of control or reorganization, the long-term credit ratings assigned to Euronext by Standard & Poor's and Moody's are, respectively, below A- and below A3 or neither Standard & Poor's nor Moody's assigns a long-term credit rating to Euronext. Debt and other financial liabilities have slightly increased following the currency revaluation of the June 2009 £250.0 million Bonds at a higher sterling / euro rate and the recognition of written put options as described below.

Euronext has granted Borsa Italiana a put option on its 49.0% stake in MBE Holding. The option is exercisable at any time until 2010. As Euronext and Borsa Italiana jointly control MBE Holding, the put option is treated as a derivative financial instrument. The fair value of this option is determined as the difference between the estimated exercise price and 49.0% of the enterprise value determined on the basis of a discounted cash flow method. When the exercise price exceeds the enterprise value, a liability is recognized. At December 31, 2005, the estimated exercise price did not exceed the enterprise value, so no liability was recognized.

Euronext has also granted a put option to GL TRADE founders on up to 10.5% of GL TRADE share capital. The option can be exercised at any moment between February 10, 2006 and June 10, 2024. The exercise price has been set at the average market value of the previous 40 trading days, less 1 euro. The present value of the exercise price of the option (€35.2 million on June 30, 2006) is reflected as a non-current financial liability.

GL TRADE has granted put options to minority shareholders of the companies Glesia and GL TRADE America Inc., which GL TRADE controls. The present value of the exercise price of the options (€4.9 million and €1.0 million respectively) is reflected on the balance sheet as a financial liability under IFRS. Euronext and Borsa Italiana subscribed to 51.0% of the share capital of MTS on November 18, 2005. As a result of the pre-emptive rights and sale mechanism, MBE Holding committed to acquire an additional stake in the controlled MTS of 9.37%. The Euronext share in that commitment at December 31, 2005 (€12.7 million), which was settled in February 2006, was reflected as a financial liability on the balance sheet under IFRS.

At June 30, 2006, the outstanding amount of the bank loan contracted by GL TRADE decreased to €9.0 million following an annual amortization of €3.0 million in June 2006; the present value of the exercise price of the put options granted by GL TRADE to minority shareholders of Glesia and GL TRADE America Inc. amounted to €4.6 million and €1.0 million, respectively, and no liability was recognized regarding the put option granted to Borsa Italiana.

Contractual Obligations

Euronext has various contractual obligations arising from its operations. These obligations are more fully described in this document under various headings under "Management's Discussion and Analysis of Results of Operations and Financial Condition of Euronext" as well as in the notes to Euronext's consolidated financial statements. The following table lists the aggregate maturities of Euronext's long-term debt and operating leases at December 31, 2005:

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 years**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
Long-Term Debt Obligations (before interest)	386,002	8,845		377,157	
Operating Lease Obligations	24,296	11,613	3,051	226	9,406
Total	410,298	20,458	3,051	377,383	9,406

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The following table lists the aggregate maturities of Euronext's long-term debt and operating leases at June 30, 2006.

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 years**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
Long-Term Debt Obligations (before interest)	373,155	8,571	364,584		
Operating Lease Obligations	23,345	11,171	2,281	283	9,610
Total	396,500	19,742	366,865	283	9,610

Off Balance Sheet Arrangements

In July 2005, GL Trade acquired OASIS for $4 million. The acquisition price may be increased by up to $3 million until June 30, 2007, depending on the income growth recorded by this company.

In June 2006, Euronext, together with Atos Origin, granted an ordinary course unlimited parent guarantee to Atos Euronext Market Solutions in respect of payments related to a building lease in the. UK. Euronext estimates its total exposure under this guarantee at £11.5 million.

Critical Accounting Policies

In preparing its financial statements, Euronext makes estimates concerning a variety of matters. Some of these matters are highly uncertain, and Euronext's estimates involve judgments it makes based on the information available to it. The following discussion highlights Euronext's critical accounting policies and estimates. Euronext considers an accounting policy or estimate to be critical if it involves significant judgments and estimates on the part of Euronext's management and changes to those judgments or estimates could have a material impact on Euronext's financial presentation. The discussion below addresses only those estimates that Euronext considers most important based on the degree of uncertainty and the likelihood of a material impact if a different estimate were used. There are other areas in which Euronext uses estimates about uncertain matters, but for which the reasonably likely effect of changed or different estimates is not material to Euronext's financial presentation. For a summary of all of Euronext's significant accounting policies, see Note 1 to Euronext's consolidated financial statements.

Pension Plan Assumptions

Euronext recognizes its net obligation in respect of its defined benefit pension plans on the basis of an actuarial estimate of the future benefit that employees have earned as of the balance sheet date, net of the valuation of assets to meet these obligations. Euronext prepares this estimate on an annual basis taking into account different actuarial assumptions. Two critical assumptions used are the discount rate (equal to the yield at the balance sheet date on high quality fixed income instruments) on future benefits and the expected return on plan assets. Euronext evaluates these critical assumptions at least annually on a plan-specific and country-specific basis. Other assumptions relate to demographic factors, such as retirement age, life expectancy and staff turnover, which are periodically evaluated and updated to reflect Euronext's past experience and future expectations. Depending on the assumptions and estimates used, Euronext's pension benefit expense could vary within a range of outcomes and have a material effect on reported earnings.

Impairment testing

Rather than being amortized, goodwill is tested for impairment at least annually under IFRS, or more frequently when there is an indication of an impairment loss. Goodwill is tested at the level of cash-generating units, which correspond to Euronext businesses that generate independent cash flows. The impairment test is based on the relationship between the carrying amount of an asset and its recoverable amount, which is the higher of its sale price or value in use. Value in use is in turn based on the discounted future cash flows method. The determination of the underlying assumptions related to the recoverability of intangible assets is subjective, and therefore requires the exercise of considerable judgment by Euronext. Although Euronext performs sensitivity analyses on its main assumptions in order to strengthen the reliability of its impairment tests, changes in key assumptions about Euronext's business and prospects, or changes in market conditions, could result in future impairment charges.

Valuation of Available for Sale securities

Investments in Available for Sale securities are carried at fair value. The determination of such fair values is performed either by reference to quoted market prices when these are available or by using a valuation technique. Valuation techniques may encompass elements of discounted cash flow analysis, and therefore require the exercise of judgment by Euronext. Although Euronext performs sensitivity analyses on its main assumptions in order to strengthen the reliability of its calculations, changes in key assumptions could result in different fair values.

Share-based payments

In accordance with IFRS 2, the grant of stock options to employees for services rendered represents a supplementary benefit provided by Euronext. Under IFRS 2, Euronext estimates the fair value of these stock options at the grant date and records the value within shareholders' equity. Fair value is determined using a Black and Scholes option pricing model that takes into account the specific features of the stock option plan (net price, period of exercise, etc.), market data at the grant date (such as price, volatility, etc.) and behavioral assumptions relating to option holders. Different assumptions could result in material changes to the expense amounts recorded for these options.

Contingent liabilities

Euronext is involved in legal and arbitration proceedings in the ordinary course of its business. Euronext accrues a liability in its financial statements when an adverse outcome is probable and the amount of the loss can be reasonably estimated. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against Euronext often raise difficult and complex issues. In determining whether a loss should be accrued Euronext evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Assessing these matters inherently involves the exercise of significant management judgment. Changes in these factors or outcomes that are different from those Euronext expects to occur could materially impact Euronext's financial position or its results of operations.

Quantitative and Qualitative Disclosures About Market Risk

General

As a result of its operating and financing activities, Euronext is exposed to market risks such as changes in interest rates and currency exchange rates, as well as equity market risks. Euronext has implemented policies and procedures to measure, manage, monitor and report risk exposures within the group, which are regularly reviewed by the appropriate management and supervisory bodies (Risk Committee, Managing Board or Audit Committee, as appropriate).

Euronext's treasury and financing department is charged with identifying risk exposures and monitoring and managing such risks on a daily basis. Euronext's subsidiaries centralize their cash investments, report their risks and hedge their exposures with the group's central treasury and financing department as necessary in accordance with local law.

Euronext uses derivative instruments solely to hedge financial risks related to its financial positions or risks that are otherwise incurred in the normal course of its commercial activities. It does not use derivative instruments for speculative or trading purposes. Euronext's principal derivative instrument at December 31, 2005 was a fixed-to-floating rate swap entered into to hedge its fixed rate bonds issued in 2004.

The following table summarizes the composition of Euronext's financial assets and liabilities at December 31, 2005.

	Positions in euros		**Positions in pound sterling**	
Currency	**Floating rate (or fixed rate with maturity <1 year)**	**Fixed rate (with maturity >1 year)**	**Floating rate (or fixed rate with maturity <1 year)**	**Fixed rate (with maturity >1 year)**
	Type of rate and maturity (in thousands of euros)			
Financial assets	391,586		282,548	
Financial liabilities	12,273		5,652	368,157
Net position before hedging	379,313		276,896	(368,157)
Hedging impact			(368,157)(1)	368,157(1)
Net position after hedging	379,313		(91,261)	

(1) Fixed rate to floating rate swap hedging a fixed rate bond.

The following table summarizes the composition of Euronext's financial assets and liabilities at June 30, 2006.

	Positions in euros		**Positions in pound sterling**	
Currency	**Floating rate (or fixed rate with maturity < 1 year)**	**Fixed rate (with maturity > 1 year)**	**Floating rate (or fixed rate with maturity> 1 year)**	**Fixed rate (with maturity < 1 year)**
	Type of rate and maturity (In thousands of euros)			
Financial assets	373,071		316,436	
Financial liabilities	50,305		9,098	358,584
Net position before hedging	322,766		307,338	(358,584)
Hedging impact			(358,584)(*)	358,584(*)
Net position after hedging	322,766		(51,246)	

(*) Fixed rate to floating rate swap hedging the fixed rate bond.

Interest Rate Risk

Substantially all of Euronext's financial assets and liabilities are based on floating rates or on fixed rates that have been swapped to floating rates via fixed to floating rate swaps. As part of its hedging activities, Euronext enters into over-the-counter interest rate derivative instruments, such as swaps, with counterparties that meet minimum creditworthiness and rating standards. As reflected in the table above, Euronext has entered into a fixed-to-floating rate swap to hedge a £250 million fixed rate bond issuance denominated in sterling.

Because Euronext is a net lender at floating rate in euros, when interest rates on euro-denominated instruments decrease, Euronext's financing income is negatively impacted. Assuming constant levels of euro-denominated net financial assets at floating rate or at fixed rate with a maturity of less than one year, Euronext's annual financing income would decrease by €3.8 million for each 1% decrease in euro interest

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rates based on positions at December 31, 2005 (€3.2 million for each 1% decrease in euro interest rates based on positions at June 30, 2006).

Similarly, because Euronext is a net borrower at floating rate in sterling, when interest rates on sterling-denominated instruments increase, Euronext's financing expenses increase. Assuming constant levels of sterling-denominated net financial liabilities at floating rate or at fixed rate with a maturity of less than one year, Euronext's annual financing expense would increase by €0.9 million for each 1% increase in sterling interest rates based on positions at December 31, 2005 (€0.5 million for each 1% increase in sterling interest rates based on positions at June 30, 2006).

Currency risk

As a result of Euronext's acquisition of LIFFE, a significant part of Euronext's assets, liabilities, income and expenses of Euronext is recorded in pound sterling, exposing Euronext to a currency risk. When the euro increases in value against the pound sterling, for example, revenues denominated in pound sterling generate a reduced contribution to Euronext's consolidated revenues when translated into euros. Similarly, when the euro decreases in value against the pound sterling, the impact of expenses denominated in pounds sterling is greater when translated into euros. In 2005, 32.5% of Euronext's revenues and 30.3% of its expenses were denominated in pounds sterling.

At December 31, 2005, Euronext's net currency position was £284 million, consisting of £579 million in assets (including £291 million of goodwill and £164 million of cash, cash equivalents and short term financial investments) and £295 million in liabilities. The borrowings in pounds sterling, for an amount of £254 million, constitute a partial hedge of the net assets in pounds sterling. Currency exchange rate differences had a positive impact of €12.5 million on the group's consolidated equity in 2005. At December 31, 2005, based on the £284 million net currency position of the group, a hypothetical 10% increase in the euro/sterling exchange rate would have had a negative €37.7 million impact on shareholders equity.

On June 30, 2006, the Group's net currency position was £ 317 million, consisting of £ 624 million in assets (including £ 288 million goodwill) and £ 307 million in liabilities. The borrowings in pounds sterling, for an amount of £ 254 million, constitute a partial hedge of the net assets in pounds sterling. The currency exchange rate differences had a positive impact of €4.9 million on the Group's consolidated equity at June 30, 2006. At June 30, 2006, based on the £317 million net currency position of the group, a hypothetical 10% increase in the euro/sterling exchange rate would have had a negative €41.7 million impact on shareholders' equity.

Equity market risk

Euronext is exposed to equity market risk through its investment in shares of Atos Origin S.A., which were valued at €18.1 million as of December 31, 2005 (€16.6 million as of June 30, 2006). A decrease in the value of Atos Origin shares could lead to a financial loss for Euronext. This position is monitored and reported to senior management on a daily basis. At December 31, 2005, all else being equal, a hypothetical 10% decline in the market price of the shares of Atos Origin would have had a €1.8 million impact on the fair value of Euronext's investment in Atos Origin (€1.7 million based on the position at June 30, 2006).

Until the end of 2005, variations in the fair value of these shares were recorded in financing income (revaluation of asset at fair value through profit and loss) under IFRS and in equity (other comprehensive income) under U.S. GAAP. Following an amendment to IAS 39 that took effect on January 1, 2006 which limits the possibility of designating a financial asset or liability as one at fair value through profit and loss upon initial recognition, Euronext's equity investment in Atos Origin has been reclassified as an available-for-sale asset. Accordingly, variations in the fair value of these shares are now recognized in equity.

Summary of Material Differences between IFRS and U.S. GAAP

Euronext prepares its consolidated financial statements in accordance with IFRS as adopted by the European Union, which differ in certain significant respects from U.S. GAAP. The principal differences between IFRS and U.S. GAAP as they relate to Euronext are discussed in Note 3.14 to Euronext's consolidated financial statements as of and for the years ended December 31, 2005, 2004 and 2003 and in Note 11 to Euronext's unaudited interim condensed consolidated financial statements as of June 30, 2006 and for the six-month period ended June 30, 2006 and 2005. These notes include a reconciliation of net income and shareholders' equity under IFRS to net income and shareholders' equity under U.S. GAAP. The most significant items in reconciling Euronext's net income and shareholders' equity under IFRS and U.S. GAAP related to impairment and amortization of goodwill and intangible assets, recognition of admission fees and sale of software revenues, accounting for derivatives and hedging instruments, deferred tax related to business combinations and employee benefits and stock-based compensation. Further information on such differences and adjustments is set forth in the notes to Euronext's consolidated financial statements mentioned above.

Net income under U.S. GAAP amounted to €221.1 million for the year ended December 31, 2005, up from €173.9 million in 2004. This corresponds to a 27% increase in net income under U.S. GAAP, as compared to a 61% increase in net income under IFRS. This difference in trend is primarily related to the amortization of goodwill and intangible assets induced by previous business combinations. In 2004, the impact of differences generated by previous business combinations on net income under U.S. GAAP was €25.9 million higher than under IFRS, since goodwill continued to be amortized under IFRS (though not under U.S. GAAP). In 2005, the end of goodwill amortization under IFRS combined with the recording of amortization expenses under U.S. GAAP related to intangible assets had a negative €1.8 million effect from IFRS to U.S. GAAP.

Net income under U.S. GAAP amounted to €169.7 million for the six months ended June 30, 2006, compared with a €100.6 million for the six months ended June 30, 2005.

DESCRIPTION OF NYSE EURONEXT CAPITAL STOCK

The following summary is a description of the material terms of NYSE Euronext's capital stock as of the effective time of the combination and is not complete. You should also refer to (1) the form of NYSE Euronext certificate of incorporation that will be in effect as of the completion of the combination, which is included as Exhibits 3.1 to the registration statement of which this document forms a part, (2) the form of NYSE Euronext bylaws that will be in effect as of the completion of the combination, which is included as Exhibits 3.2 to the registration statement of which this document forms a part, and (3) the applicable provisions of the Delaware General Corporation Law.

Common Stock

As of the effective time of the combination, NYSE Euronext will be authorized to issue up to 800,000,000 shares of common stock. Immediately following the combination, NYSE Euronext expects there to be approximately [ ] shares of NYSE Euronext common stock outstanding.

Holders of NYSE Euronext common stock are entitled to receive dividends when, as and if declared by the NYSE Euronext board of directors out of funds legally available for payment, subject to the rights of holders, if any, of NYSE Euronext preferred stock.

Each holder of NYSE Euronext common stock is entitled to one vote per share. Subject to the rights, if any, of the holders of any series of preferred stock if and when issued and subject to applicable law, all voting rights are vested in the holders of shares of NYSE Euronext common stock.

In the event of a voluntary or involuntary liquidation, dissolution or winding up of NYSE Euronext, the holders of NYSE Euronext common stock will be entitled to share equally in any of the assets available for distribution after NYSE Euronext has paid in full all of its debts and after the holders of all outstanding series of NYSE Euronext preferred stock, if any, have received their liquidation preferences in full.

The issued and outstanding shares of NYSE Euronext common stock are fully paid and nonassessable. Holders of shares of NYSE Euronext common stock are not entitled to preemptive rights. Shares of NYSE Euronext common stock are not convertible into shares of any other class of capital stock.

Ownership and Voting Limits on NYSE Euronext Capital Stock

The NYSE Euronext certificate of incorporation will place certain ownership and voting limits on the holders of its capital stock. Specifically, under the NYSE Euronext certificate of incorporation:

- no person (either alone or together with its related persons (as defined below)) may beneficially own shares of stock of NYSE Euronext representing in the aggregate more than 20% of the total number of votes entitled to be cast on any matter; and

- no person (either alone or together with its related persons) may possess the right to vote or cause the voting of shares of stock of NYSE Euronext representing in the aggregate more than 10% of the total number of votes entitled to be cast on any matter, and no person (either alone or together with its related persons) may acquire the ability to vote more than 10% of the total number of votes entitled to be cast on any matter by virtue of agreements entered into by other persons not to vote shares of NYSE Euronext's outstanding capital stock.

The term "related persons" shall mean with respect to any person:

- any "affiliate" (as such term is defined in Rule 12b-2 under the Exchange Act) of such person;

- any other person(s) with which such first person has any agreement, arrangement or understanding (whether or not in writing) to act together for the purpose of acquiring, voting, holding or disposing of shares of the stock of NYSE Euronext;

in the case of a person that is a company, corporation or similar entity, any executive officer (as defined under Rule 3b-7 under the Exchange Act) or director of such person and, in the case of a person that is a partnership or a limited liability company, any general partner, managing member or manager of such person, as applicable;

in the case of a person that is a "member organization" (as defined in the rules of the NYSE, as such rules may be in effect from time to time), any "member" (as defined in the rules of the NYSE, as such rules may be in effect from time to time) that is associated with such person (as determined using the definition of "person associated with a member" as defined under Section 3(a)(21) of the Exchange Act);

in the case of a person that is an OTP Firm (as defined in the rules of NYSE Arca, Inc., as such rules may be in effect from time to time), any OTP Holder (as defined in the rules of NYSE Arca, Inc., as such rules may be in effect from time to time) that is associated with such person (as determined using the definition of "person associated with a member" as defined under Section 3(a)(21) of the Exchange Act);

in the case of a person that is a natural person, any relative or spouse of such natural person, or any relative of such spouse who has the same home as such natural person or who is a director or officer of NYSE Euronext or any of its parents or subsidiaries;

in the case of a person that is an executive officer (as defined under Rule 3b-7 under the Exchange Act), or a director of a company, corporation or similar entity, such company, corporation or entity, as applicable;

in the case of a person that is a general partner, managing member or manager of a partnership or limited liability company, such partnership or limited liability company, as applicable;

in the case of a person that is a "member" (as defined in the rules of the NYSE, as such rules may be in effect from time to time), the "member organization" (as defined in the rules of the NYSE, as such rules may be in effect from time to time) with which such person is associated (as determined using the definition of "person associated with a member" as defined under Section 3(a)(21) of the Exchange Act); and

in the case of a person that is an OTP Holder, the OTP Firm with which such person is associated (as determined using the definition of "person associated with a member" as defined under Section 3(a)(21) of the Exchange Act).

In the event that a person, either alone or together with its related persons, beneficially owns shares of stock of NYSE Euronext representing more than 20% of the total number of votes entitled to be cast on any matter, such person and its related persons shall be obligated to sell promptly, and NYSE Euronext shall be obligated to purchase promptly, at a price equal to the par value of such shares of stock and to the extent that funds are legally available for such purchase, that number of shares of stock of the NYSE Euronext necessary so that such person, together with its related persons, shall beneficially own shares of stock of NYSE Euronext representing in the aggregate no more than 20% of the total number of votes entitled to be cast on any matter, after taking into account that such repurchased shares shall become treasury shares and shall no longer be deemed to be outstanding.

In the event that a person, either alone or together with its related persons, possesses more than 10% of the total number of votes entitled to be cast on any matter (including if it possesses this voting power by virtue of agreements entered into by other persons not to vote shares of NYSE Euronext's capital stock), then such person, either alone or together with its related persons, will not be entitled to vote or cause the voting of these shares of NYSE Euronext capital stock to the extent that such shares represent in the aggregate more than 10% of the total number of votes entitled to be cast on any matter, and NYSE Euronext shall disregard any such votes purported to be cast in excess of this percentage.

The NYSE Euronext board of directors may waive the provisions regarding ownership and voting limits by a resolution expressly permitting this ownership or voting (which resolution must be filed with and approved by the SEC and all required European regulators prior to being effective), subject to a determination of the board that:

- the acquisition will not impair the ability of NYSE Euronext's regulated subsidiaries to discharge their respective responsibilities under the Exchange Act and the rules and regulations under the Exchange Act and is otherwise in the best interests of NYSE Euronext and its stockholders and its regulated subsidiaries;

- the acquisition will not impair the SEC's ability to enforce the Exchange Act or any European regulator's ability to enforce the European Exchange Act;

- neither the person obtaining the waiver nor any of its related persons is subject to any statutory disqualification (as defined in Section 3(a)(39) of the Exchange Act) if such person is seeking to obtain a waiver above the 20% level;

- for so long as NYSE Euronext directly or indirectly controls NYSE Arca, Inc., NYSE Arca Equities, Inc., or any facility of the NYSE Arca, Inc., neither the person obtaining the waiver nor any of its related persons is an ETP holder, an OTP holder or an OTP firm if such person is seeking to obtain a waiver above the 20% level; and

- for so long as NYSE Euronext directly or indirectly controls New York Stock Exchange LLC or NYSE Market, neither the person obtaining the waiver nor any of its related persons is a member or member organization of the New York Stock Exchange LLC if such person is seeking to obtain a waiver above the 20% level.

In making these determinations, the NYSE Euronext board of directors may impose conditions and restrictions on the relevant stockholder or its related persons that it deems necessary, appropriate or desirable in furtherance of the objectives of the Exchange Act, the European Exchange Act and the governance of NYSE Euronext.

These provisions of the NYSE Euronext certificate of incorporation could delay or deter a change of control of NYSE Euronext, which could adversely affect the price of NYSE Euronext common stock.

The NYSE Euronext certificate of incorporation also provides that the NYSE Euronext board of directors has the right to require any person and its related persons that the NYSE Euronext board of directors reasonably believes to be subject to the voting or ownership restrictions summarized above, and any stockholder (including related persons) that at any time beneficially owns 5% or more of NYSE Euronext's outstanding capital stock, to provide to NYSE Euronext, upon the board's request, complete information as to all shares of capital stock of NYSE Euronext that such stockholder beneficially owns, as well as any other information relating to the applicability to such stockholder of the voting and ownership requirements outlined above.

Transfer Restrictions on Certain Shares of NYSE Euronext Common Stock

NYSE Euronext's certificate of incorporation imposes transfer restrictions on the shares of its common stock that were issued in the merger of the NYSE and Archipelago in respect of the former NYSE memberships. These transfer restrictions are scheduled to be removed in three equal installments on the first, second and third anniversaries of the merger, which occurred on March 7, 2006. Prior to the removal of the transfer restrictions from any such share, neither any record owner nor any beneficial owner of such share may, directly or indirectly, assign, sell, transfer or otherwise dispose of such share, except pursuant to one of the following limited exceptions set forth in NYSE Euronext's certificate of incorporation:

- if the owner of such share is an entity (including a corporation, partnership, limited liability company or limited liability partnership), such owner may transfer the share to:
    - any person of which such owner directly or indirectly owns all of the common voting and equity interest;
    - any other entity if a person directly or indirectly owns all of the common voting and equity interest of both such owner and such other entity;
    - any person that directly owns all of the common voting and equity interest of such owner;
    - the equity holders of such owner upon a bona fide liquidation or dissolution of such owner; or
    - a trustee of the bankruptcy estate of such owner if such owner has become bankrupt or insolvent;
- if the owner of such share is a natural person, such owner may transfer the share to:
    - any family member of such owner (including such owner's spouse, domestic partner, children, stepchildren, grandchildren, parents, parents-in-law, grandparents, brothers, sisters, uncles, aunts, cousins, nephews and nieces);
    - any trust or foundation solely for the benefit of such owner and /or such owner's family members (which is referred to as a "qualified trust"); or
    - a trustee of the bankruptcy estate of such owner if such owner has become bankrupt or insolvent;
    - the owner may pledge or hypothecate, or grant a security interest in, such share, and may transfer such share as a result of any bona fide foreclosure resulting therefrom;
    - if the owner is a qualified trust, the owner may transfer the share to any beneficiary of such qualified trust (including a trust for the benefit of such beneficiary) or transfer the share in exchange for cash necessary to pay taxes, debts or other obligations payable by reason of the death of the grantor of such qualified trust or any one or more of such beneficiaries, in each case in accordance with the terms of the trust instrument, and;
    - if the owner is a fiduciary of the estate of a deceased person, and is holding such share on behalf of such estate, such owner may transfer such share to the beneficiaries of such estate or in exchange for cash necessary to pay taxes, debts or other obligations payable by reason of the death of the deceased person.

In addition, if all of the beneficial owners of a share of NYSE Euronext common stock die, the transfer restrictions will automatically be removed from such share.

NYSE Euronext's certificate of incorporation sets forth two additional rules with respect to the transfers described in the previous paragraph. First, any shares that are transferred pursuant to the bulleted exceptions in the prior paragraph will remain subject to the transfer restrictions and other terms of NYSE Euronext's certificate of incorporation. Second, any beneficial owner of shares of NYSE Euronext common stock who makes a transfer pursuant to the bulleted exceptions in the prior paragraph must transfer shares of common stock that expire on the first, second and third year anniversary of the completion of the merger in the same proportion as the beneficial owner held such shares prior to the transfer. As a result, the proportion of a beneficial owner's shares of common stock that are subject to transfer restrictions expiring on the first, second and third anniversary of the completion of the merger will be the same after any of the transfers described in the previous paragraph as it was before such transfer.

In addition, each of (1) General Atlantic Partners 77, L.P., GAP-W Holdings, L.P., GapStar LLC, GAP Coinvestment Partners II, L.P., and GAPCO GMBH & CO. KG, (2) GS Archipelago Investment, L.L.C., SLK-Hull Derivatives LLC and Goldman Sachs Execution and Clearing, L.P. (which are referred to collectively as the "Goldman Sachs Affiliates"), and (3) GSP, LLC, an entity in which Gerald D. Putnam, NYSE Group, has a controlling interest, have entered into separate support and lock-up agreements, pursuant to which they have agreed not to transfer their shares of NYSE Group common stock that they received in the NYSE-Archipelago merger for a certain period of time. This transfer restriction will apply equally to shares of NYSE Euronext common stock received in the merger by holders of these restricted shares. The transfer restrictions applicable to General Atlantic and the Goldman Sachs Affiliates are scheduled to expire in three equal installments on the first, second and third anniversaries of the merger. The transfer restrictions applicable to GSP, LLC are scheduled to expire on the first anniversary of the merger.

NYSE Euronext's board of directors may, in its discretion, remove the transfer restrictions applicable to any number of NYSE Euronext common stock on terms and conditions and in ratios and numbers that it may fix in its sole discretion. However, if any transfer restrictions are removed from shares of NYSE Euronext common stock held by General Atlantic, the Goldman Sachs Affiliates or GSP that are subject to lock-up agreements with NYSE Group, the same transfer restrictions will be removed from an equivalent percentage of all other shares of NYSE Euronext common stock that are otherwise subject to the transfer restrictions, including shares of NYSE Euronext common stock held by the former NYSE members.

NYSE Euronext's board of directors intends that, as market conditions permit, it will provide holders of the Year 1 Shares, Year 2 Shares and/or Year 3 Shares with opportunities, from time to time, to sell these shares pursuant to additional registered offerings. NYSE Euronext's board of directors will remove the transfer restrictions from the shares of NYSE Euronext common stock that are sold in these offerings. NYSE Euronext's board of directors expects to determine whether to conduct any future offerings, the number of such offerings (if any), the maximum number of shares of NYSE Euronext common stock eligible to be sold in any offering, and the timing of these offerings based upon its view at the time of the market's ability to absorb the newly unrestricted shares to be sold in the offering without an adverse impact on the market price of shares of NYSE Euronext common stock. However, the future sale of the Year 1 Shares, Year 2 Shares and Year 3 Shares could adversely affect the prevailing market price of NYSE Euronext common stock and its ability to raise equity capital in the future.

The following table sets out the timetable for the automatic expiration of the transfer restrictions applicable to the shares described above (including the shares of the General Atlantic Entities, Goldman Sachs Affiliates and GSP).

Date of Currently Scheduled Removal of Transfer Restrictions	**Number of Shares for Which Transfer Restrictions Will Be Removed**
March 7, 2007	22,558,925
March 7, 2008	33,943,089
March 7, 2009	41,771,830
Total	98,273,844

U.S. Federal Income Tax Considerations for Non-U.S. Holders of NYSE Euronext Common Stock

The following is a general discussion of material U.S. federal income and estate tax considerations with respect to the ownership and disposition of NYSE Euronext common stock applicable to non-U.S. holders. This discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, existing and proposed U.S. Treasury regulations thereunder, and administrative rulings and court decisions in effect as of the date hereof, all of which are subject to change at any time, possibly with retroactive effect.

For the purposes of this discussion, the term "non-U.S. holder" means a beneficial owner of NYSE Euronext common stock other than:

- a citizen or resident of the United States;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in the United States or under the laws of the United States or of any state;
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares of NYSE Euronext common stock, the tax treatment of a person treated as a partner generally will depend on the status of the partner and the activities of the partnership. Persons that for U.S. federal income tax purposes are treated as a partner in a partnership holding shares of NYSE Euronext common stock should consult their tax advisors.

It is assumed in this discussion that a non-U.S. holder holds shares of NYSE Euronext common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code (generally, property held for investment). This discussion does not address all aspects of U.S. federal income taxation that may be important to a non-U.S. holder in light of that non-U.S. holder's particular circumstances or that may be applicable to holders subject to special treatment under U.S. federal income tax law (including, for example, financial institutions, dealers in securities, traders in securities that elect mark-to-market treatment, insurance companies, tax-exempt entities, holders who acquired NYSE Euronext common stock pursuant to the exercise of employee stock options or otherwise as compensation, entities or arrangements treated as partnerships for U.S. federal income tax purposes, holders liable for the alternative minimum tax, and holders who hold their NYSE Euronext common stock as part of a hedge, straddle, constructive sale or conversion transaction). In addition, except to the extent provided below, this discussion does not address U.S. federal tax laws other than those pertaining to the U.S. federal income tax, nor does it address any aspects of U.S. state, local or non-U.S. taxes. Accordingly, prospective investors are urged to consult with their own tax advisors regarding the U.S. federal, state, local, non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of NYSE Euronext common stock.

THIS SUMMARY IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO CONSTITUTE A COMPLETE DESCRIPTION OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP AND DISPOSITION OF NYSE EURONEXT COMMON STOCK. HOLDERS OF NYSE EURONEXT COMMON STOCK ARE URGED TO CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY STATE, LOCAL, NON-U.S. INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF NYSE EURONEXT COMMON STOCK.

Dividends

In general, dividends, if any, paid by NYSE Euronext to a non-U.S. holder will be subject to U.S. withholding tax at a rate of 30% of the gross amount (or a reduced rate prescribed by an applicable income tax treaty) unless the dividends are effectively connected with a trade or business carried on by the non-U.S. holder within the United States and, if an income tax treaty applies, are attributable to a permanent establishment of the non-U.S. holder within the United States. Dividends effectively connected with this U.S. trade or business, and, if an income tax treaty applies, attributable to such a permanent establishment of a non-U.S. holder, generally will not be subject to U.S. withholding tax if the non-U.S.

holder files certain forms, including Internal Revenue Service Form W-8ECI (or any successor form), with the payor of the dividend, and generally will be subject to U.S. federal income tax on a net income basis, in the same manner as if the non-U.S. holder were a resident of the United States. A non-U.S. holder that is a corporation may be subject to an additional "branch profits tax" at a rate of 30% (or a reduced rate as may be specified by an applicable income tax treaty) on the repatriation from the United States of its "effectively connected earnings and profits," subject to certain adjustments. Under applicable U.S. Treasury regulations, a non-U.S. holder (including, in certain cases of non-U.S. holders that are entities, the owner or owners of these entities) is required to satisfy certain certification requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty.

Gain on Sale or Other Disposition of NYSE Euronext Common Stock

In general, a non-U.S. holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other disposition of the holder's NYSE Euronext common stock unless:

- the gain is effectively connected with a trade or business carried on by the non-U.S. holder within the United States (in which case the branch profits tax discussed above may also apply if the non-U.S. holder is a corporation) and, if required by an applicable income tax treaty as a condition to subjecting a non U.S. holder to U.S. federal income tax on a net basis, the gain is attributable to a permanent establishment of the non-U.S. holder maintained in the United States;

- the non-U.S. holder is an individual and is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied; or

- NYSE Euronext is or has been a U.S. real property holding corporation (a "USRPHC") for U.S. federal income tax purposes (which NYSE Euronext does not believe that it has been, currently is, or will become) at any time within the shorter of the five-year period preceding the disposition and the non-U.S. holder's holding period. If NYSE Euronext were or were to become a USRPHC at any time during this period, generally gains realized upon a disposition of shares of NYSE Euronext common stock by a non-U.S. holder that did not directly or indirectly own more than 5% of NYSE Euronext common stock during this period would not be subject to U.S. federal income tax, provided that NYSE Euronext common stock is "regularly traded on an established securities market" (within the meaning of Section 897(c)(3) of the Internal Revenue Code). NYSE Euronext believes that its common stock will be treated as regularly traded on an established securities market during any period in which it is listed on the NYSE.

U.S. Federal Estate Tax

NYSE Euronext common stock owned or treated as owned by an individual who is not a citizen or resident (as defined for U.S. federal estate tax purposes) of the United States at the time of death will be includible in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

Backup Withholding, Information Reporting and Other Reporting Requirements

Generally, NYSE Euronext must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to, and the tax withheld with respect to, each non-U.S. holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the non-U.S. holder resides or is established.

U.S. backup withholding tax (currently at a rate of 28%) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Dividends paid to a non-U.S. holder of NYSE Euronext common stock generally will be exempt from backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption.

Under U.S. Treasury regulations, the payment of proceeds from the disposition of NYSE Euronext common stock by a non-U.S. holder effected at a U.S. office of a broker generally will be subject to information reporting and backup withholding, unless the beneficial owner, under penalties of perjury, certifies, among other things, its status as a non-U.S. holder or otherwise establishes an exemption. The payment of proceeds from the disposition of NYSE Euronext common stock by a non-U.S. holder effected at a non-U.S. office of a broker generally will not be subject to backup withholding and information reporting, except as noted below. In the case of proceeds from a disposition of NYSE Euronext common stock by a non-U.S. holder effected at a non-U.S. office of a broker that is:

- a U.S. person;
- a "controlled foreign corporation" for U.S. federal income tax purposes;
- a foreign person 50% or more of whose gross income from certain periods is effectively connected with a U.S. trade or business; or
- a foreign partnership if at any time during its tax year (a) one or more of its partners are U.S. persons who, in the aggregate, hold more than 50% of the income or capital interests of the partnership or (b) the foreign partnership is engaged in a U.S. trade or business;

information reporting will apply unless the broker has documentary evidence in its files that the owner is a non-U.S. holder and certain other conditions are satisfied, or the beneficial owner otherwise establishes an exemption (and the broker has no knowledge or reason to know to the contrary). Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the Internal Revenue Service in a timely manner.

COMPARISON OF SHAREHOLDER RIGHTS PRIOR TO AND AFTER THE COMBINATION

This section describes the material differences between the rights of holders of NYSE Group common stock and holders of Euronext shares before the combination, on the one hand, and the rights of holders of NYSE Euronext common stock after the combination, on the other hand. Because both NYSE Group and NYSE Euronext are Delaware corporations, the differences between the rights of holders of NYSE Group common stock prior to the combination and the rights of holders of NYSE Euronext common stock after the combination primarily result from the differences between the governing documents of NYSE Group and NYSE Euronext.

This section does not include a complete description of all differences between the rights of these respective shareholders, nor does it include a complete description of their specific rights. Furthermore, the identification of some of the differences of these rights as material is not intended to indicate that other differences that may be equally important do not exist. All NYSE Group stockholders and Euronext shareholders are urged to carefully read the relevant provisions of the Delaware General Corporation Law, the Dutch Civil Code (*Burgerlijk Wetboek*), the NYSE Group certificate of incorporation and bylaws, the Euronext articles of association and the form of NYSE Euronext certificate of incorporation and bylaws that will be in effect upon completion of the combination (which forms are included as Exhibits 3.1 and 3.2, respectively, to the registration statement of which this document forms a part).

In considering the terms of the NYSE Euronext certificate of incorporation and bylaws, NYSE Group and Euronext considered the unique role to be played by NYSE Euronext and its subsidiaries as operators of regulated markets in the United States and Europe and, in the case of NYSE Group, as the parent company of U.S. self-regulatory organizations and the independence and public interest criteria embodied in its director selection criteria, as well as pronouncements from the SEC and the European regulators, including the SEC's proposed Regulation SRO.

Copies of the NYSE Group certificate of incorporation and bylaws and the Euronext articles of association are available to NYSE Group stockholders and Euronext shareholders, respectively, upon request. See "Where You Can Find More Information." You are encouraged to obtain and read these documents.

NYSE Group Shareholders	Euronext Shareholders	NYSE Euronext Shareholders
	Authorized Equity Interests	
Common Stock. NYSE Group is authorized to issue up to 400,000,000 shares of NYSE Group common stock, with a par value of $0.01 per share. Currently, there are approximately 156,118,000 shares of NYSE Group common stock outstanding. *Preferred Stock.* NYSE Group is authorized to issue up to 200,000,000 shares of preferred stock, with a par value of $0.01 per share. Currently, no shares of NYSE Group preferred stock are outstanding.	*Ordinary Shares.* Euronext is authorized to issue up to 200,000,000 ordinary shares, with a par value of €6 per share. Currently, there are 112,557,259 Euronext ordinary shares outstanding. *Preferred Shares.* Euronext has no preferred shares.	*Common Stock.* NYSE Euronext is authorized to issue up to 800,000,000 shares of NYSE Euronext common stock, with a par value of $0.01 per share. Immediately following the effective time of the combination, NYSE Euronext expects there to be approximately [ ] shares of NYSE Euronext common stock outstanding. *Preferred Stock.* NYSE Euronext is authorized to issue up to 400,000,000 shares of preferred stock, with a par value of $0.01 per share. NYSE Euronext expects that no shares

		of preferred stock will be outstanding immediately following the effective time of the combination.
	Dividends/Distributions	
Holders of NYSE Group common stock are entitled to receive dividends when, as and if declared by the NYSE Group board of directors out of funds legally available for payment, subject to the rights of holders, if any, of NYSE Group preferred stock. Holders of NYSE Group common stock are entitled to share *pro rata* in the assets of NYSE Group upon dissolution after provision has been made for all claims against, and obligations of, NYSE Group.	Distributions to Euronext's shareholders are permitted only if and to the extent that, following the distribution, Euronext's unconsolidated shareholders' equity (*eigen vermogen*) remains greater than or equal to the sum of paid-in (and called) share capital and (non-consolidated) undistributable reserves (which Dutch law requires Euronext to maintain). Subject to approval of the Euronext supervisory board, the Euronext managing board may propose that distributable profits shall be retained or distributed to Euronext shareholders. At Euronext's annual general meeting of shareholders (or at an extraordinary meeting of shareholders), the shareholders approve or reject the Euronext managing board's proposal. For calculation of the profits available for distribution, shares held by Euronext in its own capital shall not count. Subject to the approval of the Euronext supervisory board, the Euronext managing board can distribute an interim dividend to shareholders, provided Euronext has distributable profits in accordance with the requirements described above. To evidence the availability of distributable profits, the Euronext managing board must prepare an interim statement of assets and liabilities.	Same as for NYSE Group.

	Subject to the approval of the Euronext supervisory board and the general meeting of shareholders, the Euronext managing board may determine that the distribution shall not be in cash but in the form of a stock dividend or an option to receive cash or a stock dividend.	
	Annual Meeting of Shareholders	
Under the Delaware General Corporation Law, an annual meeting of shareholders must be held for the election of directors on a date and at a time designated by or in the manner provided in the corporation's bylaws. Any other proper business may be transacted at the annual meeting. Under the NYSE Group bylaws, annual meetings of shareholders are held for the election of directors at any date, time and place as may be designated by the NYSE Group board of directors from time to time. Under the NYSE Group bylaws, notice of the place, day and hour of the meeting and the general nature of the business to be considered must be provided to each shareholder not less than 10 days and not more than 60 days before the meeting date.	Under Dutch law, the annual general meeting should be held no later than six months after the end of the fiscal year. Pursuant to the Euronext articles of association, general meetings of shareholders are held in Amsterdam, the Netherlands. Under the Euronext articles of association, the notice convening a general meeting of shareholders must be given no later than the 15th day prior to the day of the meeting. The notice must be accompanied by the agenda for the meeting or must state that the agenda can be obtained at the offices of Euronext. Unless a resolution is passed unanimously at a meeting in which the entire issued capital is represented, no valid resolutions can be adopted at a general meeting of shareholders in respect of items that are not included on the agenda in the notice convening the meeting or which have not been published in the same manner with due observance of the period set for giving notice of the meeting. See also "Comparison of Shareholder Rights Prior to and After the Combination Shareholder Proposals" below.	Same as for NYSE Group.

Special Meeting of Shareholders

Special meetings of stockholders may be called at any time by, and only by, the chairman of the board of directors, the chief executive officer or by resolution of a majority of the NYSE Group board of directors.	Extraordinary general meetings of shareholders may be held whenever the managing board or the supervisory board of Euronext deems it desirable. In addition, Euronext shareholders representing at least one-tenth of the outstanding share capital of Euronext may request the Euronext managing board and the supervisory board to convene an extraordinary general meeting of shareholders. If neither of these boards takes appropriate action to hold such meeting within a period of six weeks after the request is made, such shareholder can address a court to be authorized to convene an extraordinary meeting.	Special meetings of stockholders may be called at any time by, and only by, the chairman of the board, of directors, the deputy chairman of the board of directors, the chief executive officer, the deputy chief executive officer or by resolution of a majority of the NYSE Euronext board of directors.

Voting Rights General

Each outstanding share of NYSE Group common stock entitles its holder to one vote per share. Shares of NYSE Group common stock held by NYSE Group are counted as treasury shares and are therefore not treated as outstanding. Subject to the rights, if any, of the holders of any series of preferred stock outstanding and subject to applicable law, all voting rights are vested in the holders of shares of NYSE Group common stock. There are no cumulative voting rights. There are certain limitations on voting if a person (either alone or together with their related persons) owns above a certain	Each outstanding Euronext share entitles its holder to one vote. However, Euronext may not exercise the voting rights for any Euronext shares held by it or any of its subsidiaries at any meeting of shareholders. All shareholder resolutions are adopted by an absolute majority of the votes cast, unless the Euronext articles of association or Dutch law prescribe otherwise. The validity of shareholder decisions is not dependent on a quorum, unless Dutch law or the Euronext articles of association provide otherwise. The Euronext articles of association and/or Dutch law require, under certain circumstances, a qualified	Same as for NYSE Group.

percentage of the outstanding equity of NYSE Group. See "Comparison of Shareholder Rights Prior to and After the Combination Limitations on Voting Concentration."	majority for, among others, the following types of corporate actions: restricting or excluding preemptive rights; appointing members of the managing board or supervisory board in the event and to the extent the appointment does not occur pursuant to and in accordance with a proposal of the supervisory board; suspending or dismissing members of the managing board or the supervisory board in the event and to the extent the suspension or dismissal does not occur pursuant to and in accordance with a proposal thereto of the supervisory board; and a statutory merger or legal demerger (as discussed below). In addition, certain types of corporate action can only be taken upon the initiative of the managing board and/or the supervisory board.	
	Approval of Extraordinary Transactions	
Any merger, consolidation or sale of substantially all of the assets of a corporation must be approved by a resolution adopted by a majority of the directors and approved by a vote of a majority of the outstanding shares entitled to vote thereon.	Under Dutch law, Euronext requires the prior approval of the general meeting of shareholders before entering into (1) a statutory merger (*juridische fusie*) whereby Euronext acts as the acquiring legal entity, or (2) a legal demerger (*juridische splitsing*). Specifically, a merger or demerger requires the approval of at least a majority of the	Same as for NYSE Group, except that the following extraordinary transactions require approval of two-thirds of the directors then in office (instead of a majority of the directors then in office): the direct or indirect acquisition, sale or disposition by NYSE Euronext or any of its subsidiaries of assets or

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votes cast or, if less than one-half of the outstanding share capital is represented at the meeting at which the vote is taken, the approval of at least two-thirds of the votes cast.

In addition, pursuant to the Euronext articles of association and Dutch law, decisions of the Euronext managing board involving a significant change in the identity or character of Euronext are subject to the approval of the general meeting of shareholders. Such decisions include:

- the transfer of all or substantially all of Euronext's business to a third party;
- the entry into or termination a longstanding joint venture of Euronext or of any of Euronext's subsidiaries with another legal entity or company, or as a fully liable partner in a limited partnership or a general partnership if such joint venture or termination of such joint venture is of major significance; and
- the acquisition or disposal, by Euronext or any of Euronext's subsidiaries, of a participating interest in the capital of a company valued at one-third or more of Euronext's assets according to Euronext's most recently adopted consolidated balance sheet.

A resolution of the general meeting of shareholders to resolve upon a "significant transaction" as described above, requires a majority of the votes

equity securities where the consideration received in respect of such assets or equity securities has a fair market value, measured as of the date of the execution of the definitive agreement providing for such acquisition, sale or disposition (or, if no definitive agreement is executed for such acquisition, sale or disposition, the date of the consummation of such acquisition, sale or disposition), in excess of 30% of the aggregate equity

market of capitalization of NYSE Euronext as of such date;

a merger or consolidation of NYSE Euronext or any of its subsidiaries with any entity with an aggregate equity market capitalization (or, if such entity's equity securities shall not be traded on a national securities exchange, with a fair market value of assets), measured as of the date of the execution of the definitive agreement providing for such merger or
consolidation (or, if no definitive agreement is executed for such merger or consolidation, the date of the consummation of such merger or consolidation), in excess of 30% of the aggregate equity market capitalization of NYSE Euronext as of such date; or

any direct or indirect acquisition by NYSE Euronext or any of its subsidiaries of assets or equity securities of an entity

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	cast, without a quorum requirement. Furthermore, the Euronext articles of association provide that managing board resolutions related to certain matters (e.g., issuing and acquiring Euronext shares, entering into joint ventures or dissolving the company) must be approved by the supervisory board.	whose principal place of business is outside of the United States and Europe, or any merger or consolidation of NYSE Euronext or any of its subsidiaries with an entity whose principal place of business is outside of the United States and Europe, pursuant to which NYSE Euronext has agreed that one or more directors of the NYSE Euronext board of directors shall be a person who is neither a U.S. domiciliary nor a European domiciliary as of the most recent election of directors.
Limitations on Ownership Concentration		
The NYSE Group certificate of incorporation provides that no person, either alone or with its related persons (as that term is defined in the NYSE Group certificate of incorporation) may beneficially own shares of stock of NYSE Group representing, in the aggregate, more than 20% of the total number of votes entitled to be cast on any matter unless otherwise approved by the NYSE Group board of directors (in accordance with the requirements of the NYSE Group certificate of incorporation) and the SEC.	Section 26a of the Dutch Act on the Supervision of the Securities Trade (*Wet toezicht effectenverkeer 1995*) requires a declaration of no objection of the Dutch Minister of Finance of any acquisition or holding of a direct or indirect interest of more than 10% of the outstanding capital or voting rights in Euronext. Such declaration should be granted unless the acquisition harms or could harm the proper functioning of the securities market or investor interests on such securities market or the acquisition hinders or could hinder the proper monitoring of compliance of Euronext with regulatory rules. Similar restrictions also apply to indirect ownership of qualifying interests or specific percentages of voting rights in certain regulated subsidiaries of Euronext.	Same as for NYSE Group, except that any waiver of the ownership concentration limitation must also be approved, to the extent required, by each European regulator having appropriate jurisdiction and authority.

NYSE Group Shareholders	Euronext Shareholders	NYSE Euronext Shareholders
	Limitations on Voting Concentration	
The NYSE Group certificate of incorporation provides that no person, either alone or with its related persons, may possess the right to vote or cause the voting of shares representing more than 10%, in the aggregate, of the total number of votes entitled to be cast on any matter, and no person, either alone or with its related persons, may acquire the ability to vote more than 10% of the aggregate number of votes being cast on any matter by virtue of agreements entered into by other persons not to vote shares of NYSE Group capital stock. The NYSE Group board of directors may waive the limitations on voting concentration under certain conditions with the approval of the SEC.	Section 26a of the Dutch 1995 Act on the Supervision of Securities Trade (*Wet toezicht effectenverkeer 1995*) requires declaration of no objection of the Dutch Minister of Finance of any acquisition or holding of a direct or indirect interest of more than 10% of the outstanding capital or voting rights in Euronext. Such declaration should be granted unless the acquisition harms or could harm the proper functioning of the securities market or investor interests on such securities market or the acquisition hinders or could hinder the proper monitoring of compliance of Euronext with regulatory rules. Similar restrictions would also apply to indirect ownership of qualifying interests or specific percentages of voting rights in certain regulated subsidiaries of Euronext (See European Regulation, page [ ]).	Same as for NYSE Group, except that any waiver of the voting concentration limitation must also be approved, to the extent required, by each European regulator having appropriate jurisdiction and authority.
	Transfer Restrictions	
The NYSE Group common stock issued in respect of NYSE memberships in the merger of the NYSE and Archipelago are subject to transfer restrictions. The transfer restrictions were set to expire in three equal installments on each of March 7, 2007, 2008 and 2009. The NYSE Group board of directors, however, has the right to remove these transfer restrictions, in whole or in part, at an earlier date. On May 10, 2006, NYSE Group completed a selling shareholder offering of 28.75 million shares of common stock at $61.50 per	Euronext has not imposed any transfer restrictions on Euronext shares.	Shares of NYSE Euronext common stock issued to NYSE Group stockholders in the merger will be subject to the same transfer restrictions, if any, that they were prior to the merger. Shares of NYSE Euronext common stock issued to the Euronext shareholders in the exchange offer will not be subject to transfer restrictions. For more information, see "Description of NYSE Euronext Capital Stock Transfer Restrictions on Certain Shares of NYSE Euronext Common Stock."

share, for which NYSE Group received no proceeds. Most of the NYSE Group common stock sold in this offering were shares of NYSE Group common stock that were formerly subject to the transfer restrictions (which the NYSE Group board of directors removed in connection with the offering). If the NYSE Group board of directors releases from the lock-up any of the NYSE Group common stock that General Atlantic or Goldman Sachs Group received in respect of their Archipelago common stock in the NYSE-Archipelago merger, the transfer restrictions will automatically be removed from a proportionate number of shares of NYSE Group common stock held by the former NYSE members. For more information, see "Description of NYSE Euronext Capital Stock Transfer Restrictions on Certain Shares of NYSE Euronext Common Stock."		
	Shareholder Proposals	
The proposal of business to be considered by the shareholders may be made by any shareholder of NYSE Group by giving notice to the Secretary of NYSE Group within a certain period. Such business must also be a proper matter for shareholder action.	No later than the 50th day before the day of a meeting of shareholders, shareholders who represent at least 1% of the outstanding share capital of Euronext or represent Euronext shares with a listed value exceeding €50,000,000 may request the Euronext managing board in writing to include their proposals in the notice convening the general meeting of shareholders, provided that doing so does not conflict with any significant corporate interest of Euronext.	Same as for NYSE Group.

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NYSE Group Shareholders	Euronext Shareholders	NYSE Euronext Shareholders
	Governance	
Subject to the rights of the holders of any series of preferred stock to elect additional directors under specified circumstances, the exact number of NYSE Group directors will be fixed from time to time by the NYSE Group board of directors pursuant to a resolution adopted by a majority of the board. Each director holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal.	The Euronext articles of association provide that Euronext is managed by managing board, consisting of one or members. The number of members is determined by the supervisory board. There are currently five members of the managing board. A member of the managing board is appointed for a period of no more than four years and re-appointment may occur for no more than four years per term. The policy of the managing board and the general course of affairs of Euronext are supervised by the supervisory board. The supervisory board advises the managing board. In discharging its duties, the supervisory board shall be guided by the interests of Euronext and its business. It takes into account the relevant interests of all the stakeholders involved in Euronext (including Euronext's shareholders). The number of members on the Euronext supervisory board is determined by the supervisory board provided that it shall consist of at least three and no more than twelve members. There are currently nine supervisory board members. A supervisory board member is appointed for a period of four years and a supervisory board member may be in office for a maximum of three four-year periods.	The number of NYSE Euronext directors immediately following the effective time of the combination will be 20 and may thereafter be changed and fixed from time to time by the NYSE Group board of directors pursuant to a resolution adopted by two-thirds of the directors then in office. In any election of directors, the nominees who shall be elected to the board of directors are the nominees who receive the highest number of votes such that, immediately after the election: European domiciliaries (*i.e.*, those who, on the date of their election and for the 12 months ending on such date, were domiciled in a country in Europe) constitute the largest number of directors that still constitute a minority of the total number of directors on the NYSE Euronext board of directors; and U.S. domiciliaries (*i.e.*, those who, on the date of their election and for the 12 months ending on such date, were domiciled in the United States) as of such election constitute a majority of the directors then in office. Each director holds office until his or her successor is elected and qualified or until his or her earlier resignation or removal. Under the NYSE Euronext bylaws, either (1) the chairman of the board of directors shall be a U.S. domiciliary and the chief executive officer shall be a

		European domiciliary, in each case, as of the most recent election of directors, or (2) the chairman of the board of directors shall be a European domiciliary and the chief executive officer shall be a U.S. domiciliary, in each case, as of the most recent election of directors. The foregoing governance provisions may only be changed by a vote of at least two-thirds of the directors then in office or 80% or more of the votes entitled to be cast by the holders of the then-outstanding NYSE Euronext shares.
	Nomination and Appointment of Directors	
Directors are elected by the shareholders at each annual meeting of shareholders. Directors are elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. The nomination of a director for election may be made by any shareholder of NYSE Group by giving notice to the Secretary of NYSE Group within a certain period. Any vacancy on the board of directors may be filled only by a majority vote of the remaining directors then in office.	Members of the managing board and the supervisory board are appointed by the general meeting of shareholders. Managing board nominees and supervisory board nominees who are proposed by the supervisory board are appointed by a majority of the votes validly cast. Managing board nominees and supervisory board nominees who are not proposed by the supervisory board must be approved by at least two-thirds of the votes validly cast and representing more than one-third of the outstanding capital.	Same as for NYSE Group except that any notice given to the Secretary of NYSE Euronext purporting to nominate one or more directors must include the documentation necessary to determine whether the nominee is a U.S. domiciliary or a European domiciliary as defined in the bylaws of NYSE Euronext. Vacancies created by the death, retirement, resignation, disqualification or removal from office of a U.S. domiciliary or a European domiciliary must be filled by a U.S. domiciliary or a European domiciliary, respectively. Vacancies created by an increase in the number of directors between annual meetings shall be filled by a European domiciliary (if required in order for European domiciliaries to represent the largest number of directors that can still constitute a minority of the total number

		of directors on the board of directors) or otherwise by a U.S. domiciliary.
	Removal of Directors	
Subject to the rights of holders of any series of preferred stock with respect to directors elected solely by such holders, any director may be removed, with or without cause, by the holders of a majority of the voting power of the shares then entitled to vote at an election of directors. Under Section 19(h)(4) of the Exchange Act, the SEC has the power to remove the director of a U.S. self-regulatory organization from office under certain circumstances.	The general meeting of shareholders is entitled to suspend or dismiss a member of the managing board or the supervisory board at any time. A resolution to suspend or dismiss a member of the managing board or supervisory board must be approved by a two-thirds majority of votes validly cast and representing more than one-third of the outstanding capital. However, if the suspension or dismissal is proposed by the supervisory board, then the resolution may be adopted by a majority of the votes validly cast. The supervisory board is also entitled to suspend a member of the managing board.	Same as for NYSE Group.
	Amendments to Certificate of Incorporation and Articles of Association	
Under the Delaware General Corporation Law, a corporation may amend its certificate of incorporation upon the submission of a proposed amendment to shareholders by the board of directors and the subsequent receipt of the affirmative vote of a majority of its outstanding voting shares and the affirmative vote of a majority of the outstanding shares of each class entitled to vote thereon as a class. The NYSE Group certificate of incorporation provides that NYSE Group reserves the right from time to time to amend or repeal any provision of the NYSE Group certificate of incorporation and that all rights conferred thereby are granted	Under the Euronext articles of association, the general meeting of shareholders may pass a resolution for an amendment to the Euronext articles of association with a majority of the votes cast, at the proposal of the managing board, subject to the approval of the supervisory board. Any such proposal is subject to the prior approval of the Dutch Minister of Finance in the context of the exchange license granted to Euronext and Euronext Amsterdam N.V.	Same as for NYSE Group, except that, in addition, an affirmative vote of not less than 80% of the votes entitled to be cast by holders of the shares of capital stock of NYSE Euronext entitled to vote generally in the election of directors is required to amend or repeal the provision of the certificate of incorporation providing that stockholders may amend the NYSE Euronext bylaws as set forth in Section 10.10(B) thereof. For a description of Section 10.10(B) of the NYSE Euronext bylaws, see "Comparison of Shareholder Rights Prior to and After the Combination Amendments to Bylaws." In addition, for so long as

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subject to this right.

The affirmative vote of not less than 80% of the votes entitled to be cast by holders of the outstanding shares of capital stock of NYSE Group entitled to vote generally in the election of directors, voting together as a single class, is required to amend in any respect or repeal provisions relating to:

- the limitations on the concentration of ownership and voting power;
- the power to call special shareholder meetings;
- the right to fill vacancies on the board and newly created directorships;
- the matters that the NYSE Group board of directors may consider in light of a potential change in control of NYSE Group;
- the inability of shareholders to act by written consent and the quorum requirements of a shareholder meeting; and
- the transfer restrictions imposed on the shares of NYSE Group common stock.

For so long as NYSE Group shall control, directly or indirectly, any U.S. self-regulatory organization, before any amendment or repeal of any provision of the certificate of incorporation is effective, it must be submitted to the boards of directors of New York Stock Exchange LLC, NYSE Market, NYSE Regulation, NYSE Arca, Inc. and NYSE Arca Equities. If these boards of directors determine that the amendment or repeal must be filed with and/or approved by the SEC under Section 19 of the

NYSE Euronext shall control, directly or indirectly, any European Market Subsidiary (which is defined to include "market operators", as defined by the European Directive on Markets in Financial Instruments, that were owned by Euronext as of the effective time of the combination and continue to be controlled by Euronext), before any amendment or repeal of any provision of the NYSE Euronext certificate of incorporation shall be effective, such amendment or repeal shall be submitted to the boards of directors of the European Market Subsidiaries and, if any or all of such boards of directors shall determine that such amendment or repeal must be filed with or filed with and approved by a european regulator under european exchange regulations before such amendment or repeal may be effectuated, then such amendment or repeal shall not be effectuated until filed with or filed with and approved by the relevant European Regulator(s).

Exchange Act, then the amendment or repeal may not be effectuated until this has taken place.

Automatic Repeal of Certain Provisions of the Certificate of Incorporation or Articles of Association

There is no analogous provision in the Certificate of Incorporation of NYSE Group.	There is no analogous provision in the articles of association of Euronext.	If: after a period of 6 months following the exercise of a Euronext Call Option (as defined in Bylaws of NYSE Euronext), the Dutch foundation shall continue to hold any ordinary shares of Euronext or of one or more subsidiaries that, taken together, represent a substantial portion of Euronext's business after a period of six (6) months following the exercise of a Euronext Call Option, the Foundation shall continue to hold any Euronext Priority Shares or the securities of one or more subsidiaries of Euronext that, taken together, represent a substantial portion of Euronext's business and at any time the board of directors of NYSE Euronext so determines, or at any time, NYSE Euronext no longer holds a direct or indirect controlling interest in Euronext (or in one or more subsidiaries of Euronext that, taken together represent a substantial portion of Euronext's business), certain provisions of the NYSE Euronext certificate of incorporation, including provisions relating to the representation of European

domiciliaries on the governing bodies of NYSE Euronext, to the jurisdiction of European Regulators and to persons that have been determined by a European regulator to be in violation of laws or regulations adopted in accordance with the European Directive on Markets in Financial Instruments applicable to any European Market Subsidiary requiring such person to act fairly, honestly and professionally. shall become of no further force and effect, and any European directors and officers of NYSE Euronext appointed pursuant to the above provisions shall resign or be removed from their offices.

Amendments to Bylaws

The NYSE Group board of directors is expressly empowered to adopt, amend or repeal the NYSE Group bylaws.

The shareholders may adopt additional bylaws and amend, modify or repeal any bylaw whether or not adopted by them, by a majority of votes cast at a meeting by shareholders entitled to vote.

For so long as NYSE Group shall control, directly or indirectly, any U.S. self-regulatory organization, before any amendment or repeal of any provision of the certificate of incorporation is effective, it must be submitted to the boards of directors of New York Stock Exchange LLC, NYSE Market, NYSE Regulation, NYSE Equities. If these boards of directors determine that the

Euronext's shareholders meeting may resolve to amend the articles of association at the proposal of the managing board, subject to the approval of the supervisory board.

Same as NYSE Group, except that certain NYSE Euronext bylaws require an affirmative vote of at least two-thirds of the directors then in office or 80% or more of the votes entitled to be cast by the holders of the then outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors. These include by-laws relating to:

- board size;
- board composition;
- certain qualifications for directors and for the chairman of the board and the chief executive officer;
- the requirements for filling vacancies on the board of directors;

amendment or repeal must be Arca, Inc. and NYSE Arca filed with and/or approved by the SEC under Section 19 of the Exchange Act, then the amendment or repeal may not taken place.

the notice required for special meetings of the board of directors;

be effectuated until this has ability of directors to attend meetings telephonically;

the composition of the nominating and governance committee;

the requirement for two-thirds board approval of certain extraordinary transactions (see "Comparison of Shareholder Rights Prior to and After the Combination Approval of Extraordinary Transactions"); and

the director and shareholder approval necessary to amend the bylaws.

In addition, for so long as NYSE Euronext shall control, directly or indirectly, any European Market Subsidiary (which is defined to include "market operators", as defined by the European Directive on Markets in Financial Instruments, that were owned by Euronext as of the effective time of the combination and continue to be controlled by Euronext), before any amendment or repeal of any provision of the bylaws shall be effective, such amendment or repeal shall be submitted to the boards of directors of the European Market Subsidiaries and, if any or all of such boards of directors shall determine that such amendment or repeal must be filed with or filed with and approved by a European regulator under European exchange regulations before

		such amendment or repeal may be effectuated, then such amendment or repeal shall not be effectuated until filed with or filed with and approved by the relevant european regulator(s).

Automatic Suspension and Repeal of Certain Provisions of the Bylaws

There is no analogous provision in the Bylaws of NYSE Group.	There is no analogous provision in the articles of association of Euronext.	Immediately following the exercise of a Euronext Call Option and for so long as the Dutch foundation shall continue to hold any priority shares or ordinary shares of Euronext, or the voting securities of one or more of its subsidiaries that, taken together, represent a substantial portion of Euronext's business, the application of certain provisions of the combination agreement and of the bylaws of NYSE Euronext including provision relating to the representation of European domiciliaries in the governing bodies of NYSE Euronext shall be suspended. If: after a period of 6 months following the exercise of a Euronext Call Option, the Dutch foundation shall continue to hold any ordinary shares of Euronext or of one or more subsidiaries that, taken together, represent a substantial portion of Euronext's business after a period of six (6) months following the exercise of a Euronext Call Option, the Foundation shall continue to hold any Euronext Priority Shares or the voting securities of one or more subsidiaries of Euronext that, taken

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		together, represent a substantial portion of Euronext's business and at any time the board of directors of NYSE Euronext so determines, or at any time, NYSE Euronext no longer holds a direct or indirect controlling interest in Euronext, then certain provisions of the NYSE Euronext bylaws, including provisions relating to the representation of European domiciliaries on the governing bodies of NYSE Euronext and to the jurisdiction of European Regulators shall become of no further force and effect, and any European directors and officers of NYSE Euronext appointed pursuant to the above provisions shall resign or be removed from their offices.
	Appraisal or Dissenters' Rights	
Under the Delaware General Corporation Law, a shareholder of a Delaware corporation generally has the right to dissent from a merger or consolidation in which the corporation is participating or a sale of all or substantially all of the assets of the corporation, subject to specified procedural requirements. The Delaware General Corporation Law does not confer appraisal rights, however, if the corporation's stock is either: listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc.; or	Dutch law does not recognize the concept of appraisal or dissenters' rights, and, accordingly, holders of shares in a Dutch company have no appraisal rights.	Same as NYSE Group.

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- held of record by more than 2,000 holders.

Even if a corporation's stock meets the foregoing requirements (as NYSE Group's currently does), the Delaware General Corporation Law provides that appraisal rights generally will be permitted if shareholders of the corporation are required to accept for their stock in any merger, consolidation or similar transaction anything other than:

- shares of the corporation surviving or resulting from the transaction, or depository receipts representing shares of the surviving or resulting corporation, or those shares or depository receipts plus cash in lieu of fractional interests;

- shares of any other corporation, or depository receipts representing shares of the other corporation, or those shares or depository receipts plus cash in lieu of fractional interests, unless those shares or depository receipts are listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or held of record by more than 2,000 holders; or

- any combination of the foregoing.

Preemptive Rights

Under the Delaware General Corporation Law, shareholders have no preemptive rights to subscribe to additional issues of	Under the Euronext articles of association and Dutch law, in the event of an issuance of shares, each shareholder has a	Same as for NYSE Group.

stock or to any security convertible into such stock unless, and except to the extent that, such rights are expressly provided for in the certificate of incorporation. The NYSE Group certificate of incorporation does not provide for preemptive rights.	pro rata preemptive right to the number of shares held by such shareholder (with the exception of shares to be issued to employees of Euronext or any group company, including members of the managing board, or shares issued against a contribution other than in cash). Preemptive rights in respect of newly issued shares may be restricted or excluded by the general meeting of shareholders, or subject to approval of the supervisory board, by the managing board if the managing board has been authorized to restrict or exclude preemptive rights (and to issue shares) by the general meeting of shareholders. A resolution to exclude or limit preemptive rights and a resolution to designate the Euronext managing board as the authorized corporate body for the purpose of resolving upon the exclusion or restriction of preemptive rights, requires the approval of at least a majority of the votes cast at a general meeting of shareholders and, if less than one-half of the outstanding share capital is represented at the meeting, the approval of at least two-thirds of the votes cast.	

Rights of Purchase and Reduction of Share Capital

Under the Delaware General Corporation Law, a corporation may redeem or repurchase its own shares, except that a corporation cannot generally make such a purchase or redemption if it would cause impairment of its capital.	Under Dutch law, a company may not subscribe for newly issued shares in its own capital. A Dutch limited liability company may, subject to certain restrictions, purchase shares in its own capital, provided the nominal value of the shares held or acquired by the company (or its subsidiaries) does not exceed 10% of the outstanding share	Same as for NYSE Group.

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	capital. The general meeting of shareholders may reduce the issued share capital of Euronext by cancellation of shares held by Euronext or by reducing the par value of its shares, subject to certain statutory provisions. A resolution of the general meeting of shareholders to reduce the outstanding capital of Euronext may only be adopted at the general meeting if first proposed by the managing board, which proposal is subject to the prior approval of the supervisory board.	
	Shareholder Suits	
Under the Delaware General Corporation Law, a shareholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual also may commence a class action suit on behalf of himself and other similarly situated shareholders where the requirements for maintaining a class action under Delaware law have been met. A person may institute and maintain such a suit only if such person was a shareholder at the time of the transaction that is the subject of the suit. Additionally, under Delaware case law, the plaintiff generally must be a shareholder not only at the time of the transaction that is the subject of the suit, but also throughout the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the	Dutch law does not provide for derivative suits. The Dutch Civil Code provides for representative actions, which are similar to class actions. (However this is not a substitute for, or similar to, a derivative suit). Only a foundation or an association whose objective is to protect the rights of a group of persons having similar interests can institute a representative action. Although such an action cannot result in an award of monetary damages; other types of awards are possible (e.g., to cease and desist or to repay money that was not owed). In most cases, however, the plaintiff in such cases demands a declaratory judgment (*verklaring voor recht*) establishing that the defendant acted wrongfully and is liable. On the basis of such a judgment each individual person may institute civil proceedings claiming monetary damages. The judgment in the representative action itself is only between the organization and the defendant,	Same as for NYSE Group.

derivative plaintiff, unless such demand would be futile.	not between individual class members and the defendant. However, the organization and the defendant may enter into a settlement to be certified by the court. Court certification will have binding effect on the individual class members who do not exercise their right to opt out from the settlement. Dutch law also provides for the right for (1) one or more shareholders and other persons entitled to attend its annual general meetings jointly representing at least ten percent of the outstanding share capital in Euronext and (2) one or more shareholders jointly representing shares with a par value of at least €225,000 in the aggregate in Euronext, to petition for an investigation (*enquête*) into the affairs of Euronext.

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NYSE Group Shareholders	Euronext Shareholders	NYSE Euronext Shareholders
Rights of Inspection		
Under the Delaware General Corporation Law, any shareholder may inspect for any proper purpose the corporation's stock ledger, a list of its shareholders and its other books and records during the corporation's usual hours for business.	Euronext shareholders have the following information rights: the right to obtain the annual accounts and the annual report, within five months following the end of each fiscal year; the right to obtain a copy of any proposal to amend the Euronext articles of association at the same time as meeting notices referring to such proposals are published or sent to all those who are entitled to vote on the subject; and the right to inspect the shareholders' register.	Same as for NYSE Group.
Conflict of Interest Transactions		
The Delaware General Corporation Law generally permits transactions involving a Delaware corporation and an interested director of that corporation if: (1) the material facts as to his or her	The Euronext articles of association provide that, if a member of the managing board has a conflict of interest with Euronext, Euronext shall continue to be represented by two managing directors acting jointly. In the event of a personal conflict of interest of one of the members of the managing board with Euronext, the board resolution regarding the matter to which the conflict of interest relates is subject to the prior approval of the supervisory board. Furthermore, under Dutch law, the general meeting of shareholders is always authorized to appoint one or more persons to represent Euronext in case a member of the managing board has a conflict of interest with Euronext.	Same as for NYSE Group.

NYSE Group Shareholders	Euronext Shareholders	NYSE Euronext Shareholders
relationship or interest are disclosed and a majority of disinterested directors consents; (2) the material facts are disclosed as to his or her relationship or interest and a majority of shares entitled to vote thereon consents; or (3) the transaction is fair to the corporation at the time it is authorized by the board of directors, a committee or the shareholders.		

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Action by Written Consent of Shareholders

The NYSE Group certificate of incorporation provides that any action required or permitted to be taken by shareholders must be effected at a duly called annual or special meeting and may not be effected by written consent.	Shareholders of Euronext cannot adopt resolutions outside a general meeting of shareholders.	Same as for NYSE Group.

Limitation of Directors' Liability/Indemnification of Officers and Directors

The Delaware General Corporation Law permits a corporation to include in its certificate of incorporation a provision eliminating or limiting a director's personal liability to the corporation or its shareholders for monetary damages for breaches of fiduciary duty. However, the Delaware General Corporation Law expressly provides that the liability of a director may not be eliminated or limited for: (1) breaches of his or her duty of loyalty to the corporation or its shareholders; (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (3) the unlawful purchase or redemption of stock or unlawful payment of dividends; or (4) any transaction from which the director derived an improper personal benefit. The Delaware General Corporation Law further provides that no such provision will eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective. NYSE Group's organizational documents provide for the indemnification of directors and executive officers to the fullest	The concept of indemnification of directors of a company for liabilities arising from their actions as members of the managing board or the supervisory board is, in principle, accepted in the Netherlands and sometimes is provided for in a Dutch company's articles of association. Although Dutch law does not contain any provisions in this respect, the Euronext articles of association provide that every current and former member of the managing board and the supervisory board of Euronext be indemnified by Euronext against all costs, charges, losses and liabilities incurred in the proper execution of his or her duties or the proper exercise of his or her power and authority. No right to indemnification exists in the case of willful misconduct or gross negligence (*opzet of grove nalatigheid*).	Same as for NYSE Group.

extent permitted by the Delaware General Corporation Law; provided, however, that, except with respect to claims based on this right to indemnification, NYSE Group shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board. The right to indemnification includes the right to have expenses advanced provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to NYSE Group of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section or otherwise.

Generally, the Delaware General Corporation Law permits a corporation to indemnify certain persons made a party to any action, suit or proceeding by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, provided that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. To the extent that person has been successful in any such matter, that person will be indemnified against expenses actually and reasonably incurred by him. In the case of an action by or in the right of the corporation, no indemnification may be made in respect of any matter as to which that person was adjudged liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which the action was brought determines that, despite the adjudication of liability, that person is fairly and reasonably entitled to indemnity for proper expenses.

(Anti-)Takeover Legislation

Section 203 of the Delaware General Corporation Law generally provides that a Delaware corporation that has not "opted out" of coverage by this section in the prescribed manner may not engage in any "business combination" with an "interested shareholder" for a period of three years following the date that the shareholder became an interested shareholder unless: prior to that time the corporation's board of directors approved either the business combination or the transaction that resulted in	Dutch law currently does not provide for mandatory takeover bids. Dutch rules on mandatory takeovers are expected to be implemented by the Dutch Parliament. The EU Takeover Directive should have been implemented by each EU member state no later than May 20, 2006. The EU Takeover Directive applies to all companies governed by the laws of an EU member state of which all or some voting securities are admitted to trading on a regulated market in one or more EU member states. Pursuant to the Takeover Directive, EU member states	Same as for NYSE Group.

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the shareholder becoming an interested shareholder;

upon completion of the transaction that resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least eighty-five percent of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested shareholder) those shares owned by individuals who are directors and also officers and shares owned by employee stock ownership plans in which employee participants do not have the right to determine confidentially whether the shares held subject to the stock ownership plan will be tendered in a tender offer or exchange offer; or

at or subsequent to that time, the business combination is approved by the corporation's board of directors and authorized at an annual or special meeting of shareholders by the affirmative vote of at least 66$^{2}/_{3}$% of the outstanding voting stock that is not owned by the interested shareholder.

The three-year prohibition on business combinations with an interested shareholder" does not apply under certain circumstances, including business combinations with a corporation

should ensure the protection of minority shareholders by

obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The laws of the EU member state in which a company has its registered office will determine the percentage of voting rights that is regarded to confer control over that company. On December 23, 2005, the Dutch government published its proposal for the implementation of the EU Takeover Directive (the "Proposal"). Pursuant to the Proposal, any shareholder or group of shareholders acting in concert who could exercise, directly or indirectly, at least thirty percent of the votes in the shareholders' meeting of a Dutch company is considered to control such company. Pursuant to the Proposal, shareholders with controlling interests as of the date on which the new

legislation enters into force will be exempt from the obligation to make a takeover bid for the remaining shares they do not hold.

that does not have a class of voting stock that is:

- listed on a national security exchange; or

- held of record by more than 2,000 shareholders;

unless, in each case, this result was directly or indirectly caused by the interested shareholder or from a transaction in which a person became an interested shareholder.

An interested shareholder generally means any person that:

- is the owner of fifteen percent or more of the outstanding voting stock of the corporation; or

- is an affiliate or associate of the corporation and was the owner of fifteen percent or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether this person is an "interested shareholder," and the affiliates and associates of this person.

The term "business combination" is defined to include a wide variety of transactions, including mergers, consolidations, sales or other dispositions of ten percent or more of a corporation's assets and various other transactions that may benefit an interested shareholder.

The NYSE Group certificate of incorporation and bylaws do not contain any provisions opting out of the restrictions prescribed

by Section 203 of the Delaware General Corporation Law.		
	Squeeze-Out Proceedings	
Section 253 of the Delaware General Corporation Law provides that a parent corporation owning at least 90% of each class of the stock of a subsidiary entitled to vote on a merger (without applying Section 253) can merge with that subsidiary without advance notice or consent of the minority stockholders upon approval by the parent's board of directors.	If a person, or two or more group companies, (the "Controlling Person"), holds or hold in total at least ninety-five percent of a Dutch public limited liability company's total outstanding share capital by par value for their own account, Dutch law permits the Controlling Person to acquire the remaining shares in the company by initiating proceedings against the holders of the remaining shares. The price to be paid for such shares, in cash only, will be determined by the Enterprise Chamber of the Amsterdam Court of Appeals.	Same as for NYSE Group.
	Disclosure of Significant Ownership of Shares	
Holders of NYSE Group common stock are subject to certain U.S. reporting requirements under the Exchange Act for shareholders owning more than 5% of any class of equity securities registered pursuant to Section 12 of the Exchange Act. Among the reporting requirements are disclosure obligations intended to keep investors aware of significant accumulations of shares that may lead to a change of control of an issuer. In addition, for shareholders owning more than 10% of any class of equity securities registered pursuant to Section 12 of the Exchange Act, reporting requirements include disclosure of any equity trading in the company.	Holders of Euronext shares may be subject to notification obligations under the Dutch Disclosure Act (*Wet melding zeggenschap en kapitaalbelang in effectenuitgevende instellingen 1996*, as amended). The following description summarizes those obligations. Pursuant to the Dutch Disclosure Act, any person who, directly or indirectly, acquires or disposes of an interest in Euronext's share capital or voting rights must immediately give written notice to Euronext and, by means of a standard form, to the AFM if, as a result of such acquisition or disposal, the percentage of Euronext's capital interest or voting rights held by such person falls within a different percentage range as compared to the percentage	Same as for NYSE Group.

range applicable to the capital interest or voting rights held by such person prior to the acquisition or disposal. The percentage ranges referred to in the Dutch Disclosure Act are 0-5%, 5-10%, 10-15%, 15-20%, 20-25%, 25%-30%, 30-40%, 50-60%, 75-95% and more than 95%.

Upon notification, the AFM shall arrange for publication of the notification in a public registry.

LEGAL MATTERS

Wachtell, Lipton, Rosen & Katz, counsel for NYSE Group and NYSE Euronext, has provided an opinion for NYSE Euronext regarding the validity of the shares of NYSE Euronext offered by this document and has provided NYSE Group an opinion regarding certain U.S. tax matters.

EXPERTS

The financial statements of NYSE Group as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005, and the statement of financial condition of NYSE Euronext as of June 30, 2006 included in this document have been so included in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

The consolidated balance sheets of Archipelago as of December 31, 2005 and 2004, and the consolidated statements of income for Archipelago for each of the years in the three-year period ended December 31, 2005, included in this document have been so included in reliance on the report of Ernst & Young LLP, an independent registered public accounting firm, given on the authority of that firm as experts in accounting and auditing.

The consolidated financial statements of Euronext N.V., Amsterdam, The Netherlands, as of December 31, 2005, 2004 and 2003, and for each of the years then ended, have been included herein in reliance upon the report of KPMG Accountants N.V. and Ernst & Young Accountants, independent accountants, appearing elsewhere herein, and upon the authority of said firms as experts in accounting and auditing. Their audit report covering the December 31, 2005, 2004 and 2003 financial statements refers to the early adoption of IFRS 2 "Share-based Payment" as of January 1, 2004. Euronext N.V. adopted IFRS 3 "Business combinations" and the related changes to IAS 36 "Impairment of assets" and IAS 38 "Intangible Assets" for all business combinations agreed on or after March 31, 2004. Starting January 1, 2005, Euronext no longer amortizes goodwill relating to acquisitions made before March 31, 2004. Finally, Euronext adopted IFRS 5 "Non-current assets held-for-sale and Discontinued Operations" as from January 1, 2005. International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in Note 3.14 to the consolidated financial statements.

WHERE YOU CAN FIND MORE INFORMATION

NYSE Group files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that it and NYSE Euronext files at the SEC's public reference room in Washington, D.C. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. SEC filings are also available to the public at the SEC's website at http://www.sec.gov. Copies of documents filed by NYSE Group and NYSE Euronext with the SEC are also available at the offices of NYSE Group, 20 Broad Street, New York, New York 10005.

NYSE Euronext has filed a registration statement on Form S-4 under the Securities Act with the SEC with respect to the NYSE Euronext common stock to be issued in the merger and exchange offer. This document constitutes the prospectus of NYSE Group filed as part of the registration statement. This document does not contain all of the information set forth in the registration statement because certain parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. The registration statement and its exhibits are available for inspection and copying as set forth above.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Shareholder of NYSE Euronext, Inc.:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of NYSE Euronext, Inc. (the "Company") at June 30, 2006 in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
September 15, 2006

NYSE EURONEXT, INC.

STATEMENT OF FINANCIAL CONDITION

	June 30, 2006
Assets	
Current assets:	
Cash	$ 100
Total current assets	100
Total assets	$ 100
Liabilities and Stockholders' Equity	
Total current liabilities	$
Total liabilities	
Commitments and contingencies	
Stockholder's equity	
Preferred stock, $0.01 par value, 400,000,000 shares authorized, none issued and outstanding	
Common stock, $0.01 par value, 800,000,000 shares authorized, 1 share issued and outstanding	
Additional paid-in capital	100
Retained earnings	
Total stockholders' equity	100
Total liabilities and stockholder's equity	$ 100

The accompanying note is an integral part of this financial statement.

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NYSE EURONEXT, INC.

NOTE TO THE STATEMENT OF FINANCIAL CONDITION

Note 1 Organization and Basis of Presentation

Organization

NYSE Euronext, Inc. ("NYSE Euronext") was formed on May 22, 2006 in connection with the Combination Agreement (the "Combination Agreement"), dated June 1, 2006, by and among NYSE Group, Inc., Euronext N.V., NYSE Euronext, Inc. and Jefferson Merger Sub, Inc. and the transactions contemplated thereby. NYSE Euronext is currently a wholly owned subsidiary of NYSE Group, Inc.

Upon the completion of the transactions contemplated by the Combination Agreement, NYSE Euronext will become the parent company of NYSE Group, Inc. and Euronext N.V. To date, NYSE Euronext has not conducted any material activities other than those incident to its formation and the matters contemplated by the Combination Agreement, such as the formation of Jefferson Merger Sub, Inc. (a wholly owned subsidiary of NYSE Euronext) and the making of certain regulatory filings.

Basis of Presentation

The accompanying financial statement is prepared in accordance with accounting principles generally accepted in the United States of America. Management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates utilized in preparing its financial statement are reasonable. Actual results could differ from these estimates.

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NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except per share data)

	June 30, 2006	December 31, 2005
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 272,666	$ 43,492
Investment securities, at fair value	797,151	980,591
Securities purchased under agreements to resell	35,534	127,888
Accounts receivable, net	314,366	184,185
Deferred income taxes	91,156	91,919
Other assets	46,769	36,142
Total current assets	1,557,642	1,464,217
Property and equipment, net	403,603	343,534
Goodwill	528,771	
Other intangible assets, net	583,895	
Deferred income taxes	331,589	290,145
Other assets	89,449	106,249
Total assets	$ 3,494,949	$ 2,204,145
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 337,905	$ 322,263
Section 31 fees payable	371,643	232,146
Deferred revenue	243,899	105,313
Deferred income taxes	46,018	25,238
Total current liabilities	999,465	684,960
Accrued employee benefits	326,459	323,373
Deferred revenue	325,162	329,197
Deferred income taxes	251,637	9,289
Other liabilities	29,493	23,037
Total liabilities	1,932,216	1,369,856
Minority interest	37,193	35,164
Commitments and contingencies		
Stockholders' equity		
Members' equity		807,781
Common stock, $0.01 par value, 400,000 shares authorized; 157,727 and 0 shares issued; 156,082 and 0 shares outstanding	1,577	
Common stock held in treasury, at cost: 1,645 and 0 shares	(65,569)	
Additional paid-in capital	1,535,399	
Retained earnings	62,882	
Accumulated other comprehensive loss	(8,749)	(8,656)

	June 30, 2006	December 31, 2005
Total stockholders' equity	1,525,540	799,125
Total liabilities and stockholders' equity	$ 3,494,949	$ 2,204,145

The accompanying notes are an integral part of these condensed consolidated financial statements

NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
Revenues				
Activity assessment	$ 189,766	$ 141,773	$ 328,975	$ 234,713
Transaction	198,009	37,806	274,160	75,759
Listing	88,768	85,465	177,236	171,460
Market data	60,390	46,290	108,605	90,440
Data processing	41,881	47,759	81,272	92,664
Regulatory	44,740	32,614	85,164	62,233
Licensing, facility and other	35,986	13,104	59,064	28,038
Total revenues	659,540	404,811	1,114,476	755,307
Section 31 fees	(189,766)	(141,773)	(328,975)	(234,713)
Merger expenses and related exit costs	(9,681)		(12,295)	
Compensation	(138,403)	(128,337)	(306,852)	(257,013)
Liquidity payments	(74,821)		(93,791)	
Routing and clearing	(23,400)		(29,603)	
Systems and communications	(30,682)	(32,038)	(60,584)	(63,794)
Professional services	(29,424)	(34,155)	(57,319)	(61,051)
Depreciation and amortization	(36,077)	(26,446)	(64,240)	(52,619)
Occupancy	(21,454)	(17,078)	(40,064)	(33,939)
Marketing and other	(28,027)	(17,546)	(47,018)	(31,758)
Regulatory fine income	6,222	1,268	23,161	21,977
Operating income	84,027	8,706	96,896	42,397
Investment and other income, net	17,017	12,920	33,838	23,192
Gain on sale of equity investment			20,925	
Income before income tax provision and minority interest	101,044	21,626	151,659	65,589
Income tax provision	(38,542)	(7,415)	(58,265)	(26,224)
Minority interest in income of consolidated subsidiary	(1,329)	(1,225)	(1,873)	(360)
Net income	$ 61,173	$ 12,986	$ 91,521	$ 39,005
Basic earnings per share	$ 0.39	$ 0.11	$ 0.65	$ 0.34
Diluted earnings per share	$ 0.39	$ 0.11	$ 0.64	$ 0.34
Basic weighted average shares outstanding	156,422	115,699(a)	141,619	115,699(a)
Diluted weighted average shares outstanding	157,428	115,699(a)	142,716	115,699(a)

(a) Adjusted to reflect the March 7, 2006 merger with Archipelago, giving retroactive effect to the issuance of shares to former NYSE members. See Note 1 to the condensed consolidated financial statements.

The accompanying notes are an integral part of these condensed consolidated financial statements.

NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2006
(In thousands)
(Unaudited)

	Common Stock							
	Members' Equity	**Shares**	**Par Value**	**Treasury Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance as of December 31, 2005	$ 807,781			$	$	$	$ (8,656)	$ 799,125
Net income for the period from January 1 to March 7, 2006	28,639						1,275	29,914
Members' distribution	(409,800)							(409,800)
Members' dividend	(96,400)							(96,400)
Exchange of NYSE membership interest	(330,220)	109,522	1,095		329,125			
Merger with Archipelago		47,625	476	(65,569)	1,150,206			1,085,113
Employee stock transactions		580	6		56,068			56,074
Net income for the period from March 8 to June 30, 2006						62,882	(1,368)	61,514
Balance as of June 30, 2006	$	157,727	$ 1,577	$ (65,569)	$ 1,535,399	$ 62,882	$ (8,749)	$ 1,525,540

The accompanying notes are an integral part of these condensed consolidated financial statements.

NYSE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six months ended June 30, 2006	Six months ended June 30, 2005
Cash flows from operating activities:		
Net income	$ 91,521	$ 39,005
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,240	52,619
(Gain) loss on disposition of assets	(84)	2,291
Minority interest	2,029	178
Deferred income taxes	(4,082)	(1,853)
Provision for losses on accounts receivable	1,530	(650)
Stock-based compensation	40,525	
Gain on sale of equity investment	(20,925)	
Change in operating assets and liabilities:		
Accounts receivable, net	(56,286)	(28,953)
Other assets	(13,512)	8,656
Accounts payable, accrued expenses and SEC transaction fee payable	(13,642)	124,675
Deferred revenue	148,978	131,715
Accrued employee benefits	3,086	4,111
Net cash provided by operating activities	243,378	331,794
Cash flows from investing activities:		
Cash acquired in Archipelago merger	218,201	
Sales of investment securities	7,456,182	3,603,804
Purchases of investment securities	(7,272,836)	(3,857,165)
Net sales of securities purchased under agreements to resell	92,354	8,135
Purchases of property and equipment	(39,802)	(54,376)
Sale (purchase) of equity investment	25,784	(10)
Net cash provided by (used in) investing activities	479,883	(299,612)
Cash flows from financing activities:		
Distribution to former Members	(409,800)	
Dividend to former Members	(96,400)	
Employee stock transactions	15,697	
Principal payment of capital lease obligations	(3,584)	(4,013)
Net cash used in financing activities	(494,087)	(4,013)
Net increase in cash and cash equivalents for the period	229,174	28,169
Cash and cash equivalents at beginning of period	43,492	15,456
Cash and cash equivalents at end of period	$ 272,666	$ 43,625
Supplemental disclosures:		
Cash paid for income taxes	$ 38,409	$ 12,500
Cash paid for interest	$ 1,155	$ 2,513
Non-cash investing and financing activities:		

	Six months ended June 30,
Exchange of NYSE membership interest	$ 330,220
Merger with Archipelago	$ 1,085,113

The accompanying notes are an integral part of these condensed consolidated financial statements.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1 Organization and Description of Business

NYSE Group is a holding company that, through its subsidiaries, operates two securities exchanges: the NYSE and NYSE Arca. NYSE Group is a leading provider of securities listing, trading and market data products and services. NYSE Group was formed in connection with the merger of the NYSE and Archipelago, which was completed on March 7, 2006. NYSE Group common stock is listed on the NYSE under the symbol "NYX."

The NYSE is the world's largest cash equities exchange. The NYSE is approximately three times the size of the next largest cash equities exchange in the world in terms of aggregate market capitalization of domestic listed companies.

NYSE Arca operates the first open, all-electronic stock exchange in the United States and has one of the leading market positions in trading exchange-traded funds ("ETFs") and exchange-listed securities. NYSE Arca is also an exchange for trading equity options.

The NYSE owns two-thirds of the Securities Industry Automation Corporation ("SIAC") and reports SIAC's financial results on a consolidated basis. SIAC is an important industry resource providing critical automation and communications services to the NYSE, the American Stock Exchange LLC ("AMEX") and other organizations to support order processing, trading and the reporting of market information, among other functions. SIAC also provides system support for certain national market system functions and for important regulatory and administrative activities. In addition, SIAC provides telecommunication and managed services through its wholly owned subsidiary, Sector, Inc. ("Sector"), to subscribers primarily in the securities industry.

The regulatory functions of the NYSE and NYSE Arca are conducted by NYSE Regulation, a separate not-for-profit subsidiary of NYSE Group.

Note 2 Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of NYSE Group and all wholly-owned subsidiaries, as well as of SIAC. The results of operations of Archipelago have been included in NYSE Group's results of operations since March 8, 2006.

The accompanying condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and reflect all adjustments, consisting of only normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the period. All material intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements, which are normally required under accounting principles generally accepted in the United States, have been condensed or omitted; however, management believes that the disclosures are adequate to make the information presented not misleading.

The preparation of these condensed consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could be materially different from these estimates. Certain prior period amounts have been reclassified to conform to the current period's presentation.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 2 Basis of Presentation (Continued)

The condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements as of and for the year ended December 31, 2005, included in the NYSE Group annual report on Form 10-K filed with the SEC on March 31, 2006. Operating results for the three and six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

Note 3 Business Combinations

Archipelago Holdings, Inc.

On March 7, 2006, Archipelago and the NYSE combined their businesses and became wholly-owned subsidiaries of NYSE Group, a newly created, for profit and publicly traded holding company. Through the merger, NYSE Group intends to continue to grow market position in trading volume and enhance the trading technology of both the NYSE and NYSE Arca. Together, the NYSE and NYSE Arca provide a full-service market that offers customers a choice of products and appeals to all types of investors.

On March 7, 2006, each of the 1,366 members of the NYSE was entitled to receive $300,000 in cash and 80,177 shares of NYSE Group common stock in exchange for its NYSE membership. In addition, a cash dividend of $70,571 was declared and paid to each of the 1,366 members. Each NYSE member had the opportunity to make either a cash election to increase the cash portion (and decrease the stock portion) of their merger consideration, or a stock election to increase the stock portion (and decrease the cash portion) of their merger consideration. The aggregate number of shares of NYSE Group common stock issued to all of the NYSE members in the merger, together with the aggregate number of shares reserved for issuance to NYSE employees, equaled approximately 70% of NYSE Group common stock issued and outstanding, or approximately 109.5 million shares.

On March 7, 2006, (i) each share of the issued and outstanding shares of Archipelago's common stock was converted automatically into the right to receive one share of NYSE Group common stock, (ii) all outstanding stock options of Archipelago, whether vested or unvested, converted into options to purchase an equivalent number of shares of NYSE Group common stock, and (iii) all outstanding restricted stock units of Archipelago converted into an equal number of restricted stock units of NYSE Group common stock. The aggregate number of shares (including shares underlying stock options and restricted stock units) received by Archipelago stockholders, equaled approximately 30% of the issued and outstanding shares of NYSE Group common stock, or approximately 46.0 million shares.

Under the purchase method of accounting, the total merger consideration, which was determined based on the fair market value of Archipelago common stock beginning two days before and ending after April 20, 2005 (the date the merger was agreed to and announced), was $1,085.1 million. The results of operations of Archipelago have been included in NYSE Group's results of operations since March 8, 2006.

The following is a summary of the purchase price in the Archipelago merger (in thousands):

Purchase price	$	1,085,113
Acquisition costs		25,422
Total purchase price	$	1,110,535

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 3 Business Combinations (Continued)

The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value of Archipelago net assets as of the merger date as follows (in thousands):

Historical cost of net assets acquired	$	458,290
Elimination of Archipelago's historical goodwill and intangibles		(240,095)
Adjustment to fair value of property and equipment		17,000
Deferred tax impact of purchase accounting adjustments		(233,531)
Fair value of identifiable intangible assets		584,500
Other		(4,400)
Goodwill		528,771
Total purchase price	$	1,110,535

The allocation of the purchase price to Archipelago assets and liabilities are only preliminary allocations based on estimates of fair values and will change when estimates are finalized. Therefore, the information above is subject to change pending the final allocation of purchase price. NYSE Group does not expect any of the goodwill to be deductible for tax purposes.

During 2005, NYSE Group adopted a plan to eliminate positions. As a result of this decision, NYSE Group recorded a $3.9 million charge consisting of severance and related costs during 2005. For the six months ended June 30, 2006, NYSE Group recorded a $5.8 million charge due to 77 additional positions being eliminated as a result of our continued integration efforts and cost containment initiatives. These positions were primarily included within trading floor operations and miscellaneous administrative areas. The following is a summary of the severance charges and utilization for the six months ended June 30, 2006 and the remaining accrual at June 30, 2006 (in thousands):

Balance at December 31, 2005	$	3,804
Additional severance		5,825
Amount paid in 2006		(1,423)
Balance at June 30, 2006	$	8,206

These costs associated with the additional severance for the six months ended June 30, 2006 are included in merger expenses and related exists costs in the condensed consolidated statements of income. Based on current severance dates and the accrued severance at June 30, 2006, NYSE Group expects to pay these amounts through 2007.

PCX Holdings, Inc. and Wave Securities, LLC

On September 26, 2005, Archipelago completed its acquisition of PCX Holdings ("PCX") for a total purchase price of approximately $94.0 million consisting of a $90.9 million cash payment to PCX stockholders and certain employees of PCX, and approximately $3.1 million of direct acquisition costs incurred by Archipelago. As part of the acquisition of PCX, Archipelago undertook to divest Wave Securities LLC ("Wave Securities"), a previously wholly-owned subsidiary of Archipelago. On March 3, 2006, Archipelago completed the sale of Wave Securities.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 3 Business Combinations (Continued)

Pro Forma Results

The following table provides pro forma results of operations as if (i) the acquisition of PCX by Archipelago, (ii) the disposition of Wave Securities by Archipelago and (iii) the merger between Archipelago and NYSE had been completed at the beginning of the earliest period presented (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2006	**2005**	**2006**	**2005**
Revenues	$ 659,540	$ 583,044	$ 1,258,460	$ 1,102,259
Net income	$ 66,885	$ 17,949	$ 126,864	$ 55,209
Basic earnings per share	$ 0.43	$ 0.11	$ 0.81	$ 0.34
Diluted earnings per share	$ 0.42	$ 0.11	$ 0.81	$ 0.34

Pro forma results do not include any anticipated cost savings or other effects of the planned integration of NYSE and Archipelago's businesses.

Note 4 Combination with Euronext N.V.

On May 22, 2006, NYSE Group proposed a business combination with Euronext that would create NYSE Euronext, a global marketplace with an expected combined market capitalization of approximately $21 billion.

Euronext is a cross-border exchange providing international services for regulated cash markets and derivative markets in Belgium, France, the United Kingdom, the Netherlands and Portugal.

Both parties signed a definitive combination agreement on June 1, 2006. The combination is expected to close during the first quarter of 2007 and is subject to regulatory approval and the approval of NYSE Group and Euronext shareholders.

In the combination, NYSE Group and Euronext will combine their businesses under NYSE Euronext, a Delaware corporation formed for the purpose of this transaction. Euronext's business will be brought under NYSE Euronext through an exchange offer and a post-closing reorganization, and NYSE Group's business will be brought under NYSE Euronext through a merger.

In the exchange offer, NYSE Euronext or its subsidiary will offer to acquire each outstanding Euronext ordinary share in exchange for €21.32 in cash and 0.98 of a share of NYSE Euronext common stock. The exchange offer also will have a mix and match election to permit Euronext shareholders to elect all cash or all stock in exchange for their Euronext ordinary shares, subject to proration to ensure that the total amount of cash paid, and the total number of shares of NYSE Euronext common stock issued, in the exchange offer to the Euronext shareholders, as a whole, are equal to the total amount of cash and number of shares that would have been paid and issued if all exchanging Euronext shareholders received the standard offer consideration.

Following the successful completion of the exchange offer, a wholly owned subsidiary of NYSE Euronext will merge with NYSE Group, and, as a result, NYSE Group will become a wholly owned subsidiary of NYSE Euronext, and each share of NYSE Group common stock will be converted into the right to receive one share of NYSE Euronext common stock.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 4 Combination with Euronext N.V. (Continued)

As soon as possible after the completion of these transactions, NYSE Euronext intends to effectuate a corporate reorganization of Euronext and its subsidiaries for the purpose of providing Euronext shareholders who did not exchange their Euronext ordinary shares in the exchange offer with the same consideration that such shareholders would have received had they tendered their Euronext ordinary shares in the exchange offer.

Note 5 Segment Information

Subsequent to the merger with Archipelago, NYSE Group operates under three reportable segments: Market, SIAC Services and Regulation. NYSE Group's segments are managed and operated as three business units and organized based on services provided to customers.

Market represents primarily the fees earned from (i) obtaining new listings and servicing existing listings on the NYSE and NYSE Arca, (ii) providing access to trade execution, (iii) distributing market information to data subscribers and (iv) issuing trading licenses (previously membership fees).

SIAC Services provides communication and data processing operations and systems development functions to the NYSE and third-party customers.

Regulation provides regulatory services (including member firm regulation, market surveillance, enforcement, listed company compliance and arbitration), performed by NYSE Regulation, to the NYSE and NYSE Arca. Regulatory fees are paid by member organizations and are primarily assessed based upon their Gross FOCUS revenues. In addition, Regulation collects regulatory fines that are levied against members and member organizations.

Summarized financial data concerning NYSE Group's reportable segments is as follows (in thousands):

Three months ended June 30,	Market	SIAC Services	Regulation	Corporate Items and Eliminations	Consolidated
2006					
Revenues	$ 602,656	$ 96,272	$ 74,960	$ (114,348)	$ 659,540
Operating income	67,536	2,366	14,125		84,027
2005					
Revenues	$ 355,560	$ 113,534	$ 61,250	$ (125,533)	$ 404,811
Operating income (loss)	7,594	2,120	(1,008)		8,706

Six months ended June 30,	Market	SIAC Services	Regulation	Corporate Items and Eliminations	Consolidated
2006					
Revenues	$ 1,019,092	$ 193,055	$ 153,200	$ (250,871)	$ 1,114,476
Operating income (loss)	80,563	(10,753)	27,086		96,896
2005					
Revenues	$ 660,054	$ 220,552	$ 118,288	$ (243,587)	$ 755,307
Operating income (loss)	27,449	(1,327)	16,275		42,397

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 5 Segment Information (Continued)

SIAC operates on a cost recovery model driven by its customers' demands. Under this model, any increase or decrease in SIAC's expenses typically results in a corresponding change in its revenues. During the three and six months ended June 30, 2006, SIAC incurred $2.0 million and $15.6 million, respectively, related to stock-based compensation for awards granted to certain of its employees as part of the merger with Archipelago. There was no corresponding increase in revenue, as this expense was not shared with non-NYSE Group customers.

Note 6 Goodwill and Other Intangible Assets

The following table presents the details of the intangible assets and goodwill acquired by reportable segment (in thousands):

	Market		Regulation		SIAC Services	
	Estimated Fair Value	**Useful Life (in years)**	**Estimated Fair Value**	**Useful Life (in years)**	**Estimated Fair Value**	**Useful Life (in years)**
Asset class:						
National securities exchange registration	$ 511,000	Indefinite		N/A		N/A
Customer relationships	34,700	20		N/A		N/A
Trade names	38,800	20		N/A		N/A
Total intangibles	$ 584,500					
Goodwill	$ 528,771					

Amortization expense for the intangible assets was approximately $0.9 million and $1.2 million for the three and six months ended June 30, 2006, respectively.

The estimated future amortization expense of purchased intangible assets as of June 30, 2006 is as follows (in thousands):

Year ending December 31,	
2006 (period from July 1 to December 31, 2006)	$ 1,838
2007	3,675
2008	3,675
2009	3,675
2010	3,675
Thereafter	55,738
Total	$ 72,276

Note 7 Stock-Based Compensation

Statement of Financial Accounting Standards ("SFAS") 123R, "Share-Based Payment", requires that compensation costs associated with share-based payment transactions be recognized in financial statements. NYSE Group adopted SFAS 123R during the first quarter of 2006.

Effective March 8, 2006, NYSE Group adopted the NYSE Group, Inc. Stock Incentive Plan (the "Plan") and converted three Archipelago long-term incentive plans. As part of the merger with

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 7 Stock-Based Compensation (Continued)

Archipelago, 0.2 million shares underlying restricted stock units granted to former Archipelago directors, officers and employees and 2.6 million shares underlying stock options granted to former Archipelago directors, officers and employees were converted to restricted stock and stock options, respectively, of NYSE Group.

On March 8, 2006, NYSE Group granted approximately 1.2 million restricted stock units to NYSE employees and certain SIAC employees under the Plan. These restricted stock units vest 50% on the grant date and 25% on each of the first and second anniversaries of the grant date. Compensation expense is based on the market price of the shares underlying the awards on the grant date and recognized ratably over the vesting period. NYSE Group estimates an expected forfeiture rate while recognizing the expense associated with these awards. As of June 30, 2006, the employees of NYSE Group held approximately 1.8 million stock options with a weighted average exercise price of $14.09 (1.4 million of which were exercisable at a weighted average exercise price of $14.37) and 1.4 million restricted stock units. As of June 30, 2006, the total aggregate intrinsic value of stock options outstanding and exercisable was $99.5 million and $77.1 million, respectively.

For the three and six months ended June 30, 2006, NYSE Group recorded $5.9 million and $40.5 million, respectively, of stock-based compensation included in compensation in the condensed consolidated statements of income. As of June 30, 2006, there was approximately $23.9 million of total unrecognized compensation cost related to stock options and restricted stock units. This cost is expected to be recognized over approximately three years.

Note 8 Retirement Benefits

During 2005, the NYSE and SIAC announced that effective March 31, 2006, the future benefit accrual of all active participants in the pension plans and supplemental executive retirement plan ("SERP") will be frozen. Effective April 1, 2006, NYSE Group employees became eligible to receive benefits from a new employer-funded defined contribution Retirement Accumulation Plan ("RAP"). RAP expense incurred for the three months ended June 30, 2006 was $2.8 million.

NYSE and SIAC currently do not expect to provide any additional funding to the pension plans during 2006.

The following table sets forth the pension and SERP plans' amounts recognized (in thousands):

	Pension Plan Cost							
	Three months ended June 30,				Six months ended June 30,			
	2006		2005		2006		2005	
	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC
Cost of benefits earned	$ (185)	$	$ 3,472	$ 2,897	$ 2,643	$ 2,495	$ 6,944	$ 5,795
Interest on benefits earned	5,545	2,966	5,589	3,508	10,979	5,932	11,178	7,017
Net amortizations	(252)	154	280	44	39	308	561	87
Estimated return on plan assets	(8,114)	(4,249)	(7,412)	(4,237)	(15,886)	(8,498)	(14,825)	(8,474)
Recognized actuarial (gain) or loss				753				1,507
Curtailment charge	252				1,125			
Aggregate pension (benefit) expense	$ (2,754)	$ (1,129)	$ 1,929	$ 2,965	$ (1,100)	$ 237	$ 3,858	$ 5,932

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 8 Retirement Benefits (Continued)

	SERP Plan Cost							
	Three months ended June 30,				Six months ended June 30,			
	2006		2005		2006		2005	
	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC
Cost of benefits earned	$ 334	$	$ 515	$ 231	$ 540	$ 188	$ 1,031	$ 461
Interest on benefits earned	718	378	933	401	1,549	757	1,866	803
Net amortizations	123	27	384	201	99	53	767	402
Aggregate SERP expense	$ 1,175	$ 405	$ 1,832	$ 833	$ 2,188	$ 998	$ 3,664	$ 1,666

In addition to providing pension benefits, NYSE and SIAC maintain defined benefit plans to provide certain health care and life insurance benefits for eligible retired employees. During 2005, NYSE and SIAC announced that changes would be made to the post-retirement plan, including the underlying plan design and contribution strategy. The following are the plans' amounts recognized during the respective periods (in thousands):

	Post-Retirement Plan Cost							
	Three months ended June 30,				Six months ended June 30,			
	2006		2005		2006		2005	
	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC
Cost of benefits earned	$ 1,194	$ 541	$ 1,137	$ 667	$ 2,382	$ 1,082	$ 2,274	$ 1,334
Interest on benefits earned	1,953	881	1,750	888	4,152	1,762	3,501	1,776
Net amortizations	(67)	329	(61)	390	146	658	(122)	779
Aggregate SERP expense	$ 3,080	$ 1,751	$ 2,826	$ 1,945	$ 6,680	$ 3,502	$ 5,653	$ 3,889

Note 9 Related Party Transactions

The Depository Trust Company ("DTC") and the National Securities Clearing Corporation ("NSCC") are wholly-owned subsidiaries of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is a holding company that supports DTC, which provides settlement and custody services to banks and broker-dealers, and NSCC, which provides trade clearance, netting and settlement services to banks, broker-dealers, mutual funds, insurance companies and other financial institutions.

On March 28, 2006, NYSE Group sold its shares of DTCC common stock, which represented approximately 28% of DTCC's common stock, for a $23.4 million cash payment. NYSE Group carried this investment at its $2.5 million cost and therefore realized a $20.9 million pre-tax gain that was included in gain on sale of equity investment for the six months ended June 30, 2006 in the condensed consolidated statements of income. The after-tax impact of this gain was included in the cash dividend paid to each former NYSE member in connection with the merger of NYSE and Archipelago. As of June 30, 2006, NYSE Group owns 50% of the outstanding preferred stock of DTCC.

SIAC performs services for AMEX, which is a one-third owner of SIAC.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 9 Related Party Transactions (Continued)

The following revenues have been derived from (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
DTCC	$ 4,764	$ 8,326	$ 10,342	$ 17,193
AMEX	14,126	17,822	30,516	35,865

These revenues are included in data processing in the condensed consolidated statements of income.

Note 10 Earnings per Share

Historically, the weighted average number of shares was adjusted to reflect the merger with Archipelago giving retroactive effect to the issuance of 84,699 shares of common stock to each former member, corresponding to the maximum number of shares issuable to a member under the stock election provision.

The following is a reconciliation of the basic and diluted earnings per share computations (in thousands except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net income for basic and diluted earnings per share	$ 61,173	$ 12,986	$ 91,521	$ 39,005
Shares of common and common stock equivalents:				
Weighted average shares used in basic computation	156,422	115,699	141,619	115,699
Dilutive effect of:				
Employee stock options and restricted stock units	1,006		1,097	
Weighted average shares used in diluted computation	157,428	115,699	142,716	115,699
Basic earnings per share	$ 0.39	$ 0.11	$ 0.65	$ 0.34
Diluted earnings per share	$ 0.39	$ 0.11	$ 0.64	$ 0.34

As of June 30, 2006, 1.4 million shares of restricted stock units and options to purchase 1.8 million shares of common stock were outstanding. For the three and six months ended June 30, 2005, there were no options or restricted stock units outstanding.

Note 11 Litigation and Other Matters

The following supplements and amends our discussion set forth under "Legal Proceedings" in Part I, Item 3 of our annual report on Form 10-K for the year ended December 31, 2005, as updated by Part II, Item 1 of our quarterly report on Form 10-Q for the period ended March 31, 2006. The following should be read in conjunction with these financial statements.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 11 Litigation and Other Matters (Continued)

In re NYSE Specialists Securities Litigation

On June 2, 2006, plaintiffs filed in the U.S. Court of Appeals for the 2d Circuit an opening brief in support of their appeal from the decision of the U.S. District Court for the Southern District of New York entering a final judgment in favor of NYSE. NYSE filed its brief in opposition on August 2, 2006.

Merger-Related Litigation

In March 2006, Janet Hyman and Sylvia Lief, each a former NYSE member, filed separate complaints in New York Supreme Court against NYSE and John A. Thain. The complaints sought compensatory damages for alleged breach of fiduciary duty based on a purported duty of defendants to disclose NYSE's merger discussions with Archipelago prior to the sale of plaintiffs' NYSE memberships on March 1 and 2, 2005, respectively.

On April 19, 2006, NYSE and Mr. Thain served motions to dismiss the Hyman and Lief complaints. On June 9, 2006, Ms. Hyman and Ms. Lief each served an amended complaint, which added an additional cause of action for breach of fiduciary duty and a new cause of action for negligence. On June 22, 2006, D. Paul Rittmaster, another former NYSE member represented by the same law firm as Ms. Hyman and Ms. Lief, filed a complaint in New York Supreme Court against NYSE and Mr. Thain asserting the same causes of action alleged in the amended complaints of Hyman and Lief. On July 28, 2006, NYSE and Mr. Thain served a motion to dismiss the Hyman and Lief amended complaints and the Rittmaster complaint on the grounds, among others, that defendants had no legal duty to make the disclosures plaintiffs assert they should have made.

Compensation-Related Litigation

On July 26, 2006, the court denied the motion of defendant Kenneth Langone for summary judgment in his favor on the single cause of action asserted against him by the New York Attorney General; Mr. Langone has appealed that denial. On July 17, 2006, NYSE and former NYSE Chairman John S. Reed filed motions for summary judgment dismissing all of Richard Grasso's counterclaims against them. On July 31, 2006, the New York Attorney General filed a motion for partial summary judgment in its favor on claims asserted against Mr. Grasso, and Mr. Grasso filed motions for summary judgment in his favor with respect to three of the six causes of action asserted against him by the Attorney General. Mr. Grasso also has moved for summary judgment dismissing the one claim asserted by the Attorney General against NYSE. In addition, defendant Carl McCall has moved for summary judgment dismissing the third-party claims asserted against him by Mr. Grasso. On August 8, 2006, the court ruled that the New York Attorney General's claim against Mr. Grasso for restitution and imposition of a constructive trust is an equitable claim that must be tried to the court rather than to a jury, and that it will commence trial of that claim (which will be tried separately from all other claims asserted in the case) on October 16, 2006. The appellate court has not yet rendered a decision on Mr. Grasso's appeal of the trial court's denial of his motion to dismiss four of the six claims against him, including the claim for restitution and imposition of a constructive trust now scheduled for trial in October.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 11 Litigation and Other Matters (Continued)

Employment-Related Litigation

On April 20, 2006, Graciela DaSilva, Vjoca Selmanovic and Robin Max Morris filed a complaint in the U.S. District Court for the Southern District of New York against NYSE Group, Building Maintenance Service, LLC ("BMS"), a cleaning service contractor, and five unnamed corporations, seeking compensatory and punitive damages for alleged gender discrimination and retaliation in violation of federal and local laws. Ms. DaSilva currently is employed as a porter by NYSE Group; Mr. Morris previously was employed by NYSE as a supervisor of porters. Mr. Selmanovic previously was employed as a porter by BMS. On May 24, 2006, NYSE Group filed an answer to the complaint in which it denied allegations of wrongdoing and asserted various defenses.

Other Matters

On or about April 25, 2006, the Independent Broker Action Committee, Inc. ("IBAC"), which describes itself as a not-for-profit corporation whose membership consists of independent NYSE brokers, filed a petition in the U.S. Court of Appeals for the District of Columbia ("DC Circuit") seeking review of two orders issued by the SEC (Exchange Act Releases No. 34-53539 (March 22, 2006) and 34-53382 (February 27, 2006) (the "Orders")) insofar as they relate to the creation of the NYSE Hybrid Market^{SM} and NYSE's proposed method of allocating trading rights. The petition named the SEC as respondent and asked the court to vacate Exchange Act Release No. 34-53539 regarding the NYSE Hybrid Market^{SM} and that portion of Exchange Act Release No. 34-53382 that approved NYSE's proposed method of allocating trading rights at NYSE through annual trading licenses, and to remand the matter to the SEC for further proceedings. IBAC also asked the SEC to stay the authorization given to NYSE under Exchange Act Release No. 34-53539 to implement subsequent phases of the NYSE Hybrid Market^{SM}, pending the court's resolution of IBAC's petition for review.

NYSE submitted an opposition to IBAC's stay request before the SEC and was granted leave to intervene to oppose IBAC's petition before the DC Circuit. Following joint requests to the SEC and the DC Circuit, the SEC has deferred ruling on IBAC's stay request and the DC Circuit has deferred briefing on the petition itself, to allow IBAC to determine whether it wishes to continue to pursue the petition in light of subsequent developments with regard to the NYSE Hybrid Market^{SM}.

NYSE Group is defending a number of other actions and investigations, the ultimate outcome of which cannot reasonably be determined at this time. In the opinion of management and legal counsel, the aggregate of all possible losses from all such other actions and investigations should not have a material adverse effect on the consolidated financial condition or results of operations of NYSE Group.

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 12 Comprehensive Income

The following outlines the components of other comprehensive income (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net income	$ 61,173	$ 12,986	$ 91,521	$ 39,005
Unrealized gains (losses) on available-for-sale securities	(1,583)	2,067	(93)	(3,623)
Total comprehensive income	$ 59,590	$ 15,053	$ 91,428	$ 35,382

Note 13 Deferred Revenue

Components of deferred revenue were as follows (in thousands):

	June 30, 2006	December 31, 2005
Listing fees original	$ 410,454	$ 414,887
Listing fees annual	132,252	
Registered representative and maintenance fees	9,079	10,180
License fees	10,384	100
Other	6,892	9,343
Total deferred revenue	$ 569,061	$ 434,510
Less: current portion	$ 243,899	$ 105,313
Long-term portion	$ 325,162	$ 329,197

The long-term portion of the deferred revenue balances represented deferred original listing fees, which is a component of the Market segment. The current portion of the deferred revenue balances will be realized within the following reportable segments (in thousands):

	June 30, 2006	December 31, 2005
Market	$ 227,921	$ 85,960
Regulation	11,168	13,839
SIAC	4,810	5,514
Total	$ 243,899	$ 105,313

Note 14 Net Capital Requirements

Certain wholly-owned subsidiaries of NYSE Group, Archipelago Securities, LLC ("ARCAS") and Archipelago Trading Services, Inc. ("ATSI"), are registered broker-dealers and are subject to net capital requirements under SEC Rule 15c3-1. ATSI computes its net capital using the basic method. Under this method, ATSI must maintain minimum net capital (as defined), and the ratio of aggregate indebtedness (as defined) to net capital may not exceed 15 to 1. ARCAS computes its net capital under the alternative

NYSE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Note 14 Net Capital Requirements (Continued)

method. The method requires that minimum net capital not to be less than the greater of $250,000 or 2% of the aggregate debit items arising from customer transactions.

As of June 30, 2006, these subsidiaries were in compliance with their respective net capital requirements and their net capital, net capital in excess of required net capital, and ratio of aggregate indebtedness to net capital were as follows (in thousands, except ratios):

Net capital:		
ARCAS	$	15,966
ATSI		7,727
Net capital in excess of required net capital:		
ARCAS	$	15,716
ATSI		7,676
Ratio of aggregate indebtedness to net capital:		
ARCAS		N/A
ATSI		0.10 to 1

Advances to affiliates, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the net capital rule of the SEC and other regulatory bodies.

NYSE Group's international broker-dealer subsidiaries are subject to capital adequacy requirements promulgated by authorities of the countries in which they operate. As of June 30, 2006, these subsidiaries had met their capital adequacy requirements.

NYSE GROUP, INC.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
NYSE Group, Inc.:

In our opinion, the accompanying consolidated statement of financial condition and the related consolidated statements of income, members' equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of NYSE Group, Inc. (formerly New York Stock Exchange, Inc.) and its subsidiaries (the "Company") at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, New York
March 7, 2006

NYSE GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in Thousands)

	December 31, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 43,492	$ 15,456
Securities purchased under agreements to resell	127,888	55,209
Investment securities, at fair value	980,591	939,925
Accounts receivable, net	171,586	102,941
Taxes receivable	12,599	26,906
Deferred income taxes	91,919	83,039
Other assets	36,142	41,147
Total current assets	1,464,217	1,264,623
Property and equipment, at cost, less accumulated depreciation and amortization	343,534	343,424
Investments in affiliates, at cost	2,662	2,652
Non-current deferred income taxes	290,145	291,639
Non-current other assets	103,587	79,913
Total assets	$ 2,204,145	$ 1,982,251
Liabilities and members' equity		
Current liabilities:		
Accounts payable and other liabilities	$ 96,332	$ 99,165
Accrued expenses	245,554	208,031
Deferred income taxes	25,238	11,264
Deferred revenue	85,690	85,955
Section 31 fees payable	232,146	82,482
Total current liabilities	684,960	486,897
Liabilities due after one year		
Accrued employee benefits	323,373	309,320
Non-current deferred income taxes	9,289	17,413
Deferred revenue	329,197	335,509
Other long-term liabilities	23,037	32,438
Total liabilities	1,369,856	1,181,577
Minority interest	35,164	33,206
Commitments and contingencies (Note 13)		
Members' equity		
Equity of members	807,781	767,032
Accumulated other comprehensive income (loss)	(8,656)	436
Total equity of 1,366 members	799,125	767,468

	December 31,	
Total liabilities and members' equity	$ 2,204,145	$ 1,982,251

The accompanying notes are an integral part of these consolidated financial statements.

NYSE GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands)

	Year Ended December 31,		
	2005	**2004**	**2003**
Revenues			
Activity assessment fees	$ 594,555	$ 359,755	$ 419,744
Listing fees	342,718	329,798	320,722
Data processing fees	182,935	220,677	224,774
Market information fees	178,169	167,590	172,369
Trading fees	145,828	153,562	157,171
Regulatory fees	129,755	113,309	113,192
Facility and equipment fees	49,452	50,432	60,627
Membership fees	6,368	8,361	10,990
Total revenues	1,629,780	1,403,484	1,479,589
Section 31 fees	(594,555)	(359,755)	(419,744)
Compensation	(509,757)	(522,642)	(520,467)
Systems and related support	(124,128)	(138,568)	(145,985)
Professional services	(127,676)	(132,702)	(97,487)
Depreciation and amortization	(103,430)	(95,720)	(89,018)
Occupancy	(70,600)	(68,558)	(67,019)
General and administrative	(69,711)	(84,281)	(76,513)
Archipelago merger and related exit costs	(26,128)	-	-
Regulatory fine income	35,374	7,578	11,213
Operating income	39,169	8,836	74,569
Investment and other income, net	51,710	34,462	32,397
Income before provision for income taxes and minority interest	90,879	43,298	106,966
Provision for income taxes	(48,158)	(12,143)	(45,235)
Minority interest in income of consolidated subsidiary	(1,972)	(992)	(1,274)
Net income	$ 40,749	$ 30,163	$ 60,457

The accompanying notes are an integral part of these consolidated financial statements.

NYSE GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY AND COMPREHENSIVE INCOME

(Dollars in Thousands)

	Equity of Members	Accumulated Other Comprehensive Income (Loss)	Total Members' Equity	Other Comprehensive Income (Loss)	Total Comprehensive Income
Balance as of December 31, 2002	$ 676,412	$ (14,231)	$ 662,181	$ -	$ 22,378
Net income	60,457	-	60,457	-	60,457
Change in unrealized gain on investment securities, net of tax	-	8,146	8,146	8,146	8,146
Change in minimum pension liability, net of tax	-	(2,431)	(2,431)	(2,431)	(2,431)
Other comprehensive income, net of tax	-	-	-	5,715	-
Balance as of December 31, 2003	736,869	(8,516)	728,353		66,172
Net income	30,163	-	30,163	-	30,163
Change in unrealized gain on investment securities, net of tax	-	4,133	4,133	4,133	4,133
Change in minimum pension liability, net of tax	-	4,819	4,819	4,819	4,819
Other comprehensive income, net of tax	-	-	-	8,952	-
Balance as of December 31, 2004	767,032	436	767,468		39,115
Net income	40,749	-	40,749	-	40,749
Change in unrealized loss on investment securities, net of tax	-	(3,168)	(3,168)	(3,168)	(3,168)
Change in minimum pension liability, net of tax	-	(5,924)	(5,924)	(5,924)	(5,924)
Other comprehensive loss, net of tax	-	-	-	$ (9,092)	-
Balance as of December 31, 2005	$ 807,781	$ (8,656)	$ 799,125	-	$ 31,657

The accompanying notes are an integral part of these consolidated financial statements.

NYSE GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Year Ended December 31,		
	2005	**2004**	**2003**
Cash flows from operating activities:			
Net income	$ 40,749	$ 30,163	$ 60,457
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	103,430	95,720	89,018
Minority interest	1,958	1,754	5,816
Loss on disposition of assets	2,133	4,543	5,461
Deferred income taxes	(1,536)	2,344	75,405
Provision for losses on accounts receivable	(18)	(171)	(776)
Change in operating assets and liabilities:			
(Increase) decrease in accounts receivable, net	(68,627)	2,699	22,346
Decrease (increase) in taxes receivable	14,307	25,637	(51,591)
Increase in other assets	(18,669)	(15,873)	(20,809)
Increase (decrease) in accounts payable	11,423	17,504	(8,657)
Increase (decrease) in accrued expenses	37,523	(1,620)	37,099
Increase (decrease) in Section 31 fees payable	149,664	(47,396)	49,969
Decrease in deferred revenue	(6,577)	(8,903)	(26,110)
Increase (decrease) in accrued employee benefits	8,129	(26,694)	(114,112)
Decrease in other long term liabilities	(9,401)	(15,823)	(2,724)
Net cash provided by operating activities	264,488	63,884	120,792
Cash flows from investing activities:			
Proceeds from sale of investment securities	8,848,412	6,601,436	3,480,128
Purchases of investment securities	(8,892,246)	(6,634,541)	(3,692,154)
Net (purchases) sales of securities purchased under agreements to resell	(72,679)	66,711	176,201
Purchases of property and equipment	(105,673)	(84,546)	(77,115)
Increase in investment in affiliates	(10)	(68)	(229)
Net cash used in investing activities	(222,196)	(51,008)	(113,169)
Cash flows from financing activities:			
Principal payments under capital lease obligations	(14,256)	(8,424)	(9,158)
Net increase (decrease) in cash and cash equivalents	28,036	4,452	(1,535)
Cash and cash equivalents at beginning of year	15,456	11,004	12,539
Cash and cash equivalents at end of year	$ 43,492	$ 15,456	$ 11,004
Supplemental disclosure:			
Cash paid for income taxes	$ 56,985	$ 12,000	$ 30,199

	Year Ended December 31,		
Cash paid for interest	5,382	2,896	2,187

Capital lease obligations of $14,422, $13,193 and $6,958 were incurred in 2005, 2004 and 2003, respectively, when the NYSE entered into lease agreements for various computer and equipment assets.

The accompanying notes are an integral part of these consolidated financial statements.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Organization and Description of Business

NYSE Group, Inc. was formed for the purpose of consummating the business combination of the New York Stock Exchange, Inc. (the "NYSE") and Archipelago Holdings, Inc., which was completed on March 7, 2006 (see Note 3). The merger of the NYSE and Archipelago has been treated as a purchase business combination for accounting purposes, with the NYSE designated as the acquirer. As such, the historical financial statements of the NYSE have become the historical financial statements of NYSE Group.

The NYSE is a New York Type A not-for-profit corporation, incorporated in 1971. It is registered as a national securities exchange and is a self-regulatory organization ("SRO"). The NYSE is the world's largest cash equities market, both in terms of average daily trading volume and in the market capitalization of its listed companies.

The NYSE owns two-thirds of the Securities Industry Automation Corporation ("SIAC") and reports SIAC's financial results on a consolidated basis. SIAC is an important industry resource providing critical automation and communications services to the NYSE, the American Stock Exchange ("AMEX") and other organizations to support order processing, trading and the reporting of market information, among other functions. SIAC also provides system support for certain national market system functions and for important regulatory and administrative activities. In addition, SIAC provides telecommunication and managed services through its wholly-owned subsidiary, Sector, Inc. ("Sector"), to subscribers primarily in the securities industry.

Note 2 Basis of Presentation and Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could be materially different from these estimates. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the NYSE and all wholly-owned subsidiaries, as well as SIAC. All intercompany transactions have been eliminated in consolidation. Minority interest in the consolidated statements of income represents AMEX's share of the income or loss of SIAC. The minority interest in the consolidated statements of financial condition reflects the original investment by AMEX in SIAC, along with its proportional share of the earnings or losses of SIAC.

The NYSE's investment in The Depository Trust & Clearing Corporation ("DTCC"), which is operated by separate management and has a separate board of directors, is carried at cost as the NYSE has less than majority ownership and does not exercise significant influence over the operating and financial policies of DTCC. The carrying balance is reflected in the consolidated statements of financial condition in investments in affiliates.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Basis of Presentation and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments with an original maturity of three months or less.

Revenue Recognition

Listing fees include original fees, which are paid whenever a company initially lists on the NYSE and whenever it effects a corporate action that results in the listing of additional shares. Companies also pay annual fees to remain listed on the NYSE. Annual fees are recognized ratably over the course of the related period. Original fees are recognized on a straight-line basis over their estimated service period of ten years. Unamortized balances are recorded as deferred revenue on the consolidated statements of financial condition.

Data processing fees represent revenue generated by SIAC for providing communication services, data processing operations and systems development functions to the NYSE and third-party customers. SIAC's revenue from the NYSE is eliminated in consolidation. It is SIAC's policy to charge affiliates and other customers, other than Sector's customers, at approximate cost. Sector's customers are billed at competitive rates for the services provided. Fees are accrued and recognized as services are provided.

Market information fees are paid by members, member organizations, institutional investors and other subscribers to access last sale and bid/ask information. The fees are primarily based upon the number of interrogation devices receiving the market information. Fees are accrued and recognized as services are rendered.

Trading fees are paid monthly by members and member organizations and are calculated based upon trading activity brought to the floor of the NYSE. These fees are accrued and recognized as earned.

Regulatory fees are paid by members and member organizations and are primarily assessed based upon their gross FOCUS revenues. They are recognized ratably over the period to which they apply. Regulatory fees also include regulatory fines that are levied by the NYSE. These fees are recognized when collection is reasonably assured.

Facility and equipment fees are paid to the NYSE for services provided on the trading floor. They are accrued and recognized when services are rendered.

Securities Purchased under Agreements to Resell

The NYSE invests funds in overnight reverse repurchase agreements, which provide for the delivery of cash in exchange for securities having a market value of approximately 102% of the amount of the agreements. Independent custodians take possession of the securities in the name of the NYSE. Overnight reverse repurchase agreements are recorded at trade date at the contractual amount.

Investment Securities

NYSE's investment securities are classified as available-for-sale securities and are carried at fair value as of trade date with the unrealized gains and losses, net of tax, reported as a component of other comprehensive income. Interest income on investment securities, including amortization of premiums and accretion of discounts, is accrued and recognized over the life of the investment. The specific identification

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Basis of Presentation and Significant Accounting Policies (Continued)

method is used to determine realized gains and losses on sales of investment securities, which are reported in investment and other income.

The NYSE regularly reviews its investments to determine whether a decline in fair value below the cost basis is other than temporary. If events and circumstances indicate that a decline in the value of the assets has occurred and is deemed to be other-than-temporary, the cost basis of the security is written down to fair value and a corresponding impairment is charged to earnings. As of December 31, 2005, no unrealized losses were considered other-than-temporary.

Accounts Receivable, Net

Accounts receivable represents payments due to the NYSE for services rendered. An allowance is established to record receivables at a net amount equal to the net realizable value. The allowance for bad debts is maintained at a level that management believes to be sufficient to absorb probable losses in the NYSE's accounts receivable portfolio and is assessed periodically by management. Increases in the allowance for doubtful accounts are charged against operating results and the allowance is decreased by the amount of write-offs, net of recoveries. The allowance is based on several factors, including a continuous assessment of the collectibility of each account. In circumstances where a specific customer's inability to meet its financial obligations is known, the NYSE records a specific provision for bad debts against amounts due to reduce the receivable to the amount it reasonably believes will be collected. Accounts with outstanding balances in excess of 60 to 90 days are reviewed monthly to make changes to the allowance as appropriate.

The NYSE's receivables are primarily from members, member organizations, listed companies and market information subscribers. The concentration of risk on accounts receivable is mitigated by the large number of entities comprising the NYSE's customer base. The total allowance, netted against receivables, was $8.0 million at December 31, 2005 and $14.4 million at December 31, 2004. For the year ended December 31, 2005, there was an $18,000 release of reserve balances and additional provisions recorded of $1.6 million and $0.7 million for the years ended December 31, 2004 and 2003, respectively, while write-offs were $6.4 million, $1.8 million and $1.4 million, respectively.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation of assets is determined by using the straight-line method of depreciation over the estimated useful lives of the assets, which range from 2 to 15 years. Leasehold improvements are amortized using the straight-line method over the term of the lease or the estimated useful lives of the assets, whichever is shorter. Set forth below are the estimated useful lives of the NYSE's assets:

Buildings and improvements	14 years
Leasehold improvements	5-14 years
Computers and equipment	2-15 years
Furniture and fixtures	5 years

The NYSE accounts for software development costs under AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), and other related guidance. The NYSE expenses software development costs incurred during the

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Basis of Presentation and Significant Accounting Policies (Continued)

preliminary project stage, while it capitalizes costs incurred during the application development stage, which includes design, coding, installation and testing activities. Amortization of capitalized software development costs is computed on a straight-line basis over the software's estimated useful life, generally three years.

Revisions in estimated useful lives of depreciable assets were made in 2004. The effect of changes in estimates of useful lives for depreciable assets was to decrease net income in 2004 by $7.6 million.

Expenditures for repairs and maintenance are charged to operations in the period incurred. The cost and accumulated depreciation of property and equipment retired or otherwise disposed of are removed from the accounts upon disposal and any gain or loss is reflected in operations.

Activity Assessment Fees and Section 31 Fees

The NYSE pays SEC fees pursuant to Section 31 of the Exchange Act. These fees are designed to recover the costs to the government for the supervision and regulation of securities markets and securities professionals. The NYSE, in turn, collects activity assessment fees from member organizations clearing or settling trades on the NYSE and recognizes these amounts when members are invoiced. Fees received are included in cash of the NYSE at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. The NYSE records activity assessment fee revenue and Section 31 fees expense on its consolidated statements of income as the NYSE bears the credit risk associated with the collection of these fees.

As of December 31, 2005, the NYSE has accumulated a $15.1 million excess of anticipated activity remittance fees to the SEC, which is included in Section 31 fees payable on the consolidated statements of financial condition. Due to the uncertainty of the claims on the excess remittances, the NYSE has discussed these issues with the SEC Market Regulation Division, SROs, member organizations and others in the securities industry who have had the same or similar issues and it plans to work with industry participants and the SEC to review and determine a satisfactory resolution of this matter with the consideration of all stakeholders involved.

Compensation and Accrued Employee Benefits

The NYSE accrues for compensation as earned. The NYSE and SIAC have separate qualified defined benefit pension plans covering substantially all employees meeting age and service requirements. Each also has a Supplemental Executive Retirement Plan. All of these plans are accounted for under Statement of Financial Accounting Standard ("SFAS") No. 87 "Employers Accounting for Pensions." In addition, the NYSE and SIAC maintain defined benefit plans to provide certain health care and life insurance benefits for eligible retired employees. These plans are accounted for under SFAS No. 106 "Employers Accounting for Postretirement Benefits Other than Pensions."

Pension and OPEB costs and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest cost, expected return on assets, mortality rates and other factors. In accordance with U.S. generally accepted accounting principles, actual results that differ from the assumptions are accumulated and amortized over the future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While management believes that the assumptions used are appropriate,

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Basis of Presentation and Significant Accounting Policies (Continued)

differences in actual experience or changes in assumptions may affect NYSE's pension and other postretirement obligations and future expense.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," establishes guidelines for reporting and display of comprehensive income and its components in the financial statements. Other comprehensive income includes changes in unrealized gains and losses on investment securities classified as available-for-sale and changes in minimum pension liabilities, net of tax. Accumulated other comprehensive income (loss) is included as a component of Members' Equity.

Income Taxes

The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year and deferred tax assets and liabilities for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. The NYSE reviews its deferred tax asset for recovery; when the NYSE believes that it is more likely than not that a portion of its deferred tax assets will not be realized, a valuation allowance will be established. As of December 31, 2005, the asset is expected to be fully realized and accordingly, no valuation allowance has been established. Significant judgment is required in assessing the future tax consequences of events that have been recognized in the NYSE's financial statements or tax returns. Fluctuations in the actual outcome of these future tax consequences could have material impact on the NYSE's financial position or results of operations.

The NYSE files a consolidated tax return with its subsidiaries except SIAC, which is required to file its tax return on a stand-alone basis. The amounts recorded for consolidated financial reporting purposes equals the aggregation of the stand-alone provisions of both entities.

Estimated Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized in the consolidated statements of financial condition. Management estimates that the fair value of financial instruments recognized in the consolidated statements of financial condition (including cash and cash equivalents, securities purchased under agreements to resell, investment securities, receivables, accounts payable, accrued expenses and accrued employee benefits) approximates their fair value due to the short-term nature of these assets and liabilities.

Note 3 Merger with Archipelago Holdings, Inc.

On April 20, 2005, the NYSE entered into a definitive merger agreement with the Archipelago Holdings, Inc. ("Archipelago"), the first open all-electronic stock market, pursuant to which Archipelago and the NYSE agreed to combine their businesses and become wholly-owned subsidiaries of NYSE Group, Inc., a newly created, for-profit holding company.

The merger closed on March 7, 2006. As of that date, the NYSE became a wholly-owned subsidiary of NYSE Group. NYSE Group common stock is listed on the NYSE and is traded under the symbol "NYX."

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Merger with Archipelago Holdings, Inc. (Continued)

In the merger, each NYSE member was entitled to receive, in exchange for its NYSE membership, $300,000 in cash and 80,177 shares of NYSE Group common stock. Each NYSE member had the opportunity to make either a cash election to increase the cash portion (and decrease the stock portion) of their merger consideration, or a stock election to increase the stock portion (and decrease the cash portion) of their merger consideration. These elections were subject to certain proration. The aggregate number of shares of NYSE Group Common Stock issued to all of the NYSE members in the merger, together with the aggregate number of shares reserved for issuance to NYSE employees, equaled approximately 70% of the NYSE Group common stock issued and outstanding at the closing of the merger, on a diluted basis.

In the merger, Archipelago was impacted as follows: (i) each share of the issued and outstanding shares of Archipelago's common stock converted automatically into the right to receive one share of NYSE Group common stock; (ii) all outstanding stock options of Archipelago, whether vested or unvested, converted into options to purchase an equivalent number of shares of NYSE Group common stock; and (iii) all outstanding restricted stock units of Archipelago converted into an equal number of restricted stock units of NYSE Group common stock. The aggregate number of shares (including shares underlying stock options and restricted stock units) received by Archipelago's stockholders equaled approximately 30% of the issued and outstanding shares of NYSE Group common stock at the closing of the merger, on a diluted basis.

During the fourth quarter of 2005, the NYSE started reviewing its cost structure in connection with its pending merger with Archipelago and the shift towards a for-profit model.

In November 2005, the NYSE adopted a plan to eliminate approximately 70 positions, primarily in trading floor operations and miscellaneous administrative areas. As a result of this decision, the NYSE recorded a $3.9 million charge consisting of severance and related costs. The following is a summary of the severance charges recognized in December 2005 and the remaining accruals at December 31, 2005 (in thousands):

	NYSE Market
Total severance charges	$ 3,910
Amount paid in 2005	(106)
Balance at December 31, 2005	$ 3,804

The amount accrued for severance is based upon the NYSE's severance policy and the positions eliminated. Based upon current severance dates and the accrued severance at December 31, 2005, the NYSE expects to pay these amounts in each quarter, through the third quarter of 2007.

These costs were included in the Archipelago merger and related costs in the consolidated statement of income for the year ended December 31, 2005.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 Deferred Revenue

NYSE deferred revenue as of December 31, 2005 relating to original listing fees will be recognized in the following years (Dollars in Thousands):

Year ended	
Current deferred revenue:	
2006	$ 85,690
Non-current deferred revenue:	
2007	75,590
2008	62,593
2009	51,400
2010 and thereafter	139,614
Total non-current deferred revenue	329,197
Total	$ 414,887

Note 5 Related Parties and Other Relationships

The Depository Trust Company ("DTC") and the National Securities Clearing Corporation ("NSCC") are wholly-owned subsidiaries of DTCC. DTCC is a holding company that supports DTC, a central certificate depository, and NSCC, which provides services to participants including trade comparison, clearing and settlement.

The NYSE owns both common and preferred stock of DTCC. As of December 31, 2005 and 2004, the NYSE held approximately 28% interest in the common stock of DTCC at a cost of $2.4 million. The entitlement to own the common stock of DTCC is re-determined periodically, based on usage of DTCC by the participants. The NYSE may acquire or may be required to sell any shares not purchased or sold by certain users of DTCC's services.

The NYSE also owned 50% of the preferred stock of DTCC at a cost of $0.3 million as of December 31, 2005 and 2004. The cost of the investment in common and preferred stock is included in investment in affiliates on the consolidated statement of financial condition.

NYSE also incurs expenses related to DTCC. For the years ended December 31, 2005, 2004 and 2003 these expenses were $0.4 million, $0.5 million and $0.6 million, respectively.

For the years ended December 31, 2005, 2004 and 2003, revenue from DTCC included in data processing fees, on the consolidated statements of income was $32.4 million, $59.5 million and $52.1 million, respectively. Accounts receivable, due from DTCC at December 31, 2005 and 2004 were $3.1 million and $5.8 million, respectively.

For the years ended December 31, 2005, 2004 and 2003, revenue from AMEX included in data processing fees, on the consolidated statements of income was $71.4 million, $79.5 million and $93.9 million, respectively. Accounts receivable from AMEX at December 31, 2005 and 2004 were $6.9 million and $6.6 million, respectively. Accounts payable to AMEX at December 31, 2005 and 2004 were $8.2 million and $13.7 million, respectively.

While not related parties, the NYSE earns fees from and enters into business relationships with listed companies, member firms and specialist firms. In management's opinion, all transactions are made at

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 Related Parties and Other Relationships (Continued)

prevailing rates, terms and conditions, do not involve more than the normal risk of collectibility or present other favorable or unfavorable features.

For the years ended December 31, 2005 and 2004, two NYSE member firms, The Goldman Sachs Group, Inc. ("Goldman Sachs") and UBS AG, each accounted for approximately 10% of the NYSE's trading volume. For the year ended December 31, 2003, one NYSE member firm, Goldman Sachs, accounted for approximately 10% of the NYSE's trading volume.

In addition, in February 2005, the NYSE entered into an investment banking relationship with Goldman Sachs, under which Goldman Sachs performed certain services, including facilitating discussions between the NYSE and Archipelago in connection with the merger. The NYSE agreed to pay Goldman Sachs a transaction fee of $3.5 million in cash upon consummation of the merger with Archipelago. In March 2006, the NYSE will make a payment of $3.5 million under this agreement.

Note 6 Investment Securities at Fair Value

Following is a summary of investments classified as available for sale securities at December 31, 2005:

Security Type	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government and Agency	$ 70,125	$ 103	$ 342	$ 69,886
Municipal Bonds	403,495		3,079	400,416
Mutual Funds	132,818	11,472	707	143,583
Certificates of Deposit	10,560			10,560
Corporate Bonds	197,055	16	25	197,046
Collateralized Mortgage Obligation	72,228	21	323	71,926
Equity Funds	4,973	1,704	210	6,467
Asset Backed	63,852	12	124	63,740
Mortgage Backed	17,110	36	179	16,967
	$ 972,216	$ 13,364	$ 4,989	$ 980,591

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 Investment Securities at Fair Value (Continued)

And at December 31, 2004:

Security Type	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(Dollars in Thousands)			
U.S. Government and Agency	$ 330,742	$ 310	$ 461	$ 330,591
Municipal Bonds	228,111	21	202	227,930
Mutual Funds	118,821	4,314	40	123,095
Certificates of Deposit	75,105			75,105
Corporate Bonds	67,944	16	23	67,937
Collateralized Mortgage Obligation	38,605	30	93	38,542
Equity Funds	32,414	8,722	99	41,037
Asset Backed	26,380	2	42	26,340
Mortgage Backed	4,839		7	4,832
Equities	2,727	1,789		4,516
	$ 925,688	$ 15,204	$ 967	$ 939,925

The contractual maturities of fixed income securities at December 31, 2005 were as follows:

	Cost	Fair Value
	(Dollars in Thousands)	
Due within one year	$ 211,393	$ 211,124
Due after one year through five years	269,627	267,345
Due after five years through ten years	43,730	43,734
Due over ten years	310,141	308,805
	$ 834,891	$ 831,008

In 2005, the NYSE realized proceeds from the sale of securities of $8.8 billion. Gross realized gains for the year amounted to $8.5 million and gross realized losses amounted to $4.5 million. In 2004, the NYSE realized proceeds from the sale of securities of $6.6 billion with gross realized gains for the year amounting to $3.5 million and gross realized losses of $3.8 million.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 Investment Securities at Fair Value (Continued)

The following table shows the fair value of available-for-sale investments in an unrealized loss position, aggregated by investment category, as of December 31, 2005.

	Less than 12 months		Greater than 12 months	
Security Type	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
	(Dollars in Thousands)			
U.S. Government and Agency	$ 32,857	$ 114	$ 22,796	$ 228
Municipal Bonds	23,219	155	193,726	2,924
Mutual Funds	20,107	707		
Corporate Bonds			21,755	25
Collateralized Mortgage Obligation			31,851	323
Equity Funds	4,973	210		
Asset Backed			30,686	124
Mortgage Backed			13,092	179
	$ 81,156	$ 1,186	$ 313,906	$ 3,803

The following table shows the fair value of the NYSE's available-for-sale investments in an unrealized loss position, aggregated by investment category, as of December 31, 2004.

And at December 31, 2004:

	Less than 12 months	
Security Type	**Fair Value**	**Gross Unrealized Losses**
	(Dollars in Thousands)	
U.S. Government and Agency	$ 161,192	$ 461
Municipal Bonds	187,288	202
Mutual Funds	19,847	40
Corporate Bonds	30,260	23
Collateralized Mortgage Obligation	16,413	93
Equity Funds	821	99
Asset Backed	16,693	42
Mortgage Backed	1,209	7
	$ 433,723	$ 967

At December 31, 2004, the NYSE did not have any available-for-sale investments in an unrealized loss positions for more than 12 months.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Property and Equipment

Property and equipment consisted of the following:

	December 31, 2005	December 31, 2004
	(Dollars in Thousands)	
Land, buildings and building improvements	$ 254,004	$ 222,472
Leasehold improvements	154,242	161,804
Computers and equipment, including capital leases of $45,109 in 2005 and $46,091 in 2004	421,472	406,760
Software, including software development costs	98,556	89,611
Furniture and fixtures	36,158	32,179
	964,432	912,826
Less: accumulated depreciation and amortization	(620,898)	(569,402)
	$ 343,534	$ 343,424

The NYSE capitalized software development costs of approximately $33.6 million and $24.2 million in 2005 and 2004, respectively. Unamortized capitalized software development costs of $42.5 million and $31.6 million as of December 31, 2005 and 2004, respectively, are included in the net book value of property and equipment.

Note 8 Income Taxes

The income tax provisions for the years ended December 31 consisted of the following:

	2005	2004	2003
	(Dollars in Thousands)		
Federal:			
Current	$ 34,663	$ 3,929	$ (18,904)
Current deferred	(4,891)	3,251	2,682
Non-current deferred	11,663	5,175	47,299
	6,772	8,426	49,981
State and local:			
Current	$ 7,827	$ (1,153)	$ (12,285)
Current deferred	(2,624)	741	1,447
Non-current deferred	1,520	200	24,996
	(1,104)	941	26,443

	2005	2004	2003
Total provision for income taxes	$ 48,158	$ 12,143	$ 45,235

The preceding table does not reflect the tax effects of unrealized gains and losses on available for sale securities and changes in minimum pension liability. The tax effect of these items is recorded directly in Members' equity. Members' equity increased by $6.2 million in 2005 and decreased by $7.0 million and $4.7 million in 2004 and 2003, respectively, as a result of these tax effects.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 Income Taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts deductible for income tax purposes. Deferred tax asset and liability balances consisted of the following:

	2005	2004
	(Dollars in Thousands)	
Current deferred tax arising from:		
Deferred revenue	$ 38,561	$ 38,680
Employee benefits liability	5,549	6,258
Deferred compensation	36,376	37,042
Allowance for uncollectible accounts and other	11,433	1,059
Current deferred assets	91,919	83,039
Deductible capitalized merger costs	2,240	
Software capitalization	9,827	7,792
Prepaid pension	13,171	3,472
Current deferred liabilities	25,238	11,264
Non-current deferred tax arising from:		
Deferred revenue	$ 148,138	$ 150,979
Depreciation	22,321	33,839
Employee benefits	7,992	(109)
Deferred compensation	104,865	102,189
Allowance for uncollectible accounts and other	6,829	4,741
Non-current deferred assets	290,145	291,639
Software capitalization	9,289	6,447
Prepaid pension		10,966
Non-current deferred liabilities	9,289	17,413

No valuation allowance for the deferred tax asset was necessary at December 31, 2005 or 2004 as management believes it is more likely than not that the assets will be realized.

For the tax year ended December 31, 2004, the NYSE and subsidiary companies reported a net operating loss of approximately $2.6 million to New York State and New York City. New York State and City Tax Law allow the losses incurred to be carried forward and used to offset income in future years. These losses, under New York State and City Tax Law must be utilized within 20 years of being incurred. The losses are scheduled to be fully utilized upon completion of the 2005 tax return.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 Income Taxes (Continued)

A reconciliation between the statutory and effective tax rates is presented below:

	2005	2004	2003
Federal statutory rate	35.0%	35.0%	35.0%
State and local taxes (net of federal benefit)	5.7	4.2	7.5
Tax credits	(0.4)	(5.7)	
WTC insurance proceeds		(4.8)	
Non-deductible merger expenses	7.1		
Tax asset write-down	9.9		
Municipal interest income	(4.0)		
Other	(0.3)	(0.7)	(0.2)
	53.0%	28.0%	42.3%

Note 9 Segment Reporting

Management operates under two reportable segments, NYSE Market and SIAC Services. The segments are managed and operated as two business units and organized based on services provided to customers. After completion of the merger with Archipelago, the NYSE will be a subsidiary of NYSE Group, which may operate and manage its businesses in a different manner and under different reportable segments.

NYSE Market represents the fees earned from obtaining new listings and retaining existing listings on the NYSE, access to executing trades on the NYSE and distribution of market information to data subscribers as well as membership fees, regulatory fees and investment and other income.

SIAC Services provides communication services, data processing operations and systems development functions to the NYSE and third-party customers, which are included in data processing fees on the consolidated statements of income.

Expenses for NYSE Market and SIAC services are the direct expenses related to running those businesses.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 Segment Reporting (Continued)

Summarized financial information concerning the NYSE's reportable segments is as follows:

	NYSE Market	SIAC Services	Corporate Items and Eliminations	Consolidated
	(Dollars in Thousands)			
2005				
Revenues	$ 1,446,845	$ 435,691	$ (252,756)	$ 1,629,780
Income before provision for income taxes	82,387	8,492		90,879
Total assets	1,976,104	329,761	(101,720)	2,204,145
Purchase of property and equipment	84,223	21,450		105,673
2004				
Revenues	1,186,507	483,102	(266,125)	1,403,484
Income before provision for income taxes	38,503	4,795		43,298
Total assets	1,655,356	348,954	(22,059)	1,982,251
Purchase of property and equipment	77,086	7,460		84,546
2003				
Revenues	1,254,826	477,813	(253,050)	1,479,589
Income before provision for income taxes	100,690	6,276		106,966
Total assets	1,670,675	349,793	(11,269)	2,009,199
Purchase of property and equipment	43,327	33,788		77,115

Revenues are generated primarily in the United States. All of the NYSE's long-lived assets are located in the United States. For the years ended December 31, 2005, 2004 and 2003 no individual customer accounted for 10% or more of the NYSE's revenue.

Note 10 Litigation and Other Matters

The following is a summary of relevant legal matters as of December 31, 2005:

In re NYSE Specialists Securities Litigation

In December 2003, the California Public Employees' Retirement System ("CalPERS") filed a purported class action complaint in the United States District Court for the Southern District of New York (the "Southern District") against the NYSE, NYSE specialist firms, and others, alleging various violations of the Exchange Act and breach of fiduciary duty, on behalf of a purported class of persons who bought or sold unspecified NYSE-listed stocks between 1998 and 2003. Judge Robert Sweet consolidated CalPERS' suit with three other purported class actions and a non-class action into the action now entitled *In re NYSE Specialists Securities Litigation,* and appointed CalPERS and Empire Programs, Inc. co-lead plaintiffs.

Plaintiffs filed a consolidated complaint on September16, 2004. The consolidated complaint asserts claims for alleged violations of Sections 6(b), 10(b) and 20(a) of the Exchange Act, and alleges that, with the NYSE's knowledge and active participation, the specialist firms engaged in manipulative, self-dealing and deceptive conduct, including interpositioning, front-running and "freezing" the specialist's book and falsifying trading records to conceal their misconduct. Plaintiffs also claim that the NYSE constrained its regulatory activities in order to receive substantial fees from the specialist firms based on their profits and that defendants' conduct "caused investors to purchase or sell shares on the NYSE at distorted and

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Litigation and Other Matters (Continued)

manipulated prices, enriching Defendants and damaging Plaintiffs and the Class." The consolidated complaint also alleges that certain generalized NYSE statements concerning the operation of its market were rendered false and misleading by the NYSE's non-disclosure of its alleged failure to properly regulate specialists, and that the NYSE was motivated to participate in or permit the specialist firms' alleged improper trading in order to maintain or enhance its fee revenues and the compensation of its executives, including its former chairman and chief executive officer Richard A. Grasso. The consolidated complaint seeks unspecified compensatory damages against defendants, jointly and severally.

On November 16, 2004, the specialist firms and the NYSE filed motions to dismiss the complaint. On December 12, 2005, the court granted the NYSE's motion and dismissed all of the claims against it with prejudice. The court granted in part and denied in part the motions to dismiss of the specialist defendants.

Papyrus Patent Infringement Litigation

On January 27, 2004, Papyrus Technology Corporation ("Papyrus") filed a complaint in the Southern District against the NYSE, alleging that the NYSE's Wireless Data System and Broker Booth Support System infringe patents allegedly issued to Papyrus and that the NYSE breached a license agreement with Papyrus. The NYSE answered the complaint, asserting affirmative defenses and a counterclaim against Papyrus. Discovery has been completed. It is anticipated that the parties will file motions for summary judgment on at least some of the claims. The court has not set a trial date.

SEC Administrative Proceeding Regarding Specialists

On April 12, 2005, the SEC instituted and simultaneously settled an administrative proceeding against the NYSE. The SEC action related to detection and prevention of activities of specialists who engaged in unlawful proprietary trading on the floor of the NYSE. The SEC found that the NYSE had violated Section 19(g) of the Exchange Act by failing to enforce compliance with the federal securities laws and NYSE rules that prohibit specialists from "interpositioning" and "trading ahead" of customer orders. In settling the action, the NYSE consented, without admitting or denying the findings, to entry of an administrative order imposing a censure and requiring the NYSE to cease and desist from future violations of Section 19(g) and to adopt various remedial measures, including retention of a third-party regulatory auditor, creation of a $20 million reserve fund in connection therewith, development of policies and procedures to enhance its regulation of floor members, implementation of a pilot program for an on-floor video and audio surveillance system, development of systems and procedures to track the identity of specialists and clerks trading on the NYSE trading floor, and enhancements to its trading systems reasonably designed to prevent specialists from trading ahead of customer orders and interpositioning. As part of its settlement, the NYSE agreed to cooperate with the SEC in all continuing investigations, litigations or other proceedings concerning the matters described in the administrative order.

Merger-Related Litigation

Following the announcement, on April 20, 2005, of the NYSE's proposed merger with Archipelago Holdings, Inc., several lawsuits were filed relating to the merger.

On May 9, 2005, William J. Higgins filed a complaint in New York Supreme Court, on behalf of himself and a purported class of similarly situated persons as NYSE members, against the NYSE, its directors and The Goldman Sachs Group, Inc., in connection with the NYSE's proposed merger with Archipelago Holdings, Inc. ("Archipelago"). On May 13, 2005, William T. Caldwell, Morton B. Joselson

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Litigation and Other Matters (Continued)

and John F. Horn filed a complaint in New York Supreme Court, on behalf of themselves and a purported class of similarly situated persons as NYSE members, against the NYSE, the NYSE's directors, The Goldman Sachs Group, Inc. and Archipelago. The lawsuits were consolidated under the caption In re New York Stock Exchange/Archipelago Merger Litigation, Index number 601646/05. The parties subsequently stipulated to dismiss Archipelago as a party from the litigation.

On September 27, 2005, William J. Higgins, William T. Caldwell, Morton B. Joselson, John F. Horn, Louis Erhard (who later withdrew), Robert Dill, Paul J. Mulcahy, Barbara Lynn DeCicco, Michael J. Quinn, Mark B. Grumet, and Anthony A. Saridakis filed a consolidated amended complaint under the above-referenced caption, on behalf of themselves and a purported class of similarly situated persons as NYSE members, against the NYSE, its directors and The Goldman Sachs Group, Inc. in connection with the merger. The consolidated amended complaint alleges that the NYSE and its directors breached their fiduciary duties of candor, care, loyalty, and good faith and unlawfully converted assets belonging to the NYSE members. The consolidated amended complaint also asserts one cause of action against The Goldman Sachs Group, Inc., alleging that it aided and abetted the breaches of fiduciary duties by the NYSE defendants. The consolidated amended complaint sought preliminary and permanent injunctive relief and compensatory damages. On November 15, 2005, the parties agreed to settle the litigation on terms that required the NYSE to provide the Court with a report by an independent financial expert on the fairness of the merger and required plaintiffs to dismiss the consolidated amended complaint with prejudice. On December 5, 2005, the Court issued a decision approving the settlement but reserved decision with respect to the amount of attorneys' fees and expenses that would be awarded to plaintiffs' attorneys. On February 21, 2006, the Court entered a Final Judgment and Order of Dismissal that required the NYSE to pay $9,095,511 for plaintiffs' attorneys' fees and expenses and dismissed the consolidated lawsuit with prejudice. An accrual for this amount was included in accrued expenses on the Statement of Financial Condition at December 31, 2005.

Compensation-Related Matters

In December 2003, the NYSE received a report from the law firm Winston & Strawn, which the NYSE had engaged to investigate and review certain matters relating to the compensation of its former Chairman and Chief Executive Officer ("CEO"), Richard A. Grasso, and the process by which that compensation was determined (the "Webb Report"). The NYSE provided the Webb Report to the United States Securities and Exchange Commission ("SEC") and the New York Attorney General's Office ("NYAG"), which commenced investigations relating to those matters in or about January 2004.

The Webb Report provided a detailed summary of, among other things, Mr. Grasso's compensation and benefits during the period in which he served as Chairman and CEO of the NYSE (1995-2003), including the various components thereof. On or about September 2, 2003, the NYSE transferred to Mr. Grasso $139,486,000, in respect of deferred compensation and benefits for that period. Previously, the NYSE had transferred to Mr. Grasso approximately $35 million in non-deferred compensation for that period.

On or about February 12, 2004, NYSE's then Interim Chairman, John S. Reed, sent Mr. Grasso a letter stating that the NYSE had determined that the compensation and benefits that Mr. Grasso received "were excessive and at unreasonable levels" and that, even granting Mr. Grasso the benefit of assumptions favorable to him, "were excessive by at least $120 million." In that letter, the NYSE demanded that

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Litigation and Other Matters (Continued)

Mr. Grasso repay NYSE $120 million and reserved its rights to seek additional amounts beyond the $120 million demanded.

On May 24, 2004, the NYAG filed a lawsuit in New York Supreme Court against Mr. Grasso, former NYSE Director Kenneth Langone, and the NYSE. The complaint alleges six causes of action against Mr. Grasso, including breach of fiduciary duty under the New York Not-for-Profit Corporation Law ("N-PCL") and unjust enrichment. Among other things, the suit seeks imposition of a constructive trust for the NYSE's benefit on all compensation received by Mr. Grasso that was not reasonable and commensurate with services rendered, pursuant to provisions of the N-PCL "in an amount to be determined at trial"; a judgment directing Mr. Grasso to return payments made by the NYSE that were unlawful under the N-PCL "in an amount to be determined at trial"; and restitution of all amounts he received that lacked adequate Board approval because the Board's approval was based on inaccurate, incomplete or misleading information. The Attorney General further seeks a declaration by the court that any obligation to make future payments lacking the required board approval is void. In addition to the claims against Mr. Grasso, the complaint asserts a single cause of action against Mr. Langone for breach of his fiduciary duty under the N-PCL and a single cause of action against the NYSE seeking a declaratory judgment that the NYSE made unlawful, ultra vires payments to Mr. Grasso, and an injunction requiring the NYSE to adopt and implement safeguards to ensure that compensation paid in the future complies with the N-PCL. On July 23, 2004, the NYSE filed its answer to the complaint of the NYAG, in which it asserted several complete defenses.

The case is presently pending before New York Supreme Court Justice Charles E. Ramos. In his answer, Mr. Grasso denied the NYAG's allegations of wrongdoing and asserted various defenses. In addition, Mr. Grasso asserted claims against the NYSE and NYSE Chairman John Reed, including claims that the NYSE terminated Mr. Grasso without cause in September 2003 and breached his 1999 and 2003 employment agreements, and that the NYSE and Mr. Reed defamed him. Mr. Grasso has not claimed with specificity the amount of damages that he seeks in the litigation. In his pleadings, he seeks at least $50 million in compensatory damages for the NYSE's alleged breaches of the agreements; damages for alleged injury to his reputation and mental anguish and suffering; and punitive damages against Mr. Reed and the NYSE.

In or about March 2005, Mr. Grasso asserted third-party claims against former director Carl McCall for negligence, negligent misrepresentation and contribution. In August 2005, Mr. Grasso moved to dismiss four of the six causes of action alleged by the NYAG. The court has not rendered a decision on that motion. The parties currently are engaged in discovery. Trial currently is scheduled to commence on October 30, 2006.

The ultimate outcome of the above litigations cannot reasonably be determined at this time.

The Webb Report stated that the total amount of excessive compensation and benefits actually received by Mr. Grasso was in a range of approximately $113 million to $125 million (including both deferred and non-deferred compensation and benefits paid to Mr. Grasso). The specific amounts of compensation and benefits that should be repaid by Mr. Grasso will be the subject of expert testimony during the expert discovery phase of the litigation. If the NYAG prevails on all of his claims, the court will order Mr. Grasso to return to the NYSE portions of his compensation and benefits determined at trial to be unreasonable and declare that the alleged obligation of the NYSE to make further payments is void. Generally accepted accounting principles preclude the NYSE from accruing any recovery until the dispute between Mr. Grasso and the NYSE regarding compensation and benefits paid to him is resolved but

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 Litigation and Other Matters (Continued)

require the NYSE to accrue compensation expense related to him based upon the most recent employment agreement. At December 31, 2003, the NYSE accrued compensation expense amounting to $36 million related to Mr. Grasso. This accrual, which remains current, reflects management's interpretation of the provisions contained in the most recent employment agreement, which provides terms outlining certain payments to which Mr. Grasso could be entitled upon ceasing employment with the NYSE. Management is currently uncertain as to the timing of the resolution of the dispute. If significant changes relating to the ongoing dispute and the underlying assumptions used by management occur, those changes could lead to increases or decreases in the recorded liability as of December 31, 2005. These increases or decreases could be material to the results of operations and financial condition of the NYSE.

The NYSE is defending a number of other actions, the ultimate outcome of which cannot reasonably be determined at this time. In the opinion of management and legal counsel, the aggregate of all possible losses from all such other actions should not have a material adverse effect on the consolidated financial condition or results of operations of the NYSE.

Note 11 Retirement Benefits

The NYSE and SIAC maintain separate qualified defined benefit pension plans covering substantially all of their employees. Retirement benefits are derived from a formula, which is based on length of service and compensation. The NYSE and SIAC fund pension costs to the extent such costs may be deducted for income tax purposes. There were contributions made to the NYSE pension plan of $10.0 million in 2005 and $31.0 million in 2004. SIAC contributed $2.3 million in 2005 and $20.0 million in 2004 to its pension plan at this time. NYSE and SIAC intend to contribute the necessary amount to meet the funding requirements under the Internal Revenue Code of 1986, as amended, for 2006.

The NYSE bases its investment policy and objectives on a review of the actuarial and funding characteristics of the retirement plan, the demographic profile of plan participants, and the business and financial characteristics of the NYSE. Capital market risk/return opportunities and tradeoffs also are considered as part of the determination. The primary investment objective of the NYSE plan is to achieve a long-term rate of return that meets the actuarial funding requirements of the plan and maintains an asset level sufficient to meet all benefit obligations of the plan. Based on the plan's primary investment objective and on the NYSE's review of relevant plan characteristics, the NYSE has established 65% equity and 35% fixed income and cash equivalents allocation targets for the plan's investment program. The NYSE's pension plan weighted-average asset allocations at December 31, 2005 and 2004, by asset category are as follows:

Asset Category	2005	2004
Short-Term Investments	0.8%	8.7%
Equities	68.0%	63.1%
Fixed income	31.2%	28.2%

SIAC's investment policy is to actively manage certain asset classes where potential exists to outperform the broader market. SIAC's investment policy includes weighted average target asset

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Retirement Benefits (Continued)

allocations of 65% equity securities and 35% fixed income securities and cash equivalents. SIAC's pension plan weighted-average asset allocations at December 31, 2005 and 2004, by asset category are as follows:

Asset Category	2005	2004
Short-Term Investments	1%	2%
Equities	65%	63%
Fixed income	34%	35%

The NYSE and SIAC each also maintain separate Supplemental Executive Retirement Plan ("SERP"), a nonqualified plan, which provides supplemental retirement benefits for certain employees. To provide for the future payments of these benefits, the NYSE has purchased insurance on the lives of the participants through company-owned policies. At December 31, 2005 and 2004, the cash surrender value of such policies was $30.4 million and $28.8 million, respectively. SIAC maintains certain investments for the purpose of providing for future payments of SERP. These investments consist of equity and fixed income mutual funds. These are not considered funded assets under SFAS No. 87 "Employer's Accounting for Pensions" ("FAS 87"). Currently, the NYSE and SIAC do not anticipate additional funding of the nonqualified plan.

The costs of the plans in 2005 and 2004 have been determined in accordance with FAS 87. The measurement date for the plans is December 31, 2005 and 2004.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Retirement Benefits (Continued)

Retirement Benefits

	Pension Plans			
	2005		2004	
	NYSE	SIAC	NYSE	SIAC
	(Dollars in Thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 396,964	$ 249,542	$ 359,032	$ 212,736
Service cost	13,184	11,013	13,201	10,431
Interest cost	22,529	13,904	21,149	12,841
Curtailment loss (gain)	(39,575)	(52,419)		1,606
Special termination benefits				5,749
Plan amendments		127	2,016	
Benefits paid	(15,988)	(11,580)	(14,054)	(10,330)
Actuarial gain (loss)	20,121	10,146	15,620	16,509
Benefit obligation at year end	397,235	220,733	396,964	249,542
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 386,802	$ 226,901	$ 336,819	$ 192,399
Actual return on plan assets	26,384	14,481	34,225	24,832
Company contributions	10,000	2,251	31,000	20,000
Benefit paid	(15,988)	(11,580)	(14,054)	(10,330)
Administrative expenses	(925)		(1,188)	
Fair value of plan assets at end of year	406,273	232,053	386,802	226,901
Funded status of plan	9,038	11,320	(10,162)	(22,641)
Unrecognized actuarial loss	19,071	18,576	34,433	62,109
Unrecognized prior service cost	1,164		7,816	1,906
Prepaid pension cost	$ 29,273	$ 29,896	$ 32,087	$ 41,374

	Pension Plan Costs					
	2005		2004		2003	
	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC
	(Dollars in Thousands)					
Service cost	$ 13,184	$ 11,013	$ 13,201	$ 10,431	$ 12,497	$ 9,681
Interest cost	22,529	13,904	21,149	12,841	20,535	11,655
Amortization of prior service cost	980	182	1,043	181	941	187
Estimated return on plan assets	(30,026)	(16,848)	(27,249)	(15,161)	(26,486)	(13,816)

Pension Plan Costs

Recognized actuarial loss	477	3,020		2,099		958
Curtailment	5,671	2,459		1,852		39
Special termination benefits				5,749		
Aggregate pension expense	$ 12,815	$ 13,730	$ 8,144	$ 17,992	$ 7,487	$ 8,704

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NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Retirement Benefits (Continued)

	SERP Plans			
	2005		2004	
	NYSE	SIAC	NYSE	SIAC
	(Dollars in Thousands)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 64,015	$ 28,262	$ 111,136	$ 33,628
Service cost	1,804	919	2,164	1,122
Interest cost	3,513	1,687	5,562	1,747
Plan amendments		1,522	(18,769)	
Curtailments	(5,975)	(1,583)	(5,068)	
Settlements		469	232	166
Benefits paid	(2,874)	(4,417)	(42,075)	(6,362)
Actuarial loss (gain)	742	1,367	10,833	(2,039)
Benefit obligation at end of year	61,225	28,226	64,015	28,262
Unrecognized actuarial loss	16,924	4,017	23,698	4,362
Unrecognized prior service cost	(306)		(11,682)	2,759
Accrued benefit obligation recognized	44,607	24,209	51,999	21,141
Additional minimum liability	16,614	4,017	7,659	6,820
Accumulated benefit obligation	$ 61,221	$ 28,226	$ 59,658	$ 27,961

	SERP Plan Costs					
	2005		2004		2003	
	NYSE	SIAC	NYSE	SIAC	NYSE	SIAC
	(Dollars in Thousands)					
Service cost	$ 1,804	$ 919	$ 2,164	$ 1,122	$ 3,986	$ 1,420
Interest cost	3,513	1,687	5,561	1,747	6,450	1,916
Amortization of prior service cost	(1,225)	736	1,356	654	5,817	654
Recognized actuarial (gain) or loss	1,542	205	3,184	345		264
Additional (gain) or loss recognized due to:						
Settlement		394	3,082	1,198	9,196	94
Curtailment	(10,152)	3,544	(906)			
Aggregate SERP expense	$ (4,518)	$ 7,485	$ 14,441	$ 5,066	$ 25,449	$ 4,348

	2005		2004	
Weighted-average assumptions as of December 31:	NYSE	SIAC	NYSE	SIAC
Discount rate	5.50%	5.50%	5.75%	5.75%

	2005		2004	
Expected long-term rate of return on plan assets	8.00%	8.00%	8.00%	8.00%
Rate of compensation increase	4.00%	4.50%	4.00%	4.50%

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NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 Retirement Benefits (Continued)

The following table shows the payments projected based on actuarial assumptions:

Pension Plan Payment Projections	NYSE	SIAC
	(Dollars in Thousands)	
2006	$ 17,154	$ 9,944
2007	17,869	9,988
2008	18,819	10,038
2009	19,724	10,056
2010	20,496	10,180
2011-2015	117,752	56,546

SERP Plan Payment Projections	NYSE	SIAC
	(Dollars in Thousands)	
2006	$ 2,085	$ 3,192
2007	2,348	1,472
2008	2,057	1,817
2009	3,401	1,490
2010	2,128	1,454
2011-2015	44,903	8,144

During 2005, the NYSE and SIAC announced that effective March 31, 2006 the future benefit accrual of all active participants in the pension and SERP plans will be frozen. Any pension benefits accrued by current employees through March 31, 2006 will be frozen and accrued benefits will be paid under the assets available. Any SERP benefits accrued by current employees through March 31, 2006 will be frozen and accrued benefits will be paid utilizing assets available at the time of payments. Effective April 1, 2006, NYSE and SIAC employees will be eligible to receive benefits from a new employer-funded defined contribution Retirement Accumulation Plan.

To develop the expected long-term rate of return on assets assumption, the NYSE considered the historical returns and the future expectations for returns for each asset class as well as the target asset allocation of the pension portfolio. The assumed discount rate reflects the market rates for high-quality corporate bonds currently available. The discount rate was determined by considering the average of pension yield curves constructed on a large population of high quality corporate bonds. The resulting discount rates reflect the matching of plan liability cash flows to the yield curves.

Pursuant to the provisions of FAS 87 related to the SERP and pension plans, an intangible asset and adjustment to accumulated other comprehensive income to recognize the minimum pension liability were recorded. As of December 31, 2005, the intangible asset was adjusted to zero and minimum pension liability was adjusted to $11.8 million (net of tax and minority interest of $7.6 million). During 2004, the intangible asset and minimum pension liability were adjusted to $2.7 million and $5.8 million (net of tax and minority interest of $5.9 million), respectively.

Note 12 Other Employee Benefit Plans

In addition to providing pension benefits, the NYSE and SIAC maintain defined benefit plans to provide certain health care and life insurance benefits (the "Plans") for eligible retired employees. These

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 Other Employee Benefit Plans (Continued)

Plans, which may be modified in accordance with their terms, cover substantially all employees. These Plans are measured on December 31 annually.

The net periodic postretirement benefit cost for the NYSE was $14.6 million and $8.8 million for years ended December 31, 2005 and 2004, respectively. SIAC's benefit cost was $7.8 million in 2005 and $6.2 million in 2004. The Plans are unfunded. Currently, management does not expect to fund the Plans.

The following table shows actuarial determined benefit obligation, benefits paid during the year and the accrued benefit cost for the year:

	2005		2004	
	NYSE	SIAC	NYSE	SIAC
	(Dollars in Thousands)			
Benefit obligation at the end of year	$ 145,310	$ 64,800	$ 126,738	$ 63,098
Benefits paid	6,174	2,448	5,307	2,170
Accrued benefit cost	114,511	40,013	106,127	34,245
Additional (gain) or loss recognized due to:				
Curtailment	$	$ 51	$	$ 3,201
Discount rate as of December 31,	5.50%	5.50%	5.75%	5.75%

The following table shows the payments projected based on actuarial assumptions:

Payment Projections	NYSE	SIAC
	(Dollars in Thousands)	
2006	$ 6,420	$ 2,809
2007	6,860	3,082
2008	7,275	3,236
2009	7,821	3,370
2010	8,218	3,520
2011-2015	47,908	20,382

For measurement purposes, the NYSE and SIAC assumed a 10% annual rate of increase in the per capita cost of covered health care benefits in 2005 which will decrease on a graduated basis to 5% in the year 2014 and thereafter.

During 2005, the NYSE and SIAC announced that changes would be made to this plan, including the underlying plan design and contribution strategy. These changes became effective in January, 2006. Plan amendments resulted in a reduction of $25.9 million of benefit obligation as of December 31, 2005.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 Other Employee Benefit Plans (Continued)

The following table shows the effect of a one-percentage-point increase and decrease in assumed health care cost trend rates:

Assumed Health Care Cost Trend Rate

	NYSE		SIAC	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Effect of postretirement benefit obligation	$ 19,040	$ (15,551)	$ 9,857	$ (7,960)
Effect on total of service and interest cost components	2,127	(1,695)	1,416	(1,071)

In May 2004, the FASB issued FASB Staff Position No.106-2, Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("FSP 106-2") in response to a new law regarding prescription drug benefits under Medicare as well as a federal subsidy to sponsors of retiree healthcare benefit plans. FSP 106-2 was reflected in accumulated postretirement medical benefit obligations as of January 1, 2004 assuming that the NYSE will continue to provide a prescription drug benefit to retirees that is at least actuarially equivalent to Medicare Part D and the NYSE will receive the federal subsidy. The accumulated postretirement benefit obligation (APBO) as of January 1, 2004 decreased by $10.4 million and the net periodic postretirement medical cost for 2005 was reduced by approximately $3.2 million.

The NYSE also maintains savings plans for which most employees are eligible to contribute a part of their salary within legal limits. The NYSE will match an amount equal to 100% of the first 6% of eligible contributions. The NYSE also provides benefits under a Supplemental Executive Savings Plan to which eligible employees may also contribute and receive an appropriate company match. SIAC maintains similar though separate plans. Savings plans expense was $20.3 million, $18.8 million and $16.9 million for the years ended December 31, 2005, 2004 and 2003, respectively. Included in accrued employee benefits payable was $65.5 million and $63.4 million at December 31, 2005 and 2004, respectively related to these plans.

The NYSE has a Capital Accumulation Plan (CAP) for designated senior executives. During 2004, this plan terminated and no further awards will be granted. Existing awards will continue to vest. Historically under the CAP, each year, participating executives were credited with an amount based upon a percentage of their annual Incentive Compensation Plan award. These awards vest, for each executive, between the ages of 55 and 65 (depending on the date of grant awarded), and are transferred into a separately managed account as they vest. Unvested CAP amounts earn interest based upon the 10-year Treasury Bond rate as of December 31 of the prior year. Participants may elect to receive their vested account balances in a lump sum distribution or annual installments following termination of employment. The total amount of the awards in 2003 was $1.1 million. Liabilities associated with these plans were $10.0 million at December 31, 2005 and $14.6 million at December 31, 2004, respectively, related to this plan. Awards are included as compensation expense in the year awarded and any related interest is included in compensation expense in the year earned.

Note 13 Commitments and Contingencies

NYSE and SIAC are individually parties to several leases of office space and equipment that expire at various dates through 2019. Rental expense under these leases, included in the consolidated statements of

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13 Commitments and Contingencies (Continued)

income in both Occupancy and Systems and Related Support, totaled $77.3 million, $77.8 million and $79.3 million for the years ended December 31, 2005, 2004 and 2003, respectively. Minimum operating lease rental commitments at December 31, 2005 were as follows:

Operating Leases

Year	Office Space	Equipment	Total
		(Dollars in Thousands)	
2006	$ 42,964	$ 14,776	$ 57,740
2007	41,647	9,099	50,746
2008	36,971	3,006	39,977
2009	35,171	75	35,246
2010	35,722		35,722
2011-2015	92,559		92,559
2016-2019	8,352		8,352
	$ 293,386	$ 26,956	$ 320,342

Capital Leases

The NYSE and SIAC are parties to several capitalized leases of equipment, which expire at various dates through 2009. Minimum capital lease rental commitments at December 31, 2005 were as follows:

Year	Capital leases
	(Dollars in Thousands)
2006	$ 8,973
2007	7,422
2008	5,669
2009	540
2010	
Total future minimum lease payments	$ 22,604
Less amount representing interest	$ (4,301)
Present value of net minimum lease payments (including $6,631 due within one year classified as current)	$ 18,303

The NYSE has accumulated excess activity assessment fees, which amount to approximately $15.1 million as December 31, 2005. Due to the uncertainty of the claim on the excess activity assessment fees, management has recorded a liability for the full amount of the excess because it believes that it is probable that there will be an arrangement pursuant to which the entire amount will be used for a public purpose.

In the normal course of business, NYSE may enter into contracts that require it to make certain representations and warranties and which provide for general indemnifications. Based upon past experience, the NYSE expects the risk of loss under these indemnification provisions to be remote. However, given that these would involve future claims against NYSE that have not yet been made, NYSE's

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NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13 Commitments and Contingencies (Continued)

potential exposure under these arrangements is unknown. The NYSE also has obligations related to deferred compensation and other post-retirement benefits. The date of the payment under these obligations cannot be determined.

Note 14 Detail of Certain Financial Statement Accounts

Accrued expenses consisted of the following:

	December 31,	
	2005	2004
	(Dollars in Thousands)	
Accrued compensation (including incentives, deferred compensation and payroll taxes)	$ 134,679	$ 129,387
Accrued trade expenses	31,657	25,903
Legal expenses	33,752	5,833
Other accrued expenses	45,466	46,908
Total	$ 245,554	$ 208,031

Investment and other income consisted of the following:

	Year ended December 31,		
	2005	2004	2003
	(Dollars in Thousands)		
Interest and dividend income	$ 36,442	$ 20,424	$ 20,961
Net realized investment gains (losses)	3,964	(313)	5,761
Insurance claims	9,903	9,618	1,687
Other items	1,401	4,733	3,988
Total	$ 51,710	$ 34,462	$ 32,397

Insurance claims are typically the result of legal expenses incurred in prior periods, which are covered by certain insurance policies of the NYSE. Additionally, insurance proceeds were related to the events of September 11, 2001.

Note 15 Subsequent Events

In March 2006, the NYSE reached an agreement in principle with its insurer to recover costs of approximately $8.6 million associated with litigation relating to the merger with Archipelago. NYSE and its insurer continue to engage in discussions to finalize the terms of the agreement; NYSE anticipates receipt of insurance proceeds relating to this settlement during the second or third quarter of 2006.

NYSE GROUP, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16 Summarized Quarterly Financial Data (Unaudited)

	1st Quarter 2005	2nd Quarter 2005	3rd Quarter 2005	4th Quarter 2005
	(Dollars in Thousands)			
Total revenues	$ 349,708	$ 404,264	$ 451,670	$ 424,138
Expenses and regulatory fine income	318,024	396,803	429,485	446,299
Operating income (loss)	31,684	7,461	22,185	(22,161)
Investment and other income	12,279	14,166	14,714	10,551
Income (loss) before taxes and minority interest	43,963	21,626	36,899	(11,610)
Provision for income taxes	(18,809)	(7,415)	(14,064)	(7,870)
Minority interest	865	(1,225)	(835)	(777)
Net income	$ 26,019	$ 12,986	$ 22,000	$ (20,257)

	1st Quarter 2004	2nd Quarter 2004	3rd Quarter 2004	4th Quarter 2004
	(Dollars in Thousands)			
Total revenues	$ 394,993	$ 352,229	$ 324,524	$ 331,738
Expenses and regulatory fine income	377,260	360,182	333,104	324,102
Operating income (loss)	17,733	(7,953)	(8,580)	7,636
Investment and other income	6,319	12,000	10,786	5,357
Income before taxes and minority interest	24,052	4,047	2,206	12,993
(Provision) benefit for income taxes	(10,323)	1,224	71	(3,115)
Minority interest	(520)	(308)	(175)	11
Net income	$ 13,209	$ 4,963	$ 2,102	$ 9,889

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Archipelago Holdings, Inc.

We have audited management's assessment, included in the accompanying "Management's Report on Internal Control Over Financial Reporting" that Archipelago Holdings, Inc. (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Archipelago Holdings, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying "Management's Report on Internal Control over Financial Reporting" management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of PCX Holdings, Inc. and its wholly owned subsidiaries ("PCX") which is included in the 2005 consolidated financial statements of Archipelago Holdings, Inc. and constituted $115.3 million and $30.9 million of total and net assets, respectively, as of December 31, 2005 and $16.8 million and $2.6 million of revenues and net income, respectively, for the year then ended. Management did not assess the effectiveness of internal controls over financial reporting of PCX Holdings, Inc. and its wholly owned subsidiaries as the Company did not complete the acquisition of PCX until September 2005. Our audit of internal control over financial reporting of Archipelago Holdings, Inc. also did not include an evaluation of the internal control over financial reporting of PCX.

In our opinion, management's assessment that Archipelago Holdings, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Archipelago Holdings Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of financial condition of Archipelago Holdings, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 of Archipelago Holdings, Inc. and our report dated February 10, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young, LLP
New York, New York
February 10, 2006

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Archipelago Holdings, Inc. ("Archipelago" or the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Archipelago's internal control over financial reporting is a process designed under the supervision of its chief executive and chief financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Archipelago's financial statements for external reporting purposes in accordance with United States generally accepted accounting principles.

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

Management assessed the effectiveness of its internal control over financial reporting as of December 31, 2005, based on criteria set forth in the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on its assessment, management concluded that Archipelago maintained effective internal control over financial reporting as of December 31, 2005.

Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of PCX Holdings, Inc. and Subsidiaries ("PCX"), which are included in the consolidated financial statements of Archipelago as of and for the year December 31, 2005. PCX constituted $115.3 million and $30.9 million of total assets and net assets, respectively, as of December 31, 2005, and $16.8 million and $4.5 million of total revenues and operating income, respectively, for the year then ended. Management did not assess the effectiveness of internal controls over financial reporting of PCX because Archipelago did not complete its acquisition of PCX until September26, 2005.

Archipelago's management assessment of the effectiveness of its internal control over financial reporting as of December 31, 2005 has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which is included herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Archipelago Holdings, Inc.

We have audited the accompanying consolidated statements of financial condition of Archipelago Holdings, Inc. (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years ended December 31, 2005, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years ended December 31, 2005, 2004 and 2003 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 10, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young, LLP
New York, New York
February 10, 2006

ARCHIPELAGO HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In thousands, except per share data)

	December 31, 2005	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	$ 134,358	$ 145,170
Receivables from brokers, dealers and customers (net of allowance for doubtful accounts of $915 and $3,253)	56,585	31,445
Receivables from related parties (net of allowance for doubtful accounts of $334 and $374)	23,304	42,911
Income tax receivable	18,055	2,220
Deferred tax asset	5,787	5,094
Total current assets	238,089	226,840
Fixed assets, net	67,091	44,738
Goodwill	131,865	131,865
Other intangible assets, net	108,753	92,169
Non-current deferred tax asset, net	11,863	340
Other assets	7,976	7,774
Total non-current assets	327,548	276,886
Assets of discontinued operations	14,157	40,172
Total assets	$ 579,794	$ 543,898
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 48,682	$ 23,694
Section 31 fees payable	57,032	
Payables to brokers, dealers and exchanges	28,797	19,283
Payables to related parties	1,674	19,623
Capital lease obligations	1,691	1,545
Total current liabilities	137,876	64,145
Deferred tax liability	10,312	3,595
Liabilities of discontinued operations	9,457	15,285
Total liabilities	157,645	83,025
Commitments and contingencies (Note 14)		
Stockholders' equity		
Common stock, $0.01 par value, 165,000 shares authorized; 47,528 and 47,138 shares issued and outstanding	475	471
Common stock held in treasury, at cost; 1,802 and 0 shares	(73,395)	
Additional paid-in capital	472,705	451,625
Unearned stock-based compensation	(2,751)	(19)
Retained earnings	25,115	8,796
Total stockholders' equity	422,149	460,873
Total liabilities and stockholders' equity	$ 579,794	$ 543,898

The accompanying notes are an integral part of these consolidated financial statements.

ARCHIPELAGO HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year ended December 31,		
	2005	**2004**	**2003**
Revenues			
Transaction fees ($165,891, $188,559, and $165,292 with related parties)	$ 424,981	$ 434,482	$ 380,593
Activity assessment fees	47,988		
Market data fees ($21,446, $23,986 and $10,041 with related parties)	61,996	56,366	29,038
Listing and other fees	6,379	445	450
Total revenues	541,344	491,293	410,081
Expenses			
Section 31 fees	47,988		
Liquidity payments ($59,779, $53,517 and $43,702 with related parties)	206,907	203,506	154,228
Routing charges ($16,135, $46,702 and $55,840 with related parties)	66,705	88,703	113,840
Clearance, brokerage and other transaction expenses ($2,671, $13,366, and $37,586 with related parties)	5,880	13,686	44,941
NYSE merger costs and related executive compensation ($3,500, $0, and $0 with related parties)	46,127		
Other employee compensation and benefits	51,552	38,382	36,139
Depreciation and amortization	21,631	22,877	25,870
Communications ($1,780, $1,209, and $1,032 with related parties)	19,512	16,278	18,319
Marketing and promotion ($0, $357, and $528 with related parties)	22,141	20,123	8,135
Legal and professional ($2,400, $1,988 and $1,000 with related parties)	12,623	11,129	8,294
Occupancy	6,708	4,243	3,952
General and administrative	16,173	11,267	9,916
Total expenses	523,947	430,194	423,634
Operating income (loss)	17,397	61,099	(13,553)
Interest and other, net	4,458	1,580	656
Income (loss) before income tax provision	21,855	62,679	(12,897)
Income tax provision	9,349	5,286	
Income (loss) from continuing operations	12,506	57,393	(12,897)
Income from discontinued operations	3,813	11,547	14,670
Net income	16,319	68,940	1,773
Deemed dividend on convertible preferred shares		(9,619)	
Net income attributable to common stockholders	$ 16,319	$ 59,321	$ 1,773
Basic earnings (loss) per share from:			
Continuing operations	$ 0.27	$ 1.42	$ (0.36)
Discontinued operations	0.08	0.29	0.41
Deemed dividend on convertible preferred shares		(0.24)	
Basic earnings per share	$ 0.35	$ 1.47(a)	$ 0.05(a)

	Year ended December 31,		
Diluted earnings (loss) per share from:			
Continuing operations	$ 0.26	$ 1.34	$ (0.35)
Discontinued operations	0.08	0.27	0.40
Deemed dividend on convertible preferred shares		(0.22)	
Diluted earnings per share	$ 0.34	$ 1.38(a)	$ 0.05(a)
Basic weighted average shares outstanding	46,806	40,301(a)	36,169(a)
Diluted weighted average shares outstanding	47,821	42,915(a)	36,980(a)

(a)

Adjusted to reflect Archipelago's reorganization from a Delaware limited liability company to a Delaware corporation on August 11, 2004. See Note 1 to consolidated financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

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ARCHIPELAGO HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2003, 2004 and 2005
(In thousands)

		Common Stock						
	Members' Equity	Shares	Par Value	Common Stock Held in Treasury	Additional Paid-In Capital	Unearned Stock-Based Compensation	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2003	$ 302,823		$	$	$	$	$	$ 302,823
Issuance costs of redeemable convertible preferred shares	(1,636)							(1,636)
Deferred compensation, net	(170)							(170)
Addition to Members' equity due to deferred compensation	503							503
Net income	1,773							1,773
Balance, January 1, 2004	303,293							303,293
Amortization of stock-based compensation for the period from January 1 to August 11, 2004						94		94
Members' distribution	(24,613)							(24,613)
Net income for the period from January 1 to August 11, 2004	50,525							50,525
Reorganization from LLC to "C" Corporation	(329,205)	36,169	362		329,013	(170)		
Conversion of redeemable convertible preferred shares to common		3,732	37		49,963			50,000
Issuance of common stock in initial public offering, net of underwriting discounts		6,325	63		67,583			67,646
Direct costs of initial public offering					(6,777)			(6,777)
Issuance of additional common stock to former REDIBook members		192	2		2,197			2,199
Issuance of additional common stock to GAP Archa Holdings and related deemed dividend on convertible preferred shares		717	7		9,612		(9,619)	
Amortization of stock-based compensation for the period from August 12 to December 31, 2004						57		57
Exercise of stock options		3			34			34
Net income for the period from August 12 to December 31, 2004							18,415	18,415
Balance, January 1, 2005		47,138	471		451,625	(19)	8,796	460,873
Acquisition of PCX Holdings, Inc.				(65,570)				(65,570)
Grant of restricted stock awards					13,834	(13,834)		
Stock issued under restricted stock awards		245	3	(7,825)	4,129	7,526		3,833
Amortization of stock-based compensation						3,576		3,576
Exercise of stock options		145	1		3,117			3,118
Net income							16,319	16,319
Balance, December 31, 2005	$	47,528	$ 475	$ (73,395)	$ 472,705	$ (2,751)	$ 25,115	$ 422,149

Common Stock

The accompanying notes are an integral part of these consolidated financial statements.

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ARCHIPELAGO HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31, 2005	2004	2003
Cash flows from operating activities:			
Net income	$ 16,319	$ 68,940	$ 1,773
Income from discontinued operations	(3,813)	(11,547)	(14,670)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of fixed assets	19,911	21,250	24,785
Amortization of other intangible assets	1,720	1,627	1,085
Provision for doubtful accounts	(540)	(900)	6,544
Deferred taxes	7,689	(1,839)	
Stock-based compensation	11,113	151	334
Tax benefit from employee stock transactions	5,516	18	
Gain on sale of investment			(232)
Changes in operating assets and liabilities:			
Receivables from brokers, dealers and customers	(17,722)	1,121	(16,571)
Receivables from related parties	31,527	(7,486)	(19,204)
Income tax receivable	(15,835)	(2,220)	
Other assets	32	(4,310)	(34)
Accounts payable and accrued expenses	(11,275)	5,854	2,793
Section 31 fees payable	57,032		
Payables to brokers, dealers and exchanges	7,742	1,917	5,043
Payables to related parties	(17,949)	(43,271)	32,136
Net cash provided by operating activities of continuing operations	91,467	29,305	23,782
Net cash provided by (used in) operating activities of discontinued operations	(655)	31,964	7,612
Net cash provided by operating activities	90,812	61,269	31,394
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	(89,376)		
Additions to fixed and other intangible assets	(29,032)	(25,135)	(23,361)
Sale of investment			2,202
Net cash used in investing activities of continuing operations	(118,408)	(25,135)	(21,159)
Net cash provided by investing activities of discontinued operations	2,922	339	
Net cash used in investing activities	(115,486)	(24,796)	(21,159)
Cash flows from financing activities:			
Capital contribution from discontinued operations	24,000	17,000	11,000
Repurchase of common stock	(7,825)		
Proceeds from initial public offering, net of underwriting discounts		67,646	
Direct costs of initial public offering		(6,777)	
Cash distribution to former Members		(24,613)	
Proceeds from exercise of stock options	1,724	16	
Proceeds from issuance of note payable			5,681
Repayments of note payable		(4,429)	(1,252)
Proceeds from issuance of redeemable convertible preferred shares			50,000
Costs related to issuance of redeemable convertible preferred shares			(1,636)
Principal payments under capital lease obligations	(1,770)	(2,253)	(177)
Net cash provided by financing activities of continuing operations	16,129	46,590	63,616
Net cash used in financing activities of discontinued operations	(24,000)	(17,000)	(11,000)

	Year ended December 31,		
Net cash provided by (used in) financing activities	(7,871)	29,590	52,616
Net increase (decrease) in cash and cash equivalents	(32,545)	66,063	62,851
Cash and cash equivalents at beginning of year	177,878	111,815	48,964
Cash and cash equivalents at end of year	145,333	177,878	111,815
Cash and cash equivalents of discontinued operations	10,975	32,708	17,405
Cash and cash equivalents of continuing operations	$ 134,358	$ 145,170	$ 94,410
Supplemental disclosures of cash flow information:			
Cash paid for			
Interest	82	298	434
Income taxes	14,873	11,018	
Non-cash investing and financing activities:			
Conversion of convertible preferred shares to common		50,000	
Issuance of common stock to former REDIBook Members		2,199	
Issuance of common stock to GAP Archa Holdings		9,619	

The accompanying notes are an integral part of these consolidated financial statements.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Organization and Basis of Presentation

Organization

Archipelago Holdings, Inc. ("Archipelago") operates the Archipelago Exchange, or ArcaEx® ("ArcaEx"), the first open all-electronic stock market in the United States of America for trading equity securities listed with the New York Stock Exchange ("NYSE"), Nasdaq, American Stock Exchange ("AMEX") and Pacific Exchange, as well as exchange-traded funds (ETFs) and other exchange-listed securities.

Following the September 26, 2005 acquisition of PCX Holdings, Inc. and its subsidiaries ("PCX Holdings"), Archipelago also operates the Pacific Exchange, Inc. (the "Pacific Exchange"), an exchange for trading equity options listed on national markets and exchanges including the facilities, technology, systems and regulatory surveillance and compliance services required for the operation of a marketplace for trading options. Through the Pacific Exchange, Archipelago also provides self-regulatory services, including regulatory and market management services for options and equity trading.

Through certain subsidiaries, Archipelago also provides broker execution services to institutions for orders involving Nasdaq and listed securities, as well as introducing broker services for ArcaEx to broker-dealers that do not hold an equity trading permit ("ETP").

Archipelago Holdings, L.L.C. ("Holdings LLC"), a Delaware limited liability company and the predecessor to Archipelago, was organized in January 1999. In July 2000, Holdings LLC entered into a facility services agreement with the Pacific Exchange which allowed it to establish and operate ArcaEx. The Securities and Exchange Commission's ("SEC") approval of ArcaEx was announced in October 2001 and ArcaEx began trading operations for listed securities in March 2002 and for over-the-counter securities in April 2003.

On August 11, 2004, Holdings LLC converted to a Delaware corporation, Archipelago Holdings, Inc. This document refers to Archipelago Holdings, Inc. and, prior to its conversion to a Delaware corporation, Holdings LLC, as "Archipelago". On August 19, 2004, Archipelago completed an initial public offering ("IPO") of its common stock. See the discussion below of the "*Conversion Transaction*" and the "*Initial Public Offering*."

On March 7, 2006, Archipelago became a wholly owned subsidiary of NYSE Group and its common stock delisted from the Pacific Exchange. See Note 3, Merger with the New York Stock Exchange, Inc.

Conversion Transaction

On August 11, 2004, prior to the consummation of the IPO, Holdings LLC converted from a Delaware limited liability company to a Delaware corporation, Archipelago Holdings, Inc. As a limited liability company, all income taxes were paid by the members of Holdings LLC. As a corporation, Archipelago is responsible for the payment of all federal and state corporate income taxes.

As a result of the reorganization of Holdings LLC from a Delaware limited liability company into a Delaware corporation, the members of Holdings LLC received 0.222222 shares of common stock of Archipelago for each of their membership interests held by such member in Holdings LLC, which corresponds to a 4.5-for-1 reverse stock split. The weighted average number of shares used in the basic and diluted earnings per share computations gives retroactive effect to the 4.5-for-1 reverse stock split.

As approved by Archipelago's board of managers on July 16, 2004, Archipelago made a $24.6 million cash distribution to the members of Holdings LLC immediately prior to the conversion transaction. The

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 Organization and Basis of Presentation (Continued)

cash distribution permitted the members to pay the taxes that the members owe for their share of the Archipelago's profits in 2004 as a limited liability company through the date of the conversion transaction, calculated primarily based on the highest federal and state income tax rate applicable for the tax withholding purposes to an individual.

Initial Public Offering

On August 19, 2004, Archipelago completed the IPO of its common stock as a result of which Archipelago sold 6,325,000 shares of common stock at $11.50 per share. Archipelago received net proceeds of $67.6 million and incurred approximately $6.8 million in expenses in connection with the IPO. In addition, 6,325,000 shares of common stock were sold in the IPO by certain selling stockholders of Archipelago, for which Archipelago received no proceeds.

Basis of Presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Archipelago and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

In connection with the acquisition of PCX Holdings, the SEC entered an order under which Archipelago undertook to divest its wholly owned subsidiary, Wave Securities, L.L.C ("Wave"). The results of operations and financial position of Wave are presented as discontinued operations in the accompanying consolidated financial statements. All historical periods presented have been restated to reflect such presentation.

Included in other assets in the Archipelago's consolidated statement of financial condition as of December 31, 2005 is a 20 percent investment in The Options Clearing Corporation ("OCC"). This investment is carried at its $0.3 million cost. The related shares are subject to certain restrictions. In addition, management does not exercise significant influence over the operating and financial policies of OCC.

Certain reclassifications have been made to prior years in order to conform to the current year's presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates utilized in preparing its consolidated financial statements are reasonable. Actual results could differ from these estimates.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies

Revenue Recognition

Transaction fees are earned on a per trade basis, based on shares transacted, and are recognized as transactions occur. For each transaction executed, there is an associated liquidity payment or routing charge paid. Pursuant to Emerging Issues Task Force ("EITF") Issue No. 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent" ("EITF 99-19"), Archipelago records such expenses as liquidity payments or routing charges in the consolidated statements of operations.

Market data fees are earned on the sale of transaction market data. This revenue is recorded net of amounts due under revenue sharing arrangements with market participants, based on the criteria provided by EITF 99-19. Market data fees are recognized as transactions occur.

Listing fees are earned from companies and index providers that list on the Pacific Exchange as a trading venue for their equity securities, exchange-traded funds and other structured products. Archipelago recognizes initial listing fees and additional share listing fees ratably over a five-year estimated service period. Annual listing fees are recognized ratably over the related twelve-month period.

Other revenues primarily consist of regulatory and registration fees including agent annual registration and new application and transfer fees from parties that have equities or options trading privileges on the Pacific Exchange. Regulatory and registration fees are billed and collected by the National Association of Securities Dealers (the "NASD"). The annual registration fee is billed annually in advance and remitted to Archipelago before the start of the effective year. Archipelago recognizes the annual registration fee ratably over the related twelve-month period. New registration and transfer application fees are remitted monthly to Archipelago and recognized in the year received.

Activity Assessment Fees and Section 31 Fees

Archipelago pays SEC fees pursuant to Section 31 of the Securities Exchange Act of 1934. These fees are designed to recover costs incurred by the government for the supervision and regulation of securities markets and securities professionals. Archipelago, in turn, collects activity assessment fees from ETP and OTP holders trading on ArcaEx and the Pacific Exchange, respectively, and pays Section 31 fees to the SEC based on fee schedules determined by the SEC. Fees received are included in cash and cash equivalents at the time of receipt, and, as required by law, the amount due to the SEC is recorded as an accrued liability and remitted semiannually.

Following the September 26, 2005 acquisition of PCX Holdings, Archipelago records activity assessment fee revenue and Section 31 fees expense gross on its consolidated statement of operations as Archipelago bears the credit risk associated with the collection of these fees, while maintaining similar treatment within the consolidated statement of financial condition. Activity assessment fee revenue and Section 31 fee expense have no impact on Archipelago's consolidated statement of operations.

Cash and Cash Equivalents

Archipelago considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

Provision for Doubtful Accounts

Archipelago maintains an allowance for doubtful accounts based upon the estimated collectibility of accounts receivable. Archipelago recorded provisions (additions) to the allowance of approximately $0.8 million and $0.0 million**,** and write-offs (deductions) against the allowance of approximately $3.1 million and $1.3 million for the years ended December 31, 2005 and 2004, respectively. Additions to (reductions of) the allowance are charged to (reversed against) bad debt expense, which is included in clearance, brokerage and other transaction expenses in the consolidated statements of operations.

Fixed Assets

Fixed assets consist of computer hardware and software, furniture, equipment (including assets under capital leases) and leasehold improvements. All fixed assets are carried at cost and are depreciated on a straight-line basis over their estimated useful lives of three to ten years. Leasehold improvements are amortized over the shorter of the life of the lease or their estimated useful life. Gains or losses related to retirements or disposition of fixed assets are recognized in the period incurred.

In accordance with the provisions of Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use", Archipelago capitalizes qualifying software costs incurred during the application development stage, which includes design, coding, installation and testing activities. Amortization of capitalized software development costs is computed on a straight-line basis over the software's estimated useful life, generally three years.

Archipelago performs reviews for the impairment of fixed assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill and Other Intangible Assets

Archipelago reviews the carrying value of goodwill for impairment on a periodic basis and at least annually based upon estimated fair value of Archipelago's reporting units. Using an independent valuation specialist, Archipelago, on an annual basis, estimates fair value by using a discounted cash flow model. Should the review indicate that goodwill is impaired, Archipelago's goodwill would be reduced by the difference between the carrying value of goodwill and its fair value.

Archipelago reviews the useful life of its indefinite-lived intangible asset to determine whether events or circumstances continue to support the indefinite useful life. In addition, the carrying value of Archipelago's intangible assets is reviewed by Archipelago on at least an annual basis for impairment based upon the estimated fair value of the asset calculated by an independent valuation specialist.

Archipelago performed its annual impairment tests as of December 31, 2004 and 2005, which indicated that no impairment charge was required for goodwill or intangible assets.

Estimated Fair Value of Financial Instruments

Statement of Financial Accounting Standard ("SFAS") No. 107, Disclosure about Fair Value of Financial Instruments, requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized in the consolidated statements of financial condition. Management estimates that the fair value of financial instruments recognized in the consolidated statements of financial condition (including cash and cash equivalents, receivables, payables and accrued expenses) approximates their

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

carrying value, as such financial instruments are short-term in nature, bear interest at current market rates or are subject to repricing monthly.

Income Taxes

Archipelago had elected to be treated as a partnership for federal, state and local income tax purposes prior to its reorganization on August 11, 2004. Accordingly, all items of income, expense, gain and loss of Archipelago prior to August 12, 2004 were generally reportable on the tax returns of the members of Holdings LLC. Therefore, Archipelago had no net loss carryforwards as of the date of reorganization. On August 11, 2004, Archipelago converted to a Delaware corporation and has since then been subject to income taxes.

Archipelago records income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. A valuation allowance is recorded against deferred tax assets if it is more likely than not that such assets will not be realized.

Marketing and Promotion

Marketing and promotion costs consist of advertising costs, promotional items, trade shows, and selling expenses. Advertising costs include certain costs of production, which are expensed at the time of first showing. The costs of communicating advertising are expensed over the period of the communication.

Stock-Based Compensation

Archipelago accounts for stock option grants to employees in accordance with Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", and, accordingly, recognizes compensation expense using the intrinsic value method. Under the intrinsic value method, stock-based compensation, if any, is measured as the excess of the estimated fair value of Archipelago's stock over the option exercise price.

Archipelago adopted the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure." Had compensation expense for Archipelago's stock option plans been determined based upon

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 Summary of Significant Accounting Policies (Continued)

fair value consistent with SFAS No. 123, Archipelago's net income and earnings per share would have been changed to the following pro forma amounts (in thousands, except per share data):

	Year ended December 31,		
	2005	**2004**	**2003**
Net income attributable to common stockholders, as reported	$ 16,319	$ 59,321	$ 1,773
Add: Stock-based employee compensation cost included in net income	6,390	151	334
Deduct: Stock-based employee compensation cost determined under the fair value based method for all awards, net of related tax effects of $5,788, $739, and $919	7,832	1,041	1,379
Net income attributable to common stockholders, pro forma	$ 14,877	$ 58,431	$ 728
Earnings per share:			
Basic, as reported	$ 0.35	$ 1.47	$ 0.05
Basic, pro forma	$ 0.32	$ 1.45	$ 0.02
Diluted, as reported	$ 0.34	$ 1.38	$ 0.05
Diluted, pro forma	$ 0.31	$ 1.36	$ 0.02

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Year ended December 31,		
	2005	**2004**	**2003**
Dividend yield	0	0	0
Expected volatility	30.0%	30.0%	30.0%
Risk-free interest rate	4.5%	4.0%	3.8%
Expected life (in years)	7	7	7

The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. In addition, option pricing models require the input of highly subjective assumptions. Because Archipelago's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the estimate, in management's opinion, the existing valuation models may not provide a reliable measure of the fair value of Archipelago's employee stock options.

The above pro forma information gives effect to Archipelago's conversion into a Delaware corporation as if it occurred at the beginning of the periods presented. In addition, the pro forma information was tax effected at combined Federal and State rates of 40.0%, 41.5% and 42.5% for the years ended December 31, 2003, 2004 and 2005, respectively.

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No.123(R) (revised 2004), "Share- Based Payment", requiring that compensation cost associated with share-based payment transactions be recognized in financial statements. Archipelago adopted SFAS No. 123(R) on January 1, 2006 using the modified-prospective method. For the year ending December 31, 2006, management anticipates that Archipelago will recognize a pre-tax expense of approximately $2.0 million in connection with Archipelago share-based payment transactions recorded under SFAS No.123 (R).

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 Merger with New York Stock Exchange, Inc.

On April 20, 2005, Archipelago entered into a definitive merger agreement with the New York Stock Exchange, Inc., a New York Type A not-for-profit corporation (the "NYSE"), pursuant to which Archipelago and the NYSE agreed to combine their businesses and become wholly owned subsidiaries of NYSE Group, Inc., a newly created, for-profit holding company (the "merger").

The merger closed on March 7, 2006. As of that date, Archipelago became a wholly owned subsidiary of NYSE Group and its common stock delisted from the Pacific Exchange. The NYSE Group's common stock is listed on the New York Stock Exchange and is traded under the symbol "NYX".

In the merger of Archipelago and a wholly owned subsidiary of NYSE Group, in which Archipelago was the surviving entity: (i) each share of the issued and outstanding shares of Archipelago common stock converted automatically into the right to receive one share of NYSE Group common stock; (ii) all outstanding stock options of Archipelago, whether vested or unvested, converted into options to purchase an equivalent number of shares of NYSE Group common stock; and (iii) all outstanding restricted stock units of Archipelago converted into an equal number of restricted stock units of NYSE Group common stock. The aggregate number of shares (including shares underlying stock options and restricted stock units) received by Archipelago's stockholders equaled 30% of the issued and outstanding shares of NYSE Group common stock at the closing of the merger, on a diluted basis.

Each NYSE member was entitled to receive in exchange for its NYSE membership, $300,000 in cash, plus a pro rata portion of the aggregate number of shares of NYSE Group Common Stock issued to all of the NYSE members in the merger. Each NYSE member had the opportunity to make either a cash election to increase the cash portion (and decrease the stock portion) of their merger consideration, or a stock election to increase the stock portion (and decrease the cash portion) of their merger consideration. These elections were subject to certain proration. The aggregate number of shares of NYSE Group Common Stock issued to all of the NYSE members in the merger, together with the aggregate number of shares reserved for issuance to NYSE employees, equaled 70% of the NYSE Group common stock issued and outstanding at the closing of the NYSE transaction, on a diluted basis.

The parties expect that the combined businesses will bring together the strength of NYSE's auction market and the speed and innovation of Archipelago as well as its technology and management. The parties believe this combination will create a strong and dynamic enterprise with diverse products that will be well positioned to compete in the industry and possess enhanced growth potential.

In April 2005, Archipelago entered into a letter agreement with a related party stockholder under which the stockholder agreed to perform certain services in relation to the merger of Archipelago and the NYSE which included facilitating discussions between the parties and providing certain valuation analysis. Archipelago agreed to pay the related party stockholder a transaction fee of $3.5 million (plus out-of-pocket expenses in an amount not to exceed $50,000) in cash upon consummation of the merger. Archipelago has not made any payments under this agreement as of December 31, 2005.

Note 4 PCX Holdings, Inc. Acquisition

On September 26, 2005, Archipelago completed the acquisition of PCX Holdings for a total purchase price of approximately $94.0 million consisting of a $90.9 million cash payment to PCX Holdings stockholders and certain employees of PCX Holdings and its subsidiaries, and approximately $3.1 million of direct costs incurred by Archipelago as part of this acquisition (the "PCX Holdings acquisition"). The $90.9 million cash payment represented the total dollar value of 1,645,415 shares of Archipelago common

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 PCX Holdings, Inc. Acquisition (Continued)

stock held by PCX Holdings at the time of the closing, or $66.3 million (calculated based on the average closing price of Archipelago's stock on ArcaEx for the ten trading days prior to the PCX Holdings acquisition), plus $24.6 million.

PCX Holdings operates an exchange for trading options as well as provides self regulatory services, including regulatory and market management services, for options and equity trading. The PCX Holdings acquisition will enable Archipelago to offer all-electronic trading of equity securities as well as equity options, and to expand and diversify the Archipelago's business lines and products.

Even though the PCX Holdings acquisition was consummated on September 26, 2005, for financial reporting purposes management deemed the assets and liabilities of PCX Holdings as of September 30, 2005 to be the basis for allocation of the purchase price. As such, the assets and liabilities of PCX Holdings have been included in Archipelago's consolidated statement of financial condition as of September 30, 2005. However, the results of operations of PCX Holdings have been included in Archipelago's results of operations since October 1, 2005. The results of operations of PCX Holdings for the four-day period ended September 30, 2005 were not material.

The purchase price was allocated to those assets acquired and liabilities assumed based on the estimated fair value of PCX Holdings' net assets as of September 30, 2005. The following is a summary of the preliminary allocation of the purchase price in the PCX Holdings acquisition (dollars in thousands):

Purchase price	$	90,863
Acquisition costs		3,167
Total purchase price	$	94,030
Historical cost of net assets acquired	$	54,316
Reversal of deferred revenues		20,431
Write-down of fixed assets		(10,673)
National securities exchange registration		17,728
Liabilities for exit and termination costs		(11,480)
Deferred tax impact of purchase accounting adjustments		23,708
Total purchase price	$	94,030

Liabilities for exit and termination costs are primarily associated with employee terminations, including accrued severance benefits and costs related to change in control provisions of certain PCX Holdings employment contracts. In 2005, Archipelago paid an aggregate of $5.9 million in connection with these change in control provisions and severance benefits. Based upon current severance dates, Archipelago expects to pay the $5.6 million balance by September 30, 2006.

The allocation of the purchase price to PCX Holdings' assets and liabilities are only preliminary allocations based on estimates of fair values and will change when estimates are finalized. Therefore, the information above is subject to change pending the final allocation of purchase price.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 PCX Holdings, Inc. Acquisition (Continued)

The following represents the summary unaudited pro forma condensed combined results of operations as if the PCX Holdings acquisition had occurred at the beginning of each of the periods presented (dollars in thousands, except per share data):

	Year ended December 31, 2005	Year ended December 31, 2004
Total revenues	$ 539,581	$ 540,201
Income from continuing operations	$ 10,527	$ 48,196
Net income attributable to common stockholders	$ 14,340	$ 50,124
Basic earnings per share from continuing operations	$ 0.23	$ 1.25
Basic earnings per share	$ 0.31	$ 1.30
Diluted earnings per share from continuing operations	$ 0.23	$ 1.17
Diluted earnings per share	$ 0.31	$ 1.21

In October 2004, Archipelago entered into a financial advisory services engagement with a related party stockholder, under which the related party stockholder agreed to perform financial advisory services in relation to the PCX Holdings acquisition. In January 2006, Archipelago made a $0.5 million payment under this agreement.

Note 5 Discontinued Operations

On September 22, 2005, the SEC entered an order granting approval of the proposed rule change to amend the certificate of incorporation of PCX Holdings, Pacific Exchange Rules, and the bylaws of Archipelago in relation to the PCX Holdings acquisition. Under the SEC order, Archipelago undertook to divest Wave, its wholly owned subsidiary providing agency brokerage services for institutional customers seeking to access ArcaEx and other U.S. market centers electronically.

On January 23, 2006, Archipelago entered into a definitive agreement to sell Wave to a related party stockholder. On March 3, 2006, Archipelago completed the sale of Wave.

The results of operations and financial position of Wave are presented as discontinued operations in the consolidated financial statements. All historical periods presented have been restated to reflect such presentation.

Summarized selected financial information for discontinued operations was as follows (in thousands):

	Year ended December 31, 2005	2004	2003
Revenues	$ 40,975	$ 74,201	$ 79,908
Income before income tax provision	$ 6,526	$ 13,217	$ 14,670
Income tax provision	2,713	1,670	
Income from discontinued operations	$ 3,813	$ 11,547	$ 14,670

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 Discontinued Operations (Continued)

The major assets and liabilities of discontinued operations were as follows (in thousands):

	Year ended December 31, 2005	Year ended December 31, 2004
Cash and cash equivalents	$ 10,975	$ 32,708
Accounts receivable, net	2,129	2,404
Fixed assets, net	684	4,758
Other assets	369	302
Assets of discontinued operations	$ 14,157	$ 40,172
Accounts payable and accrued expenses	$ 9,457	$ 15,285
Liabilities of discontinued operations	$ 9,457	$ 15,285

Note 6 Fixed Assets

Fixed assets consisted of the following (in thousands):

	December 31, 2005	December 31, 2004
Software, including software development costs of $32,632 and $27,026	$ 56,061	$ 39,519
Computers and equipment	57,107	29,097
Leasehold improvements	25,643	17,618
Equipment under capital leases	19,697	18,070
Routers	5,696	1,054
Furniture and fixtures	3,857	2,125
	168,062	107,483
Accumulated depreciation and amortization	(100,971)	(62,745)
	$ 67,091	$ 44,738

Archipelago capitalized software development costs of approximately $5.6 million and $2.5 million in 2005 and 2004, respectively. For the years ended December 31, 2005, 2004 and 2003, Archipelago directly expensed software development costs of approximately $4.3 million, $3.6 million and $6.9 million, respectively, as these costs were incurred outside of the application development stage.

In June 2003, Archipelago determined that certain software and computer equipment would be retired by March 2004 and, therefore, Archipelago accelerated depreciation on these assets. For the years ended December 31, 2004 and 2003, Archipelago recorded approximately $6.2 million and $13.8 million in depreciation on these assets as opposed to approximately $8.0 million and $7.6 million, respectively, had the depreciation period not been accelerated. As of March 31, 2004, the net book value of these assets was reduced to zero.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 Goodwill and Other Intangible Assets

Goodwill

In March 2002, Archipelago acquired REDIBook in a transaction accounted for as a purchase business combination. Approximately $20.8 million of the $150.5 million purchase price was assigned to the net tangible and intangible assets acquired, with the remaining value of $129.7 million ascribed to goodwill. In August 2004, Archipelago issued contingent consideration to former REDIBook members in the form of 192,194 shares of Archipelago's common stock valued at $11.50 per share and recorded $2.2 million of additional goodwill.

Other Intangible Assets

Other intangible assets consisted of the following (in thousands):

	December 31,	
	2005	2004
National securities exchange registration	$ 107,728	$ 90,000
Other (net of accumulated amortization of $4,431 and $2,711)	1,025	2,169
Other intangible assets, net	$ 108,753	$ 92,169

In May 2001, Archipelago acquired the right to operate as the exclusive equity trading facility of PCX Equities including the rights to certain revenue streams comprised primarily of transaction fees, market data fees, and listing fees, for an aggregate consideration of $90.0 million.

In September 2005, Archipelago acquired PCX Holdings and its subsidiaries, including PCX Equities. As part of the preliminary allocation of the purchase price in the PCX Holdings acquisition, Archipelago valued the eligibility to earn market data fees related to the PCX Holdings' option trading business at $17.7 million.

The national securities exchange registration allows Archipelago to (i) generate revenues from market data fees (both from equity and option trading activities) and listing fees, and (ii) to reduce its costs since clearing charges are not incurred for trades matched internally on ArcaEx.

Archipelago determined that the national securities exchange registration has an indefinite life and, as such, it is not subject to amortization.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (in thousands):

	December 31,	
	2005	2004
Trade payables	$ 11,761	$ 4,520
Accrued compensation	775	13,720
Payroll taxes payable	8,257	122
Deferred revenue	8,117	1,220
Accrued severance	5,596	
Other accrued liabilities	14,176	4,112
Total	$ 48,682	$ 23,694

Note 9 Stockholders' Equity

Common Stock

Prior to its reorganization from a Delaware limited liability company to a Delaware corporation on August 11, 2004, Archipelago had three classes of common shares outstanding: Class A, Class B and Class C. The common shares ranked *pari passu* with regards to liquidation and distribution. Class A shares had voting rights, while Class B and C shares had no voting rights. As part of the conversion transaction, all of the Class A, Class B and Class C shares were converted to common stock.

Redeemable Convertible Preferred Shares

On November 12, 2003, Archipelago issued 16,793,637 Class A Preferred Shares, which were a newly-created class of voting shares, at $2.98 per share, for total consideration of $50,000,000. Archipelago incurred approximately $1.6 million in transaction costs in conjunction with this issuance. The Class A Preferred Shares converted automatically into 4,449,268 shares of common stock upon consummation of Archipelago's IPO in August 2004. Included in this conversion was the issuance of 717,349 shares of common stock attributable to a beneficial conversion feature included in the previously issued redeemable preferred interest. The $9.6 million intrinsic value of such shares was treated as a deemed dividend on convertible preferred shares, which was reported after net income to reach net income attributable to common stockholders in the consolidated statement of operations for the year ended December 31, 2004.

Common Stock Held in Treasury

As of December 31, 2005, Archipelago held 1,801,921 million shares of its common stock in treasury, including 1,645,415 shares repurchased as part of the PCX Holdings acquisition.

Employee and Non Employee Director Stock and Benefit Plans

Archipelago has three long-term incentive plans (the "Plans") that provide for the granting of stock options and restricted stock units to officers, key employees and non-employee directors. The objectives of the Plans include attracting and retaining the best personnel, providing for additional performance incentives, and promoting the success of Archipelago by providing employees the opportunity to acquire common stock. The stock options and restricted stock units ("RSUs") granted under the Plans generally vest over four years. Stock option awards have a term of ten years.

ARCHIPELAGO HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 Stockholders' Equity (Continued)

Stock Options

A summary of the stock option activity under the Plans is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2003	559,111	$ 20.25
Granted	1,261,694	10.92
Forfeited	(40,111)	20.25
Outstanding at January 1, 2004	1,780,694	13.64
Granted	811,479	11.50
Exercised	(3,166)	4.91
Forfeited	(25,920)	15.38
Outstanding at January 1, 2005	2,563,087	12.96
Granted	192,942	19.30
Exercised	(144,504)	11.93
Forfeited	(19,441)	16.85
Outstanding at December 31, 2005	2,592,084	13.46

In August 2003, Archipelago issued stock options with an exercise price of $4.91, a price lower than the fair value of Archipelago's stock, which was estimated to be $6.26. Archipelago recognized compensation expense related to the issuance of these options in the consolidated statement of operations for the years ended December 31, 2003 and 2004 of $0.3 million and $0.2 million, respectively.

Additional information regarding stock options outstanding as of December 31, 2005 is as follows:

Options Outstanding		
	Weighted Average Remaining Contractual Life (years)	Options Exercisable