

Earning Your Trust With Every Trade™

Knight



## Analyst & Investor Day

Corporate Headquarters  
Jersey City, New Jersey  
November 2, 2005



# Housekeeping

**Margaret E. Wyrwas**

*Senior Managing Director*

Corporate Communication  
& Investor Relations

# Forward-Looking Statements

## Safe Harbor

The presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about the Company's industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, readers are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict including, without limitation, risks associated with the costs and integration, performance and operation of the businesses being acquired by the Company, including ATTAIN and Direct Trading. Since such statements involve risks and uncertainties, the actual results and performance of the Company may turn out to be materially different from the results expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Unless otherwise required by law, the Company also disclaims any obligation to update its view of any such risks or uncertainties or to announce publicly the result of any revisions to the forward looking statements made in this report. Additional factors that could cause the Company's results to differ materially from those described in the forward-looking statements can be found in the 2004 Annual Report on Form 10-K/A for the year ended December 31, 2004 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 of Knight Capital Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission Internet site (<http://www.sec.gov>).

# Regulation G & Corporate Disclaimers

## Regulation G

In an effort to provide investors with additional information regarding the Company's results as determined by generally accepted accounting principles (GAAP), the Company also discloses certain non-GAAP information which management believes provides useful information to investors. Within this press release, the Company has disclosed its net income (loss) amounts for certain reporting periods before charges, writedowns and discontinued operations to assist the reader in understanding the impact of these charges, writedowns and discontinued operations on the Company's financial results, thereby facilitating more useful period-to-period comparisons of the Company's businesses.

## Corporate Disclaimers

Knight Capital Group, Inc. offers its products and services through Knight Equity Markets, Direct Edge ECN, Direct Trading Institutional L.P. and Knight Capital Markets, member SIPC and NASD; and Knight Equity Markets International, regulated by the Financial Services Authority in the U.K. and member of the London Stock Exchange.

Deephaven Capital Management LLC is an affiliated company offering asset management services. S3 Asset Management is an unaffiliated company which provides outsourced portfolio financing for asset managers and hedge funds.



# Agenda

## **Thomas M. Joyce**

- Corporate Progress and Outlook

## **Colin J. Smith**

- Asset Management Overview

## **Thomas M. Joyce**

- Broker-Dealer Overview

## **Gregory C. Voetsch**

- Institutional Overview

## **John B. Howard**

- 2005 Financial Review & 2006 Budget Projections

## **Thomas M. Joyce**

- Closing Remarks

## **Question & Answer Session**



# Corporate Progress and Outlook

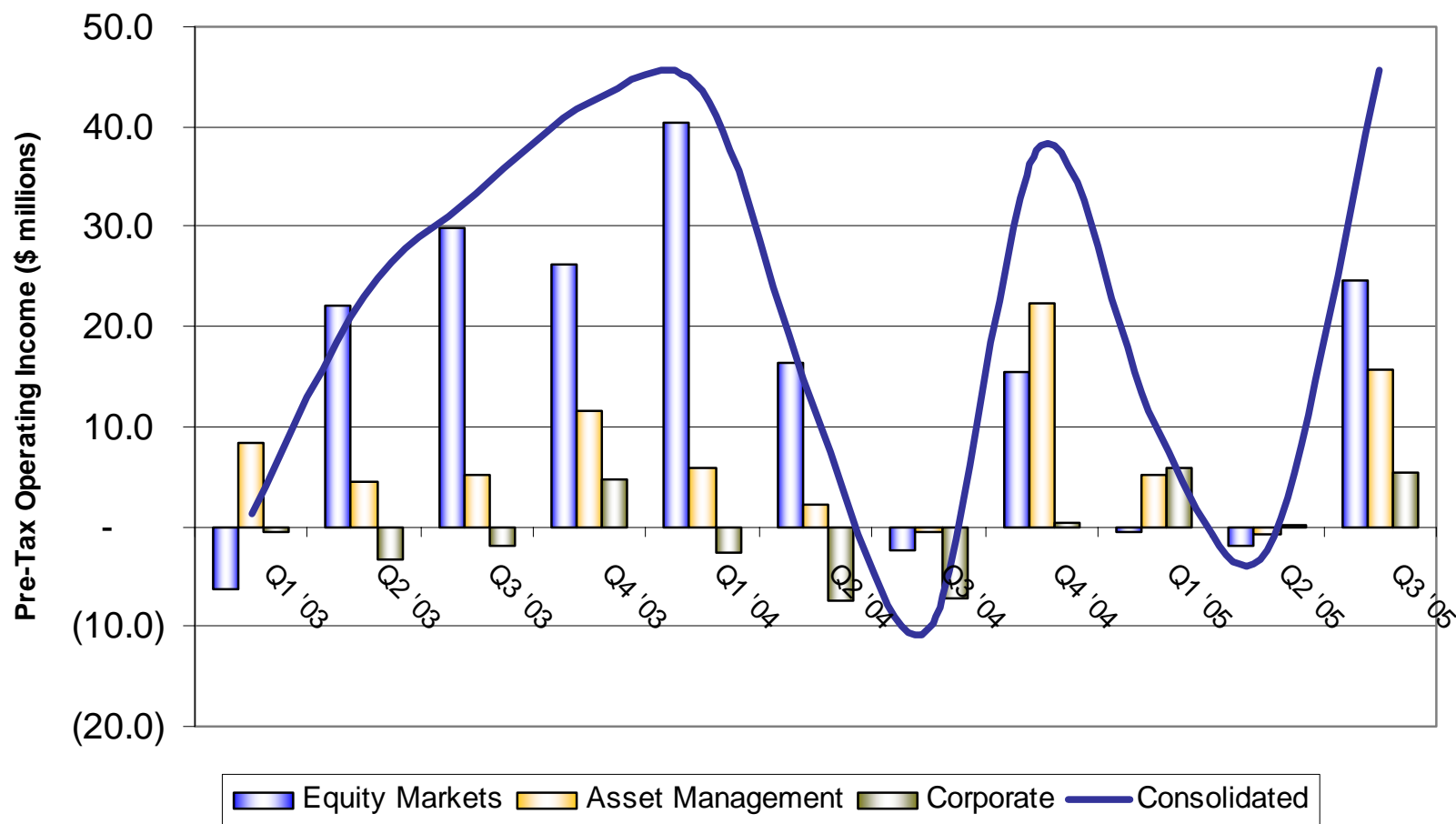
**Thomas M. Joyce**

*Chairman & CEO*

# 2005 Accomplishments

- **Revitalized broker-dealer business**
- **Expanded institutional product offering**
- **Invested in growth for asset management**
- **Used cash wisely in strategic acquisitions and share buyback**
- **Supported client-focused culture with new headquarters**

# Actual Operating EPS – 2003 → 2005



# 2005 – Executing on Knight's Vision

## Equity Markets

### *Broker-Dealer*

- Re-structured platform
- Improved execution stats
- New leadership fosters innovation, teamwork and increases performance

### *Institutional*

- Increased market share in a down environment
- Acquired Direct Trading Institutional
- London achieved profitability

## Asset Management

- Introduced stand alone strategies
- Enhanced infrastructure to support growth
- Returns have trended along with peer group

## Corporate

- Built out 545 Washington Boulevard headquarters
- Repurchased more than 16 million shares (YTD 2005 = \$146 million)
- Closed on Direct Edge ECN acquisition



# Expanding the Product Line

## Internal Development

- Single Strategy Funds
- Special Situations
- Knight Match
- Program

## Acquisitions

- Direct Edge ECN
- Direct Trading Institutional

## Marketing Alliances

- S3 Asset Management

## Strategic Hires

- Technical Research



# Direct Edge ECN

## First Week of Operations

- More than 65 million shares during the first week of operation

## 2006 Key Initiatives

- Enhance performance and capacity to handle increased order flow
- Expand functionality with new order types and outbound routing by first half of 2006
- Grow broker-dealer client base and capture market share of Nasdaq market
- Establish institutional access to Direct Edge ECN via Direct Trading Institutional



# Cash Management

## Acquisitions

- Purchased two businesses: Direct Edge ECN and Direct Trading Institutional

## Share Buyback

- Repurchased 16 million shares for \$146 million YTD September 30, 2005

## Deephaven Investment

- Investment stands at approximately \$282 million as of September 30, 2005

# Move to 545 Washington Boulevard

- **On time and on budget**
- **Centralized operations**
- **State-of-the-art infrastructure**
- **Strengthened culture of teamwork**

- 145 miles electrical wiring
- 3,200 light fixtures
- 568 miles copper communications cable
- 2,700,000 watts battery power
- More than 100 terabytes disk storage
- 11,000 square foot data center
- 2,000 square yards carpeting
- 2,000 tons air conditioning
- 8,000 4'x10' sheetrock boards
- 319,000 sheetrock screws
- 4,000 gallons joint compound
- 45 miles metal wall studs
- 334 days construction
- 150,000 man hours

# 2005 Challenges

- **Market conditions with limited volatility**
- **Competition**
- **Compensation costs**
- **Adjusting product offering and expense basis amidst a difficult market environment**



# Asset Management

**Colin J. Smith**

*Chief Executive Officer*

*& Chief Investment Officer*

Deephaven Capital Management

# Deephaven Capital Management

## At a Glance

- Deephaven Capital Management employs multiple investment strategies
- More than \$3.4 billion in assets as of September 30, 2005
- More than 125 employees

## Clients

- Institutional investors
- Fund of funds
- High net worth individuals

## Market Neutral Fund Strategies

- Global Convertible and Volatility Arbitrage
- Global Event
- Relative Value Equity
- Distressed Opportunities
- International Credit Arbitrage
- Global Macro Opportunities

## Competitive Advantages

- Institutional quality manager
- Multiple strategies
- Risk management
- Dedicated to client service

# 2005 Accomplishments – Asset Management

## Diversified Cash Flows Through Single-Strategy Funds

- Long/Short
- Event
- Convertible Select
- Credit Opportunity

## Diversified Investor Base

## Expanded Geographic Footprint

- Asia
- Europe

## Enhanced Back Office

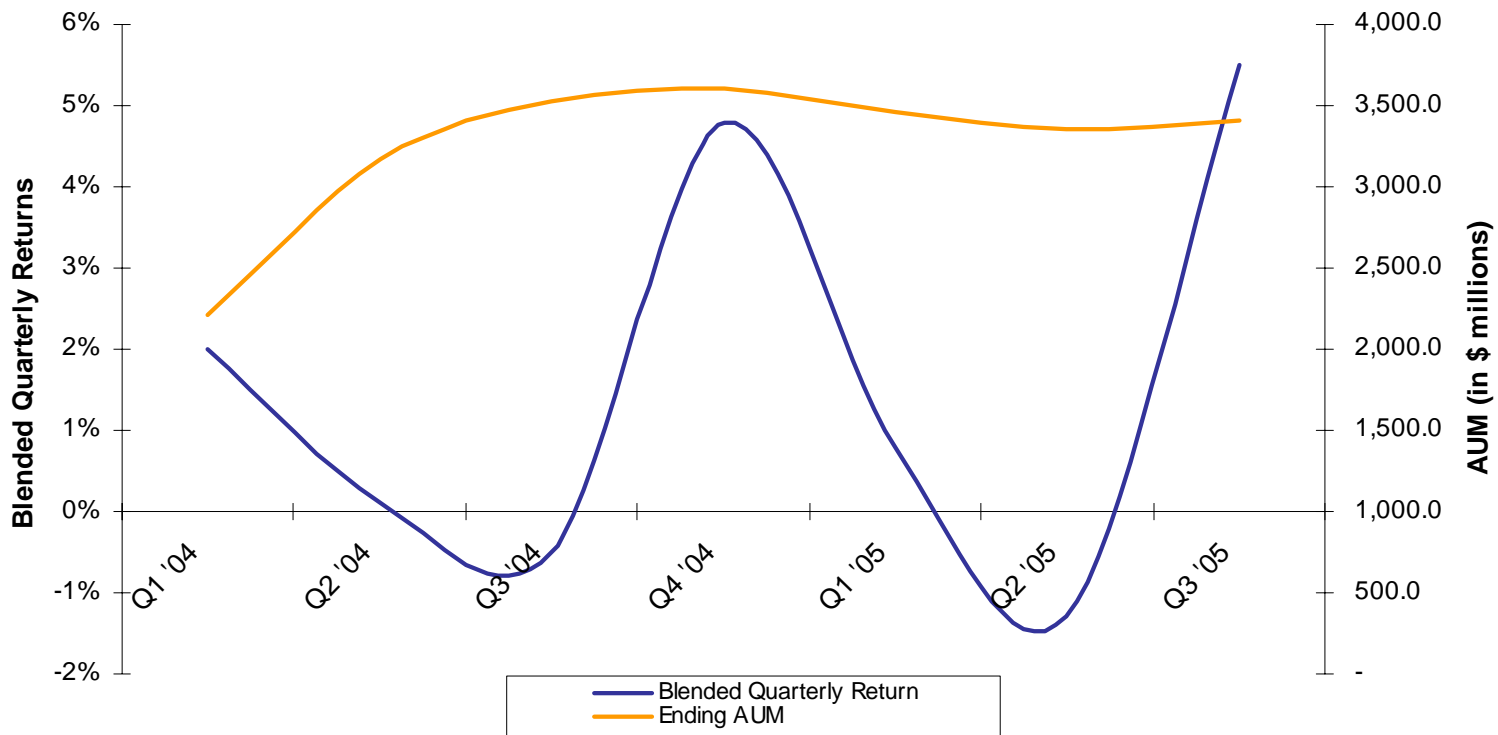
# 2005 Challenges – Asset Management

- **Challenging market conditions, specifically convertible market in first half**
- **Decreased investor interest in multi-strategy funds**
- **Continued influence by fund-of-fund clients**
- **Overcoming impact of Wells Notice with new and potential investors**

# Assets Under Management & Returns

## Growth in AUM vs. Quarterly Returns

January 2004 through September 2005



# SWOT Analysis – Asset Management

**Internal**

## Strengths

- Quality people and robust, scalable technology
- Risk management
- Globally integrated teams
- Presence as a “top-tier” hedge fund

## Weaknesses

- Reliance on fund-of-funds clients
- Limited lock ups in the Market Neutral fund

**External**

## Opportunities

- Growth in % of pension/endowment allocation to alternative investments
- International growth
- New single-strategy funds

## Threats

- Market conditions
- Regulatory changes
- New hedge fund competition
- Competition for human capital
- Fund of fund investors continued movement away from multi-strategy product offerings

# 2006 Key Initiatives – Asset Management

- **Increase performance against benchmarks**
- **Launch new products**
- **Expand distribution**
- **Expand geographic footprint**



# Broker-Dealer Overview

**Thomas M. Joyce**

*Chairman & CEO*

## 2005 Challenges – Broker-Dealer

- **Industry focus on execution quality and statistics**
- **Control of variable and fixed cost base**
- **Managing capital usage**
- **Change in personnel**
- **Increasing competition**

# 2005 Accomplishments – Broker-Dealer

- **Reorganized Broker-Dealer group**
  - Cash trading
  - Electronic trading
  - Client service/operations
  - Relationship management/sales
- **Increased automation through electronic trading model**
- **Enhanced risk management capabilities**
- **Adjusted product offering through revised execution protocols and rebate rates**

# Overall Improvement in Execution Statistics while Maintaining Revenue Capture

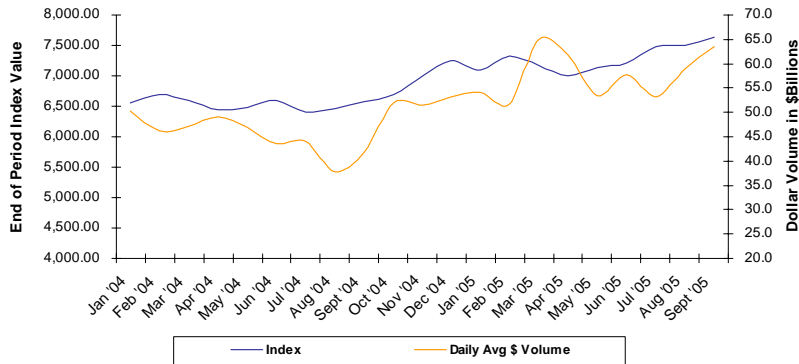
## Summary of Knight Execution Speed for 2005

| <b>NASDAQ-100</b>       | <b>January through August '05</b> | <b>September '05</b> |
|-------------------------|-----------------------------------|----------------------|
| Execution Speed         | 1.80 seconds                      | 0.95 seconds         |
| At-or-Better            | 92.30%                            | 93.24%               |
| Effective/Quoted Spread | 103.31%                           | 97.86%               |
| Price Improvement       | 41.70%                            | 50.40%               |
|                         |                                   |                      |
| <b>All NASDAQ</b>       | <b>January through August '05</b> | <b>September '05</b> |
| Execution Speed         | 2.10 seconds                      | 1.85 seconds         |
| At-or-Better            | 91.77%                            | 93.10%               |
| Effective/Quoted Spread | 105.88%                           | 104.22%              |
| Price Improvement       | 39.30%                            | 46.54%               |

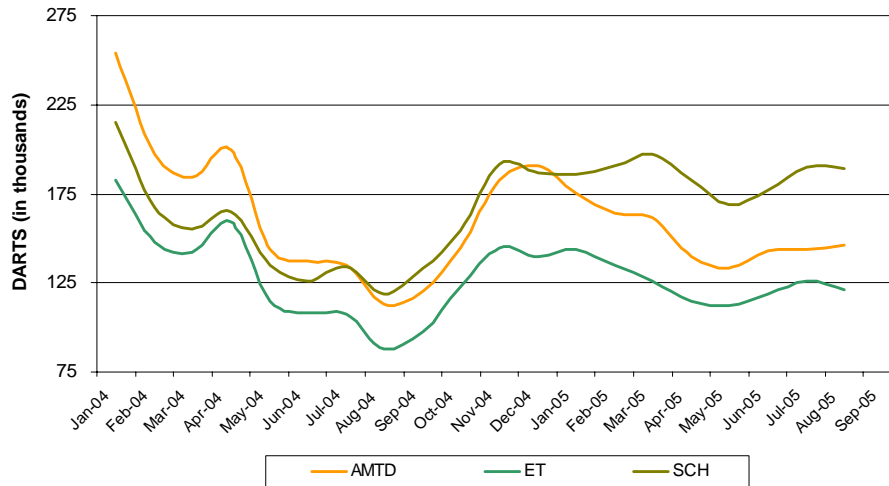
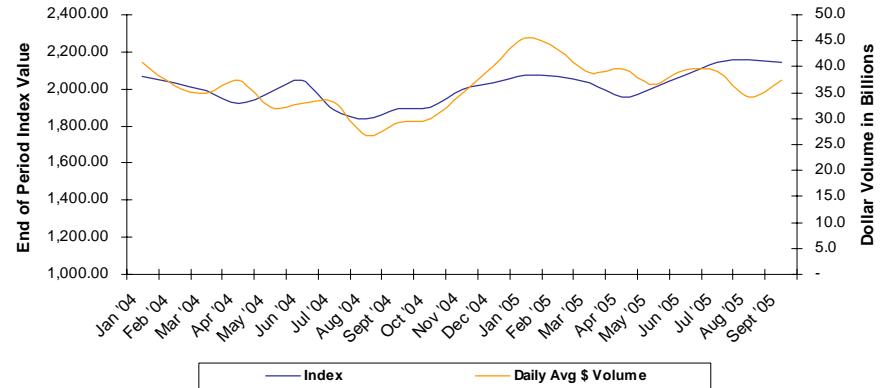
Source: Transaction Auditing Group, Inc. (TAG) & Market Systems, Inc. (MSI)

# Market Environment – Broker-Dealer

**NYSE - Index vs. Dollar Volume Traded**  
January 2004 to September 2005



**Nasdaq - Index vs. Dollar Volume Traded**  
January 2004 to September 2005



Sources: NYSE; Nasdaq; Ameritrade, E\*TRADE, Schwab

# SWOT Analysis – Broker-Dealer

- Internal**
- Strengths**
- Hybrid automated trading model
  - Coverage of all equities - “one-stop-shop” solution
  - Competitive execution statistics
  - Client relationships, service, connectivity to market place and customized technology

- Weaknesses**
- Market sensitive model
  - Concentration of revenues
  - Lack of captive order flow

- External**
- Opportunities**
- Regulatory changes pressure small and mid-tier broker-dealers to consider outsource trading
  - Variable changes in market structure
  - Improving market conditions

- Threats**
- Consolidation in retail brokerage sector
  - New competition
  - Continued threat of internalization
  - Uncertain regulatory / market structure environment

# 2006 Key Initiatives – Broker-Dealer

- Enhance client relationship management
- Focus on balancing client profitability, rebates and revenue capture
- Outsource market making services
- Build the bench of Electronic Trading
- Integrate with Direct Edge ECN
- Further automation



# Institutional Overview

**Gregory C. Voetsch**

*Executive Vice President*  
Institutional Group

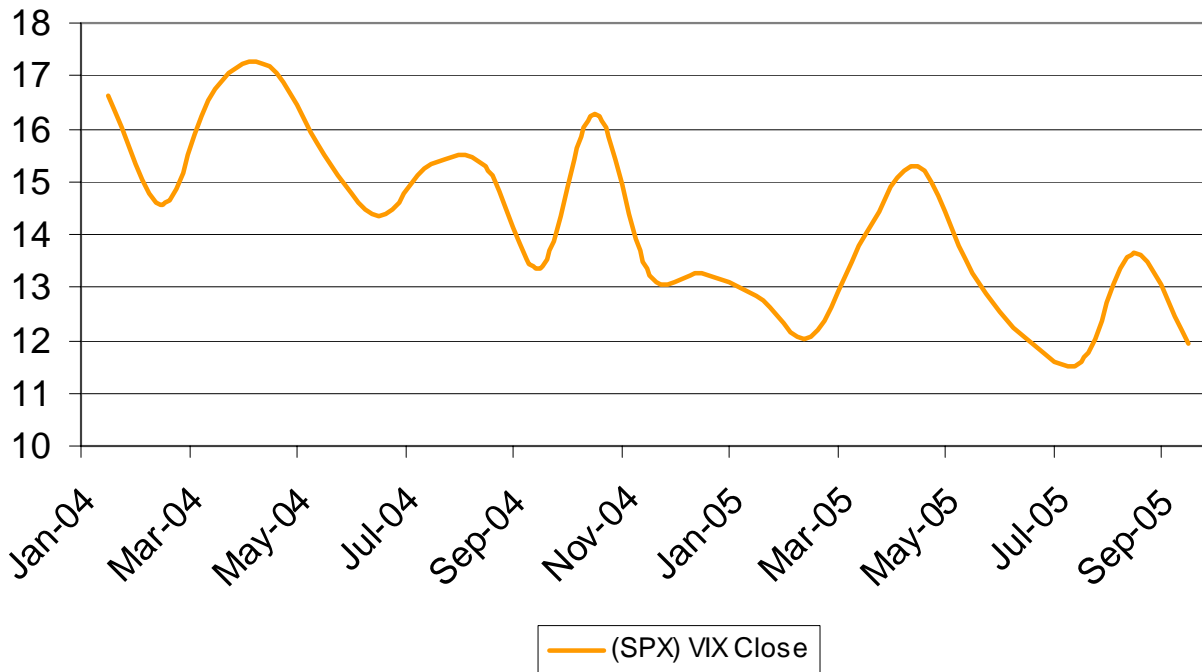


## 2005 Challenges – Institutional

- Smaller institutional commission wallet
- Penetrating key accounts with “execution-only” offering
- Increased competition for commission dollars from low-touch offerings (direct market access and crossing networks)
- Regulatory uncertainty around soft dollars

# Market Environment – Institutional

**Monthly Trend of SPX VIX Closing Price**  
January 2004 to September 2005



Source: CBOE Volatility Index

# Institutional Offering

Nasdaq

Listed Block

International ADRs  
& Ordinaries

OTC BB/ Pink Sheets

## Direct Market Access

- Direct Trading Institutional

## Corporate Services

## International Sales and Trading

## Institutional Corporate Access

## Knight Match

## Portfolio Financing Advisory

- S3 Asset Management

## Program Trading

## Research – Technical

- Ralph Acampora

## Soft Dollar Services

- Donaldson & Co.

## Special Situations Group

# Three-year Growth – Institutional

|                                | <u>2002</u>  | <u>2005</u>    |
|--------------------------------|--------------|----------------|
| <b>Number of Clients</b>       | 250          | More than 1000 |
| <b>Percent Listed Revenues</b> | 0%           | Nearly 30%     |
| <b>Sales Traders</b>           | 29           | 80+            |
| <b>Market Share*</b>           |              |                |
| <b>Listed</b>                  | <b>38/58</b> | <b>23/57</b>   |
| <b>OTC</b>                     | <b>14/47</b> | <b>7/44</b>    |

\* Knight's ranking out of total firms reporting institutional commissions to a third party industry source  
Report dated 12/31/04

# 2005 Accomplishments – Institutional

- Slight increase in market share during a challenging market
- Maintained commission rates in face of competitive pressures
- New account growth
- Acquired direct market access business, Direct Trading Institutional
- Initiated cross-selling of services across institutional client base
- Achieved listed/OTC split of 30/70
- Grew new products and services, including special situations, ADRs and portfolio financing through S3 Asset Management
- Separation of Institutional and broker-dealer trading increased cost transparency and improved risk management

# SWOT Analysis - Institutional

**Internal**

## Strengths

- Execution-only model offering top tier service with capital commitment at competitive costs
- Coverage in all domestic equity issues with strength in small- and mid-cap stocks
- Large client base across all institutional businesses, primed for cross selling
- Ability to interact with retail order flow

## Weaknesses

- Under-developed program trading offerings
- No fundamental research or banking product
- Limited crossing facilities

**External**

## Opportunities

- Consolidation in institutional brokerage space
- Bulge bracket firms focusing on top 50 accounts
- Downward pricing pressure provides growth opportunity for direct market access and crossing products
- Regulatory clarification of soft dollar usage

## Threats

- Downward pricing pressure continues to impact voice business
- DMA / crossing networks continue to make inroads
- Bulge bracket firms expanding into small- and mid-cap stocks
- Long-term reduction in market volatility

## 2006 Key Initiatives – Institutional

- Drive greater institutional account penetration with new and existing clients
- Cross selling by U.S. and London sales trading across client base
  - Direct Trading Institutional (direct market access)
  - Knight Match (crossing)
- Increase trading in listed product with a target of moving from the current OTC/listed split of 70/30 to 65/35
- Enhance crossing capabilities with Knight Match

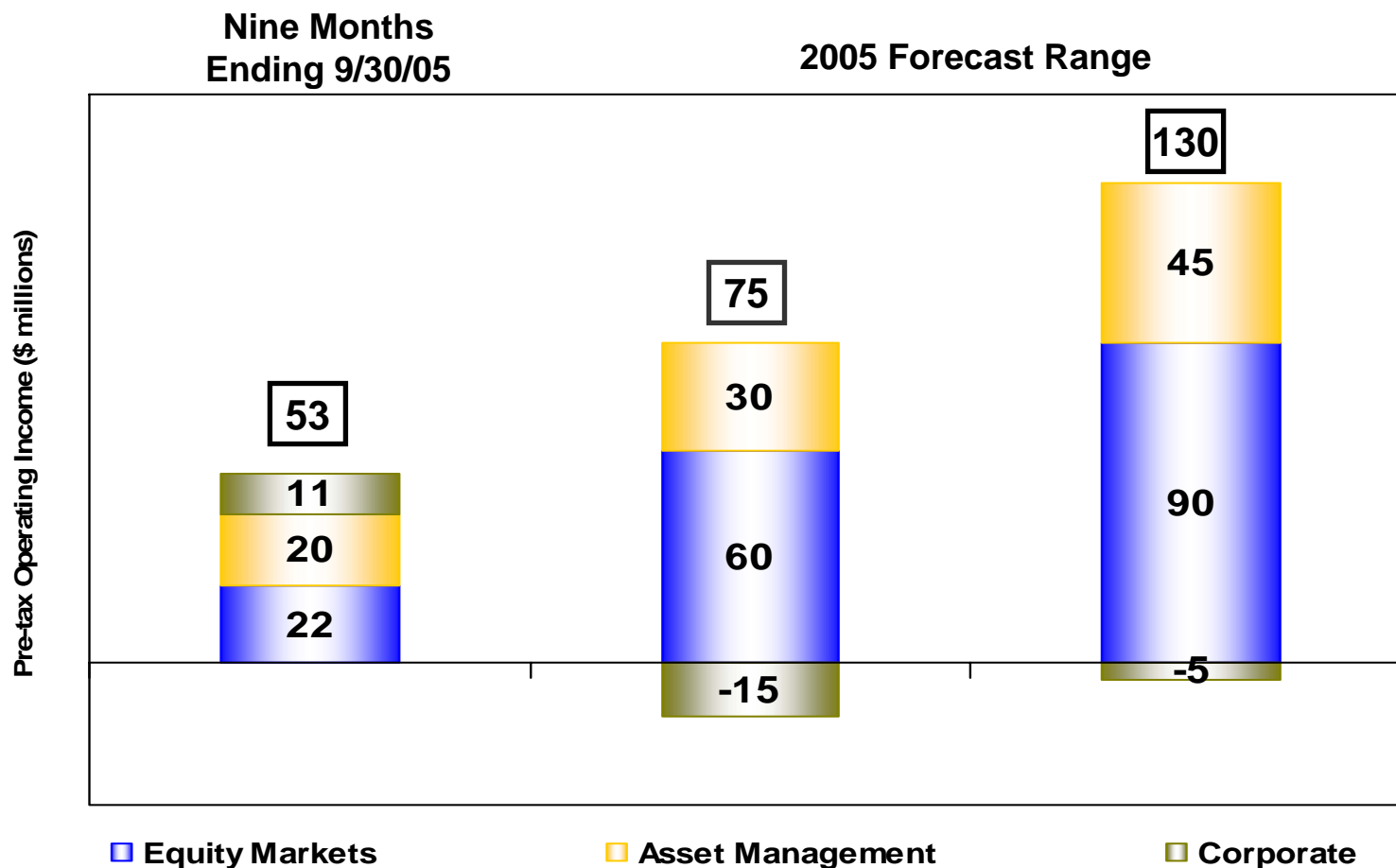


# Financial Overview

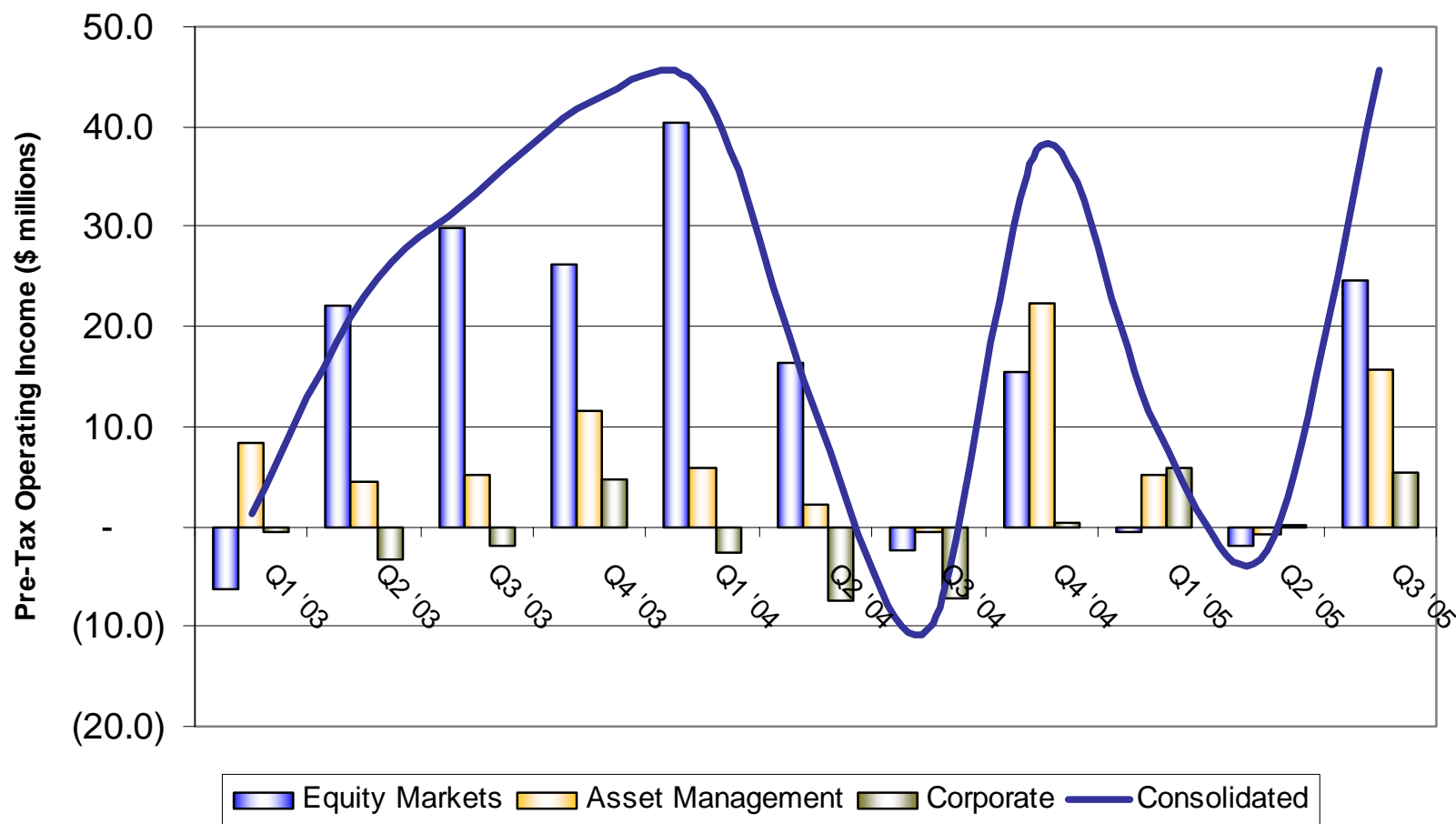
**John B. Howard**

*Senior Managing Director,  
Chief Financial Officer*

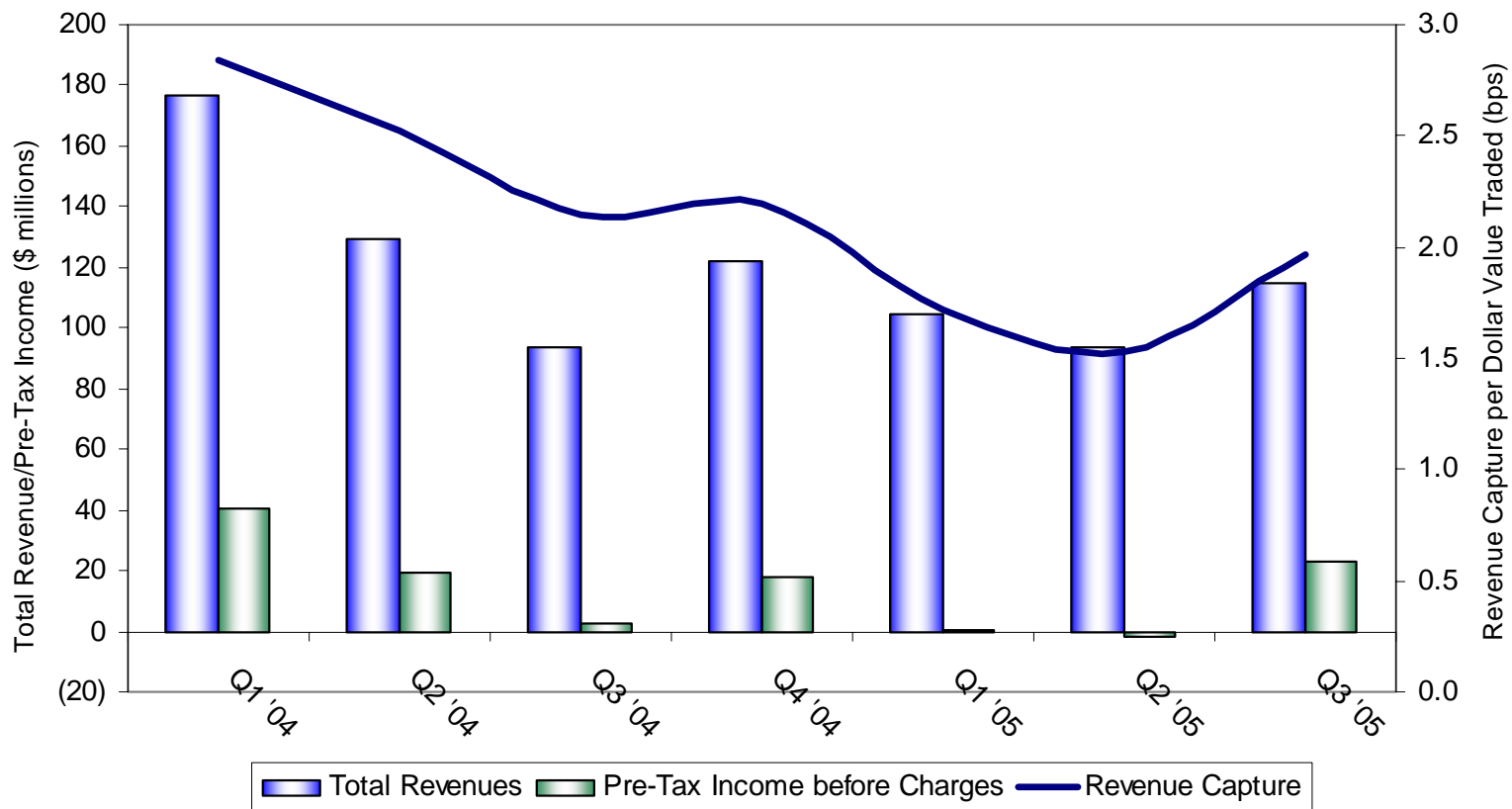
# Pre-tax Operating Income Forecast for 2005



# Actual Operating EPS – 2003 → 2005



# Equity Markets - Impact of Revenue Capture



# Equity Markets Overview

|                                  | 2003 | 2004 | 9 mos.<br>2005 |
|----------------------------------|------|------|----------------|
| Revenues (\$M)                   | 460  | 532  | 336            |
| Pre-tax Operating Earnings (\$M) | 72   | 70   | 22             |
| Pre-tax Margins                  | 16%  | 13%  | 7%             |

# Equity Markets – Key Metrics

| <i>Revenue Capture Overview</i>                              | <b>2003</b> | <b>2004</b> | <b>Q1<br/>2005</b> | <b>Q2<br/>2005</b> | <b>Q3<br/>2005</b> | <b>9 mos.<br/>2005</b> |
|--|-------------|-------------|--------------------|--------------------|--------------------|------------------------|
| <b>U.S. Core Equity Revenues* (\$M)</b>                      | 411         | 425         | 81                 | 68                 | 92                 | 241                    |
| <b>Total U.S. Equity Dollar Value Traded (\$B)</b>           | 1,560       | 1,731       | 471                | 446                | 468                | 1,384                  |
| <b>Average Revenue Capture per Dollar Value Traded (bps)</b> | 2.6         | 2.5         | 1.7                | 1.5                | 2.0                | 1.7                    |

\* Core Equity Revenues primarily consist of Net Trading Revenues, Commission Equivalents and Commissions

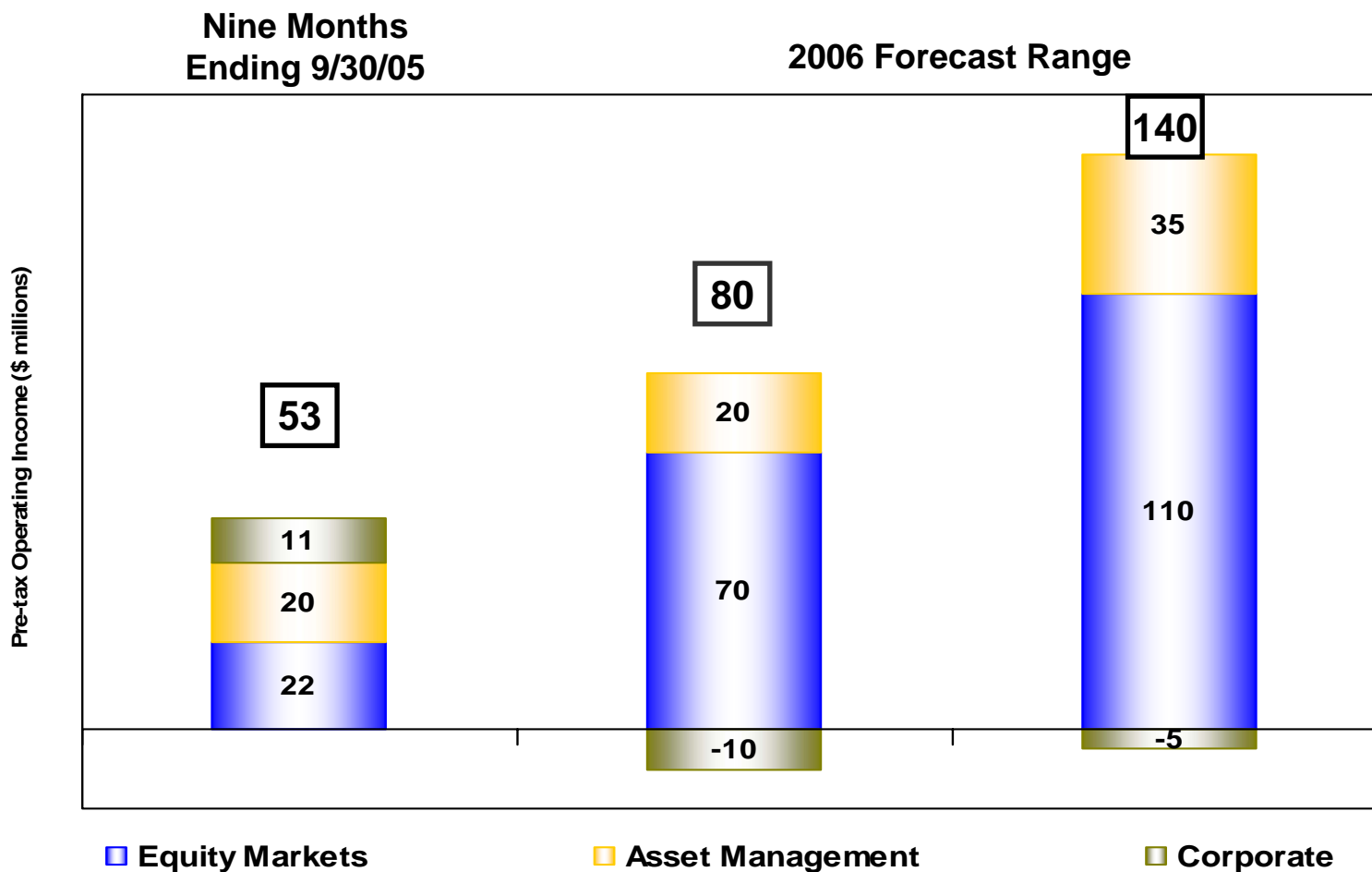
# Asset Management - Overview

|                                  | <i>2003</i> | <i>2004</i> | <i>9 mos.<br/>2005</i> |
|----------------------------------|-------------|-------------|------------------------|
| Revenues (\$M)                   | 58          | 78          | 68                     |
| Pre-tax Operating Earnings (\$M) | 30          | 30          | 20                     |
| Pre-tax Margins                  | 50%         | 38%         | 29%                    |
| Average AUM (\$M)                | 1,359       | 2,964       | 3,372                  |
| Average Return to Investor       | 13.9%       | 6.5%        | 5.2%                   |

# Corporate Segment - Overview

| <i>(\$m)</i>   | <i>2003</i> | <i>2004</i> | <i>9 mos.<br/>2005</i> |
|--|-------------|-------------|------------------------|
| Revenue from Deephaven Corporate Investment                    | 24          | 13          | 12                     |
| Average Corporate Investment in Deephaven Funds                | 184         | 217         | 271                    |
| Revenues from Strategic Investments and other Corporate Income | 5           | 4           | 17                     |
| Corporate Overhead Expenses                                    | 30          | 34          | 18                     |

# 2006 Forecast Range of Pre-tax Operating Income



# 2005 Forecast Revenue and Margin Ranges

|  |   | ← <i>Actual</i> → |                               |                     |            |
|--|---|-------------------|-------------------------------|---------------------|------------|
|  |   | 2004              | 9 Months<br>Ending<br>9/30/05 | 2006 FORECAST RANGE |            |
| <b><u>Revenue Overview (\$ in M)</u></b>     |   |                   |                               |                     |            |
| Equities                                     |   | 531               | 336                           | 520                 | 650        |
| Asset Management                             |   | 78                | 68                            | 70                  | 100        |
| Corporate                                    |   | 17                | 29                            | 10                  | 25         |
| <b>Total</b>                                 |   | <b>626</b>        | <b>433</b>                    | <b>600</b>          | <b>775</b> |
| <b><u>Margin Overview (% of revenue)</u></b> |   |                   |                               |                     |            |
| Compensation                                 |   | 39                | 40                            | 38                  | 35         |
| Execution & clearance                        |   | 18                | 16                            | 20                  | 18         |
| Soft dollar/Commission recapture/Rebates     |   | 10                | 11                            | 16                  | 14         |
| Pre-tax margins                              |   | 13                | 12                            | 13                  | 18         |
| <b><u>Summary Metrics</u></b>                |   |                   |                               |                     |            |
| Equity<br>Markets                            | US Dollar Value Traded (\$ in T)              | 1.73              | 1.38                          | 1.70                | 2.10       |
|  | Revenue Capture per Dollar Value Traded (bps) | 2.5               | 1.7                           | 1.50                | 2.25       |
| Asset<br>Management                          | Average Fund Return (%)                       | 6.5               | 5.2                           | 6.0                 | 9.0        |
|  | Average Assets under Mgt (\$ in B)            | 2.94              | 3.37                          | 3.50                | 4.00       |

# Strong Financial Condition

- Balance Sheet as of 9/30/2005
  - Stockholders' Equity of \$781 million
  - Cash of \$184 million
  - Corporate investment in Deephaven Funds of \$282 million
  - Book value per diluted share of \$7.53
- Strategic investment of 1.7 million in ISE
- \$49 million remaining on corporate repurchase program
  - Repurchased 37.6 million shares for \$296 million since inception of repurchase program



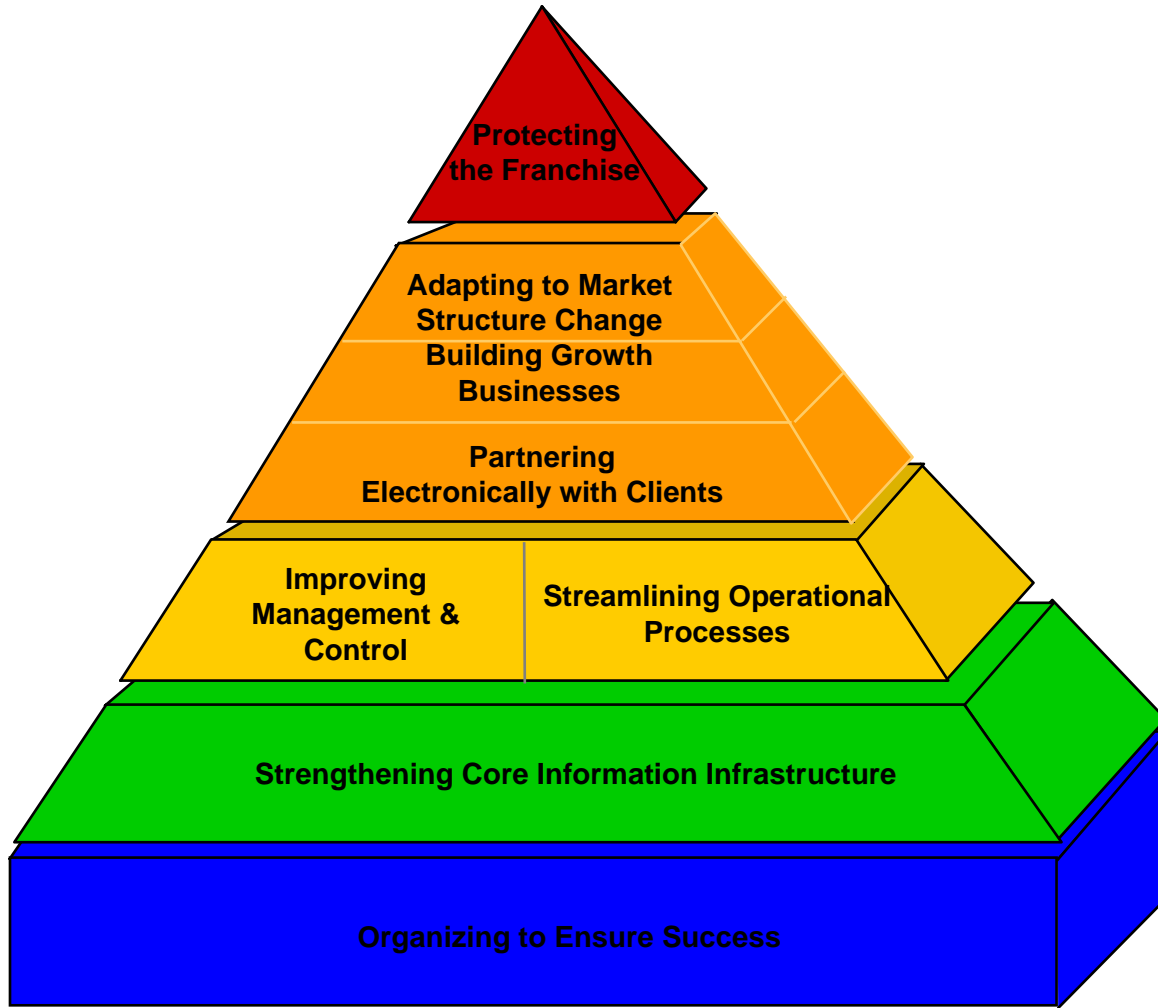
# Closing Remarks

**Thomas M. Joyce**  
*Chairman & CEO*

# SWOT Analysis – Setting the Stage for 2006

|                 |   |   |
|-----------------|---|---|
| <b>Internal</b> | <b>Strengths</b> <ul style="list-style-type: none"><li>• Coverage of all equities “one-stop-shop”</li><li>• Broker-dealer network and scalable business model leveraging technology</li><li>• Institutional offering that combines service, marketplace coverage at competitive cost</li><li>• Strong asset base and solid track record at Deephaven</li><li>• Strong balance sheet</li></ul> | <b>Weaknesses</b> <ul style="list-style-type: none"><li>• Market sensitive model</li><li>• Execution risk resulting from more complex operational and technology requirements</li><li>• Lack of captive order flow</li></ul>  |
|                 | <b>External</b>   | <b>Opportunities</b> <ul style="list-style-type: none"><li>• Unbundling of commissions continues</li><li>• Market environment improving</li><li>• Market structure changes (Reg NMS)</li><li>• Ability to increase institutional market share from current levels</li><li>• New product offerings along with increased automation</li><li>• Pressure on NYSE business model</li></ul> |

# Coordinated Technology – Across the Business



# 2006 Initiatives

**Identify client needs and respond with services and products that meet and exceed those needs.**

**Leverage success of Broker-Dealer business model to secure order Flow**

Expand automated market-making effort  
Expand offering

**Diversify Institutional offering and cross sell to existing and potential clients**

Deeper account penetration  
Increase cross selling  
Continue to hire sales traders  
Grow DTI aggressively  
Enhance crossing offering

**Build Electronic Services offering**

Attract liquidity to Direct Edge ECN  
Expand product offering

**Provide enhanced returns and new strategies for investors**

Increase returns  
Grow assets under management

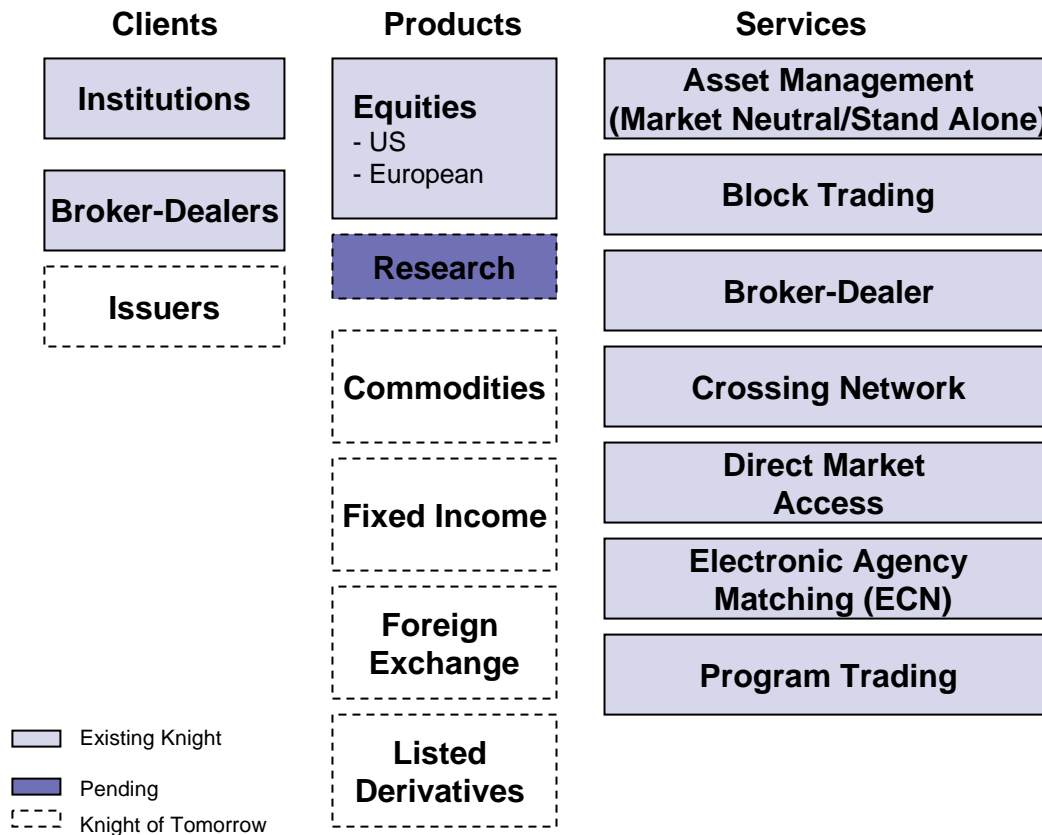
**Add \$25 million to pre-tax through accretive acquisitions**

Focus on new revenue streams, cross-selling opportunities, client-base penetration and growth, new asset classes, synergy and cost savings

**Continue to buy back stock, when appropriate**

# The Knight of Tomorrow

Today, Knight has established a significant client base, technology capability and platform in both Equity Markets and Asset Management businesses. The Knight of Tomorrow will leverage these strengths into services spanning other asset classes.



# Long-Term Goals

## To become indispensable as...

- The first choice for trade execution services for broker-dealers and institutions
- The industry standard for client service and execution quality
- The means to access the market via any and every channel
- The choice for institutional investors seeking to achieve enhanced risk-adjusted returns on their assets



**Q&A**

## **Question & Answer Session**

Earning Your Trust With Every Trade™

Knight



## Analyst & Investor Day

November 2, 2005



# Appendix

# Reconciliation of GAAP Income to Non-GAAP Operating Income

| <b>9 Months ending September 30, 2005</b>                           | <b>Equity<br/>Markets</b> | <b>Asset<br/>Management</b> | <b>Corporate</b> | <b>Consolidated</b> |
|---|---------------------------|-----------------------------|------------------|---------------------|
| <b>Income from continuing operations before income taxes</b>        | \$ 12                     | \$ 18                       | \$ 11            | \$ 41               |
| Regulatory charges and related matters                              | -                         | 2                           | -                | 2                   |
| Writedown of assets and lease loss accrual                          | 10                        | -                           | -                | 10                  |
| <b>Pre-Tax Operating Income</b>                                     | <u>\$ 22</u>              | <u>\$ 20</u>                | <u>\$ 11</u>     | <u>\$ 53</u>        |
| <b>2004</b>   | <b>Equity<br/>Markets</b> | <b>Asset<br/>Management</b> | <b>Corporate</b> | <b>Consolidated</b> |
| <b>Income (loss) from continuing operations before income taxes</b> | \$ (13)                   | \$ 30                       | \$ (17)          | \$ (0)              |
| Writedown of assets and lease loss accrual                          | 4                         | -                           | -                | 4                   |
| Regulatory charges and related matters                              | 79                        | -                           | -                | 79                  |
| <b>Pre-Tax Operating Income (Loss)</b>                              | <u>\$ 70</u>              | <u>\$ 30</u>                | <u>\$ (17)</u>   | <u>\$ 83</u>        |
| <b>2003</b>   | <b>Equity<br/>Markets</b> | <b>Asset<br/>Management</b> | <b>Corporate</b> | <b>Consolidated</b> |
| <b>Income (loss) from continuing operations before income taxes</b> | \$ 55                     | \$ 30                       | \$ (1)           | \$ 84               |
| Writedown of assets and lease loss accrual                          | 17                        | -                           | -                | 17                  |
| <b>Pre-Tax Operating Income (Loss)</b>                              | <u>\$ 72</u>              | <u>\$ 30</u>                | <u>\$ (1)</u>    | <u>\$ 100</u>       |