FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the first-quarter 2008 NYSE Euronext earnings conference call. My name is Lacey and I will be your coordinator for today. (OPERATOR INSTRUCTIONS). As a reminder, this conference is being recorded for replay purposes.

I would now like to turn the presentation over to your host for today's call, Mr. Gary Stein, Head of Investor Relations. Please proceed.

Gary Stein - *NYSE Euronext - VP of IR*

Good morning. I'm Gary Stein, Investor Relations Officer for NYSE Euronext. Welcome to our conference call for NYSE Euronext's first-quarter 2008 results, which were outlined in a press release issued earlier this morning.

During this call, our comments may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These statements are based on NYSE Euronext's current expectations and involve risks and uncertainties that could cause NYSE Euronext's actual results to differ materially from those in the statements. These forward-looking statements speak as of today, and you should not rely on them as representing our views in the future. Please refer to our SEC filings for a full discussion of the risk factors that may affect any forward-looking statements.

Except for any obligation to disclose material information under the federal securities laws, NYSE Euronext undertakes no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after this conference call.

Please note that the results of operations of Euronext NV for the first quarter of 2008 are reported under U.S. GAAP and incorporated in today's earnings press release under the caption "European Operations" in the accounting tables.

With me on today's call are Duncan Niederauer, Chief Executive Officer; Jean-Francois Theodore, Deputy Chief Executive Officer; Joost van der Does de Willebois, acting Chief Financial Officer; Larry Leibowitz, Head of Global Technology and U.S. Cash Markets; and Stephane Biehler, Chief Accounting Officer.

I'll now turn the call over to Duncan. After Duncan has finished, Joost will make a few remarks. At the conclusion of our prepared remarks, we will take your questions.

Duncan Niederauer - *NYSE Euronext - CEO*

Thanks, Gary. Good morning, everybody. Thank you for joining today's call. As we entered the first quarter of 2008, we focused on four primary goals, realizing balanced revenue growth across our operations, executing our strategic business plan and acting on new opportunities that enhance customer and shareholder value, delivering on our commitment to efficiency and expense control, and improving our competitive position in the U.S. and Europe. I'm pleased to report that we have made significant progress towards achieving each of these goals, as evidenced by our strong financial performance in the first quarter.

During the first three months of 2008, we experienced solid revenue growth, primarily due to record trading volumes. For the first quarter, NYSE Euronext's cash equities exchanges in Europe and the U.S. achieved new all-time records in quarterly volume. Our European cash markets handled 103 million transactions, and our U.S. cash markets traded 191 billion shares.

Our European equities markets registered a 39% increase in total volume. We witnessed strong gains of 66% and 41% in ETFs and core equities trading, respectively, compared to the same period in 2007. While Euronext was setting a new record in volume of an average of 1.6 million transactions per day, our U.S. operations achieved a new record in average daily volume of 3.6 billion shares per day. This included an increase of 26% in quarterly handled volume for all equities trading compared to the same period in 2007.

Liffe, our European derivatives business, had an all-time record quarter with total trading volume increasing by 29% compared to the same period in 2007. And NYSE Arca Options experienced volume growth of 70% compared to the first quarter of 2007, making it the fastest-growing U.S. options exchange.

These figures illustrate our continued revenue growth across our operations. They also highlight our leadership position in an increasingly competitive environment, as well as strong customer demand for our diverse array of products and services.

While Joost will provide more details during his comments, I would also like to spend a few moments on our strategic business plan, specifically the status of our merger integration and technology roadmap. As you know, on our last earnings call, we increased our first-quarter goal with respect to an annual run rate technology cost savings from $30 million to $50 million in savings.

I'm pleased to report that we surpassed this target by generating approximately $70 million of annual run rate technology cost savings during the first quarter. This does not yet include anticipated savings from the elimination of the AEMS margin. These savings will begin to be realized with the completion of that transaction, which we still expect to occur in August of 2008.

Also, we continue to make significant progress towards the goals set forth in the technology roadmap we outlined last quarter. We've already migrated several large NYSE trading firms over to our new Common Customer Gateway. The initial results associated with this migration have been very positive. The system is operating as expected and customers are benefiting from meaningful reductions in latency.

Strategically, we continue to make significant progress as well. Just a few of our initiatives and accomplishments during the first quarter include -- as part of our efforts to reposition our European clearing business, we received approval from the board of LCH.Clearnet to negotiate a new clearing contract. These negotiations are ongoing.

Upon finalizing the acquisition of Wombat Financial Software, we launched NYSE Euronext Advanced Trading Solutions, our commercial technology business unit. This was followed by the news of commercial technology arrangements with the Tokyo Stock Exchange, Malaysia, the Philippines, and Abu Dhabi.

NYSE Euronext Advanced Trading Solutions offers best-in-class technology products and services to exchanges in trading customers around the world. These new arrangements underscore the growth potential of our technology solutions business.

Other initiatives include our proposed acquisition of the American Stock Exchange for $260 million in stock and additional stock based on the net proceeds of the sale of the Amex building. This strategic transaction, which we hope will close in the third quarter, will strengthen our U.S. options, ETF, and cash products offerings. Our acquisition of the CME Group metals complex, providing us a point of entry in the U.S. futures business. Our announced plans to acquire a 5% stake in the Multi Commodity Exchange, India's leading commodity marketplace. This investment, which is still subject to one or two more regulatory approvals, will complement our strategic investment in the National Stock Exchange of India.

The launch of BlueNext, an international carbon emission allowances and credits market in partnership with Caisse des Depots. And lastly the launch of Prime Source NYSE Euronext, an independent, comprehensive portfolio valuation service for buy-side customers.

As I hope you agree, we continue to effectively execute our strategic plan and take advantage of opportunities that enhance customer and shareholder value. We also have tremendous operating leverage on our business model. We intend to capitalize upon this advantage for the benefit of our customers and shareholders when and where appropriate.

In this regard, our Board of Directors authorized the repurchase of up to $1 billion of NYSE Euronext common stock. The repurchase is subject to U.S. and European regulations, strategic considerations, market conditions, and other factors.

Our Board also approved a 20% increase in our annual dividend as part of a well-defined dividend policy to grow the dividend to shareholders and achieve a target payout ratio of 35% to 45% of net income while maintaining high investment-grade ratings. As we move forward, we also remain committed to further improving operating efficiencies and to delivering on our commitment to expense control.

We have implemented a global, and I would like to underscore the word global, business process reengineering project. To that end, our total headcount at the end of the first quarter, excluding GL Trade, decreased by more than 4.5% from the same period a year ago.

In the first quarter of this year, NYSE regulation completed a voluntary retirement program. This streamlining reflects the evolving nature of trading-related regulatory surveillance. And yesterday afternoon, as part of our global business process reengineering efforts, we announced a voluntary reduction program for our U.S. employees, excluding the NYSE regulation staff. We will report the results of this headcount reduction initiative on our next earnings call. So as you all can see, we have made and will continue to make progress in managing and reducing our expenses.

During the first quarter of 2008, we also made significant progress in our listings business. Some highlights include -- the IPO Visa on the NYSE. At nearly $18 billion, it was the largest domestic IPO in U.S. history and the world's third-largest IPO. The IPO of Liberty International on Euronext, a EUR600 million offering, the largest European IPO during the quarter. Our European growth market, Alternext, welcomed its first Chinese company with the listing of China Corn Oil.

And we also welcomed China's ReneSolar on the NYSE and General Steel Holdings on NYSE Arca. India's Satyam Computer Services became the first NYSE-listed company to cross-list on our European market, using our new and innovative fast-path process. Recently, both Philip Morris International and Anheuser-Busch cross-listed on our U.S. and European markets. We extended our leadership in ETFs and now have 548 ETFs listed in the U.S. and Europe combined. No other exchange group lists more ETF products or trades more ETF shares around the world than NYSE Euronext.

We have also taken several steps during the first quarter to improve our competitive position in both the U.S. and European markets. These steps include our announcement in March of new transaction pricing for customers and NYSE Arca for both equities and options that became effective April 1. As a result of these pricing and other changes, we have gained meaningful market share in NASDAQ's primary business. We also continue to have a considerably higher share of trading in NYSE-listed stocks than NASDAQ has trading its own stocks.

To ensure that we are in the forefront of our industry in the U.S., we are also working with the SEC on a number of rule changes and initiatives. We believe these efforts will prove beneficial to customers who send orders to the trading floor of the NYSE.

For instance, in response to customer interest, we are introducing two types of reserve orders for electronic entry to the NYSE. These new order types will provide customers with greater choice and flexibility in how they access the liquidity resident on the NYSE.

With respect to the competitive landscape and European cash trading, we are well situated to succeed and maintain our leadership position through our highly efficient central order book with an internal order processing time of two milliseconds. Our internal matching service, which is now over 35 active customers, who are now sending an average of 12% of their volume through this service. And Project SmartPool, the first European exchange-led electronic block trading platform, which is targeted to go live later this year.

In addition, in order to meet the specific needs of the newly emerging high frequency class of traders in Europe, we plan on implementing a new dedicated pricing package, the details of which will be announced soon. We are also exploring opportunities to create a pan-European ECN. As these actions illustrate, we are making significant progress in executing our strategic business plan. We are successfully evolving our business model and are committed to providing the highest quality in most competitive markets. We are thinking and acting like one company, one firm. We are more customer-focused, more competitively positioned, and even more determined to create sustainable value for our shareholders.

I will now turn the call over to Joost, who will present our financial results for the quarter.

Joost van der Does de Willebois: Thank you, Duncan, and good morning, everyone.

As you have seen in the press release of today, we reported net income of $230 million or $0.87 per diluted share for the quarter ended March 31 of '08. This is a $162 million or 238% increase as compared to net income of $68 million or $0.43 per diluted share for the quarter ended March 31 of '07. These results are presented in accordance with U.S. Generally Accepted Accounting Principles, and the comparative results for '07 reflect the operations of NYSE Group only.

On a non-GAAP basis, given effect to the Euronext transaction as if it occurred at the beginning of the earliest period presented, and excluding merger expenses and exit costs, the net income of NYSE Euronext for the quarter ended March 31 of '08 would have been $241 million or $0.91 per diluted share. This represents an $83 million or 53% increase versus non-GAAP net income of $158 million or $0.60 per diluted share for the quarter ended March 31 of '07. A full reconciliation of these non-GAAP results is included in the table that accompanied our press release issued this morning.

At constant U.S. dollar to euro and U.S. dollar to pound exchange rates, neutralizing the impact of acquisitions and dispositions of business and equity investments for the period, and on a non-GAAP basis, NYSE Euronext revenues, net of activity assessment fees for the quarter ended March 31 of '08 increased $236 million or 25% compared to the quarter ended March 31 of '07.

Operating income increased $99 million or 38% compared to the quarter ended March 31, '07. And in addition, on a normalized basis, revenues increased $129 million or 12% while operating income increased $93 million or 34% compared to the quarter ended December 31 of '07. Please refer to the table in the press release entitled "Normalized Operating Income Including Non-GAAP Financial Measures" for more detail.

On a non-GAAP basis, net transaction revenues, defined as cash and derivative trading revenues net of liquidity payments and routing and clearing expenses, increased $138 million or 39% for the three months ended March 31 of '08 versus the year ago period.

I would also like to highlight that we realized certain tax efficiencies as the result of the NYSE Euronext merger following the reorganization of certain of our businesses. The effective tax rate of NYSE Euronext on a non-GAAP basis was 30% for the three months ended March 31 of '08 as compared to 35% for the same period a year ago, and 32.5% for the three months ended December 31 of '07.

Finally, as of March 31 of '08, NYSE Euronext had a strong financial position. We ended the quarter with almost $1.7 billion of cash, cash equivalents, investments and other securities. And by the way, this includes $124 million related to the Section 31 fees and $3 billion of debt obligations.

Before we take your questions, I would like to provide you with a few more details on our cost savings initiatives. As Duncan noted earlier during his prepared remarks, as of the end of the first quarter, we have achieved annual run rate technology cost savings of approximately $70 million and we remain on track to achieve $250 million in technology cost savings relating to the NYSE Euronext merger.

While the $70 million of technology savings are derived from an array of initiatives, the key drivers of these run rate savings include -- the retirement of a mainframe and the elimination of headcount in our shared data center in the U.S., which provided savings of more than $12.5 million. The retirement of certain systems, non-stops and headcount in connection with the re-platforming of our NYSE trading systems, which provided savings of $12 million. And last, but not least, the realization of the efficiencies in connection with our corporate systems, which provided savings of more than $8 million. In addition, during last quarter's earnings call, we referenced $66 million of capacity-related capital expenditures budgeted for the year 2008, against which we have spent approximately $16 million during the first quarter. We have also made significant progress on our non-technology-related run rate expense savings targets.

In addition to the various headcount initiatives Duncan referenced earlier, we have also taken a number of other actions to generate savings, the highlights of which include the following -- over $9 million in savings from the elimination of certain marketing programs and the reduction of overlapping market spending in the U.S. and Europe. Almost $5 million in savings from the streamlining of our real estate portfolio and occupancy expenses. And approximately $5 million in savings from the elimination of overlapping insurance spending in the U.S. and Europe. We will now take your questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Richard Repetto, Sandler O'Neill.

Richard Repetto - *Sandler O'Neill - Analyst*

Congrats on a strong quarter. I guess my first question has to do with the expense reductions, Duncan. I'm just trying to understand -- I understand what you get in the run rate, but trying to understand how much actually flowed through in the first quarter versus how much you are going to see come down say in the second quarter, depending on when you got the reductions in 1Q.

Duncan Niederauer - *NYSE Euronext - CEO*

You guys want to take that?

Joost van der Does de Willebois: Your question with regard to the fourth quarter of last year and the first quarter of this year, it's a little difficult to be very precise on what the run rate is and what is seasonal. I think there's a little bit of both in there. But at this moment it's a bit difficult to give you that precise amount.

But I mean what you see in our first-quarter expenses is our clear commitment to run the organization as efficient as possible. And as we indicated in our prepared remarks, a lot of the cost savings are coming in at this very moment.

Richard Repetto - *Sandler O'Neill - Analyst*

Okay. And I'll move on I guess to the second question then. In regards -- you had a lower tax rate this quarter. 30%. And I'm trying to understand how much of this -- I know you made note of this or highlighted it in the least, but is this the appropriate tax rate going forward? And is this a recurring due to the sort of the mix in income being more weighted towards Europe now?

Stephane Biehler - *NYSE Euronext - CAO*

Yes, Rich. It's Stephane Biehler. That's right. As you see an increasing portion of our income coming from Europe, it has a favorable impact on our tax rate. In addition to that, in connection with the NYSE Euronext merger, we have reorganized some of our businesses and we tried to be as tax efficient as we could. So this tax rate is sustainable, the 30% you are looking at. We think that we expect our tax rate for the balance of the year to be in the range of 30% to 30.5%.

Richard Repetto - *Sandler O'Neill - Analyst*

Great. Okay. I'll get back in the queue. Thanks, guys.

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

Hey, Rich, this is Larry. To address part of your first question, when we talked about $70 million of run rate savings in tech, that's an increase of roughly $33 million from the fourth quarter -- end of fourth quarter run rate. Of that $33 million differential, half of those savings came at the very end of the quarter, so they're not going to be reflected in the first-quarter expenses. So you expect to see second-quarter expenses down roughly an additional $15 million, $17 million from what you saw in the first quarter. So I think that addresses sort of the phasing in of those end-of-quarter run rate savings.

Richard Repetto - *Sandler O'Neill - Analyst*

That's exactly what I was looking for. Thank you.

Operator

Daniel Harris, Goldman Sachs.

Daniel Harris - *Goldman Sachs - Analyst*

Congratulations on a good quarter. Skimming through the release, I think certainly the third or the fourth pages, when you go through the quarterly highlights, it's really amazing just how many things you guys have going on at one time. And so for Duncan, I guess my sort of higher-level question is, how do you think about prioritization with looking like more than a dozen new initiatives going on? What are the most important things you look at in terms of running the business to achieve these synergy targets and the just the business targets you are setting out on a daily basis?

Duncan Niederauer - *NYSE Euronext - CEO*

It's a good question, Dan. So for those of you who have tracked my movements recently, you'll notice that a lot of my time is now spent outside of the U.S. So I think with some of the senior hiring we've done with Larry having been here for nearly a year now and our new head of HR and our new general counsel, etc., I think the U.S. business with some new additions that we can't talk about yet, but who are on the way as well, I think it's given me more freedom to spend more time outside of the U.S., because you'll also notice that a lot of these initiatives are either European, Middle Eastern, or Asian in many cases.

So what we're trying to do is figure how to strike the right balance of staying focused on the cost savings. And to me, that's been really a firm-wide effort, and I'm very proud of the work that's been done across borders on the expense rationalization side.

And then in terms of my priorities, I think it continues to be focused on stuff that is going to positively impact the corporate culture, like we have talked about in all the other calls, of trying to be one firm. And then also trying to make sure that the things we're doing are consistent with our strategic initiatives.

Many of you have heard me say that I think while we are in a consolidating industry, I think the pace of transformational mergers is going to slow down, and we should be more focused on the kind of things that we are doing in the Middle East and in Asia, which are more commercial technology partnerships, and then other smaller investments like we just executed in MCX or bolt-on acquisitions like Wombat and the Amex.

So I think you're going to see us spending a lot of our time there, getting things like that done, proving to all of you that we can integrate them effectively; and then at the same time, us staying very focused on the expense side of the equation. But you are right, it is a lot to juggle.

Daniel Harris - *Goldman Sachs - Analyst*

Yes, I would agree with that. I was also hoping that you could talk a little more about the CME metals business that you guys acquired recently. It certainly seems like it gives you a small footprint in the U.S. futures business, but it also faces a very well-entrenched competitor in the COMEX.

How do you think about the ability to compete with them? I think when CBOT launched that, it was sort of a unique opportunity as they were electronic versus non-electronic.

And then how do you think about what you are going to do with clearing and potentially non-futures-related maybe OTC-related business there? Thanks a lot.

Duncan Niederauer - *NYSE Euronext - CEO*

Sure. Yes, I think you hit the nail on the head. The first thing we were trying to do was effectively just get what I would call a ticket to the game. I think it gave us an opportunity to now go talk to the CFTC about getting a license and having a real product set around that. While we hope to have some success with the gold and silver business over time, we certainly don't think 6, 12, and 18 months out from now, that will be the extent of our product offering in the U.S. We think it gives us a lot of opportunity to potentially offer products related to our ETF business, potentially offer products related to our existing derivatives business in Europe. So I think what I like about having a futures license is it gives you the opportunity to be innovative.

As you all know, the products we can trade on our equity platform and on our options platform are really -- that's out of our control. It's "what is the market" -- what does the market give you? What companies get brought to the market, etc. We think in the futures business, there is a lot more opportunity to be innovative and that innovativeness is rewarded.

So I think you guys should expect to see us launch other products on the back of getting license. Right now, we hope to have our DCM license by the third quarter. And then we hope to have a clearing solution by the end of the year. We are considering a number of different clearing opportunities. So I think we'll have that solved by the end of this calendar year.

In terms of Dan's question in the OTC space, you can safely assume we're having a lot of conversations with both government and regulatory officials, as well as market-making participants, to try to come up what we think would be a joint solution to solve the OTC clearing issue.

We have a BClear product already that has had quite good success in Europe, and is I think poised to have success in the United States, but I think there is a lot more to it than that, and there's a big role that exchanges can play. You will see us only looking to play that role, however, in concert with what the regulatory authorities are looking for and what the market participants are looking for. Thanks.

Operator

Ken Worthington, JPMorgan.

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

Bonjour, Ken!

Ken Worthington - *JPMorgan - Analyst*

You got me! In terms of Liffe's negotiations with LCH.Clearnet on derivative clearing, what are the sticking points? And I've assumed this question is very premature, but I will go for it anyway. If you can discuss any thoughts about direct revenue benefits from those negotiations, I would love that too, although I don't know if you can answer.

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

No specific sticking points. As we announced in March, as the board of LCH.Clearnet approved the negotiation of the new contract which would lead to the creation of Liffe Clear, in which Liffe would [inaudible] a netting business and clearing business, which is a source of good news, a clearing piece, strictly speaking, would go to Liffe. And LCH would still be doing the reinsurance and guaranty bits.

Negotiations continue for the implementation of these agreements. We cannot provide any details at this stage, but they are on with the target to close by the end of the year. We implement the new system by the end of the year.

Duncan Niederauer - *NYSE Euronext - CEO*

And Ken, it's Duncan. I will be in London tomorrow, actually. And among the meetings I have is to stay with the chairman of Liffe Clear to confirm that everything is on track and where it should be.

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

The chairman of --

Duncan Niederauer - *NYSE Euronext - CEO*

The chairman of LCH, excuse me.

Ken Worthington - *JPMorgan - Analyst*

Thank you. And I understood that perfectly.

And then secondly, Duncan, I would love to hear your thoughts on the European cash trading environment. We've had more months since MiFID has been implemented, and I wanted to see how you saw your competitors, the ATSs, how their strategy is evolving, and then well, I'll just leave it at that.

Duncan Niederauer - *NYSE Euronext - CEO*

I'll start, Ken, and I will ask Jean-Francois to fill in if I leave anything out. I think the first thing we have noted is that some of the new ATSs certainly have garnered some volume. And our analysis so far would suggest that this volume is what I would call incremental volume. So I mentioned in my prepared remarks that we are about to announce a pricing package for the high frequency class of market participants.

We're doing that because we believe that our model to date, while the speed has been satisfactory for those type of participants, the various pricing packages have not been conducive to encouraging them to trade on our platform.

So what we're seeing is exactly what we saw here with things like BATS when BATS first started; which was it attracts the high frequency volume, and in Europe, we believe that that was new or incremental volume. So we are going to come out with a pricing package that we think will attract that type of player, and then we're going to continue to do our homework and see if it does, indeed, attract that type of player. We would think that would just be more additive volume, because what we've seen from this market segment here in the U.S., at least, is they are not afraid to make markets if the market model is right on any number of venues.

So I think for us, it's still a growth opportunity. Obviously, there is volume that we're not getting now. That goes without saying, but we do think it's incremental volume in the work we've done so far, and now we're going to go after it and see if we can get some of that volume as well. And then I think we'll have a pretty good picture on what that looks like, potentially, as early as our earnings call three months from now. So I think that is step one in terms of what's happening on the competitive landscape.

And then in terms of the other steps we're taking with things like our internalization product and SmartPool, and potentially a pan-European ECN, I think that's just in response to all of the other competitive forces that are going on out there.

For as long as MiFID has been around, I don't think we've seen much impact from MiFID so far, and a lot of the competitors that have been -- have received a lot of press are still a few months away from actually doing their first transaction. So I would assure everyone we're paying close attention to it. The high frequency pricing strategy is really the second or third step we're taking. SmartPool continues to move forward. And as I mentioned in my remarks, the internalization product is working quite well as well. JFT, would you add anything to that?

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

Maybe not forgetting the strength of the central order book, which is the traditional strength of Europe exchanges and especially of Euronext because of long-standing improvements in the electronification of the European exchanges during the '90s; and especially the investments we made last year in Euronext, in which we have 10 milliseconds on response time access or two milliseconds for the treatment on order in the internal system, with the development of co-location, which will be starting in the very next week, if we will to 5 milliseconds for the round trip. So we believe that the central order book is quite competitive compared to new initiatives.

We believe also that these new initiatives will be competing in between subsets a lot, because they target the same category of traders.

Ken Worthington - *JPMorgan - Analyst*

Great. Thank you very much.

Operator

Roger Freeman, Lehman Brothers.

Roger Freeman - *Lehman Brothers - Analyst*

Good morning. I wanted to actually I guess follow up on Ken's question about the European strategy. So I guess one, the ECN strategy, presumably, from the way you are talking about this, would be a pan-European strategy, top 200, 300 stocks kind of like NASDAQ is going after. And I guess -- so the second question would be, how do you think about the evolving high-frequency, low-touch market in Europe and the impact that it could have on pricing broadly? I guess some of the work we've done suggests there is a 5 to 10 times differential in pricing between Europe and the U.S. Do you think about much of a cannibalization impact on your existing business there?

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

Yes, I think to the first question, Roger, I don't think we have decided how small or large to make the group for the pan-European ECN. I think we will continue to talk to the customers and see what they want. And then we will -- whatever our business model ends up being, will reflect what the customers are asking for. I don't think we're just going to do a me-too product. We will be driven more by what the customers want.

On the second piece of that, I think we've already very effectively created tiered pricing models in Europe, and I think it's just coming up with a new tier for these types of clients. I think we've gotten some good learning from what these clients want and need in terms of speed and pricing here in the U.S. And I think when we announce that package, which will probably be in the next week or two, I think it will make it clear where we are headed there.

We are all fully cognizant of the difference between pricing here and in Europe. But I think there is plenty of room, given a tiered pricing structure for it to give the high frequency guys what they need. And their percentage of volume is not nearly what it is here. I think it's very embryonic over there, and we're just going to keep a close eye on it and see if we can provide pricing packages that meet their needs, and then we will continue to report on what our findings are in subsequent calls.

Roger Freeman - *Lehman Brothers - Analyst*

If we look at the sequential decline in pricing in Europe from 4Q to 1Q, is it safe to say that's really just a function of the higher volumes triggering some tiered reductions as opposed to any price cuts during the quarter?

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

Yes, indeed it is. And it is linked to our sliding scale fees, that we receive upon volumes, which, by the way, is a protection by itself against competition.

Roger Freeman - *Lehman Brothers - Analyst*

Okay, and just I'm going to sneak a real quick one in here. On headcount reductions in Europe, can you give us a sense of timing on that? It sounds like most of the headcount that came out this quarter was in the U.S., and I know you have somebody new in Europe working through the work's counsel and so forth. Can you give us an update on that?

Duncan Niederauer - *NYSE Euronext - CEO*

Yes. What I can tell you is that I specifically reiterated the word global in my prepared remarks to give you guys as much information as I could. You will see that we announced the voluntary program in the U.S. because we thought that was the most effective way to approach to solve the problem here. And you can safely assume that we will do whatever we think is most intelligent in as timely a manner as possible in other parts of the world. But we're not at liberty to say anymore about it at this time.

Roger Freeman - *Lehman Brothers - Analyst*

Okay, thanks.

Operator

(OPERATOR INSTRUCTIONS). Don Fandetti, Citi.

Don Fandetti - *Citi - Analyst*

Congratulations on delivering on the synergies so far. My question is around Liffe. I wanted to get sort of your sense or your outlook for your rate products there in terms of any risk to deleveraging in the current market.

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

I don't believe we have specific risk. Our customers are not very leveraged. And you remember that in this type of business, we have a lot of OTC business already competing against regulated exchanges. And in the type of markets we have today, being a regulated exchange backed by a clearing house is a competitive advantage.

So globally speaking, we would see the situation as relatively favorable. Our customers are not very leveraged and some people are coming back from OTC to a clearing situation, especially through our BClear product.

Duncan Niederauer - *NYSE Euronext - CEO*

And a couple of you picked up that even when the volumes in the markets in general kind of drifted off in April, if you look at our -- the numbers on the Liffe platform through April, really quite strong and almost no change from the first quarter. Still, more than 50% ahead of last April, for example.

So I think it may be that we just happened to be well-positioned; and then some of our rate products being euro products, maybe the euro is starting to become increasingly more of what I would call a global reserve currency. And it's too early to tell, but certainly if April is any early indicator, the volumes on our European platform both on exchange traded products and on BClear held up extremely well.

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

However, this helped a new volatility on European rates, especially for the short-term parts of the yield curve, where we are well-positioned in the Euribor contract.

Don Fandetti - *Citi - Analyst*

Okay, thank you.

Operator

Niamh Alexander, KBW.

Niamh Alexander - *KBW - Analyst*

Congratulations on a good quarter. I just wanted to touch on the smaller part of operating earnings, but still there's a lot of work going on to reshape the value proposition on the floor. And on the U.S. cash equities business, can you maybe give us an update? Because I think when we last caught up with Larry, there was a lot going on, a lot of discussions with the SEC. And I think Duncan, you recorded last night about expecting maybe the floor presence to shrink even further. So perhaps you can help me understand what's changing here.

Duncan Niederauer - *NYSE Euronext - CEO*

Why don't I start on the floor piece specifically, because I did speak to some people from Reuters yesterday, so that's probably where that came from. And then I'll turn it over to Larry to give some more details on actually what we have in motion with the SEC and with the various communities.

So I was asked yesterday by some in the media about what our plans for the floor were, and I will tell you a couple of things. One is, most of you know we have already consolidated into the two larger trading rooms, the so-called main room and garage. It would not surprise me, as the market model continue to evolve and we continue to embrace technology, that more of the risk management can be done off the floor. I think that would be positive for liquidity provisions, so we're not going to resist that. Having said that, we're not about to turn this into a remote business.

So I think when I calculated all the factors, my view was it was definitely possible that we could consolidate the existing core NYSE business in the one large trading room; that wouldn't surprise me.

At the same time, remember that as we do the Amex transaction, we will have one of the floors reoccupied for what I would call a Micro and Small Cap market. The stocks that are traded on the Amex now that will not transfer to New York or NYSE Arca. And then we'll also have -- one of the smaller rooms in the back for a a footprint for a small options floor. The equity floor will probably happen late in '08, the options floor in early '09. So my guess is we will be having more people come to this building six to 12 months from now, not fewer. But I certainly could see consolidation from two rooms to one on the main NYSE business.

Larry, why don't you take it on what we're doing in terms of functionality and technology.

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

Sure. So I think there's a couple of threads here. One thread is that a large amount of our cost savings come from retooling the technology that supports the floor of the New York to be more in line with what we do across the rest of the firm, and so we continue to move along that path and make significant progress. Some of that would result in cost savings. Some of it results in performance or latency reductions to our clients, which we started to roll out with our CCG platform, which had a pretty significant latency reduction for people using that. It's somewhere around 35%.

That said, when Hybrid was put in, that was an initial response to regulation requirement to electronically link the market through the trade-through rule. What we've really been doing has been redefining the balance between the various constituents that represent our trading platform, whether that's floor traders, specialists, or electronic trading. And it's creating new value propositions for each of those participants that helps us figure out what the right mix of each of them.

So as an example, we just announced rolling out electronic reserve on pilot stocks a couple of weeks ago. That was creating more transparency and more functionality to the electronic trading side of our constituents. We just announced I think it was yesterday that we're going to roll that out to the rest of the stocks as of this Friday. We're going to continue to add functionality as we evolve the platform. We're talking to the SEC about changing the rules to make the market simpler, more conducive to electronic trading, but also allowing a role for a market maker with obligations, more of a liquidity provider as we evolve the specialist role.

And then to continue to evolve the floor traders, have more functionality that makes more sense in an electronic world. So you will see in July, for example, rolling out algorithms in the handhelds, so that floor traders will be able to work algos from the floor, but also when large block trades happen, to be there to represent the customer. That will allow our upstairs traders to not feel that they are shut out when they give a trade to the floor, that they are also foregoing the benefits of the algo trading.

So it's a constant evolution, working aggressively on a number of paths, working with the regulators to get rules passed as quickly as possible as we change this model at a breakneck pace, still within the confines of maintaining the discipline of getting the cost out and the performance up of the underlying technology.

Niamh Alexander - *KBW - Analyst*

Okay, thanks for that color, Larry. But in terms of understanding the financial implications and was -- I think it was a big landmark to get past kind of eliminating the non-staff issue. Is that correct? So literally what you've achieved in the last quarter, does that allow you to kind of move more quickly ahead with integrating the three different front-end cash platforms?

Duncan Niederauer - *NYSE Euronext - CEO*

So you're right. Getting rid of the non-stops is important for a lot of reasons. One is it gets rid of a lot of latency. Two is it helps us save a lot of the costs. Three is it helps us simplify our world which will make our time to market for software changes faster.

CCG is a big piece of those non-stops. I think 15% of our non-stops alone is in CCG. And we are progressing along that path pretty well. We think that we have a release coming up in the next few weeks that will help us accelerate that process even further. We've already cut out some of the non-stops through turnover of a market data infrastructure platform. We will continue along that path. I would say by late third quarter, towards the end of this year, we will have cut a significant number of our -- or a percentage of our non-stops out of the platform.

Niamh Alexander - *KBW - Analyst*

Okay, that's helpful. Thanks. And my second question, Arca options, taking some impressive market share there, particularly in the penny quoting. But I just wanted to understand, you tweaked your pricing recently and NASDAQ just rolled out their kind of make or take your model. And now we're seeing ECNs try to kind of break into the options trading world. How do you feel about Arca's competitive positioning, your market share? I know you're going to run a kind of bifurcated pricing when you bring in Amex. But is there a lot more potential for Arca to gain from here or is the penny quoting kind of taking a back seat with all the volatility?

Duncan Niederauer - *NYSE Euronext - CEO*

No, so even though you violated the two question rule, I will answer you anyway.

Niamh Alexander - *KBW - Analyst*

Sorry. Well the first one was a follow-up.

Duncan Niederauer - *NYSE Euronext - CEO*

Just teasing. First, we do continue to see growth of the Arca platform. I think that as pennies have rolled out, to some extent, but the market hasn't fully adapted to pennies. It's going to take a while for all of the participants to retool, to become more electronic, to become more like integrated market makers like you see in the equities world. So what that says to me is even though a directed flow and payment per flow model will continue to exist side-by-side with an ECN model, the balance of what percentage of the market is ECN versus directed flow will probably continue to switch towards the ECN as we find that balance as more and more participants adapt to penny trading plus more electronic automated trading. That's what we saw in the equities markets. I think that that will happen. Just like in the equities markets, we think that those two models will continue to exist side-by-side.

There will be room for new entrants in the ECN market. I think BOX has done some work. NASDAQ has not really made any headway yet, but we certainly pick them as a real competitive threat. But we think that that part of the market will continue to grow. So we're going to continue to be aggressive in adding functionality in Arca to maintaining price competitiveness in Arca. At the same time, we're going to use our Amex-like electronic directed flow market to compete with the other side of the market, where we currently have zero market share, that we think will continue to exist. So I think that we still -- we have continued reason to grow our market share.

I also think that as pennies and automated trading continue to grow, that means the ECN side of the world, you're going to see continued growth of overall options in volume. And that's also a secular trend you've seen as markets adapt to penny pricing and more electronic trading because of the adoption and adaptation of the market makers; penetration by the high frequency trading guys, which you are starting -- which you're really seeing, fueling a lot of options growth; and even more penetration by retail trading as volumes grow as sort of the grease in the machine penetrates more and there is less stickiness in the model.

Niamh Alexander - *KBW - Analyst*

Okay, that's helpful. Thanks for taking my questions.

Operator

Dan Fannon, Jefferies.

Dan Fannon - *Jefferies - Analyst*

Most of my questions have been asked, but you guys have become more aggressive with the pricing here in the U.S. side. However, the price cuts appear to be accelerating. Can you talk about how we should look at the profitability or lack thereof of this segment beyond the next couple of months -- maybe a year or two down the road?

Duncan Niederauer - *NYSE Euronext - CEO*

Yes, I think that we think that it's an aggressive competitive business. We don't think that there's any end to that in sight. It's not like one day BATS or NASDAQ will say, oh, you know what, we give up. We think that to some extent, the market structure of the U.S. encourages that by subsidizing those entrants through market data subsidies, which has become essentially a slush fund.

But on the other hand, we view it as a -- we are a diversified company. That's one relatively small percentage of our business in transaction fees. It's one of the reasons that we've pushed hard into the commercial software business in terms of value-add technology solutions for our clients. And we intend to continue to be aggressive and competitive in pricing in the U.S. secondary cache business.

Duncan Niederauer - *NYSE Euronext - CEO*

I think we were actually late to -- a little late to go after some of the competition in their core markets. I think what you've really seen from us in the last quarter is a message that we are willing to play offense, not just defense. And I think we had very little to lose in tape C, for example, and are just trying to set a tone that we're going to play on both sides of the ball, not just one.

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

Right. And that's also an area where we clearly have the most room for growth. And it was clear that in our last pricing salvo, it had significant inroads.

Dan Fannon - *Jefferies - Analyst*

Okay. And then in terms of the listings business, this is also very competitive. Are you looking at your pricing structures there and/or adding additional services to gain market share in that business as well?

Duncan Niederauer - *NYSE Euronext - CEO*

I think more the latter than the former. I think, especially with all my traveling overseas, I'm finding that the brand name is a clear winner everywhere else in the world, and I think here, we certainly continue to win an overwhelming majority of the companies that qualify to list here. Does that mean we're going to get complacent? No. I think there's other things we need to do.

For example, number one, we do need to offer some of these other services that I think we got very comfortable with some of the other market participants providing, given what our market model was. So I think you will see us doing some things in the next quarter to make it clear that we're going to provide more services to some of our companies and they will take different shapes and sizes. So we will be able to report more on that probably by the next time we all get on the phone together.

Secondarily, I think we need to do a better job, particularly outside of the U.S., of articulating exactly what the regulatory landscape here is and isn't. On my most recent trips to Asia, it's quite clear that their first choice is to list in the U.S. and to list on NYSE Euronext. The challenge they've got is not with us. It's with the U.S. regulatory environment. And they want to make sure that they're understanding -- has Sarbanes-Oxley really been changed? Has the SEC really struck the right chord in terms of accounting standards? And can they count on the environment to be a little friendlier than maybe it was perceived to be a few years ago. So I think the biggest place where it's competitive is with our regulatory regime in this country against maybe the UK and Hong Kong. I think I find that to be more relevant than the competition onshore. Once a company gets over the hurdle of wanting to list in the U.S., I think it's actually not that competitive. We do quite well.

The last thing I want to see us do better is, I think we were almost too associated with this being the place where only well-established companies list. I think what we're trying to convey is with the NYSE and Euronext platforms, and the NYSE Arca and Alternext platforms, this is a place for great emerging companies to list too. And I think we are doing -- we're starting to do a better job of getting that message out as well.

Dan Fannon - *Jefferies - Analyst*

Thank you.

Operator

Brian Bedell, Merrill Lynch.

Brian Bedell - *Merrill Lynch - Analyst*

Most of my questions have been asked. But just to get a little more detail on a couple of topics that you've talked about. First on the merger saves, you're definitely clearly tracking ahead of schedule. To what degree should we think of there being potential upside to the $250 million number, as well as having potential upside to the revenue synergy number over the next couple of years?

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

This is Larry. On the technology saves, I would try to be conservative about it. And the way I view it is this is more certainty that we're going to hit our number. As we all know, technology projects, some of them come in ahead of time. Those are the surprises. And often they don't. This sort of buys us more room as we move down the line to make things happen.

That said, we know that we're going to pick up $12 million of savings in margin recovery right away when we close the AEMS deal. That's already actually been recovered; it just comes through in cash right now, not in our earnings, so that's a certainty. And it's sort of like every one of these projects gets us closer to the goal, makes the risk of hitting the goal lower. And, obviously, do we want to have upside surprise from there? Yes. But I would rather just be conservative and just keep playing this game every day and showing our discipline.

Brian Bedell - *Merrill Lynch - Analyst*

Right. Okay. Because really just you're executing better than the original plan there?

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

Surprisingly, yes.

Brian Bedell - *Merrill Lynch - Analyst*

That's great. And then my second question would be just talk a little bit more about Europe. You guys have spoken a lot about this during this call; but some more specifics on the timing of some of the launches. You said second half for SmartPool. Should we be thinking later second half or earlier second half?

And then in terms -- the same question for the ECN there. And also the pricing model, whether you will be moving to a maker-taker type of pricing model in Europe anytime soon?

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

I think we have already given some indication. The new fee package would be implemented in the next days or weeks. SmartPool is an ongoing project, which should be starting in the second half of the year. You have seen that we announced yesterday, I believe, that we have picked EuroCCP and LCH.Clearnet as the clearers for our pan-European dark pool, "SmartPool." Speaking of the ECN, it's some kind of preliminary speaking at the time being, and we have still to assess the exact shape of the project.

Brian Bedell - *Merrill Lynch - Analyst*

And I'm sorry, the new pricing model, is that -- should we be thinking of that as a maker-taker type model?

Duncan Niederauer - *NYSE Euronext - CEO*

I wouldn't go quite that far.

Brian Bedell - *Merrill Lynch - Analyst*

Okay. It's more of just the actual tiered pricing then, I guess?

Duncan Niederauer - *NYSE Euronext - CEO*

Just think of it as another kind of super tier.

Brian Bedell - *Merrill Lynch - Analyst*

Right, okay. Great. Can I ask one more question?

Duncan Niederauer - *NYSE Euronext - CEO*

What do you guys think? Okay. Larry said okay.

Brian Bedell - *Merrill Lynch - Analyst*

Just real quick. So if we assume volumes on Euronext are the same in the second quarter as the fourth quarter, should we assume the revenue capture is the same as the fourth quarter as well? Or is there a downward trend?

Joost van der Does de Willebois: This is Joost here. I think it's a little difficult to make those projections. If you look at the balance of the volume, it's a mixed bag. So I would be a little bit afraid of making those projections going forward at this moment.

Duncan Niederauer - *NYSE Euronext - CEO*

All things being equal, it should be, right? Because we haven't changed our tiered pricing structure. The question is, is -- what's out of our control is does the secondary business consolidate in this environment? And do firms are -- does the business get handled by fewer firms who are then able to achieve higher tiers? There's no indication of that yet that we can tell.

Jean-Francois Theodore - *NYSE Euronext - Deputy CEO*

It is our consolidation with the sliding scale and the split of business in between the four packages that we have already [inaudible].

Brian Bedell - *Merrill Lynch - Analyst*

Okay great. That's very helpful. Thanks very much.

Operator

Josh Elving, Piper Jaffray.

Josh Elving - *Piper Jaffray - Analyst*

My questions have been answered.

Operator

Mike Vinciquerra, BMO Capital Markets.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Just two clean up questions here. Number one, could you share with us what, if anything, Wombat contributed in revenue to the quarter? The market data fees were a little bit stronger than I was anticipating.

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

This is Larry again. Wombat contributed negligible amounts to the quarter because the deal didn't close until the very end of the quarter. So it's only a couple weeks' worth, so it's immaterial.

Gary Stein - *NYSE Euronext - VP of IR*

And also going forward, sorry, that Wombat revenue is going to flow through software and technology services, not market data.

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

Not market data.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

So we're not even in -- it wasn't even into the low double-digit or low single digit millions at all in the quarter?

Larry Leibowitz - *NYSE Euronext - Group EVP & Head of U.S. Execution & Global Technology*

No.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Okay. Second thing, on the share repurchases, have you guys actually been active yet? I know that was again, announced late in the quarter, but I'm curious if you guys are already starting to put some of that to work.

Duncan Niederauer - *NYSE Euronext - CEO*

Just so that's clear because maybe I didn't articulate that well when we announced it, with a stock deal pending, we are actually not allowed to be in the market. So what we were telegraphing to the market is that as soon as we are able to do a stock buyback, which would obviously coincide with the closing of the Amex deal, which we expect to be sometime in the summer, then and only then could we be in motion. So we were basically telling the market we would if we could in essence. And right now we can't because we have a stock deal pending.

Mike Vinciquerra - *BMO Capital Markets - Analyst*

Very good. Okay. Thanks, Duncan.

Operator

Edward Ditmire, Fox-Pitt Kelton.

Edward Ditmire - *Fox-Pitt Kelton - Analyst*

I have one very simple question, and then a more complicated one. On the U.S. options, did you guys break out what the rebates of the liquidity payments were this quarter?

Stephane Biehler - *NYSE Euronext - CAO*

The liquidity payments were $13 million this quarter on the U.S. options side.

Edward Ditmire - *Fox-Pitt Kelton - Analyst*

Okay. And then I thought it might be helpful -- you guys are obviously making great progress on the synergies you've laid out. But as we think about our projections, can you speak at all to what the natural growth rate in expenses would be in the U.S. and European respective businesses, or maybe some sort of range to frame our expectations?

Joost van der Does de Willebois: Yes, this is Joost. I like the question, but it's very difficult to make any forward projections in this area, so we do not give any guidance; I'm sorry.

Edward Ditmire - *Fox-Pitt Kelton - Analyst*

Okay. And the U.S. business as well, there's no sense of -- aside from the merger, of what the growth rate would have been in expenses?

Duncan Niederauer - *NYSE Euronext - CEO*

Yes, I'd rather not -- we will certainly give it some thought, Ed, but I would rather not go there on the call. I would rather give it some more thought, because we've got, as somebody asked many questions ago, we've got a lot of moving parts right now, and I don't want to -- it's actually getting harder and harder to talk about the core expenses as we keep bolting these things on. But I think if we could ever give clarity on that, we will. But I don't think we are in a position to do that today.

Edward Ditmire - *Fox-Pitt Kelton - Analyst*

Okay, thank you.

Operator

Ladies and gentlemen, that's all the time we have for question and answers. This concludes our question and answer session and I would now like to turn the call back over to management for closing remarks.

Duncan Niederauer - *NYSE Euronext - CEO*

Okay, thanks, everybody, for joining. If you have any follow-up questions, please feel free to contact us directly.

Operator

Thank you for your participation in today's conference. This concludes your presentation. You may now disconnect. Good day.