

EARNING YOUR TRUST WITH EVERY TRADE™

KNIGHT TRADING GROUP



Analyst and Institutional Investor Day

November 8, 2004

The Harvard Club



Margaret E. Wyrwas

Senior Managing Director
Corporate Communication
& Investor Relations



Forward Looking Statements

The matters described herein contain forward-looking statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks, uncertainties or other factors beyond the Company's control, which could cause actual results to differ materially from historical results, performance or other expectations and from any opinions or statements expressed with respect to future periods. These factors include, but are not limited to, the Company's ability to implement its growth strategies, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, intellectual property rights, and other factors detailed in the Company's registration statement and periodic reports filed with the Securities and Exchange Commission.

Regulation G

The matters described herein include certain non-GAAP financial measures as defined under SEC Regulation G. In such an event, a reconciliation of those measures to the most directly comparable GAAP measures can be downloaded from the investor relations portion of our Web site at www.knighttradinggroup.com



Agenda

Thomas M. Joyce

- ❑ Corporate Progress and Outlook

Gregory C. Voetsch

- ❑ Equity Markets

Thomas M. Joyce

- ❑ Asset Management Overview

John B. Howard

- ❑ 2004 Financial Review & 2005 Budget Projections

Thomas M. Joyce

- ❑ Closing Remarks

Question & Answer Session



Other Matters

- Annual Guidance**
- Volume Statistics**
- Housekeeping**



Thomas M. Joyce

Chief Executive Officer
& President



Standards. Insight. Approach.

STANDARDS

- Core values and ethical behavior
- Client service and offerings

INSIGHT

- Leveraging strengths
- Understanding market mechanics

APPROACH

- Achieve profitability across market cycles



Three Key Resolutions in 2004

- Agreement in principle with SEC and NASD
- Agreement to sell Derivative Markets to Citigroup
- Favorable decision in the private arbitration matter



Our Relevance

- Superior client service
- Comprehensive, unbundled order execution services
- Coverage of nearly every equity issue
- Natural pool of liquidity
- Capital commitment
- Outstanding technology
- Established asset manager of choice



2004 Highlights – Equity Markets

INSTITUTIONS

- Increased client roster and account penetration
- Additional sales traders at home and abroad
- Continued growth in listed block and international
- Successful integration of soft dollar offering



2004 Highlights – Equity Markets

BROKER-DEALERS

- Unmatched client service
- Strength of network
- Enhanced execution quality
- Improved automation

2004 Highlights – Asset Management

DEEPHAVEN

- ❑ Raised nearly \$2 billion in net assets (YTD)
- ❑ Diversified client base
- ❑ Launched two separate single-strategy funds
- ❑ Strength of management team



Enhancing Knight's Reputation

- Increased transparency and communication
- Active industry participation
- Institutional clients = Institutional shareholders



Where We Are

Strengths

- Expansive depth and breadth of coverage
- Comprehensive offering
- Highly scalable asset management infrastructure
- Debt-free balance sheet

Weaknesses

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

Opportunities

- Industry trend toward unbundling
- Market environment improving
- Favorable changes in market structure

Threats

- Competition from bulge bracket firms and “black box” niche players
- Downward pressure on commissions
- Limited growth potential in broker-dealer market
- Unfavorable changes in market structure or market environment



2005 Initiatives – Organic Growth

INSTITUTIONAL CLIENTS

- Broaden client base
- Deepen account penetration

BROKER-DEALER CLIENTS

- Enhance execution quality
- Increase automation

ASSET MANAGEMENT

- Diversification strategy
- Grow assets under management

2005 Initiatives – Inorganic Growth

ACQUISITION CRITERIA

- Reputation
- Client relationships
- Category expertise
- Product diversification
- Accretive

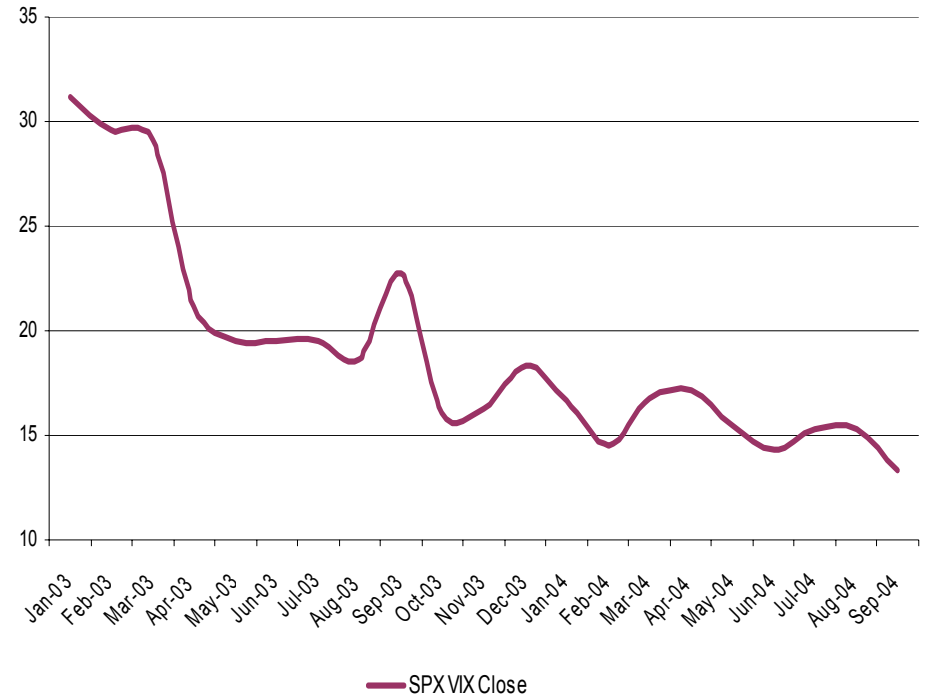
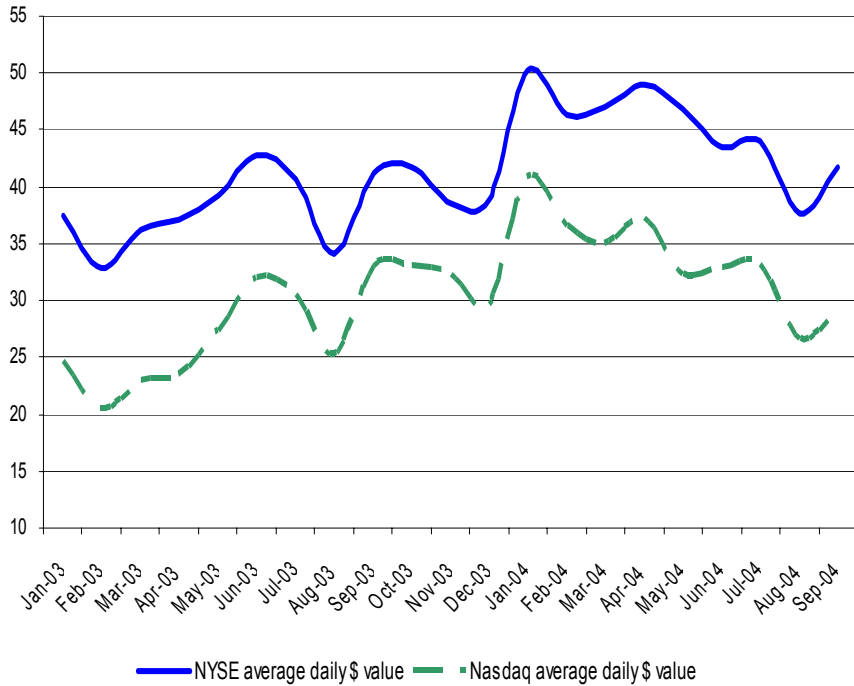


Gregory C. Voetsch

Executive Vice President

Head of Sales

Challenging Market Conditions – Equity Markets



Comprehensive Offering – Equity Markets

Listed Block

Listed Market
Making

Nasdaq

Pink Sheets/
Bulletin

International

- We supply more liquidity to a greater number of small- and mid-cap stocks than any of our competitors
- We are the largest market maker in listed securities accounting for more than 6% of all daily listed volume
- We are a market leader in OTC equity issues:
 - # 1 broker in NASDAQ volume with more than 8% market share*
 - # 1 broker in NASDAQ Small Cap stocks with more than 38% market share*
 - # 1 broker in NASDAQ Bulletin Board volume with more than 55% of market share*

**Autex numbers as of 9/30/04*

2004 Key Accomplishments – Equity Markets

INSTITUTIONS

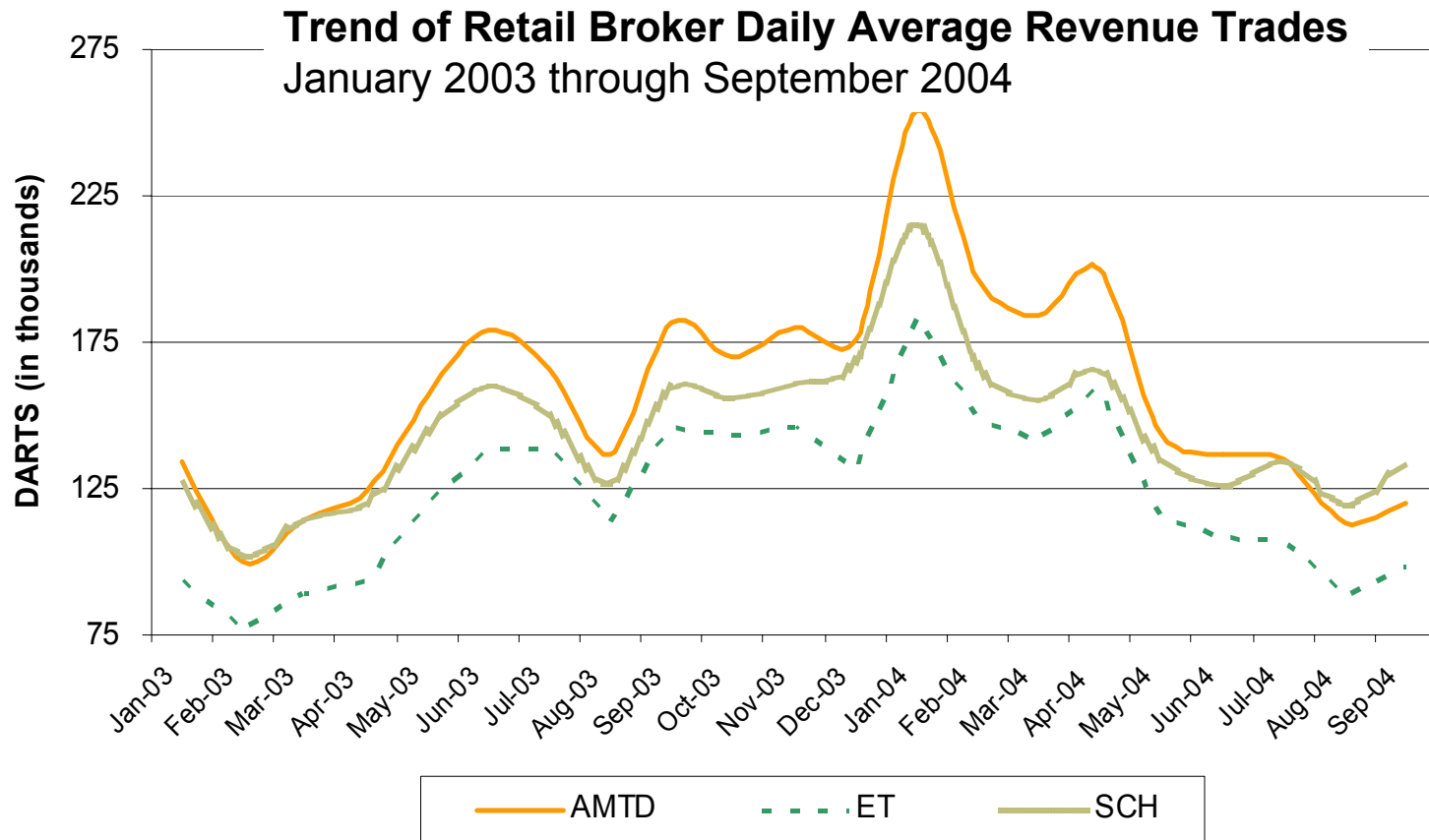
- Expansion of institutional client base
- Deeper account penetration
- Stronger presence in listed trading
- Integration of Donaldson & Co.
- Progress in London sales office
- Sales office relocations

2005 Key Initiatives – Equity Markets

INSTITUTIONS

- Continued expansion of institutional client base
- Further account penetration
- Grow listed platform
- Diversify offering

Challenging Market Conditions – Equity Markets



2004 Key Accomplishments – Equity Markets

BROKER-DEALERS

- Strengthened client relationships
- Improved execution quality
- Enhanced automation
- Increased capacity
- Maintained market share

2005 Key Initiatives – Equity Markets

BROKER-DEALERS

- Continued improvement of execution quality
- Expand market share
- Expand automation
- Increase revenue capture



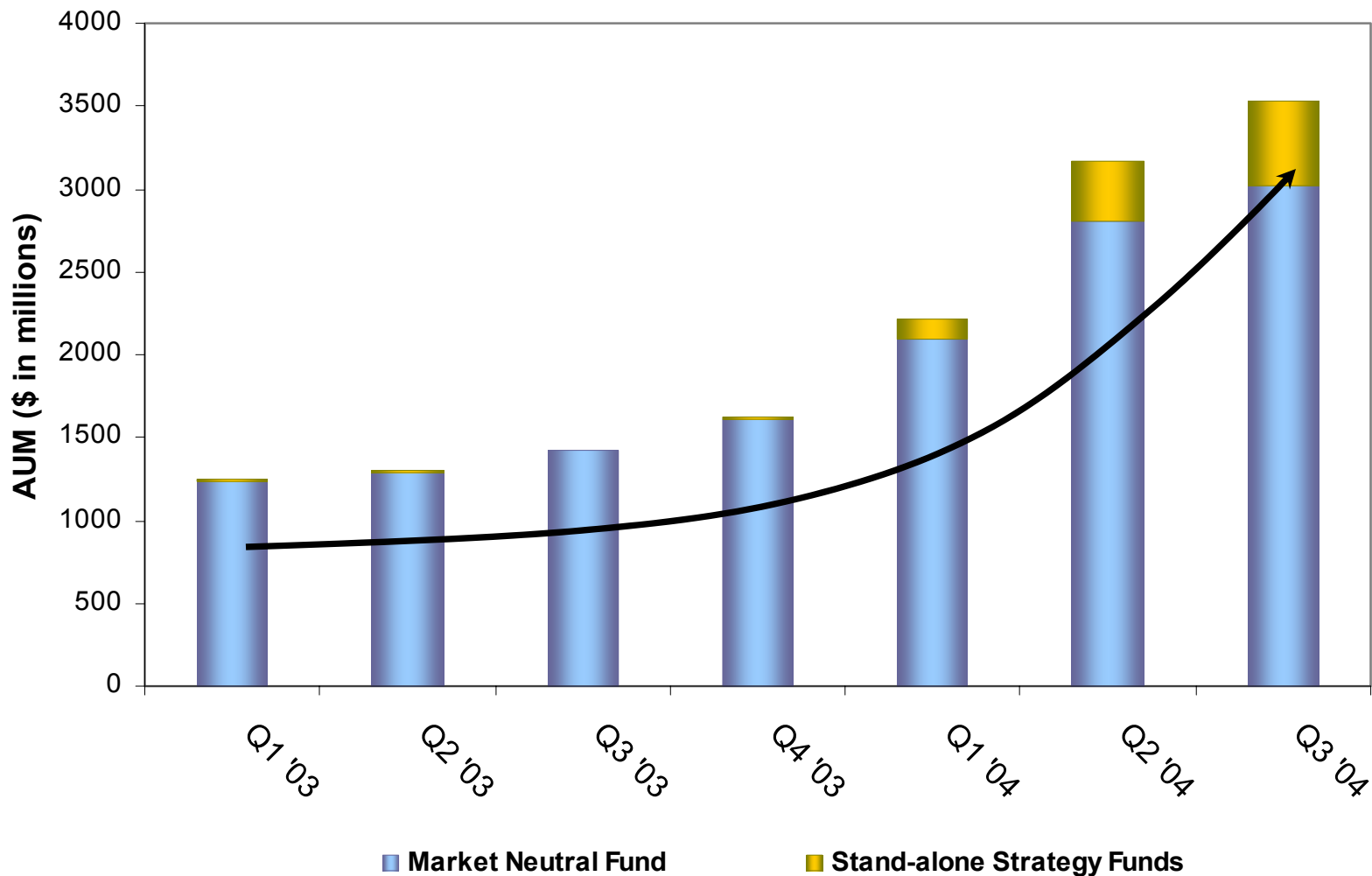
Thomas M. Joyce

Chief Executive Officer
& President

Asset Management - Peer Comparison

<i>Average Return to Investors</i>	2002	2003	9 mos. 2004
Deephaven Market Neutral Master Fund	7.8%	13.9%	1.6%
HFRI Hedge Fund Composite	1.0%	2.4%	2.3%

Asset Management - Growth in Assets Under Management



2004 Key Accomplishments - Asset Management

DEEPHAVEN

- Diversified our client base
- Raised nearly \$2 billion in net assets (YTD)
- Continued to build team
- Integrated investment approach
- Launched two separate single-strategy funds

2005 Key Initiatives - Asset Management

DEEPHAVEN

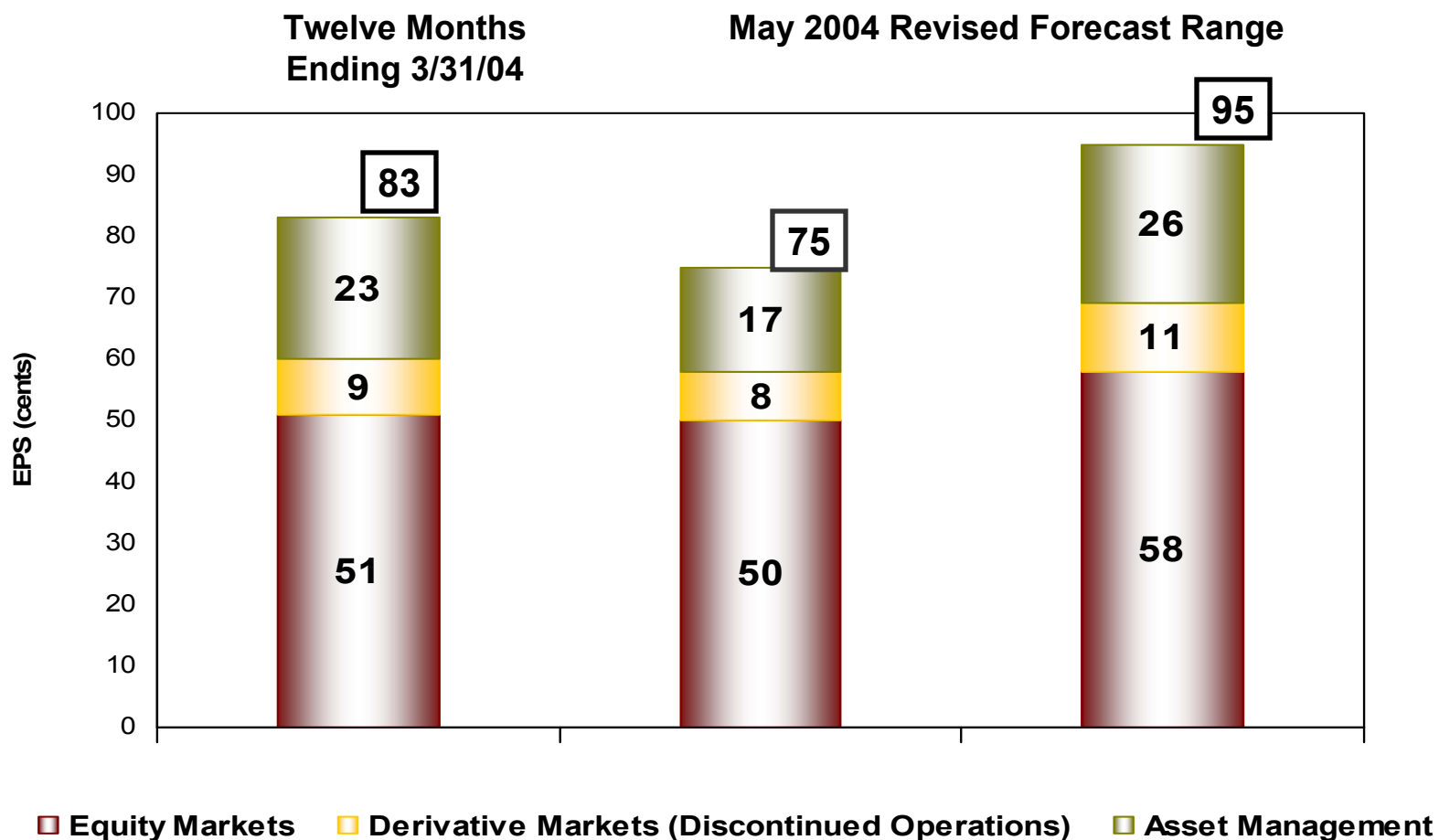
- Diversification
 - Launch new single-strategy funds
 - International expansion
- Hire and retain talent
- Process enhancement



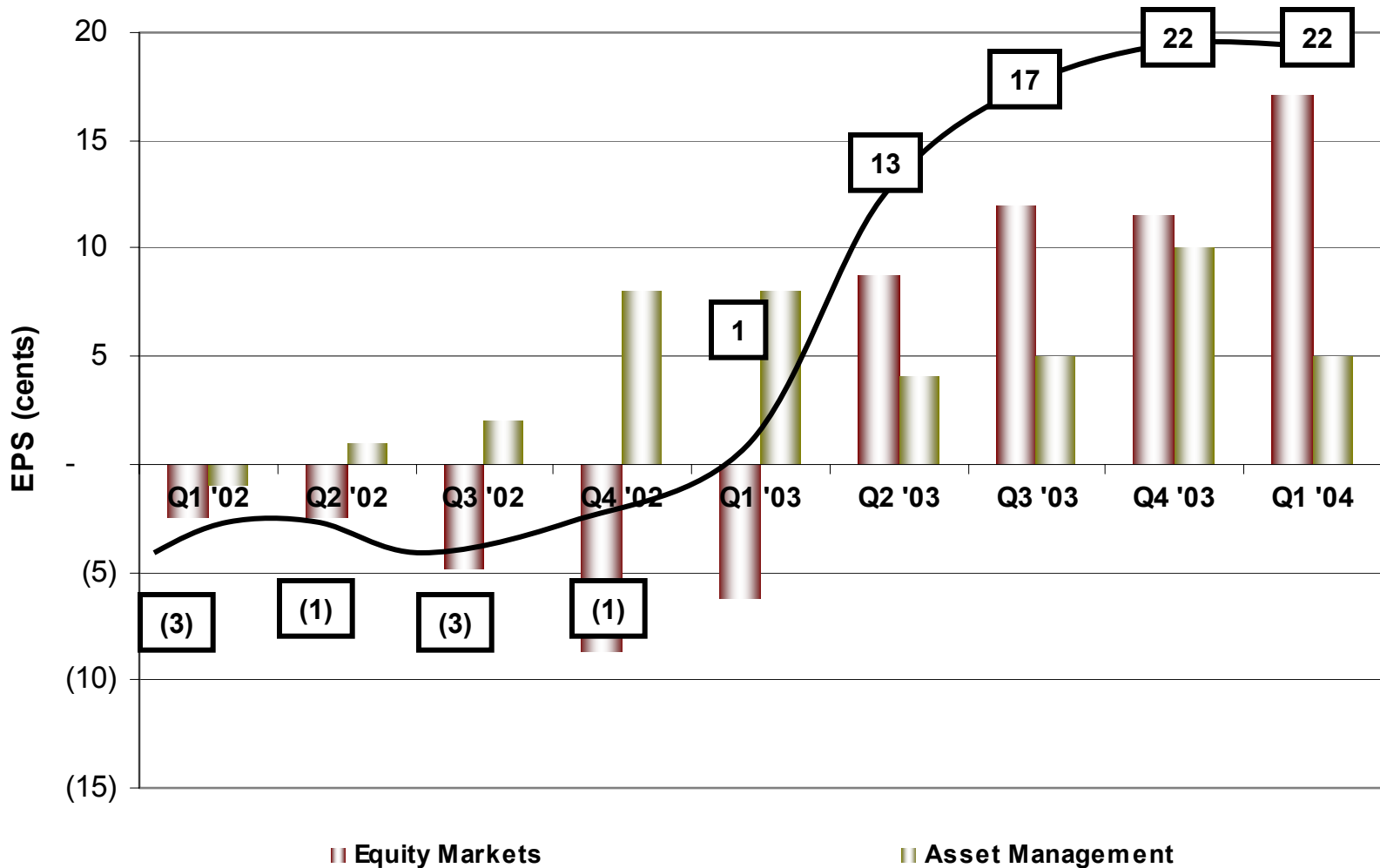
John B. Howard

Senior Managing Director
Chief Financial Officer

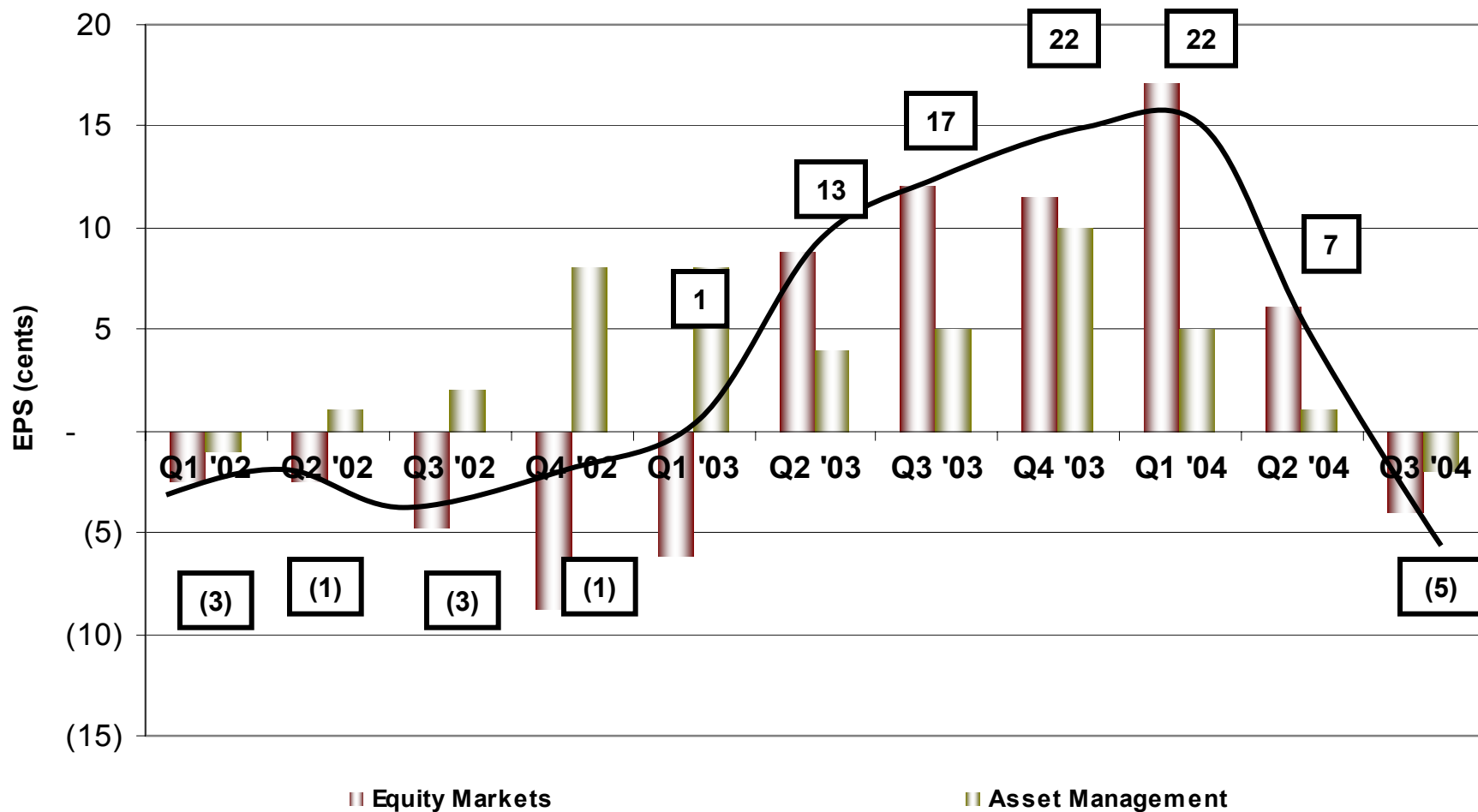
May 2004 Revised Operating EPS Forecast for 2004



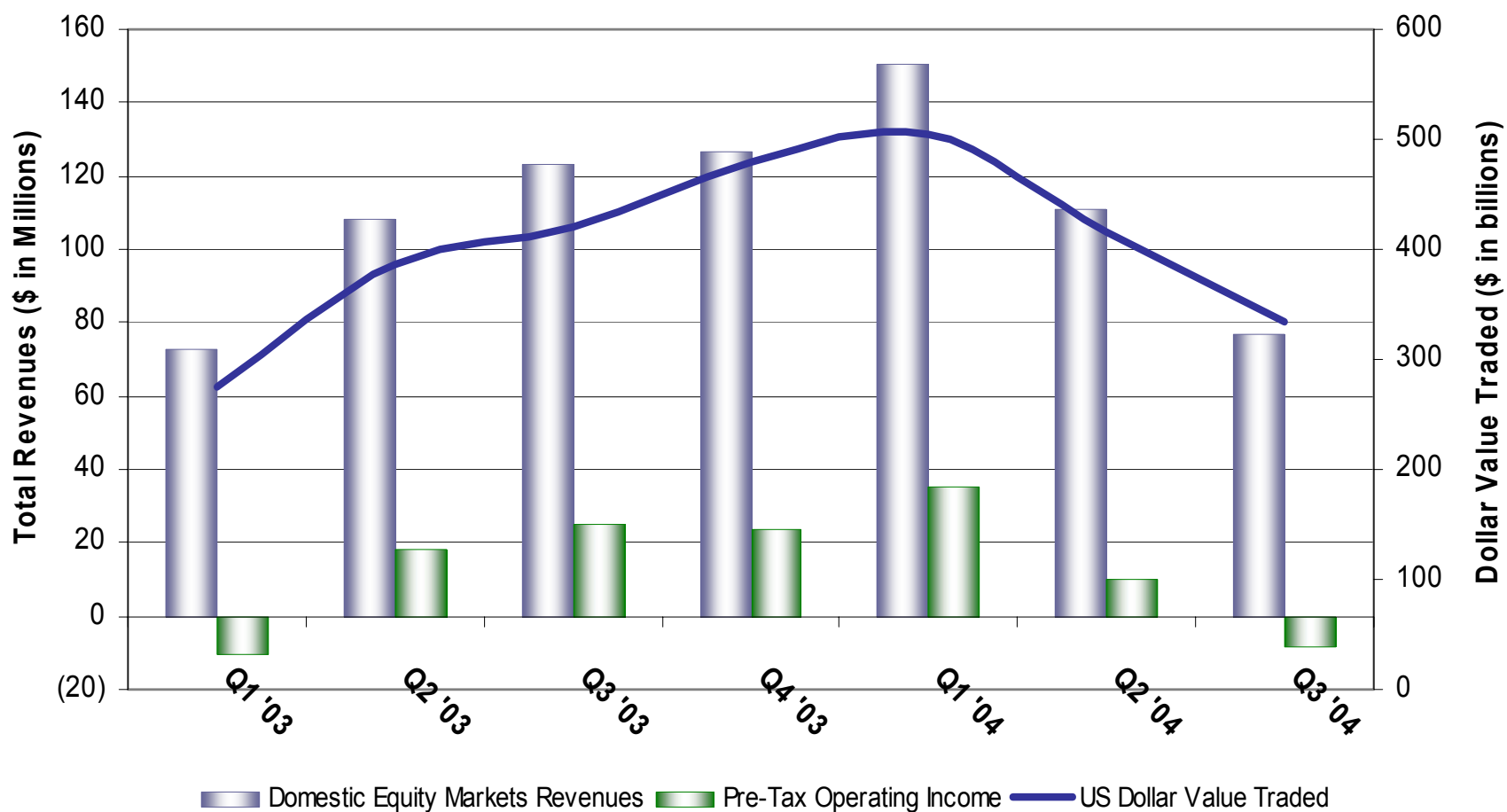
Actual Operating EPS - The Road Leading up to May 2004...



Actual Operating EPS - An Update



Equity Markets - Impact of Market Conditions in 2004



Equity Markets - Profit and Loss

	2002	2003	9 mos. 2004
Revenues (\$M)	341	439	392
Pre-tax Operating Earnings (\$M)	(29)	58	41
Pre-tax Margins	-	13%	10%

Equity Markets - Revenue Capture

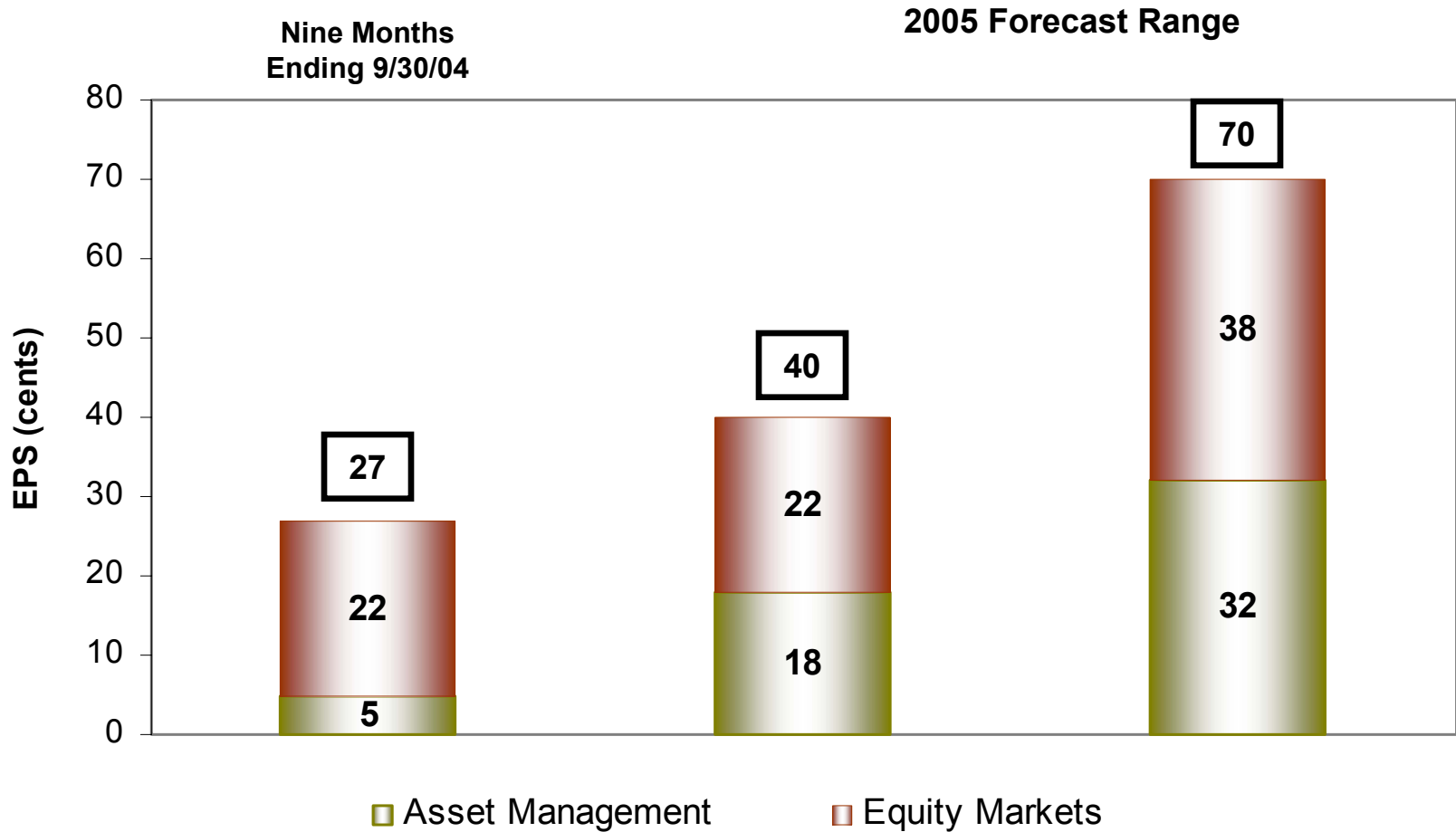
<i>Revenue Capture Overview</i>	2002	2003	Q1 2004	Q2 2004	Q3 2004	9 mos. 2004
U.S. Core Equity Revenues* (\$M)	319	411	143	105	72	320
Total U.S. Equity Dollar Value Traded (\$B)	1,150	1,560	505	417	333	1,255
Average Revenue Capture per Dollar Value Traded (bps)	2.8	2.6	2.8	2.5	2.2	2.6

* Core Equity Revenues consists of Net Trading Revenues, Commission Equivalents and Commissions

Asset Management - Profit and Loss

	2002	2003	9 mos. 2004
Revenues (\$M)	47	82	33
Pre-tax Operating Earnings (\$M)	23	52	9
Pre-tax Margins	48%	63%	28%
Average AUM (\$M)	1,239	1,359	2,756
Average Corporate Investment (\$M)	120	183	219
Average Return to Investor	7.8%	13.9%	1.6%

2005 Forecast Range of Operating EPS



2005 Forecast Revenue and Margin Ranges

		← <i>Actual</i> →			
		2003	9 Months Ending 9/30/04	2005 FORECAST RANGE	
<u>Revenue Overview (\$ in M)</u>					
Equities		440	392	500	600
Asset Management		83	33	75	125
Total		523	425	575	725
<u>Margin Overview (% of revenue)</u>					
Compensation		40	40	40	37
Execution & clearance		15	17	17	14
Rebates		6	6	7	6
Soft dollar/commission recapture		2	10	10	9
Pre-tax margins		19	11	12	20
<u>Summary Metrics</u>					
Equity Markets	US Dollar Value Traded (\$ in T)	1.54	1.26	1.60	2.00
	Revenue Capture per Dollar Value Traded (bps)	2.6	2.6	2.0	2.8
Asset Management	Average Fund Return (%)	13.9	1.6	4.5	6.5
	Average Assets under Mgt (\$ in B)	1.36	2.76	3.50	4.00

Strong Financial Condition

Balances at 9/30/2004

- ❑ Equity of \$753m
- ❑ Cash of \$210m
- ❑ Deephaven investment of \$206m

Projected Cash Inflows

- ❑ Net cash of approximately \$250m from sale of Derivative Markets
- ❑ 7% investment in ISE

Projected Cash Outflows

- ❑ Regulatory charge - \$58m net of tax
- ❑ 545 Washington Boulevard build out - \$25m left
- ❑ \$125m remaining on buyback program



Thomas M. Joyce

Chief Executive Officer
& President



Standards. Insight. Approach.

COMPETITIVE ADVANTAGE

- Client focus
- Intersection of broker-dealer and institutional order flow
- Scale and scope of activity
- Outstanding technology

Standards. Insight. Approach. - 2005 Initiatives

EQUITY MARKETS

- Continue expansion of sales coverage and gain market share
- Grow listed and international capabilities
- Expand investment in automation efforts to leverage operating efficiencies

ASSET MANAGEMENT

- Diversification through new products and expansion internationally
- Strengthen infrastructure to enable further asset growth

CROSS DISCIPLINE

- Capital deployment (buyback and acquisitions)
- Expense management
- Relocate Jersey City operations to 545 Washington Blvd.



Question & Answer Session

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KNIGHT TRADING GROUP





Appendix

Reconciliation of GAAP Income to Non GAAP Operating Income

9 Months ending September 30, 2004

Income (loss) from continuing operations before income taxes
 Regulatory charges and related matters
 Writedown of assets and lease loss accrual
 Additional allocations related to sale of Derivative Markets business

Pre-Tax Operating Income

Diluted earnings per share from continuing operations
 Regulatory charges and related matters
 Writedown of assets and lease loss accrual
 Additional allocations related to sale of Derivative Markets business

Operating EPS

	<i>Equity Markets</i>	<i>Asset Management</i>	<i>Consolidated</i>
	(47)	9	(38)
	79	0	79
	4	0	4
	5	0	5
	<u>41</u>	<u>9</u>	<u>50</u>
	(33)	5	(28)
	50	0	50
	2	0	2
	3	0	3
	<u>22</u>	<u>5</u>	<u>27</u>

12 Months ending September 30, 2004

Income (loss) from continuing operations before income taxes
 Regulatory charges and related matters
 Writedown of assets and lease loss accrual
 Additional allocations related to sale of Derivative Markets business

Pre-Tax Operating Income

Diluted earnings per share from continuing operations
 Regulatory charges and related matters
 Writedown of assets and lease loss accrual
 Additional allocations related to sale of Derivative Markets business

Operating EPS

	<i>Equity Markets</i>	<i>Asset Management</i>	<i>Consolidated</i>
	(24)	29	5
	79	0	79
	3	0	3
	5	1	6
	<u>63</u>	<u>30</u>	<u>93</u>
	(21)	15	(6)
	50	0	50
	2	0	2
	3	1	4
	<u>34</u>	<u>16</u>	<u>50</u>

Note: Dollars in millions except EPS (cents)

Reconciliation of GAAP Income to Non GAAP Operating Income

	<i>Equity Markets</i>	<i>Asset Management</i>	<i>Consolidated</i>
2003			
Income (loss) from continuing operations before income taxes	34	50	84
Writedown of assets and lease loss accrual	17	0	17
Additional allocations related to sale of Derivative Markets business	8	2	10
Pre-Tax Operating Income	58	52	110
Diluted earnings per share from continuing operations	19	26	44
Writedown of assets and lease loss accrual	8	0	8
Additional allocations related to sale of Derivative Markets business	4	1	5
Operating EPS	31	27	57
2002			
Income (loss) from continuing operations before income taxes and minority interest	(85)	21	(64)
Writedown of assets and lease loss accrual	15	0	15
International charges	31	0	31
Additional allocations related to sale of Derivative Markets business	10	2	12
Pre-Tax Operating Income	(29)	23	(6)
Diluted earnings per share from continuing operations	(43)	11	(32)
Writedown of assets and lease loss accrual	8	0	8
International charges	16	0	16
Additional allocations related to sale of Derivative Markets business	5	1	6
Operating EPS	(15)	12	(3)

Note: Dollars in millions except EPS (cents)

Reconciliation of GAAP Income to Non GAAP Operating Income

KNIGHT TRADING GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS*
(Unaudited)

	For the quarter ended		
	<u>Sept. 30, 2004</u>	<u>June 30, 2004</u>	<u>Mar. 31, 2004</u>
	(in thousands)		
REVENUES			
Net trading revenue	\$ 33,449	\$ 57,307	\$ 92,374
Commissions and fees	58,599	68,569	76,638
Asset management fees	6,805	8,107	13,932
Interest and dividends, net	1,199	772	858
Investment (loss) income and other	(692)	1,354	6,164
Total revenues	<u>99,360</u>	<u>136,109</u>	<u>189,966</u>
EXPENSES			
Employee compensation and benefits	50,109	53,250	65,104
Execution and clearance fees	19,585	24,754	29,408
Soft dollar and commission recapture expense	14,309	14,237	15,776
Payments for order flow	4,555	9,843	13,018
Communications and data processing	7,867	6,963	6,754
Depreciation and amortization	3,338	3,511	3,871
Occupancy and equipment rentals	3,982	4,401	4,435
Professional fees	4,258	3,951	3,353
Business development	2,054	1,825	2,043
Writedown of assets and lease loss accrual	874	2,624	-
Regulatory charges and related matters	-	79,200	-
Other	(820)	2,190	2,750
Total expenses	<u>110,111</u>	<u>206,749</u>	<u>146,512</u>
(Loss) income from continuing operations before income taxes	(10,751)	(70,640)	43,454
Income tax (benefit) expense	(4,281)	(19,058)	17,507
(Loss) income from continuing operations, net of taxes	(6,470)	(51,582)	25,947
Income from discontinued operations, net of taxes	5,344	3,737	5,868
Net (loss) income	<u>\$ (1,126)</u>	<u>\$ (47,845)</u>	<u>\$ 31,815</u>

* Certain prior period amounts have been reclassified to conform to the current period presentation.