

NYSE CEO AGENDA 2006

» NEW REALITIES FOR GLOBAL LEADERS

EXECUTIVE SUMMARY

Overview

How will global leaders meet challenges and seize opportunities in 2006 and beyond? That's what the New York Stock Exchange set out to learn when it initiated the NYSE CEO Agenda 2006 survey earlier this year. The more than 100 listed-company CEOs who responded represent more than 35 industries and 11 countries. Their companies have a combined market capitalization of approximately \$928 billion, 2.5 million employees and 2004 revenues of nearly \$885 billion.

Among other factors, the CEOs say, responding to new governance regulations, assessing and managing risks, and maintaining shareholder value now seem to dictate their time allocation. In fact, 80 percent of the CEOs say they're spending more time than they did five years ago on regulatory and compliance issues, and almost 68 percent of them are spending more time reporting to their boards.

What else consumes their time and defines their roles as business leaders? The NYSE CEO Agenda 2006 examines the new realities for global leaders from four pivotal business perspectives:

- Opportunities and Risks
- Globalization
- Governance and Compliance
- Human Capital Management

Opportunities and Risks

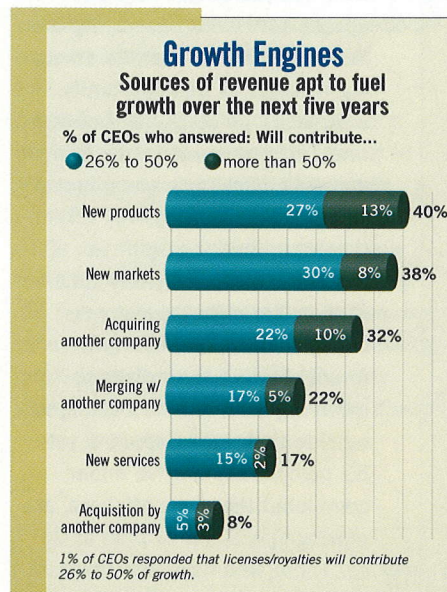
What factors will have either more or much more impact on company performance in the next five years? Management teams top the list, say 72 percent of CEOs, followed by operational efficiency (68 percent) and new product development (62 percent).

As for the most robust budget increases over the next five years, one-third (33 percent) of NYSE CEOs who replied plan to boost capital expenditures by more than 10 percent, while 26 percent expect energy budgets to rise in excess of 10 percent.

Mergers will contribute more than 25 percent of revenue growth over the next five years, say nearly a quarter (22 percent) of the CEOs who responded, while 15 percent say that mergers will boost revenues between 10 and 25 percent. And about half (52 percent) say they expect an increased level of M&A activity in their industries during the next five years.

Survey respondents report that energy costs (27 percent), health-care costs (26 percent), price volatility (24 percent) and changing global economic conditions (23 percent) are risks that will have a strong impact on their companies' profitability in 2006. In fact, over the next five years, overregulation poses the greatest concern for the largest number (42 percent) of NYSE CEOs, along with health-care costs (36 percent), changing global economic conditions (30 percent) and changing domestic economic conditions (27 percent).

What Shareholders Want The benchmarks that shareholders follow today, the survey reveals, are not necessarily the same as those of five years ago. When it comes to their views on what shareholders value most, four out of five NYSE CEOs rank



Methodology

In April 2005, Time Inc. Strategic Communications commissioned Schulman, Ronca & Bucuvalas Inc., an independent global strategy and market research organization, to conduct a market research study for the New York Stock Exchange. The study, entitled the NYSE CEO Agenda 2006, was directed at chief executive officers of the largest NYSE companies by market capitalization.

The questionnaire, which was delivered through the mail, generated 103 responses* (a 6.9 percent response rate) from NYSE CEOs in more than 35 industries and 11 countries. Completed surveys represent more than 5 percent of the 2,052 operating companies listed on the NYSE.

The NYSE is the world's largest equities market. Its approximately 2,780 total listings (common and preferred), including about 455 non-U.S. companies from 47 countries, have a combined market capitalization of nearly \$20 trillion.

Companies listed on the NYSE meet the most stringent listing requirements of any marketplace, and range from the largest, most well-known blue chips to many of the world's leading technology companies and newer, high-growth enterprises.

*86 from the U.S., seven from Europe and the U.K., six from South and Central America, two from Canada, one from the Asia-Pacific region and one from South Africa.

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Risk Factors

Factors most likely to have a strong impact on company profitability in 2006 and over the next five years

% of CEOs who answered strong impact:

● in 2006 ● over the next five years



operating income growth, stock price, cash flow from operations and free cash flow as "more important." Total liabilities and total assets, meanwhile, are less important to shareholders, according to respondents.

Despite today's more discerning shareholders, more than two-thirds of respondents say it

is about the same, or even easier, to attract and retain investors compared with five years ago. Still, 50 percent of the CEOs say they are spending more time on investor relations.

Globalization

When it comes to global opportunities, NYSE CEOs cite the established markets of the U.S., Japan and Western Europe as offering the most promise for growth in the next five years. But they also appear bullish on developing markets: 62 percent describe emerging markets as an opportunity, not a threat (1 percent). At the same time, 55 percent describe the current global trade environment as unfavorable.

NYSE CEOs are relatively split in their desire to move some of their operations offshore. Almost half have no plans to move any part of their businesses outside their home country, yet 53 percent say they've either completed the move offshore, are moving operations or plan to do so. Those who have rate the outcome favorably; nearly a third say they've been very successful. One percent failed to achieve their goals.

Governance and Compliance

While a number of NYSE CEOs surveyed say their role is more rewarding (24 percent) and more creative (33 percent) than it was five years ago, most agree that the job has become more stressful (83 percent), time-consuming (82 percent) and detail oriented (68 percent).

CEOs say overregulation (42 percent) tops the list of challenges that they expect to face in the next five years. Four out of five report spending more time on regulatory/compliance issues than five years ago — a change in priorities that means less time for supplier relations (52 percent report spending less time than five years ago), general day-to-day management (29 percent) and customer relations (21 percent).

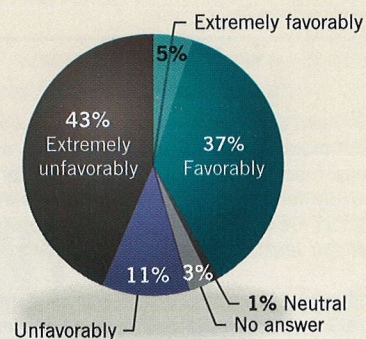
Which governance tasks impose the most demands? More than two-thirds (69 percent) say that compliance with Section 404 of Sarbanes-Oxley is the most demanding, followed by overall monitoring and measuring of compliance and governance issues (40 percent).

Board Effectiveness Many agree that Sarbanes-Oxley and Exchange governance rules have resulted in directors being better informed (66 percent) and more engaged (72 percent). Still, 78 percent of respondents say this has not yet resulted in boards operating more efficiently. Also,

Global Trade

How the current global trade environment affects business

% of CEOs who answered:



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NYSE CEOs report that the governance climate has made it much harder to attract independent directors. To counter the difficulty, the CEOs report, networking (67 percent) and employing search firms (44 percent) are the best routes to recruit directors.

Human Capital Management

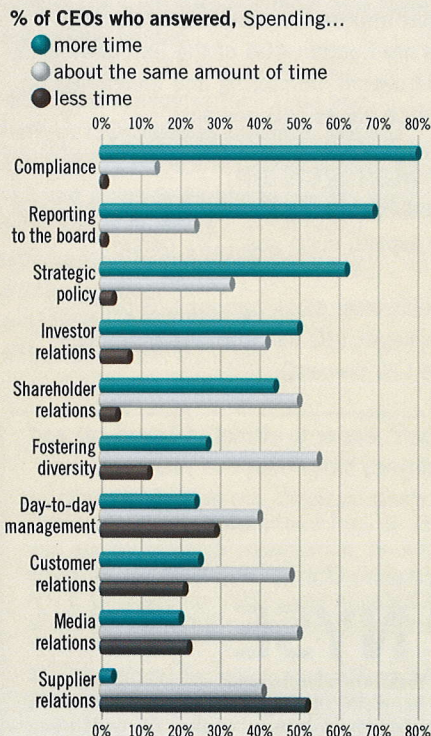
NYSE CEOs report favorable environments for attracting and retaining skilled labor. About half say that it's easier to attract employees than it was five years ago, and more than a third say it's now easier to retain them. To do so, the most common

benefits and incentives currently offered are performance bonuses (80 percent), 401(k) plans with matching (79 percent), cash incentives (78 percent), stock options (64 percent) and tuition benefits (62 percent). Incentives CEOs plan to introduce or expand include accelerated career tracks (16 percent), flextime (13 percent), performance bonuses (13 percent) and retention bonuses (11 percent). About a quarter, however, report that they expect to reduce or eliminate the use of stock options as incentives, 20 percent plan to reduce or eliminate enhanced retirement packages, and 15 percent plan to reduce or eliminate mortgage/personal-loan assistance.

Diversity Goals Maintaining workplace diversity is another important driver in managing human capital, the survey reveals. Twenty-seven percent of NYSE CEOs say they're spending more time fostering workplace diversity than they did five years ago. About two in five report promoting workplace diversity by seeking candidates through outside diversity groups (43 percent) and by setting diversity hiring goals (42 percent).

Time Demands

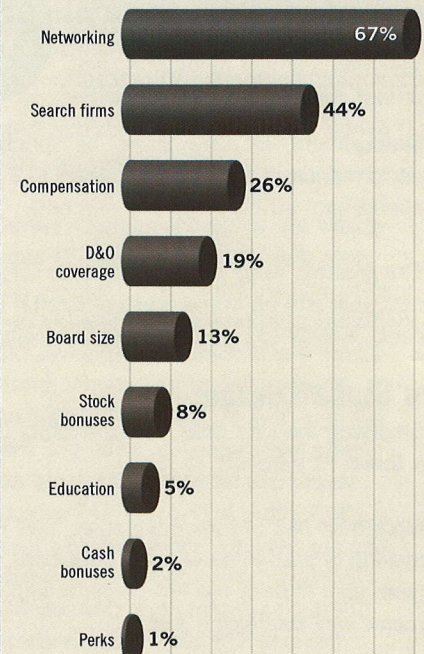
Changes in CEO time allocation in the past five years



Board Recruitment

Steps that have been effective in board-recruitment efforts

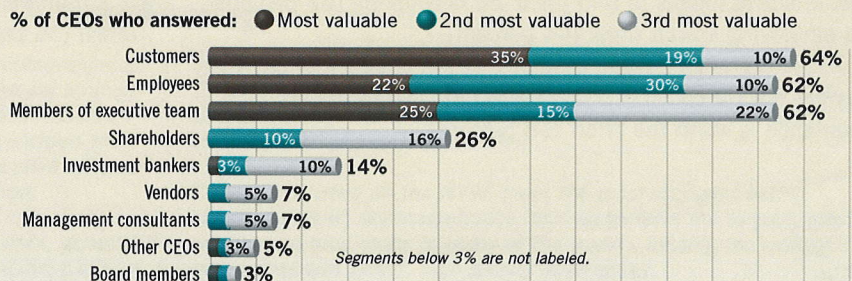
% of CEOs who felt the following were effective in board recruitment:



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NYSE CEOs say...

On Opportunities and Risks:

- New products (according to 40 percent of respondents), new markets (38 percent) and acquisitions (32 percent) are the top sources that will fuel revenue growth in the next five years.
- Overregulation is the greatest factor that could have an impact on profitability in the next five years (42 percent), followed by health-care costs (36 percent) and changing global economic conditions (30 percent).
- Management will have “more” or “much more” impact on performance in the next five years (72 percent), as will operational efficiencies (68 percent).
- The greatest likely budget increases (of at least 11 percent) next year will be in the areas of capital expenditures (37 percent), energy (31 percent) and technology (24 percent).

On Globalization:

- Emerging markets pose an opportunity (62 percent) rather than a threat (1 percent).
- More than half of their companies have moved, are currently moving or plan to move some operations offshore (53 percent); more than three of five (64 percent) with offshore operations report very successful results.
- The current global trade environment is unfavorable or extremely unfavorable (55 percent).

On Governance:

- Board directors are more engaged (72 percent) and better informed (66 percent).
- It's harder to find independent directors (78 percent). The most effective means to find them are networking (67 percent) and employing search firms (44 percent).
- They are not yet convinced that overall the investment in governance is worth the effort (68 percent).

On Shareholders:

- Stock price (82 percent), cash flow from operations (81 percent) and free cash flow (80 percent) are more important to investors than five years ago.
- Total assets (70 percent), total liabilities (64 percent), cash on hand (59 percent) and return on assets (49 percent) are less important to investors.
- It is “somewhat” easier (26 percent) or “much” easier (11 percent) to attract investors than it was five years ago.

On the Role of the Chief Executive:

- Their jobs are more stressful (83 percent), more time-consuming (82 percent), more detail oriented (68 percent), more administrative (63 percent), more hands-on (61 percent) and less rewarding (53 percent) than five years ago.
- They are spending more time reporting to the board (68 percent), setting strategic policy (62 percent) and conducting investor relations (50 percent).
- The governance tasks that impose the most demands on executives and directors are Section 404 of the Sarbanes-Oxley Act (69 percent) and the overall monitoring and measuring of compliance and governance issues (40 percent).

On Human Capital Management:

- Their companies have diversity hiring goals (42 percent) or plans to introduce or expand such goals (21 percent).
- They plan to reduce or eliminate stock options (23 percent), enhanced retirement packages (20 percent) and mortgage/personal-loan assistance (15 percent).
- It is “somewhat” or “much” easier to attract (49 percent) and retain (36 percent) employees today than five years ago.

