

The NASDAQ OMX Group

Q109 Earnings Presentation

May 7, 2009



© Copyright 2009, The NASDAQ OMX Group, Inc. All rights reserved.

NASDAQ OMX[®]

Forward Looking Statement

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this communication contains forward-looking statements that involve a number of risks and uncertainties. NASDAQ OMX cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Such forward-looking statements include, but are not limited to (i) projections about our future financial results, growth and achievement of synergy targets, (ii) statements about the implementation dates and benefits of certain strategic initiatives, (iii) statements about our integrations of OMX, the Philadelphia Stock Exchange and certain subsidiaries of Nord Pool, and (iv) other statements that are not historical facts. Forward-looking statements involve a number of risks, uncertainties or other factors beyond NASDAQ OMX's control. These factors include, but are not limited to, NASDAQ OMX's ability to implement its strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors detailed in NASDAQ OMX's filings with the U.S. Securities Exchange Commission, including its annual reports on Form 10-K and quarterly reports on Form 10-Q which are available on NASDAQ OMX's website at <http://www.nasdaqomx.com> and the SEC's website at www.sec.gov. NASDAQ OMX undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Non-GAAP Information

In addition to disclosing results determined in accordance with GAAP, NASDAQ OMX also discloses certain non-GAAP and pro forma non-GAAP results of operations, including net income, diluted earnings per share, and operating expenses that make certain adjustments or exclude certain charges and gains that are described in the reconciliation table of GAAP to pro forma non-GAAP information provided at the end of this release. Management believes that this non-GAAP and pro forma non-GAAP information provides investors with additional information to assess NASDAQ OMX's operating performance by making certain adjustments or excluding costs or gains and assists investors in comparing our operating performance to prior periods. Management uses this non-GAAP and pro forma non-GAAP information, along with GAAP information, in evaluating its historical operating performance.

The non-GAAP information is not prepared in accordance with GAAP and may not be comparable to non-GAAP information used by other companies. The non-GAAP information should not be viewed as a substitute for, or superior to, other data prepared in accordance with GAAP.

Financial Highlights

First Quarter Results

- Total Revenues: \$895 million (\$814 million in Q108)
- Net Exchange Revenues¹: \$369 million (\$278 million in Q108)
- Total Operating Expenses: \$203 million (\$145 million in Q108)
- Net Income: \$94 million (\$121 million in Q108)
- Diluted EPS: \$0.44 (\$0.69 in Q108)

Non-GAAP Results²

- Total Revenues: \$895 million (\$959 million in Q108)
- Net Exchange Revenues¹: \$369 million (\$419 million in Q108)
- Total Operating Expenses: \$194 million (\$249 million in Q108)
- Net Income: \$102 million (\$93 million in Q108)
- Diluted EPS: \$0.48 (\$0.44 in Q108)

1. Net exchange revenues reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees.
2. For comparison purposes Q109 and Q408 results are presented on a non-GAAP basis and exclude merger expenses and certain other, non-recurring items. Q108 results are presented on a pro forma non-GAAP basis that reflect the financial results of NASDAQ, OMX, and PHLX as if they were a combined company for the period, and exclude merger expenses, gains/(losses) from foreign currency contracts, and certain other non-recurring items. Please refer to the non-GAAP schedules at the end of this slide presentation for a complete reconciliation of GAAP to non-GAAP results.

Summary Financial Results

(In \$mill except for EPS)

Vs. Prior-Year Quarter	Q109	Q108	Change	
Net exchange revenues ⁽¹⁾	369	278	33%	<ul style="list-style-type: none"> Net income and diluted EPS declined in Q109 when compared to Q108: <ul style="list-style-type: none"> Included in Q108 results is a pre-tax gain of \$35 million from foreign currency contracts; Also included in Q108 net income is pre-tax income of \$27 million from unconsolidated investees.
Total operating expenses	203	145	40%	
Operating income	166	133	25%	
<i>Operating margin</i> ⁽²⁾	45%	48%		
Net income	94	121	(22%)	
Diluted EPS	\$0.44	\$0.69	(36%)	
Vs. Prior Quarter	Q109	Q408	Change	
Net exchange revenues ⁽¹⁾	369	403	(8%)	<ul style="list-style-type: none"> Net income and diluted EPS increased in Q109 when compared to Q408: <ul style="list-style-type: none"> Included in Q408 results is a pre-tax charge of \$35 million related to the write down of an available for sale investment; Also included in Q408 results is a loss on foreign currency contracts of \$47 million.
Total operating expenses	203	223	(9%)	
Operating income	166	180	(8%)	
<i>Operating margin</i> ⁽²⁾	45%	45%		
Net income	94	35	169%	
Diluted EPS	\$0.44	\$0.17	159%	

1. Net exchange revenues reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees.

2. Operating Margin equals Operating Income divided by Net Exchange revenues

Non-GAAP Financial Results ⁽¹⁾

(In \$mill except for EPS)

Vs. Prior-Year Quarter	Q109	Q108	Change
Net exchange revenues ⁽²⁾	369	419	(12%)
Total operating expenses	194	249	(22%)
Operating income	175	170	3%
<i>Operating margin</i> ⁽³⁾	47%	41%	
Net income	102	93	10%
Diluted EPS	\$0.48	\$0.44	9%

- Q109 net income and diluted EPS improved when compared to Q108:
 - Total operating expenses declined \$55 million, or 22%, from the prior-year period primarily due to integration efforts associated with the OMX and PHLX transactions.
 - Operating margins improved to 47% in Q109.

Vs. Prior Quarter	Q109	Q408	Change
Net exchange revenues	369	403	(8%)
Total operating expenses	194	213	(9%)
Operating income	175	190	(8%)
<i>Operating margin</i>	47%	47%	
Net income	102	110	(7%)
Diluted EPS	\$0.48	\$0.52	(8%)

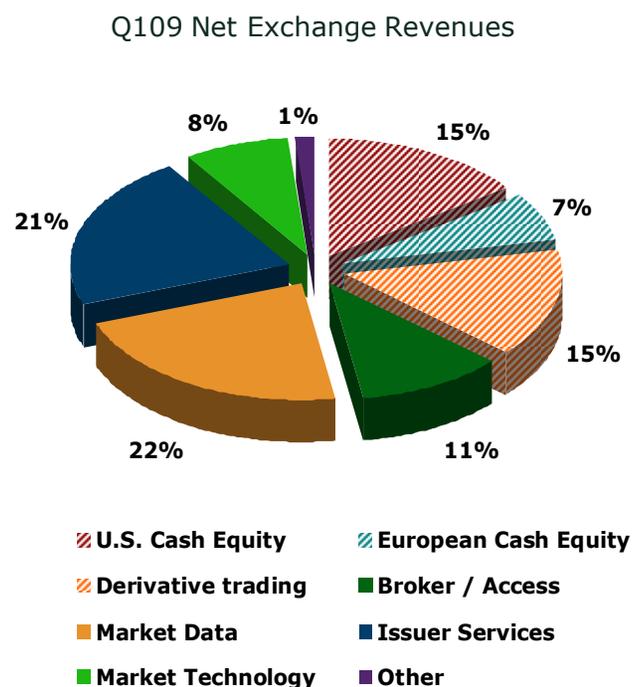
- Q109 net income and diluted EPS declined when compared to Q408 due primarily to lower net exchange revenues.
- Total operating expenses declined 9% when compared to Q408.

1. For comparison purposes Q109 and Q408 results are presented on a non-GAAP basis and exclude merger expenses and certain other, non-recurring items. Q108 results are presented on a pro forma non-GAAP basis that reflect the financial results of NASDAQ, OMX, and PHLX as if they were a combined company for the period, and exclude merger expenses, net gains from foreign currency contracts, and certain other non-recurring items. Please refer to the non-GAAP schedules at the end of this slide presentation for a complete reconciliation of GAAP to non-GAAP results.
2. Net exchange revenues reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees.
3. Operating Margin equals Operating Income divided by Net Exchange Revenues.

Net Exchange Revenues ⁽¹⁾

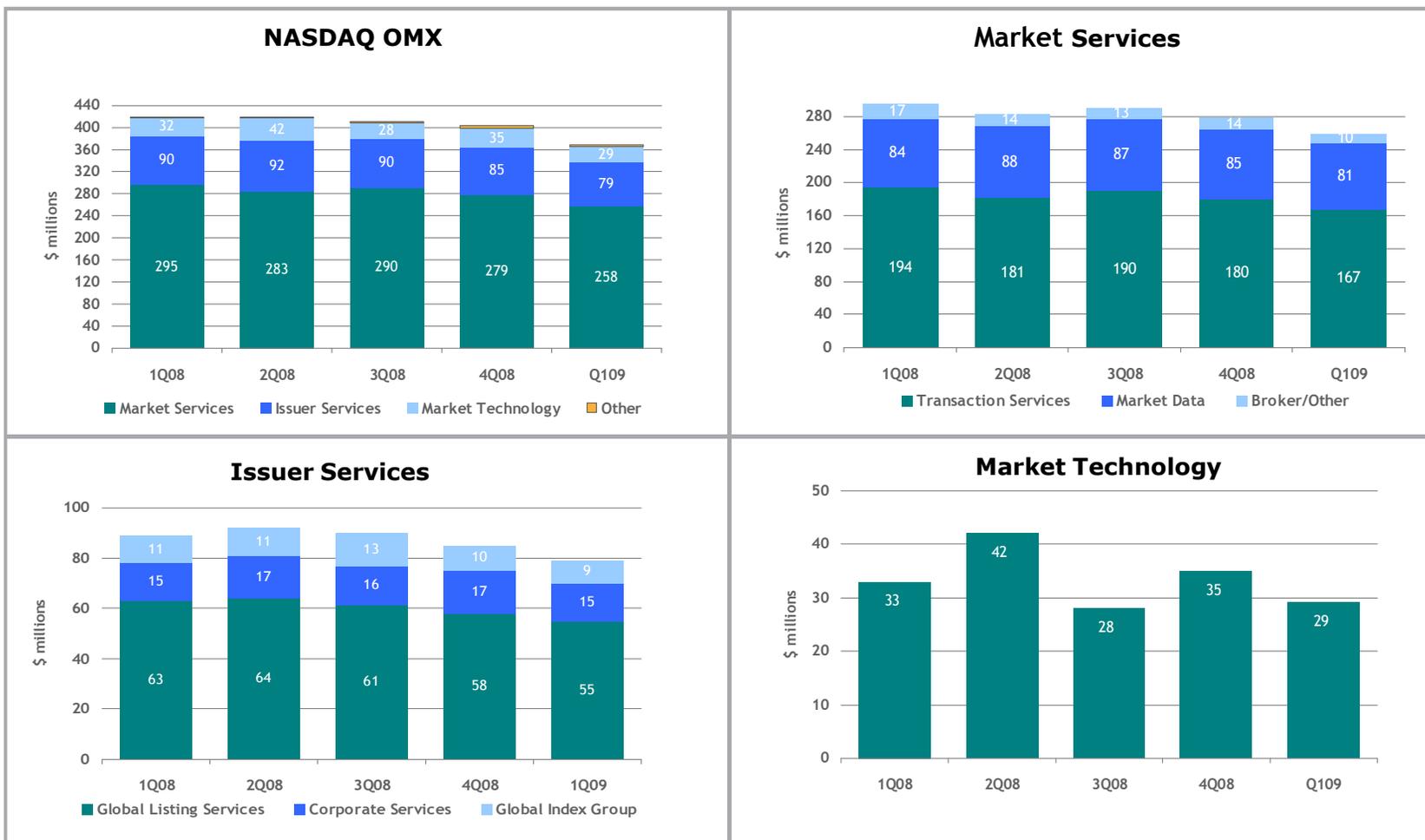
(In \$millions)

Revenue Statement	Q109	Q408	Q108
Cash equity trading	80	94	106
Derivative trading	55	54	57
Access services	32	32	31
Total Transaction Services	167	180	194
Market data	81	85	84
Broker services	8	11	17
Other market services	2	3	0
Total Market Services	258	279	295
Global Listing Services	70	75	78
Global Index Group	9	10	11
Total Issuer Services	79	85	89
Market Technology	29	35	33
Other	3	4	2
Net Exchange Revenues	369	403	419



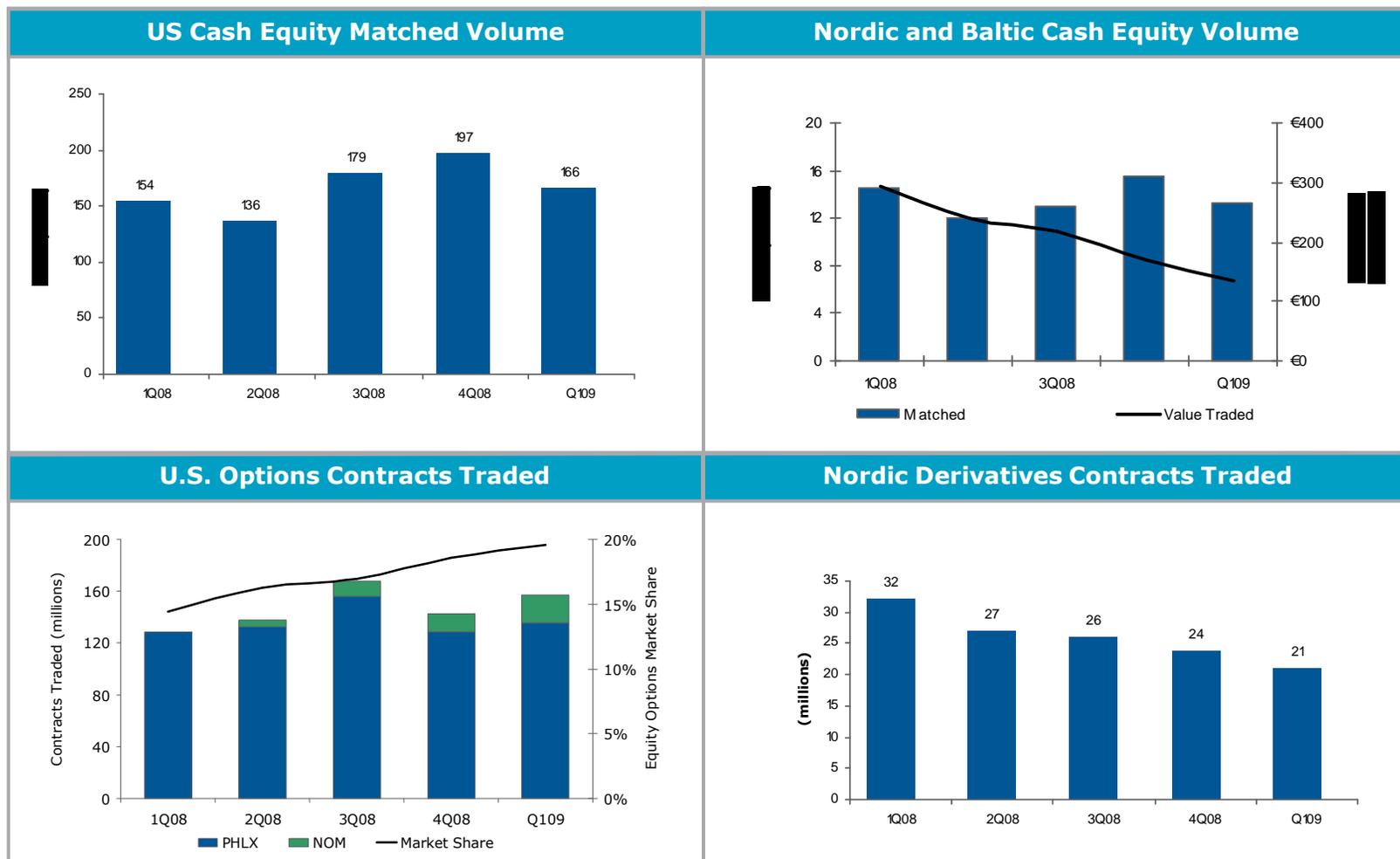
1. Net exchange revenues reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees. For comparison purposes Q108 results are presented on a pro forma basis that reflects the financial results of NASDAQ, OMX, and PHLX as if they were a combined company for the period.

Revenue Trends



Note: Revenues presented for Market Services are net exchange revenues, which reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees. Revenues for Q108, Q208, and Q308 are presented on a pro-forma basis that reflect results for NASDAQ, OMX, and PHLX as if they were a combined company for each of the periods.

Transaction Revenue Drivers



Non-GAAP Expense Detail ⁽¹⁾

(In \$millions)

Total operating expenses ⁽²⁾	Q109	Q408	Q108	Q109 Expense Categories	
Compensation and benefits	94	106	122		
Marketing & advertising	2	6	4		
Depreciation & amortization	24	27	31		
Professional services	18	19	26		
Computer ops. & data comm.	15	13	19		
Occupancy	17	17	19		
Regulatory	9	7	7		
General, admin. & other	15	18	21		
Total operating expenses	194	213	249		

- For comparison purposes Q109 and Q408 results are presented on a non-GAAP basis and exclude merger expenses and other non-recurring items. Q108 results are presented on a pro forma non-GAAP basis that reflect the financial results of NASDAQ, OMX, and PHLX as if they were a combined company for the periods presented, and exclude merger expenses and certain other non-recurring items. Please refer to the non-GAAP schedules at the end of this slide presentation for a complete reconciliation of GAAP to non-GAAP results.
- Certain non-recurring items detailed on the non-GAAP schedules are removed from individual line items to arrive at the amounts included in this table, including: Merger expenses of \$8 million, \$10 million, and \$1 million in Q109, Q408, and Q108, respectively; \$3 million in workforce reductions expenses from Compensation and Benefits in Q109; and a \$2 million loss on the sale of the Icelandic Broker Services business and a \$4 million gain on debt extinguishment from General, Administrative, and Other in Q109.

Foreign Currency Exchange Impact

(In \$mill except for EPS)

	USD	SEK	EUR	NOK	GBP	DKK	Other	Total
Net exchange revenues ⁽¹⁾	263	36	43	4	7	8	8	369
Total non-GAAP operating expenses ⁽²⁾	122	39	7	6	9	5	6	194
Non-GAAP operating income ⁽³⁾	141	-3	36	-2	-2	3	2	175
Average FX to USD in Q109	-	0.119	1.31	0.146	1.44	0.175	-	-

* All values are presented in US dollars.

FX Impact on Q109 Results at:	Q408 Rates	Q108 Rates
Net exchange revenues ⁽¹⁾	-6	-35
Total non-GAAP operating expenses ⁽²⁾	-5	-26
Non-GAAP operating income ⁽³⁾	-1	-9
Diluted earnings per share	-\$0.01	-\$0.03

USD	=	US Dollar
SEK	=	Swedish Krona
EUR	=	Euro
NOK	=	Norwegian Krone
GBP	=	British Pound Sterling
DKK	=	Danish Krone

1. Net exchange revenues reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees.
2. Excludes merger related expenses of \$8 million that were incurred in Q109; a \$ 4 million gain related to the early extinguishment of debt; \$3 million in expenses associated with workforce reductions; and \$2 million related to the loss on the sale of the Icelandic broker services business. Please refer to slide 12 of this presentation for a complete reconciliation of non-GAAP operating expenses.
3. Please refer to slide 13 of this presentation for a complete reconciliation of Non-GAAP operating income.
4. The impact reflects changes to Q109 results if amounts were translated at the prior period rates.

Balance Sheet Highlights

<i>(in \$ millions)</i>	3-31-09	12-31-08	
<u>Assets</u>			
Cash, cash equiv., & available for sale invest.	746	792	
Receivables, net	355	339	
Market value, outstanding derivative positions	4,048	4,122	
Goodwill	4,381	4,492	
Intangible assets, net	1,536	1,583	
Other assets	1,387	1,424	
Total assets	\$12,453	\$12,752	<ul style="list-style-type: none"> • Reductions in <u>cash, cash equivalents, & available for sale investments</u> are primarily due to the payment of approximately \$76 million of debt; \$69 million of trade payables; and \$48 million of Section 31 SEC fees. • <u>Goodwill</u> and <u>intangible assets</u> changes are due primarily to currency fluctuations. • Changes to <u>Market value, outstanding derivative positions</u> are related to the various Nordic clearing businesses. As the legal counterparty to each transaction NASDAQ OMX reports the gross market value of derivative positions on the balance sheet after netting customer positions. • The decline in <u>other assets</u> is primarily related to the squeeze out payment for the remaining 1.2% shares of OMX. The additional purchase price was held in other liabilities.
<u>Liabilities and stockholders' equity</u>			
Accounts payable	242	242	
Market value, outstanding derivative positions	4,048	4,122	
Debt obligations	2,454	2,524	
Non-current deferred tax liabilities	675	696	
Other liabilities	777	865	
Total liabilities	8,196	8,449	<ul style="list-style-type: none"> • The decline in <u>debt obligations</u> is primarily due to the principal pay down of \$56 million for the senior secured term loan facility credit agreement and the \$24 million buy back of 2.5% convertible notes. • Decreases in <u>non-current deferred tax liabilities</u> are primarily due to currency fluctuations. • The decline in <u>other liabilities</u> is primarily due to the squeeze out payment for the remaining 1.2% shares of OMX.
Total equity	4,257	4,303	
Total liabilities and stockholders' equity	\$12,453	\$12,752	<ul style="list-style-type: none"> • The decline in <u>total equity</u> is due to currency translation adjustments, offset partially by net income.

Operating Expenses:

Reconciliation of GAAP to Pro Forma and Pro Forma non-GAAP

<i>(in \$ millions)</i>	Q109	Q408	Q308	Q208	Q108	Q407
GAAP Operating Expenses	\$203	\$223	\$227	\$225	\$145	\$110
<u>Pro forma adjustments:</u>						
OMX operating expenses	-	-	-	-	70	122
PHLX operating expenses	-	-	7	30	31	39
Amortization of intangibles	-	-	1	3	4	7
Professional and contract services	-	-	-	-	-	-2
Computer operations and data communications	-	-	-	-	-	-13
Total adjustments	-	-	8	33	105	153
Pro forma operating expenses	\$203	\$223	\$235	\$258	\$250	\$263
<u>Other adjustments:</u>						
Merger expenses	-8	-10	-9	-6	-1	-
Other reserves	-	-	-2	-	-	-
Loss on sale of business	-2	-	-	-	-	-
Workforce reductions	-3	-	-2	-	-	-1
Gain on debt extinguishment	4	-	-	-	-	-
Debt issuance costs	-	-	-	-	-	-1
Total adjustments	-9	-10	-13	-6	-1	-2
Pro forma non-GAAP operating expenses	\$194	\$213	\$222	\$252	\$249	\$261

Operating Income:

Reconciliation of GAAP to Pro Forma and to Pro Forma Non-GAAP

<i>(in \$ millions)</i>	Q109	Q408	Q108
GAAP operating income:	\$166	\$180	\$133
<u>Pro forma adjustments:</u>			
OMX operating income	-	-	33
PHLX operating income	-	-	7
Amortization of intangibles	-	-	-4
Total adjustments	-	-	36
Pro forma operating income	\$166	\$180	\$169
<u>Other adjustments:</u>			
Merger expenses	8	10	1
Loss on sale of business	2	-	-
Workforce reductions	3	-	-
Gain on debt extinguishment	-4	-	-
Total adjustments	9	10	1
Pro forma non-GAAP operating income	\$175	\$190	\$170
Net exchange revenues ⁽¹⁾	\$369	\$403	\$419
Pro forma non-GAAP operating margin ⁽²⁾	47%	47%	41%

1. Net exchange revenues reflect total revenues less liquidity rebates, brokerage, clearing, and exchange fees.

2. Pro Forma non-GAAP Operating Margin equals Pro Forma non-GAAP Operating Income divided by Net Exchange revenues

Net Income:

Reconciliation of GAAP to Pro Forma and to Pro Forma non-GAAP

<i>(in \$ millions)</i>	Q109	Q408	Q108
GAAP net income:	\$94	\$35	\$121
<u>Pro forma adjustments:</u>			
OMX results	-	-	23
PHLX results	-	-	4
Amortization of intangibles	-	-	-2
Interest expense, net adjustments	-	-	-15
Gain from unconsolidated investees, net	-	-	-17
Total adjustments	-	-	-7
Pro forma net income	\$94	\$35	\$114
<u>Other adjustments:</u>			
Merger expenses	6	6	1
Loss on sale of business	2	-	-
Workforce reductions	2	-	-
Impairment charge	-	35	-
(Gain) loss on foreign currency contracts	-	34	-22
Gain on debt extinguishment	-2	-	-
Total adjustments	8	75	-21
Pro forma non-GAAP net income	\$102	\$110	\$93

EPS:

Reconciliation of GAAP to Pro Forma and to Pro Forma non-GAAP

	Q109	Q408	Q108
GAAP earnings per common share:			
Diluted earnings per common share	\$0.44	\$0.17	\$0.69
Pro forma adjustments:			
Total adjustments from GAAP net income (Slide 14)	-	-	-0.15
Pro forma diluted earnings per common share	0.44	0.17	0.54
Total adjustments from pro forma net income (Slide 14)	0.04	0.35	-0.10
Pro forma non-GAAP diluted earnings per common share	\$0.48	\$0.52	\$0.44

NASDAQ OMX[®]