

# 2007 ANNUAL REPORT

The Nasdaq Stock Market, Inc.



**NASDAQ OMX**<sup>SM</sup>



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**Robert Greifeld**



Chief Executive Officer

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By virtually every metric used to define business success, 2007 was a phenomenal year for NASDAQ®, our shareholders and our customers. We delivered our best financial performance since we began reporting in 1997 and completed our thirteenth consecutive quarter of top-line growth. We firmly established NASDAQ as the market of choice for the trading community, increased profits and operating margins significantly, and strengthened our global competitive position. We established new standards of strategic and operational success with operating income, net income, trading volume and market share increasing to record levels.

In 2007, we became the largest exchange in the U.S. based on share volume traded. Volumes matched by our systems increased 33.5% year-over-year. NASDAQ revenues less liquidity rebates, brokerage, clearance and exchange fees, increased 18.2% while operating income increased 70.8%.

We reinforced our leadership position as a customer-focused exchange and laid the groundwork to transform NASDAQ into a unique exchange business with access to the world's fastest growing markets and the technology that powers them.

For the third consecutive year, NASDAQ's value proposition for public companies helped attract more market capitalization to our exchange from the NYSE than we yielded. Our matched market share for U.S. equities has been increasing steadily and reached a record high of 29.7% in the fourth quarter. After starting the year with \$1.5 billion in debt, we exited 2007 virtually debt free, with the financial strength and flexibility to invest in new global and domestic business opportunities.

In 2007, NASDAQ once again delivered on our promises and did what we said we would do. We completed our technology road map while maintaining our maniacal focus on execution. We were able to grow U.S. equity share and listings, and plant the flag globally. Our proven ability to sustain performance and discipline over the years has clearly earned NASDAQ the right to expand our mandate, diversify our assets and geography, and move on to the next stage of evolution.

In the area of strategic initiatives, NASDAQ successfully negotiated several agreements and transactions in 2007 that will expand our global reach, diversify our product offerings and expand the range of services for investors.

To further NASDAQ's global reach, we agreed in 2007 to combine with OMX AB, the operator of the Nordic Exchange, in a transformational transaction that was completed on February 27, 2008. OMX has extensive worldwide trading relationships and provides technology to power over 60 markets in over 50 countries, including some of the world's fastest-growing, most dynamic economies. NASDAQ OMX<sup>SM</sup> brings together NASDAQ's long history of competing successfully in the U.S. and the OMX expertise and experience in European markets. This unique combination creates an opportunity to dramatically alter the pan-European trading environment as barriers to cross-border trading are dismantled.

Toward that end, our first initiative as NASDAQ OMX was to announce the NASDAQ OMX Pan-European Market which will enable best execution in high volume securities trading in a cross-border, multi-market environment. The market is scheduled to open in September 2008, pending Financial Services Authority (FSA) approval, and at launch, will trade approximately 300 of the most actively traded European blue chip stocks.

In addition to creating a global exchange powerhouse through the combination with OMX, NASDAQ entered into a series of agreements with Borse Dubai that will extend our brand and technology to the Middle East's premier market. NASDAQ acquired a one-third ownership stake in the Dubai International Financial Exchange, while Borse Dubai assumed a 19.9% interest in NASDAQ OMX, with voting rights capped at 5%. Our aim is to transform this partnership into the financial center for the Middle East and the developing world. Taken together, these strategic partnerships and acquisitions provide NASDAQ with a unique global footprint, creating a worldwide exchange leader with operations in key markets around the globe and ready access to large pools of liquidity.

Closer to home, we negotiated an agreement to acquire the Philadelphia Stock Exchange (PHLX) expected to close in the second quarter of 2008. When completed, the Philadelphia transaction will promote NASDAQ as a player of note in options trading further diversifying our overall business and customer base. With our firm belief that different customers require different market structures in the options space, NASDAQ launched our own price/time options market in March 2008. We also strengthened our position in the domestic exchange competition by completing negotiations to acquire the Boston Stock Exchange (BSX). This transaction will give NASDAQ a second exchange license and is expected to close in the first half of 2008.

These year-long strategic initiatives also included the sale of our approximately 31% stake in the London Stock Exchange, which resulted in a pre-tax gain of \$431.4 million for NASDAQ.

In 2007, we saw a broadening of the NASDAQ PORTAL Market<sup>SM</sup> initiative. We are working with most of the major investment banking players to form The PORTAL Alliance<sup>SM</sup> in the effort to use our proven technology to tap the vast potential of the 144A private placement market and provide a truly transparent marketplace for Qualified Institutional Buyers (QIBs).

2007 may well be remembered as the year in which NASDAQ exceeded business expectations while identifying and securing the elements key to our future success. It is now time for NASDAQ to deliver, to our customers and investors, the value we articulated for our recent acquisitions. We will do what we have always done best: execute — bring it all together to deliver a new, more compelling, broader value proposition for our customers.

NASDAQ has a unique and proven ability to integrate business acquisitions, while maintaining a clear focus on our customers. That has been the secret to our success for 37 years in the American markets. Now we have established a world-class presence abroad, and have become the first exchange with significant operations on six continents. We are well on the road to a successful transition from a leading U.S. market center to a much larger player on the global stage with an expanded technology footprint and a presence in emerging markets worldwide.

We look to 2008 as a transformational year. Our challenge will be to prove the NASDAQ proposition on a global scale by demonstrating that we can expand successfully in both geography and assets. To that task, we bring a solid, tested management team and the best employees in the business who have consistently demonstrated an unmatched ability to focus, execute, innovate and deliver real value to our customers. Together, we have written a history of excellence, integrity and discipline in our approach to our core business operations, our expansion, technology and governance. This, along with the integration of our OMX colleagues into the NASDAQ OMX team, leaves us confident of our ability to respond to the challenges and opportunities of the future.

# KEY ACCOMPLISHMENTS 2007

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## ISSUER SERVICES

### Corporate Client Group

**More than just a listings market, NASDAQ delivers additional value to listed companies through a full suite of exceptional products and services, the world's highest initial listing standards at lower listing fees, superior trading and high-integrity corporate governance standards.**

- NASDAQ won 132 of the 240 IPOs in 2007, and gained 45 new non-U.S. listings.
- To better serve Chinese companies and investors, NASDAQ was the first U.S. exchange to open an office in Beijing.
- NASDAQ listed 27 new exchange traded funds (ETFs), structured products and other listings.
- In 2007, 31 companies switched from The American Stock Exchange to NASDAQ. 12 elected to retain their three character symbols made possible by the Securities and Exchange Commission's approval of a NASDAQ proposal to allow NASDAQ to accept three-character ticker symbols.
- DIRECTV — a \$28.3 billion market capitalization household brand name - switched from the NYSE to list on NASDAQ.
- Watson Wyatt and Company Holdings and Allied Capital Corporation dual listed their common stock on the NASDAQ Global Select Market<sup>SM</sup>, increasing to 12 the number of NYSE-listed securities that have dual listed on NASDAQ.
- For the past four years, NASDAQ has retained 99.99% of listed companies.
- NASDAQ acquired Directors Desk<sup>SM</sup>, a technology company that specializes in creating a secure, online work space for corporate board members that streamlines board communications and key functions.
- NASDAQ launched Board Recruiting, an online service designed to help public and private companies identify board members. It is the first board recruitment service to be offered by a stock exchange.
- The NASDAQ Market Intelligence Desk<sup>®</sup> (MID) began disseminating the MID Daily Report. Customized for each Global Select and NASDAQ Global Market<sup>SM</sup> company, the report is emailed at the end of the trading day and provides executives with an overview of the day's market activity and their company's stock performance.
- NASDAQ introduced a Select Market Maker Program designed to provide listed companies with greater transparency into the role that market makers play in trading their stock and to allow for more interaction between the trading community and listed companies.
- NASDAQ created the NASDAQ ETF Market<sup>SM</sup>, designed specifically for exchange traded funds and Index Linked Notes (ILNs). In August 2007, NASDAQ captured more U.S. ETF market share than any other U.S. exchange — with total ETF volume at 52.1%\*.
- The NASDAQ Global Select Market — which has the highest initial listing standards in the world — became the largest of NASDAQ's three listing tiers. As of December 31, 2007, there were 1,156 companies listed on the NASDAQ Global Select Market.
- In 2007, NASDAQ introduced Core Services, a package of services included in NASDAQ-listing fees to help companies manage investor communications, comply with SEC regulations and provide risk management intelligence.

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\* Figure includes The Financial Industry Regulatory Authority NASDAQ Trade Reporting Facility LLC (FINRA/NASDAQ TRF) market share of 15.8%. FINRA is a registered trademark of The Financial Industry Regulatory Authority, Inc.

Statistics are sourced from internal NASDAQ information.

## NASDAQ Financial Products

A unique asset among stock markets, NASDAQ Financial Products (NFP), provides innovative services and products for individual and institutional investors alike. Through a strategy of developing, calculating, administering, disseminating and licensing indexes that leverage the NASDAQ-brand attributes of innovation, growth, technology and global reach, NFP offers institutional and retail traders and investors a strong portfolio of index products and services. In turn, these financial products provide NASDAQ-listed companies with direct and indirect investment and visibility and further creates a unique index data set that contributes to the robustness of NASDAQ's overall data products.

- NFP's licensed-product portfolio has grown to over 600 financial products in 36 countries around the world.
- Five new NASDAQ-branded indexes were launched in 2007:
  - NASDAQ NeuroInsights® NeuroTech Index
  - NASDAQ Internet Index<sup>SM</sup>
  - NASDAQ Q-50 Index<sup>SM</sup>
  - CBOE NASDAQ-100 BuyWrite Index<sup>SM</sup>
  - NASDAQ China Index<sup>SM</sup>
- In addition to creating its own branded indexes, NASDAQ delivers custom indexes to select banks, broker-dealers, investment management organizations and others. In 2007, NFP designed 13 new Global Depository Receipt international, regional and sector indexes for JP Morgan. NFP also designed and launched the BetterInvesting 100 Index (BIXX) for the National Association of Investors Corporation.
- NFP completed the transfer of the sponsorship of QQQ®, EQQQ<sup>SM</sup> and the BLDRS® exchange traded funds to PowerShares Capital Management during 2007.
- NFP, NASDAQ Corporate Client Group and The NASDAQ Market Center<sup>SM</sup> jointly developed and launched the highly acclaimed NASDAQ ETF Market segment.

Through the creation of The PORTAL Market — a NASDAQ Institutional Market — NFP has created the first industry-wide platform for the placement and trading of 144A equity and debt securities.

- The PORTAL Market received approval in July from the SEC authorizing the market, which received over 2,400 applications filed in 2007.
- A web-based equity trading system was launched in mid-August. This equity trading platform included over 775 securities by the end of 2007. A complementary debt trading system is currently in development and scheduled to launch in 2008.
- In 2007, there were over 100 Qualified Institutional Buyers (QIBs) PORTAL certified as investors, dealers or brokers.



## MARKET SERVICES

### The NASDAQ Market Center Transaction Services Group

**Providing the fastest competitive trading platform; a highly transparent investing environment; low-cost, high-quality trade execution; the ability to connect in any way clients want and deep liquidity for all equities — regardless of where they are listed.**

- In 2007, NASDAQ became the largest U.S. equities exchange by volume with an average in NASDAQ securities of 2.17 billion shares per day trading on our platform.
- In November, NASDAQ reached a record 19.6% monthly matched market share in NYSE-listed securities. On December 11, 2007, NASDAQ's matched market share in NYSE-listed securities reached a record 22.1%.
- In June 2007, during the Russell Reconstitution, NASDAQ's Closing Cross<sup>SM</sup> processed over 678 million shares, representing \$11.7 billion, in a record 1.9 seconds.
- NASDAQ's platform speed is second-to-none — executing orders at an average of 1 millisecond and handling 250,000 messages per second.
- The Crossing Network was enhanced with the addition of non-NASDAQ listed stocks to the Open and Close and the introduction of Intraday and Post-Close Crosses.
- NASDAQ introduced new order types and compliance help for Regulation NMS.
- The Select Market Maker program was launched for both NASDAQ and non-NASDAQ listed securities.
- In February 2007, NTS completed systems integration and exchange registration for non-NASDAQ listed stocks.
- In October, NASDAQ announced it will acquire the Boston Stock Exchange — a transaction that will give NASDAQ a second exchange license and flexibility around market structure and execution efficiencies.
- In November, NASDAQ announced it will acquire the Philadelphia Stock Exchange. Upon closing, NASDAQ will become the third largest options market in the U.S. with 15% market share.

### NASDAQ Market Services Subscriptions

**Providing deep and transparent data products and services which offer traders strategic advantages, including superior speed, depth and flexibility of data management and delivery.**

- For the second year in a row, NASDAQ Data Products earned the prestigious 2007 Data Provider of the Year award from Inside Market Data, as well as the 2007 Best Exchange Data Feed of the Year, awarded by Waters Magazine.
- NASDAQ TotalView<sup>®</sup> professional subscribers increased by over 34% in 2007\*, an increase caused in part by our focus on the importance of the Net Order Imbalance Indicator (NOII) component of TotalView.
- NASDAQ added its OpenView data to NASDAQ's TotalView and Level 2 products. This brings depth of book data for NYSE- and Amex-listed securities to a broader group of investors.
- NASDAQ secured two additional non-professional enterprise licenses for TotalView data. In 2007, NASDAQ distributed TotalView to more than 100,000 non-professional users. In addition, NASDAQ secured its first professional enterprise license for TotalView data, which continues to expand distribution.
- NASDAQ launched the NASDAQ DataStore to showcase newly launched data products from NASDAQ, particularly Market Velocity<sup>®</sup> and Market Forces<sup>®</sup>, NASDAQ Pre, and the NASDAQ VWAP and also including many other products available in Beta mode.
- NASDAQ launched a Web 2.0 initiative to facilitate "plug-and-play" deployments of new NASDAQ data products, allowing distributors of NASDAQ market data much more timely and cost-effective implementations.
- For 2007, revenue from NASDAQ proprietary data products increased to more than 50% of NASDAQ Market Services Subscription revenues.

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\* Excluding users via the NASDAQ Workstation and certain non-paying internal users

Statistics are sourced from internal NASDAQ information

On February 27, 2008, NASDAQ and OMX combined to form The NASDAQ OMX Group, Inc. The below list of Officers and Board Members represents The NASDAQ OMX Group, Inc. as of April 2008.

### NASDAQ OMX Corporate Officers

**Robert Greifeld**  
Chief Executive Officer

**Magnus Böcker**  
President

**Bruce E. Aust**  
Executive Vice President  
Global Corporate Client Group

**Christopher R. Concannon**  
Executive Vice President  
Transaction Services U.S.

**Anna Ewing**  
Executive Vice President  
Global Software Development and  
Chief Information Officer

**Adena T. Friedman**  
Executive Vice President  
Corporate Strategy and  
Global Data Products

**Markus Gerdien**  
Executive Vice President  
Market Technology

**Carl-Magnus Hallberg**  
Senior Vice President  
Global IT Services

**Ron Hassen**  
Senior Vice President  
Controller

**John L. Jacobs**  
Executive Vice President  
Global Marketing and Financial Products

**Hans-Ole Jochumsen**  
Executive Vice President  
Transaction Services Nordics

**James L. Johnson, Jr.**  
Senior Vice President  
Human Resources and Government Relations

**Edward S. Knight**  
Executive Vice President and  
General Counsel and Chief Regulatory Officer

**David P. Warren**  
Executive Vice President and  
Chief Financial Officer

### NASDAQ OMX Board of Directors

**H. Furlong Baldwin**  
Chairman, The NASDAQ OMX Group, Inc.  
Retired Chairman and Chief Executive Officer  
Mercantile Bankshares Corporation

**Soud Ba'alawi**  
Vice Chairman,  
Borse Dubai and  
Executive Chairman, Dubai Group

**Urban Bäckström**  
Deputy Chairman  
The NASDAQ OMX Group, Inc.  
Director General  
Confederation of Swedish Enterprise

**Michael Casey**  
Senior Advisor to CEO  
Starbucks Corporation

**Lon Gorman**  
Retired, Vice Chairman  
The Charles Schwab Corporation

**Robert Greifeld**  
Chief Executive Officer  
The NASDAQ OMX Group, Inc.

**Glenn H. Hutchins**  
Founder and Co-Chief Executive  
Silver Lake

**K. Birgitta Kantola**  
Director  
Birka Consulting Ab

**Essa Kazim**  
Chairman  
Borse Dubai and  
Dubai Financial Market

**Dr. John D. Markese**  
President  
American Association of  
Individual Investors

**Hans Munk Nielsen**  
Retired Chief Financial Officer  
TDC A/S

**Thomas F. O'Neill**  
Principal  
Sandler O'Neill Partners

**James S. Riepe**  
Senior Advisor and Retired Vice Chairman  
T. Rowe Price Group, Inc.

**Michael R. Splinter**  
President and Chief Executive Officer  
Applied Materials, Inc.

**Deborah L. Wince-Smith**  
President  
Council on Competitiveness

**Lars R. Wedenborn**  
Chief Executive Officer  
FAM-Foundation Asset Management





### NASDAQ OMX International Locations

**Australia**

Sydney

**Armenia**

Yerevan

**Canada**

Calgary Alberta

**China**

Beijing

Hong Kong

**Denmark**

Copenhagen

**Estonia**

Tallinn

**Finland**

Helsinki

**Iceland**

Reykjavík

**India**

Karnataka

**Italy**

Milan

**Japan**

Tokyo

**Latvia**

Riga

**Lithuania**

Vilnius

**Norway**

Oslo

**Singapore**

**Sweden**

Stockholm

**United Arab Emirates**

Dubai

**United Kingdom**

London

**United States**

New York, New York

Chicago, Illinois

Menlo Park, California

Rockville, Maryland

Washington, District of Columbia

## INVESTOR INFORMATION

### Investor Inquiries Should Be Directed To:

**By email:** investor.relations@nasdaqomx.com  
**By phone:** 212.401.8742  
**By mail:** NASDAQ OMX Investor Relations  
One Liberty Plaza  
165 Broadway  
New York, NY 10006

### Transfer Agent And Registrar

Mellon Investor Services  
480 Washington Boulevard  
Jersey City, NJ 07310-1900  
Domestic: 888.305.3741  
International: 201.680.6578  
Domestic TDD: 800.231.5469  
International TDD: 201.680.6610  
[www.melloninvestor.com](http://www.melloninvestor.com)

The annual meeting will be held on May 21, 2008 at 9:00 a.m. at NASDAQ OMX offices at One Liberty Plaza, 165 Broadway, 50th Floor, New York, New York 10006.

The NASDAQ OMX home page on the World Wide Web is at [www.NASDAQOMX.com](http://www.NASDAQOMX.com).

Stockholders are advised to review financial information and other disclosures about NASDAQ contained in its 2007 Annual Report on Form 10-K (the "Form 10-K"). Investor information, including the Annual Report, Form 10-K, Form 10-Q, Proxy Statement and other periodic SEC updates, as well as press releases and earnings announcements can be accessed directly from our Web site at: <http://ir.NASDAQOMX.com/>.

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All other trade/service marks are the property of their respective owners.

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**Cautionary note regarding forward-looking statements**

The matters described herein may contain forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The NASDAQ OMX Group, Inc. ("NASDAQ OMX") cautions that these statements are not guarantees of future performance. Actual results may differ materially from those expressed or implied in the forward-looking statements. Such forward-looking statements include, but are not limited to, projections about our future financial results and statements about the implementation dates and benefits of certain strategic initiatives, including the transactions contemplated by NASDAQ's agreement with the Boston Stock Exchange and the Philadelphia Stock Exchange, and other statements that are not historical facts. Forward-looking statements involve a number of risks, uncertainties or other factors beyond NASDAQ OMX 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's Annual Report on Form 10-K, and other periodic reports filed with the U.S. Securities and Exchange Commission. We undertake no obligation to release any revisions to any forward-looking statements.

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