

# OPERATING INCOME AND OPERATING MARGIN

## Reconciliation of U.S. GAAP to Non-GAAP

(US\$ Millions)	2013	2014	2015	2016
<b>U.S. GAAP REVENUES</b>				
Less transaction-based expenses	\$1,895	\$2,067	\$2,090	\$2,277
<b>U.S. GAAP OPERATING INCOME</b>	<b>\$688</b>	<b>\$754</b>	<b>\$720</b>	<b>\$839</b>
Voluntary Accommodation Program <sup>(12)</sup>	44	-	-	-
Securities and Exchange Commission matter <sup>(13)</sup>	10	-	-	-
Merger and strategic initiatives <sup>(3)</sup>	22	81	10	76
Restructuring charges <sup>(2)</sup>	9	-	172	41
Extinguishment of debt <sup>(15)</sup>	-	11	-	-
Special legal expenses <sup>(10)</sup>	3	2	-	-
Sublease reserve <sup>(9)</sup>	-	11	-	(1)
Reversal of value added tax refund <sup>(8)</sup>	-	-	12	-
Amortization of acquired intangible assets <sup>(1)</sup>	63	69	62	82
Other	(3)	2	-	-
Regulatory matters <sup>(5)</sup>	-	-	-	6
Executive compensation <sup>(6)</sup>	-	-	-	12
<b>Total Non-GAAP adjustments</b>	<b>148</b>	<b>176</b>	<b>256</b>	<b>216</b>
<b>NON-GAAP OPERATING INCOME</b>	<b>\$ 836</b>	<b>\$930</b>	<b>\$976</b>	<b>\$1,055</b>
<b>U.S. GAAP OPERATING MARGIN*</b>	<b>36%</b>	<b>36%</b>	<b>34%</b>	<b>37%</b>
<b>NON-GAAP OPERATING MARGIN**</b>	<b>44%</b>	<b>45%</b>	<b>47%</b>	<b>46%</b>

\*U.S. GAAP operating margin equals U.S. GAAP operating income divided by total revenues less transaction-based expenses.

\*\*Non-GAAP operating margin equals non-GAAP operating income divided by total revenues less transaction-based expenses.

# EBITDA MARGIN

## Earnings Before Interest, Taxes, Depreciation and Amortization

<i>(US\$ millions)</i>	2016
<b>U.S. GAAP net income attributable to Nasdaq</b>	<b>\$108</b>
Income tax provision	28
Net income from unconsolidated investees	(2)
Other investment income	(3)
Net interest expense	130
Asset impairment charges	578
<b>U.S. GAAP operating income</b>	<b>\$839</b>
Non-GAAP Adjustments <sup>(1)</sup>	216
<b>Non-GAAP operating income</b>	<b>\$1,055</b>
Depreciation and amortization of tangibles	88
<b>EBITDA</b>	<b>\$1,143</b>
<b>Net Revenues</b>	<b>\$2,277</b>
<b>EBITDA Margin <sup>(2)</sup></b>	<b>50%</b>

(1) See accompanying reconciliation of U.S. GAAP operating income to non-GAAP operating income for summary of 2016 non-GAAP adjustments.

(2) EBITDA margin defined as EBITDA divided by net revenues.

# FREE CASH FLOW

Free Cash Flow Calculation (US\$ millions)	2012	2013	2014	2015	2016	2012 – 2016
Cash flow from operations*	\$567	\$548	\$632	\$682	\$722	<b>\$3,151</b>
Capital expenditure	(87)	(115)	(140)	(133)	(134)	<b>(609)</b>
<b>Free cash flow</b>	<b>480</b>	<b>433</b>	<b>492</b>	<b>549</b>	<b>588</b>	<b>2,542</b>
Section 31 fees (net)**	13	8	(28)	16	(4)	5
<b>Free cash flow ex. Section 31 fees</b>	<b>493</b>	<b>441</b>	<b>464</b>	<b>565</b>	<b>584</b>	<b>2,547</b>
<b>Non-GAAP Net Income</b>	<b>464</b>	<b>484</b>	<b>542</b>	<b>581</b>	<b>621</b>	<b>2,692</b>
<b>Free Cash Flow ex. Section 31 Fees divided by Non-GAAP Net Income</b>	<b>106%</b>	<b>91%</b>	<b>86%</b>	<b>97%</b>	<b>94%</b>	<b>95%</b>

\* Cash flow from operations has been restated for adoption of Accounting Standards Update 2016-15 and 2016-18.

\*\* Net of change in Section 31 fees receivables of \$4 million in 2012; (\$7 million) in 2013; \$14 million in 2014; (\$11 million) in 2015; \$1 million in 2016 and \$1 million in 2012-2016.

# NET INCOME AND DILUTED EPS

## Reconciliation of U.S. GAAP to Non-GAAP

<i>(US\$ millions, except EPS)</i>	2012	2013	2014	2015	2016
<b>U.S. GAAP NET INCOME ATTRIBUTABLE TO NASDAQ</b>	<b>\$352</b>	<b>\$385</b>	<b>\$414</b>	<b>\$428</b>	<b>\$108</b>
Voluntary Accommodation Program <sup>(12)</sup>	-	44	-	-	-
Securities and Exchange Commission matter <sup>(13)</sup>	-	10	-	-	-
Income from open positions relating to the operations of the exchange	(11)	-	-	-	-
Gain on sale of investment security <sup>(14)</sup>	-	(30)	-	-	-
Merger and strategic initiatives <sup>(3)</sup>	4	22	81	10	76
Extinguishment of debt <sup>(15)</sup>	-	-	11	-	-
Asset impairment charges <sup>(4)</sup>	40	14	49	-	578
Loss on divestiture of a business <sup>(17)</sup>	14	-	-	-	-
Sublease reserve <sup>(9)</sup>	-	-	11	-	(1)
Restructuring charges <sup>(2)</sup>	44	9	-	172	41
Special legal expenses <sup>(10)</sup>	7	3	2	-	-
Income from OCC investment <sup>(7)</sup>	-	-	-	(13)	-
Reversal of value added tax refund <sup>(8)</sup>	-	-	-	12	-
Amortization of acquired intangible assets <sup>(1)</sup>	52	63	69	62	82
Other <sup>(11)</sup>	-	(3)	2	-	6
Regulatory matters <sup>(5)</sup>	-	-	-	-	6
Executive compensation <sup>(6)</sup>	-	-	-	-	12
<b>TOTAL NON-GAAP ADJUSTMENTS</b>	<b>150</b>	<b>132</b>	<b>225</b>	<b>243</b>	<b>800</b>
Non-GAAP adjustment to the income tax provision <sup>(16)</sup>	(38)	(33)	(97)	(90)	(287)
Total Non-GAAP Adjustments, net of tax	112	99	128	153	513
<b>NON-GAAP NET INCOME ATTRIBUTABLE TO NASDAQ</b>	<b>\$464</b>	<b>\$484</b>	<b>\$542</b>	<b>\$581</b>	<b>\$621</b>
<b>GAAP diluted EPS</b>	<b>\$2.04</b>	<b>\$2.25</b>	<b>\$2.39</b>	<b>\$2.50</b>	<b>\$0.64</b>
Total adjustments from non-GAAP net income, above	\$0.65	\$0.58	\$0.74	\$0.89	\$3.04
<b>NON-GAAP DILUTED EPS</b>	<b>\$2.69</b>	<b>\$2.83</b>	<b>\$3.13</b>	<b>\$3.39</b>	<b>\$3.68</b>

# NON-GAAP ADJUSTMENTS FOOTNOTES

- (1) Refer to the non-GAAP information section for further discussion of why we consider amortization expense of acquired intangible assets to be a non-GAAP adjustment.
- (2) During the first quarter of 2015, we performed a comprehensive review of our processes, businesses and systems in a company-wide effort to improve performance, cut costs, and reduce spending. In June 2016, we completed our 2015 restructuring plan. For the year ended December 31, 2016 restructuring charges primarily related to severance costs, asset impairment charges, facility-related costs associated with the consolidation of leased facilities and other charges. For the year ended December 31, 2015, restructuring charges primarily related to the rebranding of our trade name, severance costs, facility-related costs associated with the consolidation of leased facilities and other charges. Restructuring charges are recorded on restructuring plans that have been committed to by management and are, in part, based upon management's best estimates of future events. Changes to the estimates may require future adjustments to the restructuring liabilities. For the year ended December 31, 2013, as part of our 2012 restructuring plan, we recognized restructuring charges totaling \$9 million, primarily related to severance costs. This restructuring plan was completed in the first quarter of 2013. Refer to the non-GAAP information section for further discussion of why we consider restructuring charges to be a non-GAAP adjustment. For the year ended December 31, 2012, restructuring charges of \$44 million related to workforce reductions of \$23 million, facilities-related charges of \$10 million, asset impairment charges of \$9 million and \$2 million of other charges.
- (3) For the year ended December 31, 2016, merger and strategic initiatives expense primarily related to our acquisition of U.S. Exchange Holdings, Inc. and its subsidiaries. For the year ended December 31, 2015, merger and strategic initiatives expense primarily related to certain strategic initiatives and our acquisition of Dorsey, Wright & Associates, LLC. For the year ended December 31, 2014, merger and strategic initiatives costs primarily related to our acquisition of the TR Corporate businesses in May 2013 and eSpeed in June 2013 and a charge of \$23 million related to the reversal of a receivable under a tax sharing agreement with an unrelated party. For the year ended December 31, 2013, merger and strategic initiatives costs reflected \$45 million of merger and strategic initiative costs primarily associated with our acquisitions of eSpeed and the TR Corporate Solutions businesses, partially offset by a credit of \$23 million associated with a receivable under a tax sharing agreement with an unrelated party. Refer to the non-GAAP information for further discussion on why we consider merger and strategic initiatives expense to be a non-GAAP adjustment. For the year ended December 31, 2012, merger and strategic initiatives expense related to acquisitions and other strategic initiatives, net of gain on acquisitions of NOS Clearing ASA.
- (4) For the year ended December 31, 2016, we recorded a pre-tax, non-cash asset impairment charge of \$578 million related to our eSpeed trade name. The impairment was the result of a decline in operating performance and the rebranding of the eSpeed trade name due to a strategic change in the direction of our overall Fixed Income business. Refer to the non-GAAP information section of the earnings release for further discussion of why we consider asset impairment charges to be a non-GAAP adjustment. For the year ended December 31, 2014, we recorded pre-tax, non-cash asset impairment charges of \$49 million related to certain acquired intangible assets associated with customer relationships and certain technology assets. For the year ended December 31, 2013, pre-tax, non-cash asset impairment charges of \$14 million related to certain acquired intangible assets associated with customer relationships and a certain trade name. For the year ended December 31, 2012, we recorded pre-tax, non-cash asset impairment charges of \$40 million related to certain acquired intangible assets totaling \$28 million as well as an other-than-temporary impairment charge of \$12 million related to an equity method investment.
- (5) During 2016, the Swedish Financial Supervisory Authority, or SFSA, completed their investigation of cybersecurity processes at our Nordic exchanges and clearinghouse. In December 2016, we were issued a \$6 million fine as a result of findings in connection with this investigation. We have appealed the SFSA's decision, including the amount of the fine.
- (6) For the year ended December 31, 2016, we recorded \$12 million in accelerated expense due to the retirement of the company's former CEO for equity awards previously granted.
- (7) We record our investment in The Options Clearing Corporation, or OCC, as an equity method investment. Under the equity method of accounting, we recognize our share of earnings or losses of an equity method investee based on our ownership percentage. As a result of a new capital plan implemented by OCC, we were not able to determine what our share of OCC's income was for the year ended December 31, 2014 until the first quarter of 2015, when OCC financial statements were made available to us. Therefore, we recorded other income of \$13 million in the first quarter of 2015 relating to our share of OCC's income for the year ended December 31, 2014.
- (8) We previously recorded receivables for expected value added tax refunds based on an approach that had been accepted by the tax authorities in prior years. The tax authorities have since challenged our approach, and the revised position of the tax authorities was upheld in court during the first quarter of 2015. As a result, in the first quarter of 2015, we recorded a charge of \$12 million for previously recorded receivables based on the court decision.

# NON-GAAP ADJUSTMENTS FOOTNOTES

(9) The credit of \$1 million for the year ended December 31, 2016, pertains to the release of a previously recorded sublease loss reserve due to the early exit of a facility partially offset by a sublease loss reserve charge recorded on space we currently occupy due to excess capacity. For the year ended December 31, 2014, we recorded a sublease loss reserve of \$11 million on space we occupied due to excess capacity.

(10) In March 2015, we established a loss reserve of \$31 million for litigation arising from the Facebook IPO in May 2012, which was recorded in general, administrative and other expense. The reserve was intended to cover the estimated amount of a settlement of class-action litigation initiated on behalf of investors in Facebook common stock on the date of its IPO. The reserve also covered the cost of re-opening Nasdaq's voluntary accommodation program to allow any Nasdaq member that did not file for compensation in 2013 to submit a claim during the second quarter of 2015, subject to the conditions and limitations that were applicable to claims filed in 2013. The re-opened accommodation program is now closed. The insurance recovery recognized during the three months ended December 31, 2015 represents amounts reimbursed by applicable insurance coverage which offsets the loss reserve that was recorded in March 2015. For the year ended December 31, 2014, we recorded special legal expense of \$2 million and recorded special legal expense of \$3 million for the year December 31, 2013.

(11) Other charges primarily include the write-off in 2016 of an equity method investment, partially offset by a gain resulting from the sale of a percentage of a separate equity method investment.

(12) For the year ended December 31, 2013, we recorded a \$44 million charge related to the one-time program for voluntary accommodations to qualifying members of up to \$62 million, for which a liability was recorded when the program was approved by the SEC in March 2013. This program expanded the pool available to compensate members of The Nasdaq Stock Market for qualified losses arising directly from the system issues experienced with the Facebook IPO that occurred on May 18, 2012. After claims were reviewed, our liability was reduced to \$44 million and payment of valid claims totaling \$44 million was made in the fourth quarter of 2013.

(13) For the year ended December 31, 2013, we recorded a charge of \$10 million related to an SEC matter related to system issues experienced with the Facebook IPO.

(14) For the year ended December 31, 2013, we recorded a gain on the sale of investment security of \$30 million related to the sale of our available-for-sale investment security in Dubai Financial Market PJSC.

(15) For the year ended December 31, 2014, we recorded a loss on extinguishment of debt of \$11 million reflecting \$9 million related to notes due in 2015 and \$2 million related to refinancing costs.

(16) Primarily includes the tax impact of each non-GAAP adjustment. In addition, for the year ended December 31, 2016, we recorded a \$27 million tax expense due to an unfavorable tax ruling received during the second quarter of 2016, the impact of which related to prior periods. For the year ended December 31, 2014, the amount includes \$23 million associated with the recognition of a previously unrecognized tax benefit. This amount is offset by the reversal of the receivable described in note 3 above. For the year ended December 31, 2013, the amount includes \$23 million associated with a reserve for an unrecognized tax benefit. This amount is offset by the receivable described in note 3 above.

(17) For the year ended December 31, 2012, we sold International Derivatives Clearing Group, LLC and recorded a loss of \$14 million.