UBS AG
Form 424B2
March 25, 2019
The information in this Preliminary Terms Supplement is not complete and may be changed. We may not sell these Securities until the Final Terms Supplement, the Prospectus Supplement, the accompanying Product Supplement and the Prospectus (collectively, the "Offering Documents") are delivered in final form. The Offering Documents are not an offer to sell these Securities, and we are not soliciting offers to buy these Securities in any state where the offer or sale is not permitted.

Subject to Completion
Dated March 25, 2019

PRELIMINARY TERMS SUPPLEMENT

Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-225551

Preliminary Terms Supplement

UBS AG Trigger Phoenix Autocallable Optimization Securities

UBS AG $ Securities Linked to the common stock of The Boeing Company due on or about September 30, 2020

Indicative Terms

Issuer	UBS AG, London Branch
Principal Amount	$10.00 per security. The Securities are offered at a minimum investment of 100 Securities at $10.00 per Security (representing a $1,000 investment) and integral multiples of $10.00 in excess thereof.
Term	Approximately 18 months, unless called earlier.
Underlying Asset	The common stock of The Boeing Company
Contingent Coupon	If the closing price of the underlying asset is equal to or greater than the coupon barrier on any observation date, UBS will pay you the contingent coupon applicable to such observation date. If the closing price of the underlying asset is less than the coupon barrier on any observation date, the contingent coupon applicable to such observation date will not be payable and UBS will not make any payment to you on the relevant coupon payment date. The contingent coupon will be a fixed amount based upon equal bi-monthly installments at the per annum contingent coupon rate. Contingent coupons are not guaranteed and UBS will not pay you the contingent coupon for any observation date on which the closing price of the underlying asset is less than the coupon barrier. The table below sets forth each observation date and the contingent coupon for the Securities. The table below assumes a

contingent coupon rate of 11.00% per annum. Amounts in the table below may have been rounded for ease of analysis.

Observation Date*	Contingent Coupon (per security)
28-May-2019	$0.1833
25-Jul-2019	$0.1833
25-Sep-2019	$0.1833
25-Nov-2019	$0.1833
27-Jan-2020	$0.1833
25-Mar-2020	$0.1833
26-May-2020	$0.1833
27-Jul-2020	$0.1833
25-Sep-2020	$0.1833

*Observation dates are subject to the market disruption event provisions set forth in the accompanying product supplement.

Contingent Coupon Rate	11.00% per annum (or approximately 1.833% per outstanding two months).
Automatic Call Feature	The Securities will be called automatically if the closing price of the underlying asset on any observation date is equal to or greater than the initial price. If the Securities are called on any observation date, UBS will pay you on the corresponding coupon payment date a cash payment per Security equal to your principal amount plus the contingent coupon otherwise due on such date pursuant to the contingent coupon feature. No further amounts will be owed to you under the Securities.
Payment at Maturity (per Security)	If the Securities are not called and the final price is equal to or greater than the trigger price and coupon barrier, UBS will pay you a cash payment per Security on the maturity date equal to your principal plus the contingent coupon otherwise due on the maturity date. If the Securities are not called and the final price is less than the trigger price, UBS will pay you a cash payment on the maturity date of significantly less than the principal amount, if anything, resulting in a loss of principal that is proportionate to the decline of the underlying asset, for an amount equal to $10 + ($10 x underlying return).
Underlying Return	Final Price – Initial Price

	Initial Price
Closing Price	On any trading day, the last reported sale price (or, in the case of NASDAQ, the official closing price) of the underlying asset during the principal trading session on the principal national securities exchange on which it is listed for trading, as determined by the calculation agent.
Initial Price	The closing price of the underlying asset on the trade date, as determined by the calculation agent and as may be adjusted in the case of certain corporate events, as described in the accompanying product supplement.
Trigger Price/Coupon Barrier	Both 76.25% - 77.21% of the initial price of the underlying asset. The actual coupon barrier and trigger price will be set when the trade is placed on the trade date and will be the same percentage, each as determined by the calculation agent and as may be adjusted in the case of certain corporate events, as described in the accompanying product supplement.
Final Price	The closing price of the underlying asset on the final valuation date, as determined by the calculation agent and subject to adjustments in the case of certain corporate events, as described in the accompanying product supplement.
Trade Date	March 25, 2019
Settlement Date	March 27, 2019
Final Valuation Date	September 25, 2020. The final valuation date may be subject to postponement in the event of a market disruption event, as described in the accompanying product supplement.
Maturity Date	September 30, 2020. The maturity date may be subject to postponement in the event of a market disruption event, as described in the accompanying product supplement.
Coupon Payment Dates	Three business days following each observation date, except the coupon payment date for the final valuation date will be the maturity date.
CUSIP	[ ]
ISIN	[ ]
Valoren	[ ]

The estimated initial value based on an issuance size of approximately $100,000 of the Securities as of the trade date is expected to be between 94.26% and 96.76% of the issue price to the public for Securities linked to the underlying asset. The range of the estimated initial value of the Securities was determined on the date of this preliminary terms supplement by reference to UBS' internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the Securities, see "Key Risks - Fair value considerations" and "Key Risks - Limited or no secondary market and secondary market price considerations" in this preliminary terms supplement.

Notice to investors: the Securities are significantly riskier than conventional debt instruments. The issuer is not necessarily obligated to repay the full principal amount of the Securities at maturity, and the Securities may have the same downside market risk as the underlying asset. This market risk is in addition to the credit risk inherent in purchasing a debt obligation of UBS. You should not purchase the Securities if you do not understand or are not comfortable with the significant risks involved in investing in the Securities.

You should carefully consider the risks described under "Key Risks" in this preliminary terms supplement, under "Key Risks" beginning on page 3 of the prospectus supplement and under ''Risk Factors'' beginning on page PS-9 of the accompanying product supplement before purchasing any Securities. Events relating to any of those risks, or other risks and uncertainties, could adversely affect the market value of, and the return on, your Securities. You may lose a significant portion or all of your initial investment in the Securities. The Securities will not be listed or displayed on any securities exchange or any electronic communications network.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these Securities or passed upon the adequacy or accuracy of this preliminary terms supplement, the previously delivered prospectus supplement, the accompanying product supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

See "Additional Information about UBS and the Securities" in this preliminary terms supplement. The Securities we are offering will have the terms set forth in the Prospectus Supplement dated November 1, 2018 relating to the Securities, the accompanying product supplement, the accompanying prospectus and this preliminary terms supplement.

Offering of Securities	**Issue Price to Public**		**Underwriting Discount**		**Proceeds to UBS AG**	
	Total	**Per Security**	**Total**	**Per Security**	**Total**	**Per Security**
Securities linked to the common stock of The Boeing Company	$	100%	$	1.50%	$	98.50%

UBS Financial Services Inc. **UBS Investment Bank**

Additional Information About UBS and the Securities

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement and a prospectus supplement for the Securities) with the Securities and Exchange Commission, or SEC, for the offering for which this preliminary terms supplement relates. Before you invest, you should read these documents and any other documents relating to the Securities that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents for free from the SEC website at www.sec.gov. Our Central Index Key, or CIK, on the SEC website is 0001114446.

You may access these documents on the SEC website at www.sec.gov as follows:

- Prospectus supplement dated November 1, 2018:
  http://www.sec.gov/Archives/edgar/data/1114446/000091412118002132/ub46175276-424b2.htm
- Market-Linked Securities product supplement dated October 31, 2018:
  http://www.sec.gov/Archives/edgar/data/1114446/000091412118002085/ub47016353-424b2.htm
- Prospectus dated October 31, 2018:
  http://www.sec.gov/Archives/edgar/data/1114446/000119312518314003/d612032d424b3.htm

References to “UBS,” “we,” “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries. In this document, “Trigger Phoenix Autocallable Optimization Securities” or the “Securities” refer to the Securities that are offered hereby. Also, references to the “prospectus supplement” mean the UBS prospectus supplement, dated November 1, 2018, references to "Market-Linked Securities product supplement" mean the UBS product supplement, dated October 31, 2018, relating to the Securities generally, and references to the “accompanying prospectus” mean *the UBS prospectus titled "Debt Securities and Warrants", dated October 31, 2018.*

This preliminary terms supplement, together with the documents listed above, contains the terms of the Securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Key Risks” and in “Risk Factors” in the accompanying product supplement, as the Securities involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before deciding to invest in the Securities

UBS reserves the right to change the terms of, or reject any offer to purchase, the Securities prior to their issuance. In the event of any changes to the terms of the Securities, UBS will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

Key Risks

An investment in the Securities involves significant risks. Some of the risks that apply to the Securities are summarized here and are comparable to the corresponding risks discussed in the "Key Risks" section of the prospectus supplement, but we urge you to read the more detailed explanation of risks relating to the Securities generally in ‘‘Risk Factors’’ section of the accompanying product supplement. We also urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Securities.

- **Risk of loss at maturity -** The Securities differ from ordinary debt securities in that UBS will not necessarily pay the full principal amount of the Securities at maturity. If the Securities are not called, UBS will repay you the principal amount of your Securities in cash only if the final price of the underlying asset is equal to or greater than the trigger price and will only make such payment at maturity. If the Securities are not called and the final price is less than the trigger price, you will be fully exposed to the negative underlying return and lose a significant portion or all of your initial investment in an amount proportionate to the decline in the price of the underlying asset.
- **The contingent repayment of your principal applies only at maturity -** You should be willing to hold your Securities to maturity. If you are able to sell your Securities prior to maturity in the secondary market, you may have to sell them at a loss relative to your initial investment even if the then-current underlying asset price is equal to or greater than the trigger price at that time.
- **You may not receive any contingent coupons -** UBS will not necessarily pay periodic contingent coupons on the Securities. If the closing price of the underlying asset on an observation date is less than the coupon barrier, UBS will not pay you the contingent coupon applicable to such observation date. If the

closing price of the underlying asset is less than the coupon barrier on each of the observation dates, UBS will not pay you any contingent coupons during the term of, and you will not receive a positive return on, your Securities. Generally, this non-payment of the contingent coupon coincides with a period of greater risk of principal loss on your Securities.

- **Your potential return on the Securities is limited and you will not participate in any appreciation of the underlying asset** - The return potential of the Securities is limited to the contingent coupon rate, regardless of the appreciation of the underlying asset. In addition, the total return on the Securities will vary based on the number of observation dates on which the requirements of the contingent coupon have been met prior to maturity or an automatic call. Further, if the Securities are called due to the automatic call feature, you will not receive any contingent coupons or any other payment in respect of any observation dates after the applicable call settlement date. Since the Securities could be called as early as the first observation date, the total return on the Securities could be minimal. If the Securities are not called, you will not participate in any appreciation in the price of the underlying asset even though you will be subject to the underlying asset's risk of decline. As a result, the return on an investment in the Securities could be less than the return on a direct investment in the underlying asset.
- **Higher contingent coupon rates are generally associated with a greater risk of loss -** Greater expected volatility with respect to the underlying asset reflects a higher expectation as of the trade date that the price of such underlying asset could close below its trigger price on the final valuation date of the Securities. This greater expected risk will generally be reflected in a higher contingent coupon rate for that Security. However, an underlying asset's volatility can change significantly over the term of the Securities and the price of the underlying asset for your Securities could fall sharply, which could result in a significant loss of principal.
- **Reinvestment risk -** The Securities will be called automatically if the closing price of the underlying asset is equal to or greater than the initial price on any observation date. In the event that the Securities are called prior to maturity, there is no guarantee that you will be able to reinvest the proceeds from an investment in the Securities at a comparable rate of return for a similar level of risk. To the extent you are able to reinvest such proceeds in an investment comparable to the Securities, you will incur transaction costs and the original issue price for such an investment is likely to include certain built-in costs such as dealer discounts and hedging costs.
- **Greater expected volatility generally indicates an increased risk of loss at maturity -** "Volatility" refers to the frequency and magnitude of changes in the price of the underlying asset. The greater the expected volatility of the underlying asset as of the trade date, the greater the expectation is as of the trade date that the closing price of the underlying asset could be less than the coupon barrier on any observation date and that the final price of the underlying asset could be less than the trigger price on the final valuation date and, as a consequence, indicates an increased risk of loss. However, the underlying asset's volatility can change significantly over the term of the Securities, and a relatively lower coupon barrier and/or trigger price may not necessarily indicate that the Securities have a greater likelihood of a return of principal at maturity. You should be willing to accept the downside market risk of the underlying asset and the potential to lose a significant portion or all of your initial

investment.

- **Credit risk of UBS -** The Securities are unsubordinated, unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Securities, including any repayment of principal, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS may affect the market value of the Securities and, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities and you could lose your entire investment.
- **Market risk** - The price of the underlying asset can rise or fall sharply due to factors specific to that underlying asset and (i) in the case of common stock or American depositary receipts, its issuer (the "underlying asset issuer") or (ii) in the case of an exchange traded fund, the securities, futures contracts or physical commodities constituting the assets of that underlying asset. These factors include price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general market volatility and levels, interest rates and economic and political conditions. You, as an investor in the Securities, should make your own investigation into the underlying asset issuer and the underlying asset for your Securities. **We urge you to review financial and other information filed periodically by the underlying asset issuer with the SEC.**

- **Fair value considerations.**

- **The issue price you pay for the Securities will exceed their estimated initial value** - The issue price you pay for the Securities will exceed their estimated initial value as of the trade date due to the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and projected profits. As of the close of the relevant markets on the trade date, we will determine the estimated initial value of the Securities by reference to our internal pricing models and it will be set forth in the final terms supplement. The pricing models used to determine the estimated initial value of the Securities incorporate certain variables, including the price, volatility and expected dividends on the underlying asset, prevailing interest rates, the term of the Securities and our internal funding rate. Our internal funding rate is typically lower than the rate we would pay to issue conventional fixed or floating rate debt securities of a similar term. The underwriting discount, hedging costs, issuance costs, projected profits and the difference in rates will reduce the economic value of the Securities to you. Due to these factors, the estimated initial value of the Securities as of the trade date will be less than the issue price you pay for the Securities.
- **The estimated initial value is a theoretical price; the actual price that you may be able to sell your Securities in any secondary market (if any) at any time after the trade date may differ from the estimated initial value** - The value of your Securities at any time will vary based on many factors, including the factors described above and in “- Market risk” above and is impossible to predict. Furthermore, the pricing models that we use are proprietary and rely in part on certain assumptions about future events, which may prove to be incorrect. As a result, after the trade date, if you attempt to sell the Securities in the secondary market, the actual value you would receive may differ, perhaps materially, from the estimated initial value of the Securities determined by reference to our internal pricing models. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary

market at any time.

- **Our actual profits may be greater or less than the differential between the estimated initial value and the issue price of the Securities as of the trade date** - We may determine the economic terms of the Securities, as well as hedge our obligations, at least in part, prior to pricing the Securities on the trade date. In addition, there may be ongoing costs to us to maintain and/or adjust any hedges and such hedges are often imperfect. Therefore, our actual profits (or potentially, losses) in issuing the Securities cannot be determined as of the trade date and any such differential between the estimated initial value and the issue price of the Securities as of the trade date does not reflect our actual profits. Ultimately, our actual profits will be known only at the maturity of the Securities.

- **Limited or no secondary market and secondary market price considerations.**

- **There may be little or no secondary market for the Securities** - The Securities will not be listed or displayed on any securities exchange or any electronic communications network. There can be no assurance that a secondary market for the Securities will develop. UBS Securities LLC and its affiliates may make a market in each offering of the Securities, although they are not required to do so and may stop making a market at any time. If you are able to sell your Securities prior to maturity, you may have to sell them at a substantial loss. The estimated initial value of the Securities does not represent a minimum or maximum price at which we or any of our affiliates would be willing to purchase your Securities in any secondary market at any time.

- **The price at which UBS Securities LLC and its affiliates may offer to buy the Securities in the secondary market (if any) may be greater than UBS' valuation of the Securities at that time, greater than any other secondary market prices provided by unaffiliated dealers (if any) and, depending on your broker, greater than the valuation provided on your customer account statements** - For a limited period of time following the issuance of the Securities, UBS Securities LLC or its affiliates may offer to buy or sell such Securities at a price that exceeds (i) our valuation of the Securities at that time based on our internal pricing models, (ii) any secondary market prices provided by unaffiliated dealers (if any) and (iii) depending on your broker, the valuation provided on customer account statements. The price that UBS Securities LLC may initially offer to buy such Securities following issuance will exceed the valuations indicated by our internal pricing models due to the inclusion for a limited period of time of the aggregate value of the underwriting discount, hedging costs, issuance costs and theoretical projected trading profit. The portion of such amounts included in our price will decline to zero on a straight line basis over a period ending no later than the date specified under "Supplemental Plan of Distribution (Conflicts of Interest); Secondary Markets (if any)." Thereafter, if UBS Securities LLC or an affiliate makes secondary markets for the Securities, it will do so at prices that reflect our estimated value determined by reference to our internal pricing models at that time. The temporary positive differential relative to our internal pricing models arises from requests from and arrangements made by UBS Securities LLC with the selling agents of structured debt securities such as the Securities. As described above, UBS Securities LLC and its affiliates are not required to make a market for the Securities and may stop making a market at any time. The price at which UBS Securities LLC or an affiliate may make secondary markets at any time (if at all) will also reflect its then current bid-ask spread for similar sized trades of structured debt securities. UBS Financial Services Inc. and UBS Securities LLC reflect this temporary positive differential on their customer statements. Investors should inquire as to the valuation provided on customer account statements provided by unaffiliated dealers.

- **Price of Securities prior to maturity** - The market price of the Securities will be influenced by many unpredictable and interrelated factors, including the price of the underlying asset; the volatility of the underlying asset; the dividend rate paid on the underlying asset; the time remaining to the maturity of the Securities; interest rates in the markets; geopolitical conditions and economic, financial, political, force majeure and regulatory or judicial events; the creditworthiness of UBS and the then current bid-ask spread for the Securities.
- **Impact of fees and the use of internal funding rates rather than secondary market credit spreads on secondary market prices** - All other things being equal, the use of the internal funding rates described above under "- Fair value considerations" as well as the inclusion in the issue price of the underwriting discount, hedging costs, issuance costs and any projected profits are, subject to the temporary mitigating effect of UBS Securities LLC's and its affiliates' market making premium, expected to reduce the price at which you may be able to sell the Securities in any secondary market.

- **Owning the Securities is not the same as owning the underlying asset -** The return on your Securities may not reflect the return you would realize if you actually owned the underlying asset. For instance, you will not receive or be entitled to receive any dividend payments or other distributions on the underlying asset over the term of your Securities. Furthermore, the underlying asset may appreciate substantially during the term of your Securities and you will not participate in such appreciation.
- **No assurance that the investment view implicit in the Securities will be successful -** It is impossible to predict whether and the extent to which the price of the underlying asset will rise or fall. The price of the underlying asset will be influenced by complex and interrelated political, economic, financial and other factors that affect the underlying asset issuer. You should be willing to accept the risks of owning equities in general and the underlying asset in particular, and the risk of losing a significant portion or all of your initial investment.
- **There is no affiliation between the underlying asset issuer, or for Securities linked to exchange traded funds, the issuers of the constituent stocks comprising the underlying asset (the "underlying asset constituent stock issuers"), and UBS, and UBS is not responsible for any disclosure by such issuer(s)** - We and our affiliates may currently, or from time to time in the future engage in business with the underlying asset issuer or, if applicable, any underlying asset constituent stock issuers. However, we are not affiliated with the underlying asset issuer or any underlying asset constituent stock issuers and are not responsible for such issuer's public disclosure of information, whether contained in SEC filings or otherwise. You, as an investor in the Securities, should make your own investigation into the underlying asset issuer or, if applicable, each underlying asset constituent stock issuer. Neither the underlying asset issuer nor any underlying asset constituent stock issuer is involved in the Securities offered hereby in any way and has no obligation of any sort with respect to your Securities. Such issuer(s) have no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of, and any amounts payable on, your Securities.
- **The calculation agent can make adjustments that affect the payment to you at maturity-** For certain corporate events affecting the underlying asset, the calculation agent may make adjustments to the initial price, the coupon barrier, the trigger price and/or the final price of the underlying asset. However, the calculation agent will not make an adjustment in response to all events that could affect the underlying asset. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Securities may be materially and adversely affected. In addition, all determinations and calculations concerning any such adjustments will be made by the calculation agent. You should be aware that the calculation agent may make any such adjustment, determination or calculation in a manner that differs from that discussed in the accompanying product supplement as necessary to achieve an

equitable result. In the case of common stock or American depositary receipts, following certain corporate events relating to the issuer of the underlying asset where the issuer is not the surviving entity, the amount of cash you receive at maturity may be based on the common stock or American depositary receipts of a successor to the underlying asset issuer in combination with any cash or any other assets distributed to holders of the underlying asset in such corporate event. Additionally, if the issuer of the underlying asset becomes subject to (i) a reorganization event whereby the underlying asset is exchanged solely for cash, (ii) a merger or consolidation with UBS or any of its affiliates or (iii) an underlying asset is delisted or otherwise suspended from trading, the amount you receive at maturity may be based on the common stock or American depositary receipts issued by another company. In the case of an exchange traded fund, following a suspension from trading or if an exchange traded fund is discontinued, the amount you receive at maturity may be based on a share of another exchange traded fund. The occurrence of these corporate events and the consequent adjustments may materially and adversely affect the value of the Securities. For more information, see the sections "General Terms of the Securities -- Antidilution Adjustments for Securities Linked to an Underlying Asset or Equity Basket Asset" and " --Reorganization Events for Securities Linked to an Underlying Asset or Equity Basket Asset" in the accompanying product supplement. Regardless of the occurrence of one or more dilution or reorganization events, you should note that at maturity UBS will pay you an amount in cash equal to your principal amount, unless the final price of the underlying asset is below the trigger price (as such trigger price may be adjusted by the calculation agent upon occurrence of one or more such events). Regardless of any of the events discussed above, any payment on the Securities is subject to the creditworthiness of UBS.

- **Potential UBS impact on the market price of the underlying asset** - Trading or transactions by UBS or its affiliates in the underlying asset and/or over-the-counter options, futures or other instruments with returns linked to the performance of the underlying asset may adversely affect the market price of the underlying asset and, therefore, the market value of, and any amounts payable on, your Securities.
- **Potential conflict of interest -** UBS and its affiliates may engage in business with the issuer of the underlying asset, which may present a conflict between the obligations of UBS and you, as a holder of the Securities. There are also potential conflicts of interest between you and the calculation agent, which will be an affiliate of UBS. The calculation agent will determine whether the final price is below the trigger price and accordingly the payment at maturity on your Securities. The calculation agent may also postpone the determination of the final price and the maturity date if a market disruption event occurs and is continuing on the final valuation date and may make adjustments to the initial price, the trigger price, the coupon barrier, the final price and/or the underlying asset itself for certain corporate events affecting the underlying asset. For more information, see the sections "General Terms of the Securities -- Antidilution Adjustments for Securities Linked to an Underlying Asset or Equity Basket Asset" and " --Reorganization Events for Securities Linked to an Underlying Asset or Equity Basket Asset" in the accompanying product supplement. As UBS determines the economic terms of the Securities, including the contingent coupon rate, trigger price and coupon barrier, and such terms include the underwriting discount, hedging costs, issuance costs and projected profits, the Securities represent a package of economic terms. There are other potential conflicts of interest insofar as an investor could potentially get better economic terms if that investor entered into exchange-traded and/or OTC derivatives or other instruments with third parties, assuming that such instruments were available and the investor had the ability to assemble and enter into such instruments.
- **Potentially inconsistent research, opinions or recommendations by UBS -** UBS and its affiliates publish research from time to time on financial markets and other matters that may influence the value of the Securities, or express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. Any research, opinions or recommendations expressed by UBS or its affiliates may not be consistent with each other and may be modified from time to time without notice. Investors should make their own independent investigation of the merits of investing in the Securities and the underlying asset to which the Securities are linked.
- **The Securities are not bank deposits -** An investment in the Securities carries risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. The Securities have different yield and/or return, liquidity and risk profiles and would not benefit from any protection provided to deposits.
- **If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings in respect of, and/or impose protective measures in relation to, UBS, which proceedings or measures may have a material adverse effect on the terms and market value of the Securities and/or the**

ability of UBS to make payments thereunder - The Swiss Financial Market Supervisory Authority ("FINMA") has broad statutory powers to take measures and actions in relation to UBS if (i) it concludes that there is justified concern that UBS is over-indebted or has serious liquidity problems or (ii) UBS fails to fulfil the applicable capital adequacy requirements (whether on a standalone or consolidated basis) after expiry of a deadline set by FINMA. If one of these pre-requisites is met, FINMA is authorized to open restructuring proceedings or liquidation (bankruptcy) proceedings in respect of, and/or impose protective measures in relation to, UBS. The Swiss Banking Act grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium or a maturity postponement, which measures may be ordered by FINMA either on a stand-alone basis or in connection with restructuring or liquidation proceedings. The resolution regime of the Swiss Banking Act is further detailed in the FINMA Banking Insolvency Ordinance ("BIO-FINMA"). In a restructuring proceeding, FINMA, as resolution authority, is competent to approve the resolution plan. The resolution plan may, among other things, provide for (a) the transfer of all or a portion of UBS's assets, debts, other liabilities and contracts (which may or may not include the contractual relationship between UBS and the holders of Securities) to another entity, (b) a stay (for a maximum of two business days) on the termination of contracts to which UBS is a party, and/or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of collateral or (z) rights to transfer claims, liabilities or collateral under contracts to which UBS is a party, (c) the conversion of UBS's debt and/or other obligations, including its obligations under the Securities, into equity (a "debt-to-equity" swap), and/or (d) the partial or full write-off of obligations owed by UBS (a "write-off"), including its obligations under the Securities. The BIO-FINMA provides that a debt-to-equity swap and/or a write-off of debt and other obligations (including the Securities) may only take place after (i) all debt instruments issued by UBS qualifying as additional tier 1 capital or tier 2 capital have been converted into equity or written-off, as applicable, and (ii) the existing equity of UBS has been fully cancelled. While the BIO-FINMA does not expressly address the order in which a write-off of debt instruments other than debt instruments qualifying as additional tier 1 capital or tier 2 capital should occur, it states that debt-to-equity swaps should occur in the following order: first, all subordinated claims not qualifying as regulatory capital; second, all other claims not excluded by law from a debt-to-equity swap (other than deposits); and third, deposits (in excess of the amount privileged by law). However, given the broad discretion granted to FINMA as the resolution authority, any restructuring plan in respect of UBS could provide that the claims under or in connection with the Securities will be partially or fully converted into equity or written-off, while preserving other obligations of UBS that rank pari passu with, or even junior to, UBS's obligations under the Securities. Consequently, holders of Securities may lose all of some of their investment in the Securities. In the case of restructuring proceedings with respect to a systemically important Swiss bank (such as UBS), the creditors whose claims are affected by the restructuring plan will not have a right to vote on, reject, or seek the suspension of the restructuring plan. In addition, if a restructuring plan has been approved by FINMA, the rights of a creditor to seek judicial review of the restructuring plan (e.g., on the grounds that the plan would unduly prejudice the rights of holders of Securities or otherwise be in violation of the Swiss Banking Act) are very limited. In particular, a court may not suspend the implementation of the restructuring plan. Furthermore, even if a creditor successfully challenges the restructuring plan, the court can only require the relevant creditor to be compensated ex post and there is currently no guidance as to on what basis such compensation would be calculated or how it would be funded.

- **Dealer incentives -** UBS and its affiliates act in various capacities with respect to the Securities. We and our affiliates may act as a principal, agent or dealer in connection with the sale of the Securities. Such affiliates, including the sales representatives, will derive compensation from the distribution of the Securities and such compensation may serve as an incentive to sell these Securities instead of other investments. We will pay total underwriting compensation of 1.50% per Security to any of our affiliates acting as agents or dealers in connection with the distribution of the Securities. Given that UBS Securities LLC and its affiliates temporarily maintain a market making premium, it may have the effect of discouraging UBS Securities LLC and its affiliates from recommending sale of your Securities in the secondary market.
- **Uncertain tax treatment -** Significant aspects of the tax treatment of the Securities are uncertain. You should read carefully the sections entitled "What are the Tax Consequences of the Securities" herein and in the prospectus supplement and "Material U.S. Federal Income Tax Consequences" in the accompanying product supplement, and consult your tax advisor about your tax situation.

Information about the Underlying Asset

All disclosures regarding the underlying asset are derived from publicly available information. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying asset. **You should make your own investigation into the underlying asset.**

The underlying asset will be registered under the Securities Act of 1933, the Securities Exchange Act of 1934 (as amended, the "Exchange Act") and/or the Investment Company Act of 1940, each as amended. Companies with securities registered with the SEC are required to file financial and other information specified by the SEC periodically. Information filed by the underlying asset issuer with the SEC can be reviewed electronically through a website maintained by the SEC. The address of the SEC’s website is http://www.sec.gov. Information filed with the SEC by the underlying asset issuer can be located by reference to its SEC file number provided below. In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates.

The Boeing Company

According to publicly available information, The Boeing Company ("Boeing") is an aerospace company. Information filed by Boeing with the SEC can be located by reference to its SEC file number: 001-00442, or its CIK Code: 0000012927. Boeing's website is boeing.com. Boeing's common stock is listed on the New York Stock Exchange under the ticker symbol "BA."

Information from outside sources is not incorporated by reference in, and should not be considered part of, this preliminary terms supplement or any accompanying prospectus. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the underlying asset.

Historical Information

The following table sets forth the quarterly high and low closing prices for Boeing's common stock, based on daily closing prices on the primary exchange for Boeing. We obtained the closing prices below from Bloomberg Professional service (“Bloomberg”), without independent verification. The closing prices may be adjusted by Bloomberg for corporate actions such as stock splits, public offerings, mergers and acquisitions, spin-offs, extraordinary dividends, delistings and bankruptcy. UBS has not undertaken an independent review or due diligence of any publicly available information obtained from Bloomberg. Boeing's closing price on March 22, 2019 was $362.17. The actual initial price will be the closing price of Boeing's common stock on the trade date. **Past performance of the underlying asset is not indicative of the future performance of the underlying asset.**

Quarter Begin	Quarter End	Quarterly High	Quarterly Low	Quarterly Close
04/01/2014	06/30/2014	$138.25	$122.07	$127.23

07/01/2014	09/30/2014	$129.74	$118.34	$127.38
10/01/2014	12/31/2014	$134.81	$120.19	$129.98
01/02/2015	03/31/2015	$158.31	$127.53	$150.08
04/01/2015	06/30/2015	$154.38	$138.72	$138.72
07/01/2015	09/30/2015	$148.49	$125.49	$130.95
10/01/2015	12/31/2015	$149.40	$130.61	$144.59
01/04/2016	03/31/2016	$141.07	$108.44	$126.94
04/01/2016	06/30/2016	$137.08	$122.70	$129.87
07/01/2016	09/30/2016	$135.96	$126.70	$131.74
10/03/2016	12/30/2016	$157.81	$132.25	$155.68
01/03/2017	03/31/2017	$183.91	$156.97	$176.86
04/03/2017	06/30/2017	$202.23	$175.62	$197.75
07/03/2017	09/29/2017	$256.45	$198.59	$254.21

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Revenues less transaction rebates, brokerage, clearance and exchange fees	424	415	835	827
Operating expenses:				
Compensation and benefits	113	115	224	226
Marketing and advertising	6	5	13	10
Depreciation and amortization	25	26	51	53
Professional and contract services	23	20	45	39
Computer operations and data communications	17	17	33	34
Occupancy	23	23	46	46
Regulatory	9	8	18	17
Merger and strategic initiatives	1	29	3	34

Restructuring charges	17		26	
General, administrative and other	15	14	30	27
Total operating expenses	249	257	489	486
Operating income	175	158	346	341
Interest income	2	3	4	5
Interest expense	(24)	(31)	(48)	(63)
Dividend and investment income				(1)
Asset impairment charges	(28)		(40)	
Income from unconsolidated investees, net		1		1
Income before income taxes	125	131	262	283
Income tax provision	33	40	86	89
Net income	92	91	176	194
Net loss attributable to noncontrolling interests	1	1	2	2
Net income attributable to NASDAQ OMX	$ 93	$ 92	$ 178	$ 196
Per share information:				
Basic earnings per share	$ 0.55	$ 0.52	$ 1.04	$ 1.11
Diluted earnings per share	$ 0.53	$ 0.51	$ 1.02	$ 1.09
Cash dividends declared per common share	$ 0.13	$	$ 0.13	$

See accompanying notes to condensed consolidated financial statements.

3

Table of Contents

The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(in millions)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income	$ 92	$ 91	$ 176	$ 194
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on available-for-sale investment securities:				
Unrealized holding gains (losses) arising during the period	(5)	(3)	2	(7)
Income tax benefit		1		3
Total	(5)	(2)	2	(4)
Foreign currency translation gains (losses):				
Net foreign currency translation gains (losses)	(209)	23	(24)	299
Income tax benefit (expense)	64	(1)	4	(85)
Total	(145)	22	(20)	214
Total other comprehensive income (loss), net of tax	(150)	20	(18)	210
Comprehensive income (loss)	(58)	111	158	404
Comprehensive loss attributable to noncontrolling interests	1	1	2	2
Comprehensive income (loss) attributable to NASDAQ OMX	$ (57)	$ 112	$ 160	$ 406

See accompanying notes to condensed consolidated financial statements.

Table of Contents

The NASDAQ OMX Group, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in millions)

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Cash flows from operating activities:		
Net income	$ 176	$ 194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51	53
Share-based compensation	22	17
Excess tax benefits related to share-based compensation	(1)	(6)
Provision for bad debts	4	1
Deferred income taxes	(36)	(21)
Non-cash restructuring charges	12	
Asset impairment charges	40	
Loss on asset retirements		1
Net income from unconsolidated investees		(1)
Accretion of debt discounts	1	8
Amortization of debt issuance costs	1	4
Other non-cash items included in net income	5	
Net change in operating assets and liabilities, net of effects of acquisitions:		
Receivables, net	(35)	(43)
Other assets	(18)	65
Accounts payable and accrued expenses	(8)	46
Section 31 fees payable to SEC	50	65
Accrued personnel costs	(65)	(37)
Deferred revenue	80	70
Other liabilities	39	14
Net cash provided by operating activities	318	430
Cash flows from investing activities:		
Purchases of trading securities	(164)	(348)
Proceeds from sales and redemptions of trading securities	248	298
Acquisitions of businesses, net of cash and cash equivalents acquired	(57)	(2)
Purchases of property and equipment	(41)	(24)
Net cash used in investing activities	(14)	(76)
Cash flows from financing activities:		
Payments of debt obligations	(122)	(120)
Cash paid for repurchase of common stock	(175)	
Cash dividends	(22)	
Issuances of common stock, net of treasury stock purchases	2	8
Excess tax benefits related to share-based compensation	1	6
Other financing activities	(1)	10

Net cash used in financing activities	(317)	(96)
Effect of exchange rate changes on cash and cash equivalents	(2)	5
Net increase (decrease) in cash and cash equivalents	(15)	263
Cash and cash equivalents at the beginning of period	506	315
Cash and cash equivalents at the end of period	$ 491	$ 578
Supplemental Disclosures		
Cash paid for:		
Interest	$ 40	$ 36
Income taxes, net of refund	$ 79	$ 37

See accompanying notes to condensed consolidated financial statements.

Table of Contents

The NASDAQ OMX Group, Inc.

Notes to Condensed Consolidated Financial Statements

1. Organization and Nature of Operations

We are a leading global exchange group that delivers trading, clearing, exchange technology, regulatory, securities listing, and public company services across six continents. Our global offerings are diverse and include trading and clearing across multiple asset classes, market data products, financial indexes, capital formation solutions, financial services and market technology products and services. Our technology powers markets across the globe, supporting cash equity trading, derivatives trading, clearing and settlement and many other functions.

In the U.S., we operate The NASDAQ Stock Market, a registered national securities exchange. The NASDAQ Stock Market is the largest single cash equities securities market in the U.S. in terms of listed companies and in the world in terms of share value traded. As of June 30, 2012, The NASDAQ Stock Market was home to 2,636 listed companies with a combined market capitalization of approximately $5.1 trillion. Also, in the U.S. we operate two additional cash equities trading markets, three options markets, a futures market and a derivatives clearinghouse. We also engage in riskless principal trading of over-the-counter, or OTC, power and gas contracts.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland as NASDAQ OMX Nordic, and exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as NASDAQ OMX Baltic. Collectively, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic offer trading in cash equities, bonds, structured products and ETFs, as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through NASDAQ OMX First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies. As of June 30, 2012, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 759 listed companies with a combined market capitalization of approximately $0.9 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world s largest power derivatives exchange, one of Europe s largest carbon exchanges, and, together with Nord Pool Spot, N2EX, a marketplace for physical U.K. power contracts.

In some of the countries where we operate exchanges, we also provide clearing, settlement, and depository services.

2. Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The accompanying unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. The condensed consolidated financial statements include the accounts of NASDAQ OMX, its wholly-owned subsidiaries and other entities in which NASDAQ OMX has a controlling financial interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

As permitted under U.S. GAAP, certain footnotes or other financial information can be condensed or omitted in the interim condensed consolidated financial statements. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in NASDAQ OMX s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

We have evaluated our subsequent events through the issuance date of this Quarterly Report on Form 10-Q. See Note 17, Subsequent Events, for further discussion.

Income Taxes

We use the asset and liability method to determine income taxes on all transactions recorded in the condensed consolidated financial statements. Deferred tax assets and liabilities are determined based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (i.e., temporary differences) and are measured at the enacted rates that will be in effect when these differences are realized. If necessary, a valuation allowance is established to reduce deferred tax assets to the amount that is more likely than not to be realized.

Table of Contents

In order to recognize and measure our unrecognized tax benefits, management determines whether a tax position is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. Once it is determined that a position meets the recognition thresholds, the position is measured to determine the amount of benefit to be recognized in the condensed consolidated financial statements. Interest and/or penalties related to income tax matters are recognized in income tax expense.

In the fourth quarter of 2010, we received an appeal from the Finnish Tax Authority in which such authority challenges certain interest expense deductions claimed by NASDAQ OMX in Finland for the year 2008. NASDAQ OMX s tax return position with respect to this deduction was previously reviewed and approved by the Finnish Tax Authority. The appeal also demands certain penalties be paid with regard to the company s tax return filing position. If the Finnish Tax Authority prevails in its challenge, additional tax and penalties for the years 2008-2011 and for the six months ended June 30, 2012, would total approximately $25 million. We expect the Finnish Appeals Board to agree with our position once its review is completed and, as such, believe it is unlikely NASDAQ OMX will be assessed any additional tax and penalties. Through June 30, 2012, we have recorded the tax benefits associated with the filing position.

Recently Adopted Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board, or FASB, issued amended guidance relating to FASB Accounting Standards Codification, or ASC, Topic 820, Fair Value Measurements and Disclosures, which requires the categorization by level of the fair value hierarchy for items not measured at fair value on our Condensed Consolidated Balance Sheets, but for which the fair value is disclosed. This accounting guidance was effective for us on January 1, 2012. Since this guidance only required additional disclosure, it did not affect our financial position or results of operations.

In July 2012, the FASB issued amended guidance relating to FASB ASC Topic 350, Intangibles Goodwill and Other, which permits an entity to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with ASC Topic 350. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then no further action is required. This accounting guidance is effective for us on January 1, 2013 with early adoption permitted. Since this guidance only changes the manner in which we assess indefinite-lived intangible assets for impairment, it will not affect our financial position or results of operations. We are currently evaluating the timing of the adoption of this guidance.

3. Restructuring Charges

The following table presents a summary of restructuring charges in the Condensed Consolidated Statements of Income:

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
	(in millions)	
Severance	$ 9	$ 14
Facilities-related	5	5
Asset impairments	2	6
Other	1	1
Total restructuring charges	$ 17	$ 26

During the first quarter of 2012, we performed a comprehensive review of our processes, organizations and systems in a company-wide effort to improve performance, cut costs, and reduce spending. Through this initiative, we expect to generate substantial pre-tax savings through 2012 of approximately $25 million and annualized savings of $50 million.

During the second quarter of 2012, we recognized restructuring charges totaling $17 million, including severance costs of $9 million related to workforce reductions of 124 positions across our organization, $5 million of facility-related charges, discussed below, $2 million of asset impairments, primarily consisting of fixed assets and capitalized software which have been retired, and $1 million of other charges. During the first six months of 2012, we recognized restructuring charges totaling $26 million, including severance costs of $14 million related to workforce reductions of 162 positions across our organization, $5 million of facility-related charges, discussed below, $6 million of asset impairments, primarily consisting of fixed assets and capitalized software which have been retired, and $1 million of other charges. In connection with our restructuring activity we expect to incur approximately $9 million of additional restructuring charges through 2012, primarily relating to severance and facilities-related expenses.

Table of Contents

Restructuring Reserve

Severance

The majority of severance relating to our restructuring will be paid during the second half of 2012. During the six months ended June 30, 2012, $8 million of severance was paid. The severance reserve balance, which totaled $6 million at June 30, 2012, is included in current liabilities in the Condensed Consolidated Balance Sheets.

Facilities-related

The facilities-related charge of $5 million relates to lease rent accruals for facilities we no longer occupy due to consolidating facilities as well as the write-off and the disposal of leasehold improvements and other assets. The lease rent costs included in the facilities-related charge are equal to the future costs associated with the facility, net of estimated proceeds from any future sublease agreements that could be reasonably obtained, based on management s estimate. We will continue to evaluate these estimates in future periods, and thus, there may be additional charges or reversals relating to these facilities. The facilities-related restructuring reserve will be paid over several years until the leases expire. The facilities-related reserve balance, which totaled $2 million at June 30, 2012, is included in other current liabilities and other non-current liabilities in the Condensed Consolidated Balance Sheets.

4. Acquisitions

2012 Acquisition

Acquisition of BWise Beheer B.V.

	Purchase Consideration	Total Net Liabilities Acquired	Purchased Intangible Assets	Goodwill
		(in millions)		
BWise Beheer B.V.	$ 77	$ (11)	$ 35	$ 53

In May 2012, we acquired a 72% ownership interest in BWise Beheer B.V. and its subsidiaries, or BWise, a Netherlands-based service provider that offers enterprise governance, risk management and compliance software and services to help companies track, measure and manage key organizational risks for approximately $57 million in cash (47 million Euro). We have agreed to purchase the remaining 28% ownership interest in BWise in two separate transactions, resulting in 100% ownership by the first half of 2015 for a total purchase price of approximately $77 million (62 million Euro). We acquired net liabilities of $2 million and recorded a current deferred tax liability of $1 million and a non-current deferred tax liability of $8 million related to purchased intangible assets, resulting in total net liabilities acquired of $11 million. The purchased intangible assets totaling $35 million consisted of $23 million in customer relationships, $7 million in technology and $5 million in trade name. BWise is part of our Corporate Solutions business within our Issuer Services segment.

2011 Acquisitions

Acquisition of Glide Technologies

	Purchase Consideration	Total Net Liabilities Acquired	Purchased Intangible Assets	Goodwill
		(in millions)		
Glide Technologies	$ 22	$ (2)	$ 4	$ 20

In October 2011, we acquired Glide Technologies Limited, or Glide Technologies, a London-based service provider specializing in corporate communications and reputation management solutions, for $22 million. We acquired net liabilities, at fair value, totaling $1 million and recorded a non-current deferred tax liability of $1 million related to purchased intangible assets, resulting in total net liabilities acquired of $2 million. The purchased intangible assets totaling $4 million consisted of technology and customer relationships. Glide Technologies is part of our Corporate Solutions business within our Issuer Services segment.

The amounts in the tables above for BWise and Glide represent the preliminary allocation of the purchase price and are subject to revision during the remainder of the measurement period, a period not to exceed 12 months from the acquisition date. Adjustments to the provisional values during the measurement period will be pushed back to the date of acquisition. Comparative information for periods after acquisition but before the period in which the adjustments are identified will be adjusted to reflect the effects of the adjustments as if they were taken into account as of the acquisition date. Changes to amounts recorded as assets and liabilities may result in a corresponding adjustment to goodwill. There were no adjustments to the provisional values for Glide Technologies during the six months ended June 30, 2012.

Acquisition of the Business of RapiData

In December 2011, we acquired the business of RapiData LLC, a leading provider of machine-readable economic news to trading firms and financial institutions, for an immaterial amount. This acquisition allows us to deliver U.S. government and other economic news directly from the source to customers interested in receiving information in an electronic feed. This service is part of our Market Data business within our Market Services segment.

Table of Contents

Pro Forma Results and Acquisition-related Costs

Pro forma results of operations for the acquisitions completed during 2012 and 2011 have not been presented since these acquisitions both individually and in the aggregate were not material to our financial results.

Acquisition-related costs for the above acquisitions were expensed as incurred and are included in merger and strategic initiatives expense in the Condensed Consolidated Statements of Income.

5. Goodwill and Purchased Intangible Assets

Goodwill

The following table presents the changes in goodwill by business segment during the six months ended June 30, 2012:

	Market Services	Issuer Services	Market Technology	Total
		(in millions)		
Balance at December 31, 2011	$ 4,602	$ 306	$ 153	$ 5,061
Goodwill acquired		53		53
Foreign currency translation adjustment	(9)	(1)	(1)	(11)
Balance at June 30, 2012	$ 4,593	$ 358	$ 152	$ 5,103

As of June 30, 2012, the amount of goodwill that is expected to be deductible for tax purposes in future periods is $90 million.

The goodwill acquired for Issuer Services shown above relates to our acquisition of BWise in May 2012. See Note 4, Acquisitions, for further discussion.

Goodwill represents the excess of the purchase price over the value assigned to the net tangible and identifiable intangible assets of a business acquired. Goodwill is allocated to our reporting units based on the assignment of the fair values of each reporting unit of the acquired company. We are required to test goodwill for impairment at the reporting unit level annually, or in interim periods if certain events occur indicating that the carrying amount may be impaired. We test for impairment during the fourth quarter of our fiscal year using carrying amounts as of October 1. We considered the need to update our most recent annual goodwill impairment test as of June 30, 2012 and did not identify any impairment indicators that triggered a revised impairment analysis. As such, we concluded the assumptions used during the most recent annual assessment remained appropriate. There was no impairment of goodwill for the three and six months ended June 30, 2012 and 2011, however, events such as economic weakness or unexpected significant declines in operating results of a reporting unit may result in goodwill impairment charges in the future.

Purchased Intangible Assets

The following table presents details of our total purchased intangible assets, both finite- and indefinite-lived:

	June 30, 2012				December 31, 2011			
	Gross Amount	Accumulated Amortization	Net Amount	Weighted-Average Useful Life (in Years)	Gross Amount	Accumulated Amortization	Net Amount	Weighted-Average Useful Life (in Years)
		(in millions)				(in millions)		
Finite-Lived Intangible Assets								

Technology	$ 25	$ (6)	$ 19	6	$ 42	$ (10)	$ 32	8
Customer relationships	865	(216)	649	21	854	(196)	658	21
Other	6	(2)	4	9	6	(2)	4	8
Foreign currency translation adjustment	(26)	5	(21)		(25)	4	(21)	
Total finite-lived intangible assets	$ 870	$ (219)	$ 651		$ 877	$ (204)	$ 673	
Indefinite-Lived Intangible Assets								
Exchange and clearing registrations	$ 790	$	$ 790		$ 790	$	$ 790	
Trade names	184		184		181		181	
Licenses	78		78		78		78	
Foreign currency translation adjustment	(78)		(78)		(74)		(74)	
Total indefinite-lived intangible assets	$ 974	$	$ 974		$ 975	$	$ 975	
Total intangible assets	$ 1,844	$ (219)	$ 1,625		$ 1,852	$ (204)	$ 1,648	

Table of Contents

Amortization expense for purchased finite-lived intangible assets was $13 million for the three months ended June 30, 2012 and $26 million for the six months ended June 30, 2012 compared to $13 million for the three months ended June 30, 2011 and $28 million for the six months ended June 30, 2011.

The estimated future amortization expense (excluding the impact of foreign currency translation adjustments of $21 million as of June 30, 2012) of purchased finite-lived intangible assets as of June 30, 2012 is as follows:

	(in millions)
2012(1)	$ 27
2013	50
2014	49
2015	47
2016	45
2017 and thereafter	454
Total	$ 672

(1) Represents the estimated amortization to be recognized for the remaining six months of 2012.

Intangible Asset Impairment Charges

In the second quarter of 2012, we recorded non-cash intangible asset impairment charges totaling $28 million related to certain acquired finite-lived intangible assets associated with technology ($19 million), customer relationships ($6 million), and certain trade names ($3 million). These impairments resulted primarily from the replacement of certain acquired technology, as well as changes in the forecasted revenues associated with the acquired customer list of certain businesses. The fair value of technology and trademarks was determined using the income approach, specifically the relief from royalty method. The fair value of customer relationships was determined using the income approach, specifically the multi-period excess earnings method. These charges are recorded in asset impairment charges in the Condensed Consolidated Statements of Income. Of the total impairment charge recorded during the second quarter of 2012, $17 million related to our Market Services segment and $11 million related to our Market Technology segment. However, for segment reporting purposes, these charges were allocated to corporate items based on the decision that these charges should not be used to evaluate the segment s operating performance.

6. Investments

Trading Securities

Trading securities, which are included in financial investments, at fair value in the Condensed Consolidated Balance Sheets, were $176 million as of June 30, 2012 and $261 million as of December 31, 2011. These securities are primarily comprised of Swedish government debt securities, of which $90 million as of June 30, 2012 and $212 million as of December 31, 2011 are restricted assets to meet regulatory capital requirements primarily for clearing operations at NASDAQ OMX Stockholm, or NASDAQ OMX Nordic Clearing.

Available-for-Sale Investment Security

Investment in DFM

Our available-for-sale investment security, which is included in financial investments, at fair value in the Condensed Consolidated Balance Sheets, represents our 1% investment in Dubai Financial Market PJSC, or DFM. The adjusted cost basis of this security was $18 million as of June 30, 2012 and December 31, 2011. The fair value of this investment as of June 30, 2012 was $20 million. The gross change of $2 million between the adjusted cost basis and fair value as of June 30, 2012 is reflected as an unrealized holding gain in accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets, net of taxes.

Table of Contents

Equity Method Investments

In general, the equity method of accounting is used when we own 20% to 50% of the outstanding voting stock and when we are able to exercise significant influence over the operating and financial policies of a company. Equity interest in our equity method investments was $13 million as of June 30, 2012 and $27 million as of December 31, 2011, which consisted primarily of our equity interest in European Multilateral Clearing Facility N.V., or EMCF. Equity method investments are included in other non-current assets in the Condensed Consolidated Balance Sheets.

Income recognized from our equity interest in the earnings and losses of these companies was immaterial for both the three and six months ended June 30, 2012 and $1 million for both the three and six months ended June 30, 2011.

In the first quarter of 2012, we recorded a non-cash, other-than-temporary impairment charge on our equity investment in EMCF of $12 million due to a decline in operations at EMCF during the three months ended March 31, 2012. This loss is included in asset impairment charges in the Condensed Consolidated Statements of Income for the six months ended June 30, 2012.

7. Deferred Revenue

Deferred revenue represents cash payments received that are yet to be recognized as revenue. At June 30, 2012, we estimate that our deferred revenue, which is primarily related to Global Listing Services and Market Technology revenues, will be recognized in the following years:

	Initial Listing Revenues	Listing of Additional Shares Revenues	Annual Renewal and Other Revenues (in millions)	Market Technology Revenues[2]	Total
Fiscal year ended:					
2012[1]	$ 7	$ 18	$ 103	$ 29	$ 157
2013	10	31	2	39	82
2014	8	20		28	56
2015	6	9		20	35
2016	4	1		15	20
2017 and thereafter	2			9	11
	$ 37	$ 79	$ 105	$ 140	$ 361

(1) Represents deferred revenue that is anticipated to be recognized over the remaining six months of 2012.

(2) The timing of recognition of our deferred Market Technology revenues is dependent upon the completion of customization and any significant modifications made pursuant to existing contracts. As such, as it relates to these revenues, the timing represents our best estimate.

The changes in our deferred revenue during the six months ended June 30, 2012 and 2011 are reflected in the following table.

	Initial Listing Revenues	Listing of Additional Shares Revenues	Annual Renewal and Other Revenues (in millions)	Market Technology Revenues[2]	Total
Balance at January 1, 2012	$ 39	$ 86	$ 25	$ 128	$ 278

Additions[1]	5	12	182	57	256
Amortization[1]	(7)	(19)	(102)	(43)	(171)
Translation adjustment				(2)	(2)
Balance at June 30, 2012	$ 37	$ 79	$ 105	$ 140	$ 361
Balance at January 1, 2011	$ 42	$ 83	$ 21	$ 146	$ 292
Additions[1]	7	22	189	25	243
Amortization[1]	(8)	(20)	(113)	(30)	(171)
Translation adjustment			1	7	8
Balance at June 30, 2011	$ 41	$ 85	$ 98	$ 148	$ 372

(1) The additions and amortization for initial listing revenues, listing of additional shares revenues and annual renewal and other revenues primarily reflect Issuer Services revenues from U.S. listing revenues.

Table of Contents

(2) Market Technology deferred revenue includes revenues from delivered client contracts in the support phase charged during the period. Under contract accounting, where customization and significant modifications to the software are made to meet the needs of our customers, total revenues, as well as costs incurred, are deferred until significant modifications are completed and delivered. Once delivered, deferred revenue and the related deferred costs are recognized over the post-contract support period. We have included the deferral of costs in other current assets and other non-current assets in the Condensed Consolidated Balance Sheets. The amortization of Market Technology deferred revenue primarily includes revenues earned from client contracts recognized during the period.

8. Debt Obligations

The following table presents the changes in the carrying value of our debt obligations during the six months ended June 30, 2012:

	December 31, 2011	Additions	Payments, Conversions, Accretion and Other	June 30, 2012
		(in millions)		
3.75% convertible notes due October 22, 2012 (net of discount)(1)	$	$	$	$
2.50% convertible senior notes due August 15, 2013(2)	88		1	89
4.00% senior unsecured notes due January 15, 2015 (net of discount)(3)	399			399
5.55% senior unsecured notes due January 15, 2020 (net of discount)(3)	598			598
5.25% senior unsecured notes due January 16, 2018 (net of discount)(3)	367			367
$1.2 billion senior unsecured five-year credit facility:				
$450 million senior unsecured term loan facility credit agreement due September 19, 2016 (average interest rate of 1.63% for the period January 1, 2012 through June 30, 2012)(4)	439		(22)	417
$750 million revolving credit commitment due September 19, 2016 (average interest rate of 1.43% for the period January 1, 2012 through June 30, 2012)(4)	226		(100)	126
Total debt obligations	2,117		(121)	1,996
Less current portion	(45)			(45)
Total long-term debt obligations	$ 2,072	$	$ (121)	$ 1,951

(1) As of December 31, 2011, approximately $0.5 million aggregate principal amount of the 3.75% convertible notes remained outstanding. In June 2012, all of the remaining aggregate principal amount of the 3.75% convertible notes outstanding were converted into 34,482 shares of common stock in accordance with the terms of the notes.

(2) See 2.50% Convertible Senior Notes below for further discussion.

(3) See Senior Unsecured Notes below for further discussion.

(4) See 2011 Credit Facility below for further discussion.

2.50% Convertible Senior Notes

During the first quarter of 2008, in connection with the business combination with OMX AB, we completed the offering of $475 million aggregate principal amount of 2.50% convertible senior notes due August 15, 2013, or the 2013 Convertible Notes. The interest rate on the notes is 2.50% per annum payable semi-annually in arrears on February 15 and August 15.

The 2013 Convertible Notes are convertible in certain circumstances specified in the indenture for the notes. Upon conversion, holders will receive, at the election of NASDAQ OMX, cash, common stock or a combination of cash and common stock. It is our current intent and policy to settle the principal amount of the notes in cash. The conversion rate as of June 30, 2012, subject to adjustment in certain events including cash dividends, is 18.2478 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $54.80 per share of common stock. As of June 30, 2012, the remaining aggregate principal amount outstanding of the 2013 Convertible Notes is convertible into 1,696,734 shares of our common stock. The conversion rate as of December 31, 2011, subject to adjustment in certain events, was 18.1386 shares of common stock per $1,000 principal amount of notes, which was equivalent to a conversion price of approximately $55.13 per share of common stock. As of December 31, 2011, the remaining aggregate principal amount outstanding of the 2013 Convertible Notes was convertible into 1,686,577 shares of our common stock. Subject to certain exceptions, if we undergo a fundamental change as described in the indenture, holders may require us to purchase their notes at a price equal to 100% of the principal amount of the notes, plus accrued and unpaid interest.

Table of Contents

Liability and Equity Components

Since the settlement structure of the 2013 Convertible Notes permits settlement in cash upon conversion, we are required to separately account for the liability and equity components of the convertible debt in a manner that reflects our nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This entails bifurcation of a component of the debt, classification of that component in equity and then accretion of the resulting discount on the debt being reflected in the income statement as part of interest expense.

The changes in the liability and equity components of the 2013 Convertible Notes during the six months ended June 30, 2012 are as follows:

	Liability Component (in millions)			Equity Component (in millions)		
	Principal Balance	Unamortized Debt Discount	Net Carrying Amount	Gross Equity Component	Deferred Taxes	Net Equity Component
December 31, 2011	$ 93	$ 5	$ 88	$ 71	$ 32	$ 39
Accretion of debt discount		(1)	1			
June 30, 2012	$ 93	$ 4	$ 89	$ 71	$ 32	$ 39

The unamortized debt discount on the 2013 Convertible Notes was $4 million as of June 30, 2012 and $5 million as of December 31, 2011 and is included in debt obligations in the Condensed Consolidated Balance Sheets. The remaining amount of $4 million will be accreted as part of interest expense through August 15, 2013, the maturity date of the convertible debt. The effective annual interest rate on the 2013 Convertible Notes was 6.53% for both the three and six months ended June 30, 2012 and 2011, which includes the accretion of the debt discount in addition to the annual contractual interest rate of 2.50%.

The equity component of the convertible debt is included in additional paid-in capital in the Condensed Consolidated Balance Sheets and was $39 million at June 30, 2012 and December 31, 2011.

Interest Expense

Interest expense recognized on the 2013 Convertible Notes in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2012 and 2011 is as follows:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions)			
Components of interest expense recognized on the 2013 Convertible Notes				
Accretion of debt discount	$	$ 3	$ 1	$ 7
Contractual interest	1	3	2	5
Total interest expense recognized on the 2013 Convertible Notes	$ 1	$ 6	$ 3	$ 12

Senior Unsecured Notes

4.00% and 5.55% Senior Unsecured Notes

In January 2010, NASDAQ OMX issued $1 billion of senior unsecured notes, or the Notes. The Notes were issued at a discount in two separate series consisting of $400 million aggregate principal amount of 4.00% senior notes due 2015, or the 2015 Notes, and $600 million aggregate principal amount of 5.55% senior notes due 2020, or the 2020 Notes. As a result of the discount, the proceeds received from the issuance were less than the aggregate principal amounts. As of June 30, 2012, the balance of $399 million for the 2015 Notes and the balance of $598 million for the 2020 Notes reflect the aggregate principal amounts, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the Notes.

The 2015 Notes pay interest semiannually at a rate of 4.00% per annum until January 15, 2015, and the 2020 Notes pay interest semiannually at a rate of 5.55% per annum until January 15, 2020. The Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. The Notes are not guaranteed by any of our subsidiaries. The Notes were issued under indentures that, among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions.

Table of Contents

Debt Issuance Costs

We incurred debt issuance and other costs of $8 million in connection with the issuance of the Notes. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the debt obligations. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for both the three months ended June 30, 2012 and 2011 and $1 million for both the six months ended June 30, 2012 and 2011.

5.25% Senior Unsecured Notes

In December 2010, NASDAQ OMX issued $370 million of 5.25% senior unsecured notes due January 16, 2018, or the 2018 Notes. The 2018 Notes were issued at a discount. As a result of the discount, the proceeds received from the issuance were less than the aggregate principal amount. As of June 30, 2012, the balance of $367 million reflects the aggregate principal amount, less the unamortized debt discount. The unamortized debt discount will be accreted through interest expense over the life of the 2018 Notes.

The 2018 Notes pay interest semiannually at a rate of 5.25% per annum until January 16, 2018 and such rate may vary with NASDAQ OMX s debt rating up to a rate not to exceed 7.25%. The 2018 Notes are general unsecured obligations of ours and rank equally with all of our existing and future unsubordinated obligations. They are not guaranteed by any of our subsidiaries. The 2018 Notes were issued under indentures that, among other things, limit our ability to consolidate, merge or sell all or substantially all of our assets, create liens, and enter into sale and leaseback transactions. In addition, upon a change of control triggering event (as defined in the indentures), the terms require us to repurchase all or part of each holder s notes for cash equal to 101% of the aggregate principal amount purchased plus accrued and unpaid interest, if any.

Credit Facilities

2011 Credit Facility

In September 2011, NASDAQ OMX entered into a $1.2 billion senior unsecured five-year credit facility which matures on September 19, 2016, or the 2011 Credit Facility. The 2011 Credit Facility consists of a $450 million funded term loan, or the 2016 Term Loan, and a $750 million revolving credit commitment (including a swingline facility and letter of credit facility). NASDAQ OMX applied the $450 million in proceeds from the 2016 Term Loan to repay in full and terminate the remaining $450 million principal amount outstanding on our former credit facility.

In March 2012, we made an optional prepayment of $100 million on the revolving credit commitment portion of the 2011 Credit Facility. As a result, availability under the revolving credit commitment was $624 million as of June 30, 2012.

The loans under the 2011 Credit Facility have a variable interest rate based on either the London Interbank Offered Rate, or LIBOR, or the Federal Funds Rate, plus an applicable margin that varies with NASDAQ OMX s debt rating.

Under the 2011 Credit Facility, we are required to pay quarterly principal payments equal to 2.50% of the aggregate original principal amounts borrowed under the 2016 Term Loan. In the first six months of 2012, we made required quarterly principal payments totaling $22 million on our 2016 Term Loan.

The 2011 Credit Facility contains financial and operating covenants. Financial covenants include an interest expense coverage ratio and a maximum leverage ratio. Operating covenants include limitations on NASDAQ OMX s ability to incur additional indebtedness, grant liens on assets, enter into affiliate transactions and pay dividends. Our credit facilities allow us to pay cash dividends on our common stock as long as certain leverage ratios are maintained. The 2011 Credit Facility also contains customary affirmative covenants, including access to financial statements, notice of defaults and certain other material events, maintenance of business and insurance, and events of default, including cross-defaults to our material indebtedness.

NASDAQ OMX is permitted to repay borrowings under the 2011 Credit Facility at any time, in whole or in part, without penalty. We are also required to repay loans outstanding under the 2011 Credit Facility with net cash proceeds from sales of property and assets of NASDAQ OMX and its subsidiaries (excluding inventory sales and other sales in the ordinary course of business) and casualty and condemnation proceeds, in each case subject to specified exceptions and thresholds.

Debt Issuance Costs

We incurred debt issuance and other costs of $5 million in connection with the entry into the 2011 Credit Facility. These costs, which are capitalized and included in other non-current assets in the Condensed Consolidated Balance Sheets, are being amortized over the life of the 2011 Credit Facility. Amortization expense, which is recorded as additional interest expense for these costs, was immaterial for the three and six months ended June 30, 2012.

Table of Contents

Other Credit Facilities

In addition to the revolving credit commitment under our 2011 Credit Facility discussed above, we have credit facilities related to our clearinghouses in order to meet liquidity and regulatory requirements. At June 30, 2012, these credit facilities, which are available in multiple currencies, primarily Swedish Krona and U.S. dollars, totaled $262 million ($204 million in available liquidity and $58 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2011, these facilities totaled $447 million ($206 million in available liquidity and $241 million to satisfy regulatory requirements), none of which was utilized.

Debt Covenants

At June 30, 2012, we were in compliance with the covenants of all of our debt obligations.

9. Employee Benefits

U.S. Defined-Benefit Pension and Supplemental Executive Retirement Plans

We maintain non-contributory, defined-benefit pension plans, non-qualified supplemental executive retirement plans, or SERPs, for certain senior executives and post-retirement benefit plans for eligible employees in the U.S., collectively referred to as the NASDAQ OMX Benefit Plans.

Our pension plans and SERPs are frozen. Future service and salary for all participants do not count toward an accrual of benefits under the pension plans and SERPs.

Components of Net Periodic Benefit Cost

The following table sets forth the components of net periodic pension, SERP and post-retirement benefits costs from the NASDAQ OMX Benefit Plans recognized in compensation and benefits expense in the Condensed Consolidated Statements of Income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in millions)			
Components of net periodic benefit cost				
Interest cost	$ 2	$ 2	$ 3	$ 3
Expected return on plan assets	(2)	(1)	(3)	(2)
Recognized net actuarial loss	1		2	1
Net periodic benefit cost	$ 1	$ 1	$ 2	$ 2

Non-U.S. Benefit Plans

Most employees outside the U.S. are covered by local retirement plans or by applicable social laws. Benefits under social laws are generally expensed in the periods in which the costs are incurred. These costs are included in compensation and benefits expense in the Condensed Consolidated Statements of Income and were $4 million for both the three months ended June 30, 2012 and 2011, $8 million for the six months ended June 30, 2012 and $7 million for the six months ended June 30, 2011.

U.S. Defined Contribution Savings Plan

We sponsor a voluntary defined contribution savings plan, or 401(k) Plan, for U.S. employees. Employees are immediately eligible to make contributions to the plan and are also eligible for an employer contribution match at an amount equal to 100.0% of the first 4.0% of eligible employee contributions. Savings plan expense included in compensation and benefits expense in the Condensed Consolidated Statements of Income was $1 million for both the three months ended June 30, 2012 and 2011, $3 million for the six months ended June 30, 2012, and $2 million for the six months ended June 30, 2011.

We have a profit-sharing contribution feature to our 401(k) Plan which allows eligible U.S. employees to receive employer retirement contributions, or ERCs, if we meet annual corporate goals. In addition, we have a supplemental ERC for select highly compensated employees whose ERCs are limited by the annual Internal Revenue Service compensation limit. ERC expense recorded in compensation and benefits expense in the Condensed Consolidated Statements of Income was $1 million for both the three months ended June 30, 2012 and 2011, $1 million for the six months ended June 30, 2012, and $2 million for the six months ended June 30, 2011.

Table of Contents

Employee Stock Purchase Plan

We have an employee stock purchase plan, or ESPP, under which approximately 3.4 million shares of our common stock have been reserved for future issuance as of June 30, 2012.

Our ESPP allows eligible U.S. and non-U.S. employees to purchase a limited number of shares of our common stock at six-month intervals, called offering periods, at 85.0% of the lower of the fair market value on the first or the last day of each offering period. The 15.0% discount given to our employees is included in compensation and benefits expense in the Condensed Consolidated Statements of Income and was immaterial for both the three months ended June 30, 2012 and 2011 and $1 million for both the six months ended June 30, 2012 and 2011.

10. Share-Based Compensation

We have a share-based compensation program that provides our board of directors broad discretion in creating employee equity incentives. Share-based awards, or equity awards, include employee stock options, restricted stock (which includes awards and units), and performance share units, or PSUs. Grants of equity awards are designed to reward employees for their long-term contributions and provide incentives for them to remain with us. For accounting purposes, we consider PSUs to be a form of restricted stock.

Restricted stock is generally time-based and vests over three- to five-year periods beginning on the date of the grant. Stock options are also generally time-based and expire ten years from the grant date. Stock option and restricted stock awards generally include performance-based accelerated vesting features based on achievement of specific levels of corporate performance. If NASDAQ OMX exceeds the applicable performance parameters, the grants vest on the third anniversary of the grant date, if NASDAQ OMX meets the applicable performance parameters, the grants vest on the fourth anniversary of the grant date, and if NASDAQ OMX does not meet the applicable performance parameters, the grants vest on the fifth anniversary of the grant date.

PSUs are based on performance measures that impact the amount of shares that each recipient will receive upon vesting. PSUs are granted at the fair market value of our stock on the grant date and compensation cost is recognized over the performance period and, in certain cases, an additional vesting period. For each grant of PSUs, an employee may receive from 0% to 150% of the target amount granted, depending on the achievement of performance measures. We report the target number of PSUs granted, unless we have determined that it is more likely than not, based on the actual achievement of performance measures, that an employee will receive a different amount of shares underlying the PSUs, in which case we report the amount of shares the employee is likely to receive.

In March 2012, our board of directors approved a new performance-based long-term incentive program for our chief executive officer, executive vice presidents and senior vice presidents that will focus on total shareholder return, or TSR. This program will represent 100% of our chief executive officer s and executive vice presidents long-term stock-based compensation and 50% of our senior vice presidents long-term stock-based compensation. Under the program, each individual will receive PSUs with a three-year cumulative performance period beginning in 2012. Performance will be determined by comparing NASDAQ OMX s TSR to two peer groups, each weighted 50%. The first peer group consists of 13 exchange companies, and the second peer group consists of all companies in the Standard & Poor 500 Index. NASDAQ OMX s relative performance ranking against each of these groups will determine the final number of shares delivered to each individual under the program. The maximum payout will be 200% of the number of PSUs granted if NASDAQ OMX ranks at the 85th percentile of both peer groups. However, if NASDAQ OMX s TSR is negative for the three-year performance period, regardless of TSR ranking, the payout will not exceed 100% of the number of PSUs granted. We estimate the fair value of PSU s granted under the TSR program using the Monte Carlo simulation model, as these awards contain a market condition.

Summary of 2012 Equity Awards

In May 2012, we granted restricted stock to most active employees. The restricted stock granted included a performance-based accelerated vesting feature based on achievement of specific levels of corporate performance, as described above.

Also in May 2012, certain executive officers received grants of 1,062,943 PSUs. Of these PSUs granted, 696,719 units are subject to the performance and vesting under the TSR program discussed above and the remaining 366,224 units are subject to a one year performance period and generally vest ratably on an annual basis on December 31, 2013 through December 31, 2015.

During 2011, certain grants of PSUs with a one-year performance period exceeded the applicable performance parameters. As a result, an additional 251,224 units were considered granted during the first six months of 2012. In addition, certain grants of PSUs issued in 2009 with a three-year performance period exceeded the applicable performance parameters. As a result, an additional 40,000 units were considered granted in February 2012.

16

Table of Contents

Common Shares Available Under Our Equity Incentive Plan

As of June 30, 2012, we had approximately 3.9 million shares of common stock authorized for future issuance under our equity incentive plan.

Summary of Share-Based Compensation Expense

The following table shows the total share-based compensation expense resulting from equity awards and the 15.0% discount for the ESPP for the three and six months ended June 30, 2012 and 2011 in the Condensed Consolidated Statements of Income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in millions)			
Share-based compensation expense before income taxes	$ 12	$ 10	$ 22	$ 17
Income tax benefit	(5)	(4)	(9)	(7)
Share-based compensation expense after income taxes	$ 7	$ 6	$ 13	$ 10

We estimated the fair value of stock option awards using the Black-Scholes valuation model with the following assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012(1)	2011	2012(1)	2011
Expected life (in years)		5		5
Weighted-average risk free interest rate		1.85%		2.16%
Expected volatility		27.0%		27.0%
Dividend yield				
Weighted-average fair value at grant date	$	$ 6.95	$	$ 7.06

(1) No stock option awards were granted during the three and six months ended June 30, 2012.

Our computation of expected life was based on historical exercise patterns. The interest rate for periods within the expected life of the award is based on the U.S. Treasury yield curve in effect at the time of grant. Our computation of expected volatility was based on a market-based implied volatility. In June 2012, we paid an initial quarterly cash dividend of $0.13 per share on our outstanding common stock. Prior to this dividend, it was not our policy to declare or pay cash dividends on our common stock.

Summary of Stock Option Activity

A summary of stock option activity for the six months ended June 30, 2012 is as follows:

	Number of Stock Options(1)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at January 1, 2012	9,924,035	$ 18.33	5.3	$ 78
Exercised	(159,117)	10.04		

Forfeited or expired	(254,296)		22.84			
Outstanding at June 30, 2012	9,510,622	$	18.35	4.7	$	64
Exercisable at June 30, 2012	5,656,582	$	15.15	2.8	$	60

(1) No stock option awards were granted during the six months ended June 30, 2012.

We received net cash proceeds of $1 million from the exercise of 58,818 stock options for the three months ended June 30, 2012 and received net cash proceeds of $2 million from the exercise of 159,117 stock options for the six months ended June 30, 2012. We received net cash proceeds of $3 million from the exercise of 404,355 stock options for the three months ended June 30, 2011 and received net cash proceeds of $8 million from the exercise of 867,712 stock options for the six months ended June 30, 2011. We present excess tax benefits from the exercise of stock options, if any, as financing cash flows.

Table of Contents

The aggregate intrinsic value in the above table represents the total pre-tax intrinsic value (i.e., the difference between our closing stock price on June 29, 2012 of $22.67 and the exercise price, times the number of shares) based on stock options with an exercise price less than NASDAQ OMX s closing price of $22.67 as of June 29, 2012, which would have been received by the option holders had the option holders exercised their stock options on that date. This amount can change based on the fair market value of our common stock. The total number of in-the-money stock options exercisable as of June 30, 2012 was 4.4 million.

As of June 30, 2011, 5.2 million outstanding stock options were exercisable and the weighted-average exercise price was $13.60.

Total fair value of stock options vested was immaterial for both the three and six months ended June 30, 2012 and 2011. The total pre-tax intrinsic value of stock options exercised was $1 million for the three months ended June 30, 2012, $8 million for the three months ended June 30, 2011, $2 million for the six months ended June 30, 2012, and $14 million for the six months ended June 30, 2011.

At June 30, 2012, $9 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 1.3 years.

Summary of Restricted Stock and PSU Activity

The following table summarizes our restricted stock and PSU activity for the six months ended June 30, 2012:

	Restricted Stock		PSUs	
	Number of Awards	**Weighted-Average Grant Date Fair Value**	**Number of Awards**	**Weighted-Average Grant Date Fair Value**
Unvested balances at January 1, 2012	3,371,333	$ 23.10	1,315,180	$ 23.33
Granted	1,410,705[(1)]	23.63	1,354,167[(2)]	23.77
Vested	(697,863)	21.93	(120,000)	23.82
Forfeited	(222,815)	23.13	(71,347)	23.16
Unvested balances at June 30, 2012	3,861,360	$ 23.44	2,478,000	$ 23.55

(1) Primarily reflects our company-wide equity grant issued in May 2012, as discussed above.

(2) PSUs granted in 2012 reflect awards issued to certain officers, as described above.

At June 30, 2012, $80 million of total unrecognized compensation cost related to restricted stock and PSUs is expected to be recognized over a weighted-average period of 1.9 years.

Table of Contents

11. Earnings Per Common Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions, except share and per share amounts)			
Numerator:				
Net income attributable to common shareholders	$ 93	$ 92	$ 178	$ 196
Denominator:				
Weighted-average common shares outstanding for basic earnings per share	169,352,207	176,648,140	171,157,501	176,372,002
Weighted-average effect of dilutive securities:				
Employee equity awards	4,076,682	3,835,658	3,952,180	3,755,620
3.75% convertible notes(1)	28,419	34,482	31,451	34,482
Weighted-average common shares outstanding for diluted earnings per share	173,457,308	180,518,280	175,141,132	180,162,104
Basic and diluted earnings per share:				
Basic earnings per share	$ 0.55	$ 0.52	$ 1.04	$ 1.11
Diluted earnings per share	$ 0.53	$ 0.51	$ 1.02	$ 1.09

(1) In June 2012, the remaining $0.5 million of our 3.75% convertible notes outstanding was converted into 34,482 shares of common stock in accordance with the terms of the notes.

Stock options to purchase 9,510,622 shares of common stock and 6,339,360 shares of restricted stock and PSUs were outstanding at June 30, 2012. For the three months ended June 30, 2012, we included 6,213,454 of the outstanding stock options and 5,389,031 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. For the six months ended June 30, 2012, we included 6,214,754 of the outstanding stock options and 4,646,221 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining stock options and shares of restricted stock and PSUs are antidilutive, and as such, they were properly excluded.

Stock options to purchase 10,198,953 shares of common stock, 5,020,397 shares of restricted stock and PSUs, and convertible notes convertible into 34,482 shares of common stock were outstanding at June 30, 2011. For the three months ended June 30, 2011, we included 6,703,343 of the outstanding stock options and 4,538,137 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. For the six months ended June 30, 2011, we included 6,709,093 of the outstanding stock options and 3,073,607 shares of restricted stock and PSUs in the computation of diluted earnings per share, on a weighted-average basis, as their inclusion was dilutive. The remaining stock options and shares of restricted stock and PSUs were antidilutive, and as such, they were properly excluded.

The 3.75% convertible notes are accounted for under the if-converted method, as we previously have settled the convertible notes in shares of our common stock. For the three and six months ended June 30, 2012 and 2011, all of the shares underlying the outstanding 3.75% convertible notes were included in the computation of diluted earnings per share on a weighted-average basis, as their inclusion was dilutive.

The 2.50% convertible senior notes are accounted for under the treasury stock method as it is our intent and policy to settle the principal amount of the notes in cash. Based on the settlement structure of the 2.50% convertible senior notes, which permits the principal amount to be settled in cash and the conversion premium to be settled in shares of our common stock or cash, we will reflect the impact of the convertible spread portion of the convertible notes in the diluted calculation using the treasury stock method. For the three and six months ended June 30, 2012 and

2011, the conversion spread of our 2.50% convertible senior notes was out of the money, and as such, they were properly excluded from the computation of diluted earnings per share.

Table of Contents

12. NASDAQ OMX Stockholders Equity

Common Stock

At June 30, 2012, 300,000,000 shares of our common stock were authorized, 213,425,286 shares were issued, and 167,178,252 shares were outstanding. The holders of common stock are entitled to one vote per share, except that our certificate of incorporation limits the ability of any person to vote in excess of 5.0% of the then-outstanding shares of NASDAQ OMX common stock. This limitation does not apply to persons exempted from this limitation by our board of directors prior to the time such person owns more than 5.0% of the then-outstanding shares of NASDAQ OMX common stock.

Common Stock in Treasury, at Cost

We account for the purchase of treasury stock under the cost method with the shares of stock repurchased reflected as a reduction to NASDAQ OMX stockholders equity and included in common stock in treasury, at cost in the Condensed Consolidated Balance Sheets. When treasury shares are reissued, they are recorded at the average cost of the treasury shares acquired. We held 46,247,034 shares of common stock in treasury as of June 30, 2012 and 39,845,172 shares as of December 31, 2011.

Share Repurchase Program

In the fourth quarter of 2011, our board of directors approved a share repurchase program authorizing NASDAQ OMX to repurchase in the aggregate up to $300 million of our outstanding common stock. In the third quarter of 2012, our board of directors authorized the repurchase of up to an additional $300 million of our outstanding common stock. These purchases may be made from time to time at prevailing market prices in open market purchases, privately-negotiated transactions, block purchase techniques or otherwise, as determined by our management. The purchases are funded from existing cash balances. The share repurchase program may be suspended, modified or discontinued at any time. During the first half of 2012, we repurchased 7,270,058 shares of our common stock at an average price of $24.07, for an aggregate purchase price of $175 million. The shares repurchased under the share repurchase program are available for general corporate purposes. The remaining authorized amount for share repurchases under this program was $25 million as of June 30, 2012.

Other Repurchases of Common Stock

For the six months ended June 30, 2012, we repurchased 290,261 shares of our common stock in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

Preferred Stock

Our certificate of incorporation authorizes the issuance of 30,000,000 shares of preferred stock, par value $0.01 per share, issuable from time to time in one or more series. At June 30, 2012 and December 31, 2011, 1,600,000 shares of series A convertible preferred stock were issued and none were outstanding.

Cash Dividends on Common Stock

During the six months ended June 30, 2012, our board of directors declared the following cash dividends:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount[1] (in millions)	Payment Date
April 23, 2012	$ 0.13	June 15, 2012	$ 22	June 29, 2012

[1] This amount was recorded in retained earnings in the Condensed Consolidated Balance Sheets at June 30, 2012.

In July 2012, pursuant to delegated authority, the finance committee of the board of directors declared a regular quarterly cash dividend of $0.13 per share on our outstanding common stock. The dividend is payable on September 28, 2012 to shareholders of record at the close of business on September 14, 2012. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by the board of directors.

13. Fair Value of Financial Instruments

Fair Value Measurement Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, or the exit price, in an orderly transaction between market participants at the measurement date. Fair value measurement establishes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect NASDAQ OMX s market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Table of Contents

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Instruments whose significant value drivers are unobservable.
This hierarchy requires the use of observable market data when available.

The following table presents for each of the above hierarchy levels, our financial assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2012 and December 31, 2011.

	June 30, 2012			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial Assets Measured at Fair Value on a Recurring Basis				
Financial investments, at fair value(1)	$ 196	$ 196	$	$
Default fund investments(2)	159	159		
Total	$ 355	$ 355	$	$

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial Assets Measured at Fair Value on a Recurring Basis				
Derivative positions, at fair value(3)	$ 1,566	$	$ 1,566	$
Financial investments, at fair value(1)	279	279		
Total	$ 1,845	$ 279	$ 1,566	$
Financial Liabilities Measured at Fair Value on a Recurring Basis				
Derivative positions, at fair value(3)	$ 1,566	$	$ 1,566	$
Total	$ 1,566	$	$ 1,566	$

(1) Primarily comprised of trading securities, mainly Swedish government debt securities, of $176 million as of June 30, 2012 and $261 million as of December 31, 2011. Of these securities, $90 million as of June 30, 2012 and $212 million as of December 31, 2011 are restricted assets to meet regulatory capital requirements primarily for clearing operations at NASDAQ OMX Nordic Clearing. This balance also includes our available-for-sale investment security in DFM of $20 million as of June 30, 2012 and $18 million as of December 31, 2011. See Note 6, Investments, for further discussion of our trading investment securities and available-for-sale investment security.

(2) In March 2012, NASDAQ OMX Nordic Clearing implemented member sponsored default funds. Default fund contributions may include cash contributions which can be invested by NASDAQ OMX Nordic Clearing, in accordance with its investment policy, either in highly rated government debt securities or reverse repurchase agreements with highly rated government debt securities as collateral. As of June 30, 2012, $159 million of cash contributions have been invested in highly rated government debt securities. See Note 14, Clearing Operations, for further discussion of default fund contributions.

(3) Prior to the new clearing structure, discussed in Note 14, Clearing Operations, these amounts represented net amounts associated with our clearing operations in the derivative markets with NASDAQ OMX Nordic Clearing. Receivables and payables attributable to outstanding derivative positions were netted to the extent that such a legal offset right existed and, at the same time, that it was NASDAQ OMX Nordic

Clearing s intention to settle these items. See Derivative Positions, at Fair Value and Resale and Repurchase Agreements, at Contract Value Prior to March 2012, of Note 14, Clearing Operations, for further discussion. The new clearing structure significantly changed the nature and extent of the risk of loss to NASDAQ OMX Nordic Clearing in the event of a member default. Since the risk of loss will now be shared amongst clearing members, beginning in March 2012, we no longer record these derivative positions in the Condensed Consolidated Balance Sheets.

Financial Instruments Not Measured at Fair Value on a Recurring Basis

Some of our financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, restricted cash, receivables, net, certain other current assets, non-current restricted cash, accounts payable and accrued expenses, Section 31 fees payable to SEC, accrued personnel costs, and certain other current liabilities.

Table of Contents

We also consider our debt obligations to be financial instruments. Based on borrowing rates currently available to us for debt with similar terms and maturities, the fair value of our debt utilizing discounted cash flow analyses was $2.2 billion at June 30, 2012 and $2.3 billion at December 31, 2011, and is categorized as level 2 in the fair value hierarchy. For further discussion of our debt obligations, see Note 8, Debt Obligations.

14. Clearing Operations

Nordic Clearing

NASDAQ OMX Nordic Clearing is authorized and supervised as a European multi-asset clearinghouse by the Swedish Financial Supervisory Authority, or SFSA, and is authorized to conduct clearing operations in Norway by the Norwegian Ministry of Finance. The clearinghouse acts as the central counterparty for exchange and OTC trades in equity derivatives, fixed income derivatives, physical power, power derivatives, carbon derivatives, and resale and repurchase contracts.

Through our clearing operations in the financial markets, which include the resale and repurchase market, and the commodities markets, NASDAQ OMX Nordic Clearing is the legal counterparty for, and guarantees the fulfillment of, each contract cleared. These contracts are not used by NASDAQ OMX Nordic Clearing for the purpose of trading on its own behalf. As the legal counterparty of each transaction, NASDAQ OMX Nordic Clearing bears the counterparty risk between the purchaser and seller in the contract. In its guarantor role, NASDAQ OMX Nordic Clearing has precisely equal and offsetting claims to and from clearing members on opposite sides of each contract, standing as an intermediary on every contract cleared. In accordance with the rules and regulations of NASDAQ OMX Nordic Clearing, clearing members open positions are aggregated to create a single portfolio for which default fund and margin collateral requirements are calculated. See Default Fund Contributions and Margin Collateral below for further discussion of NASDAQ OMX Nordic Clearing s default fund and margin requirements.

In anticipation of new regulations proposed by the European Market Infrastructure Regulation, NASDAQ OMX Nordic Clearing implemented three member sponsored default funds in March 2012: one related to financial markets, one related to commodities markets, and a mutualized fund. Under this new regulatory structure, NASDAQ OMX Nordic Clearing and its clearing members must contribute to the total regulatory capital related to the clearing operations of NASDAQ OMX Nordic Clearing. This structure applies an initial separation of default fund contributions for the financial and commodities markets in order to create a buffer for each market s counterparty risks. Simultaneously, a mutualized default fund provides capital efficiencies to NASDAQ OMX Nordic Clearing with regard to total regulatory capital required. See Default Fund Contributions below for further discussion of NASDAQ OMX Nordic Clearing s default fund. A power of assessment and liability waterfall have also been implemented in anticipation of the new regulations. See Power of Assessment and Liability Waterfall below for further discussion. These new requirements ensure the alignment of risk between NASDAQ OMX Nordic Clearing and its clearing members.

Prior to March 2012, NASDAQ OMX Nordic Clearing did not maintain a default fund to which clearing members contributed capital and did not enforce loss sharing assessments amongst members. Therefore, in a default situation where the capital provided by the defaulting member was insufficient to cover its losses, only NASDAQ OMX Nordic Clearing s own risk-bearing capital was at risk and not that of the non-defaulting members. See Derivative Positions, at Fair Value and Resale and Repurchase Agreements, at Contract Value Prior to March 2012 below for further discussion.

Default Fund Contributions

Contributions made to the default funds are proportional to the exposures of each clearing member. When a clearing member is active in both the financial and commodities markets, contributions must be made to both markets default funds. Clearing members eligible contributions may include cash and non-cash contributions. Cash contributions received are invested by NASDAQ OMX Nordic Clearing, in accordance with its investment policy, either in highly rated government debt securities or reverse repurchase agreements with highly rated government debt securities as collateral. Clearing members cash contributions are included in default funds and margin deposits in the Condensed Consolidated Balance Sheets as both a current asset and a current liability. Non-cash contributions include highly rated government debt securities that must meet specific criteria approved by NASDAQ OMX Nordic Clearing. Non-cash contributions are pledged assets that are not recorded in the Condensed Consolidated Balance Sheets as NASDAQ OMX does not take legal ownership of these assets and the risks and rewards remain with the clearing members. These balances may fluctuate over time due to changes in the amount of deposits required and whether members choose to provide cash or non-cash contributions. Pursuant to clearing member agreements, we pay interest on cash deposits to clearing members. Assets pledged are held at a nominee account in NASDAQ OMX Nordic Clearing s name for the benefit of the clearing members and are immediately accessible by NASDAQ OMX Nordic Clearing in the event of a default.

Table of Contents

As of June 30, 2012, clearing member default fund contributions were as follows:

	June 30, 2012		
	Cash Contributions[1]	Non-Cash Contributions	Total Contributions
		(in millions)	
Default fund contributions	$ 162	$ 18	$ 180

[1] As of June 30, 2012, in accordance with its investment policy, NASDAQ OMX Nordic Clearing has invested $159 million of cash contributions in highly rated government debt securities. The remaining balance of $3 million is held in cash.

In addition to clearing members required contributions to the default funds, NASDAQ OMX Nordic Clearing is also required to contribute capital to the default funds as specified under its clearinghouse rules. As of June 30, 2012, NASDAQ OMX Nordic Clearing committed capital totaling $54 million to the member sponsored default funds, in the form of government debt securities, which are recorded as financial investments, at fair value in the Condensed Consolidated Balance Sheets. The combined regulatory capital of the clearing members and NASDAQ OMX Nordic Clearing will serve to secure the obligations of a clearing member and may be used to cover losses sustained by a clearing member in the event of a default.

Other Capital Contributions by NASDAQ OMX Nordic Clearing

NASDAQ OMX Nordic Clearing maintains a $58 million credit facility which may be utilized in certain situations to satisfy regulatory requirements. As of June 30, 2012, NASDAQ OMX Nordic Clearing committed $8 million of this credit facility to satisfy its regulatory requirements under its default fund structure.

Margin Collateral

NASDAQ OMX Nordic Clearing requires all clearing members to provide collateral, which may consist of cash and eligible securities, in a pledged bank account and/or an on-demand guarantee, to guarantee performance on the clearing members open positions, or initial margin. In addition, clearing members must also provide collateral to cover the daily margin call as needed, which is in addition to the initial margin. All collateral is maintained at a third-party custodian bank for the benefit of the clearing members and is immediately accessible by NASDAQ OMX Nordic Clearing in the event of a default. The pledged margin collateral is not recorded in our Condensed Consolidated Balance Sheets as all risks and rewards of collateral ownership, including interest, belong to the counterparty. Clearing members pledged margin collateral was $5.5 billion as of June 30, 2012 and $5.0 billion as of December 31, 2011.

NASDAQ OMX Nordic Clearing marks to market all outstanding contracts at least daily, requiring payment from clearing members whose positions have lost value and making payments to clearing members whose positions have gained value. The mark-to-market process helps identify any clearing members that may not be able to satisfy their financial obligations in a timely manner allowing NASDAQ OMX Nordic Clearing the ability to mitigate the risk of a clearing member defaulting due to exceptionally large losses. In the event of a default, NASDAQ OMX Nordic Clearing can access the defaulting member s margin deposits to cover the defaulting member s losses.

In the first half of 2013, NASDAQ OMX Nordic Clearing will implement a new collateral process. NASDAQ OMX Nordic Clearing will maintain all cash deposits related to margin collateral and these cash deposits in default funds and margin deposits will be included in the Condensed Consolidated Balance Sheets as both a current asset and a current liability, as NASDAQ OMX Nordic Clearing will assume the risks and rewards of collateral ownership. In addition to cash, clearing members may also contribute eligible pledged assets consisting of highly rated government debt securities that must meet the specific criteria approved by NASDAQ OMX Nordic Clearing and/or an on-demand guarantee. These pledged assets will not be recorded in our Condensed Consolidated Balance Sheets as NASDAQ OMX Nordic Clearing will not take legal ownership of these assets as the risks and rewards will remain with the clearing members. Assets pledged will be held at a nominee account in NASDAQ OMX Nordic Clearing s name for the benefit of the clearing members and will be immediately accessible by NASDAQ OMX Nordic Clearing in the event of a default.

Regulatory Capital and Risk Management Calculations

NASDAQ OMX Nordic Clearing manages risk through a comprehensive counterparty risk management framework, which is comprised of policies, procedures, standards and resources. The level of regulatory capital is determined in accordance with NASDAQ OMX Nordic Clearing s regulatory capital policy, as approved by the SFSA. Regulatory capital calculations are continuously updated through a proprietary capital-at-risk calculation model that establishes the appropriate level of capital.

As mentioned above, NASDAQ OMX Nordic Clearing is the legal counterparty for each contract traded and thereby guarantees the fulfillment of each contract. NASDAQ OMX Nordic Clearing accounts for this guarantee as a performance guarantee. We determine the fair value of the performance guarantee by considering daily settlement of contracts and other margining and default fund requirements, the risk management program, historical evidence of default payments, and the estimated probability of potential

Table of Contents

default payouts. The calculation is determined using proprietary risk management software that simulates gains and losses based on historical market prices, extreme but plausible market scenarios, volatility and other factors present at that point in time for those particular unsettled contracts. Based on this analysis, the estimated liability was nominal and no liability was recorded as of June 30, 2012.

The market value of derivative contracts outstanding prior to netting was as follows:

	June 30, 2012 (in millions)
Commodity forwards and options[(1)] [(2)]	$ 1,378
Fixed-income options and futures[(2)] [(3)]	435
Stock options and futures[(2)] [(3)]	167
Index options and futures[(2)] [(3)]	91
Total	$ 2,071

(1) We determined the fair value of our forward contracts using standard valuation models that were based on market-based observable inputs including LIBOR rates and the spot price of the underlying instrument.

(2) We determined the fair value of our option contracts using standard valuation models that were based on market-based observable inputs including implied volatility, interest rates and the spot price of the underlying instrument.

(3) We determined the fair value of our future contracts based upon quoted market prices and average quoted market yields.

The total number of derivative contracts cleared through NASDAQ OMX Nordic Clearing for the six months ended June 30, 2012 was as follows:

	Number of Cleared Contracts
Commodity forwards and options[(1)]	468,040
Fixed-income options and futures	19,602,663
Stock options and futures	14,910,191
Index options and futures	22,565,321
Total	57,546,215

(1) The total volume in cleared power related to commodity contracts was 867 Terawatt hours (TWh).

The contract value of resale and repurchase agreements as of June 30, 2012 was $5.0 billion and the total number of contracts cleared for the six months ended June 30, 2012 was 1,864,474.

Power of Assessment

To further strengthen the contingent financial resources of the clearinghouse, NASDAQ OMX Nordic Clearing has power of assessment that provides the ability to collect additional funds from its clearing members to cover a defaulting member s remaining obligations up to the limits established under the terms of the clearinghouse rules. The power of assessment corresponds to 100% of the clearing member s contribution to the financial markets and commodities markets default funds.

Liability Waterfall

The liability waterfall is the priority order in which the capital resources would be utilized in the event of a default where the defaulting clearing member s collateral would not be sufficient to cover the cost to settle its portfolio. If a default occurs and the defaulting clearing member s collateral, including cash deposits and pledged assets, is depleted, then capital is utilized in the following amount and order:

- junior capital contributed by NASDAQ OMX Nordic Clearing, which totaled $14 million at June 30, 2012;
- specific market default fund where the loss occurred, either financial or commodities market, which includes capital contributions of both the clearing members and NASDAQ OMX Nordic Clearing on a pro-rata basis;
- senior capital contributed by NASDAQ OMX Nordic Clearing, calculated in accordance with clearinghouse rules to be $22 million at June 30, 2012; and
- mutualized default fund, which includes capital contributions of both the clearing members and NASDAQ OMX Nordic Clearing on a pro-rata basis.

Table of Contents

If additional funds are needed after utilization of the mutualized default fund, then NASDAQ OMX Nordic Clearing will utilize its power of assessment and additional capital contributions will be required by non-defaulting members up to the limits established under the terms of the clearinghouse rules.

Derivative Positions, at Fair Value and Resale and Repurchase Agreements, at Contract Value Prior to March 2012

The new clearing structure, discussed above, significantly changed the nature and extent of the risk of loss to NASDAQ OMX Nordic Clearing in the event of a member default. Since the full risk of loss to NASDAQ OMX Nordic Clearing will now be shared amongst clearing members, we no longer record derivative positions or resale and repurchase agreements in the Condensed Consolidated Balance Sheets.

Prior to the implementation of member sponsored default funds, NASDAQ OMX Nordic Clearing placed its own funds at risk and was the primary obligor that would bear the ultimate risk of counterparty default. As a result, the fair value of derivative contracts and the contract value of resale and repurchase agreements were reported gross in the Condensed Consolidated Balance Sheets as a receivable pertaining to the purchasing party and a payable pertaining to the selling party. Such receivables and payables attributable to outstanding derivative positions and resale and repurchase agreements were netted to the extent that such a legal offset right existed and, at the same time, that it was our intention to settle these items.

Our derivative positions, at fair value in the Condensed Consolidated Balance Sheets were $1,566 million at December 31, 2011. The following table presents the fair value of our outstanding derivative positions at December 31, 2011 prior to netting:

	December 31, 2011	
	Asset	Liability
	(in millions)	
Commodity forwards and options(1) (2)	$ 1,152	$ 1,152
Fixed-income options and futures(2) (3)	272	272
Stock options and futures(2) (3)	197	197
Index options and futures(2) (3)	137	137
Total	$ 1,758	$ 1,758

(1) We determined the fair value of our forward contracts using standard valuation models that were based on market-based observable inputs including LIBOR rates and the spot price of the underlying instrument.

(2) We determined the fair value of our option contracts using standard valuation models that were based on market-based observable inputs including implied volatility, interest rates and the spot price of the underlying instrument.

(3) We determined the fair value of our future contracts based upon quoted market prices and average quoted market yields.

Our resale and repurchase agreements, at contract value in the Condensed Consolidated Balance Sheets were $3,745 million at December 31, 2011. The resale and repurchase agreements were recorded at their contractual amounts plus interest which approximated fair value, as the fair value of these items was not materially sensitive to shifts in market interest rates because of the short-term nature of these instruments and/or variable interest rates or to credit risk because the resale and repurchase agreements were fully collateralized. The resale and repurchase agreements generally mature in less than 30 days. For the margin collateral process, see Margin Collateral above.

U.S. Clearing

Similar to our clearing operations at NASDAQ OMX Nordic Clearing, through our clearing operations in the derivative markets with our majority-owned subsidiary International Derivatives Clearing Group, or IDCG (through International Derivatives Clearinghouse, LLC), as well as riskless principal trading at NASDAQ OMX Commodities Clearing Company, or NOCC, both IDCG and NOCC are the legal counterparties for each of their customer s positions traded or cleared and thereby guarantee the fulfillment of each of their customer s contracts. The derivatives are not used by the above entities for the purpose of trading on their own behalf.

We require market participants at IDCG and NOCC to meet certain minimum financial standards to mitigate the risk that they become unable to satisfy their obligations and to provide collateral to cover the daily margin call as needed. Customer pledged cash collateral held by NOCC and IDCG, which was $42 million at June 30, 2012 and $9 million at December 31, 2011, is included in default funds and margin deposits as both a current asset and current liability in the Condensed Consolidated Balance Sheets, as the risks and rewards of collateral ownership, including interest income, belong to NOCC and IDCG. Additionally, NOCC is the beneficiary of letters of credit from banks meeting certain rating standards, which are posted on behalf of market participants in lieu of posting cash collateral. The aggregate amount of letters of credit in which NOCC is the beneficiary was $96 million at June 30, 2012 and $81 million at December 31, 2011. Clearing member cash contributed to IDCG s guaranty fund was $8 million at December 31, 2011 and is included in default funds and margin deposits as both a current asset and current liability in the Condensed Consolidated Balance Sheets, as the risks and rewards of collateral ownership, including interest income, belong to IDCG.

As of June 30, 2012, NASDAQ OMX has contributed $80 million to the IDCG guarantee fund and $25 million to the NOCC guarantee fund. As of December 31, 2011, NASDAQ OMX contributed $72 million to the IDCG guarantee fund and $25 million to the NOCC guarantee fund. These amounts are recorded in non-current restricted cash in the Condensed Consolidated Balance Sheets.

In April 2012, we signed a non-binding agreement with LCH.Clearnet Group Limited regarding LCH.Clearnet Group s proposed acquisition of IDCG. If the transaction proceeds, LCH.Clearnet Group would become the sole owner of IDCG and NASDAQ OMX would become a shareholder of LCH.Clearnet Group.

15. Commitments, Contingencies and Guarantees

Guarantees Issued and Credit Facilities Available

In addition to the default fund contributions and margin collateral pledged by clearing members discussed in Note 14, Clearing Operations, we have obtained financial guarantees and credit facilities which are guaranteed by us through counter indemnities, to provide further liquidity and default protection related to our clearing businesses. Financial guarantees issued to us totaled $4 million at both June 30, 2012 and December 31, 2011. At June 30, 2012, credit facilities, which are available in multiple currencies, primarily Swedish Krona and U.S. dollars, totaled $262 million ($204 million in available liquidity and $58 million to satisfy regulatory requirements), none of which was utilized. At December 31, 2011, these facilities totaled $447 million ($206 million in available liquidity and $241 million to satisfy regulatory requirements), none of which was utilized.

We believe that the potential for us to be required to make payments under these arrangements is mitigated through the pledged collateral and our risk management policies. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Lease Commitments

We lease some of our office space and equipment under non-cancelable operating leases with third parties and sublease office space to third parties. Some of our lease agreements contain renewal options and escalation clauses based on increases in property taxes and building operating costs.

Other Guarantees

We have provided other guarantees of $18 million as of June 30, 2012 and $17 million as of December 31, 2011. These guarantees are primarily related to obligations for our rental and leasing contracts. In addition, for certain Market Technology contracts, we have provided performance guarantees of $5 million as of June 30, 2012 and $6 million at December 31, 2011 related to the delivery of software technology and support services. We have received financial guarantees from various financial institutions to support the above guarantees.

We have also provided a $25 million guarantee to our wholly-owned subsidiary, NOCC, to cover potential losses in the event of customer defaults, net of any collateral posted against such losses.

We believe that the potential for us to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for the above guarantees.

Escrow Agreements

In connection with our acquisitions of FTEN, Inc., or FTEN, SMARTS Group Holdings Pty Ltd, or SMARTS, and Glide Technologies, we entered into escrow agreements to secure the payments of post-closing adjustments and other closing conditions. At June 30, 2012, these escrow agreements provide for future payments of $27 million and are included in other current liabilities and other non-current liabilities in the Condensed Consolidated Balance Sheets.

Brokerage Activities

Our broker-dealer subsidiaries, Nasdaq Execution Services and NASDAQ Options Services, provide guarantees to securities clearinghouses and exchanges under their standard membership agreements, which require members to guarantee the performance of other members. If a member becomes unable to satisfy its obligations to a clearinghouse or exchange, other members would be required to meet its shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral, as well as meet certain minimum financial standards. Nasdaq Execution Services and NASDAQ Options Services maximum potential liability under these arrangements cannot be quantified. However, we believe that the potential for Nasdaq Execution Services and NASDAQ Options Services to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the Condensed Consolidated Balance Sheets for these arrangements.

Table of Contents

Litigation

In the second quarter of 2012, we became a party to several legal and regulatory proceedings relating to the Facebook, Inc. IPO that occurred on May 18, 2012. We are defendants in the following putative class actions in the United States District Court for the Southern District of New York: Goldberg, et al. v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, Yan v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, Alfonso, et al. v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, Levy v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, Amin v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, Steinman v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, Roderick v. The NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, McGinty v. NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC, and First New York Securities LLC, et al. v. NASDAQ OMX Group, Inc. and The NASDAQ Stock Market LLC. Eight of these lawsuits have been brought by retail investors seeking damages for alleged negligence by us in connection with the Facebook IPO. The ninth lawsuit was brought by professional proprietary trading firms for alleged violations of Rule 10b-5, promulgated under the Securities Exchange Act of 1934, in connection with the Facebook IPO.

We are a defendant in several other lawsuits brought by individual investors, seeking damages for alleged negligence and fraud by us in connection with the Facebook IPO.

We believe that these lawsuits are without merit and intend to defend them vigorously. As such, we have not recorded a reserve as it is not probable that a liability has been incurred and the amount of loss cannot be reasonably estimated as of the date of these condensed consolidated financial statements.

Except as disclosed above, we are not currently a party to any litigation or proceeding that we believe could have a material adverse effect on our business, condensed consolidated financial condition, or operating results. However, from time to time, we have been threatened with, or named as a defendant in, lawsuits or involved in regulatory proceedings.

16. Business Segments

We manage, operate and provide our products and services in three business segments: Market Services, Issuer Services, and Market Technology.

Our Market Services segment consists of our U.S. and European Transaction Services businesses, including Access Services, as well as our Market Data business. These businesses are interrelated because our Market Data business sells and distributes the quote and trade information generated by our Transaction Services businesses to market participants and data distributors. Market Services also includes our Broker Services business, which offers technology and customized securities administration solutions to financial participants in the Nordic markets.

Our Issuer Services segment includes our Global Listing Services and Global Index Group businesses. The companies listed on The NASDAQ Stock Market and our Nordic and Baltic exchanges represent a diverse array of industries. This diversity of companies listed on NASDAQ OMX markets allows us to develop and license NASDAQ OMX branded indexes, associated derivatives, and financial products as part of our Global Index Group. The Global Listing Services business also includes our Corporate Solutions business, which generates revenues through the sale of our shareholder, directors, newswire, and other services.

Our Market Technology segment is the world s leading technology solutions provider and partner to exchanges, clearing organizations and central securities depositories. Our technology business is also the sales channel for our complete global offering to other marketplaces. Market Technology provides technology solutions for trading, clearing, settlement and information dissemination, and also offers facility management integration, surveillance solutions, and advisory services.

Our management allocates resources, assesses performance and manages these businesses as three separate segments. We evaluate the performance of our segments based on several factors, of which the primary financial measure is income before income taxes. Results of individual businesses are presented based on our management accounting practices and our management structure. Certain amounts are allocated to corporate items in our management reports based on the decision that those activities should not be used to evaluate the segment s operating performance. These amounts include, but are not limited to, amounts related to restructuring actions, mergers, strategic initiatives, long-term asset impairment, and financing activities. See below for further discussion.

Table of Contents

The following table presents certain information regarding these operating segments for the three and six months ended June 30, 2012 and 2011.

	Market Services	Issuer Services	Market Technology (in millions)	Corporate Items and Eliminations	Consolidated
Three months ended June 30, 2012					
Total revenues	$ 688	$ 91	$ 44	$	$ 823
Cost of revenues	(399)				(399)
Revenues less transaction rebates, brokerage, clearance and exchange fees	289	91	44		424
Income (loss) before income taxes(1)	$ 133	$ 27	$ 3	$ (38)	$ 125
Three months ended June 30, 2011					
Total revenues	$ 699	$ 92	$ 46	$	$ 837
Cost of revenues	(422)				(422)
Revenues less transaction rebates, brokerage, clearance and exchange fees	277	92	46		415
Income (loss) before income taxes(2)	$ 123	$ 32	$ 4	$ (28)	$ 131
Six months ended June 30, 2012					
Total revenues	$ 1,354	$ 181	$ 89	$	$ 1,624
Cost of revenues	(789)				(789)
Revenues less transaction rebates, brokerage, clearance and exchange fees	565	181	89		835
Income (loss) before income taxes(3)	$ 263	$ 54	$ 6	$ (61)	$ 262
Six months ended June 30, 2011					
Total revenues	$ 1,382	$ 180	$ 89	$	$ 1,651
Cost of revenues	(824)				(824)
Revenues less transaction rebates, brokerage, clearance and exchange fees	558	180	89		827
Income (loss) before income taxes(2)	$ 247	$ 63	$ 6	$ (33)	$ 283

(1) Corporate items and eliminations for the three months ended June 30, 2012 primarily include costs associated with impairment charges related to finite-lived intangible assets, restructuring charges and merger and strategic initiatives expense.

(2) Corporate items and eliminations for the three and six months ended June 30, 2011 primarily include merger and strategic initiatives expense.

(3) Corporate items and eliminations for the six months ended June 30, 2012 primarily include costs associated with impairment charges related to finite-lived intangible assets, restructuring charges, an other-than-temporary impairment charge related to our equity method investment in EMCF and merger and strategic initiatives expense.

Total assets decreased $5.2 billion at June 30, 2012 compared with December 31, 2011 primarily due to the implementation of our member sponsored default fund in March 2012. See Note 14, Clearing Operations, for further discussion.

For further discussion of our segments results, see Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Segment Operating Results.

17. Subsequent Events

Proposed Voluntary Accommodation Program

In connection with the initial public offering by Facebook on May 18, 2012, systems issues were experienced at the opening of trading of Facebook shares. Certain of our members may have been disadvantaged by such systems issues, which have subsequently been remedied. In July 2012, we announced a program for voluntary accommodations to qualifying members of up to $62 million, subject to review by the SEC. As such, no amounts have been accrued as this program is pending SEC approval. Furthermore, as a result of the systems issues, we have been sued by retail investors in certain putative class actions asserting negligence claims, as well

Table of Contents

as several other lawsuits by individual investors in certain state and local courts. As discussed in Litigation, of Note 15, Commitments, Contingencies and Guarantees, we believe these lawsuits are without merit and no amounts have been accrued to date. In addition, the SEC is conducting an investigation into the Facebook matter, in which we are fully cooperating. Pending the resolution of these matters, we expect to incur significant additional expenses in defending the lawsuits, in connection with the SEC investigation and in implementing technical changes and remedial measures which may be necessary or advisable.

The filing of the proposed accommodation plan begins a comment period with the SEC. Under the proposed program, members will have seven days to make an accommodation request following approval of the program by the SEC. Details of how members may file will be posted on our website. It is anticipated that all compensation under the accommodation plan will be provided within six months.

Acquisition of NOS Clearing ASA

In July 2012, we acquired NOS Clearing ASA for approximately $40 million (240 million Norwegian Krone). NOS Clearing is a leading Norway-based clearinghouse primarily for the freight market and seafood derivative market. NOS Clearing is a part of our European derivative trading and clearing business within our Market Services segment.

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
The following discussion and analysis of the financial condition and results of operations of NASDAQ OMX should be read in conjunction with our condensed consolidated financial statements and related notes included in this Form 10-Q.

Business Overview

We are a leading global exchange group that delivers trading, clearing, exchange technology, regulatory, securities listing, and public company services across six continents. Our global offerings are diverse and include trading and clearing across multiple asset classes, market data products, financial indexes, capital formation solutions, financial services, and market technology products and services. Our technology powers markets across the globe, supporting cash equity trading, derivatives trading, clearing and settlement, and many other functions.

In the U.S., we operate The NASDAQ Stock Market, a registered national securities exchange. The NASDAQ Stock Market is the largest single cash equities securities market in the U.S. in terms of listed companies and in the world in terms of share value traded. As of June 30, 2012, The NASDAQ Stock Market was home to 2,636 listed companies with a combined market capitalization of approximately $5.1 trillion. Also, in the U.S. we operate two additional cash equities trading markets, three options markets, a futures market and a derivatives clearinghouse. We also engage in riskless principal trading of OTC power and gas contracts.

In Europe, we operate exchanges in Stockholm (Sweden), Copenhagen (Denmark), Helsinki (Finland), and Iceland as NASDAQ OMX Nordic, and exchanges in Tallinn (Estonia), Riga (Latvia) and Vilnius (Lithuania) as NASDAQ OMX Baltic. Collectively, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic offer trading in cash equities, bonds, structured products and ETFs, as well as trading and clearing of derivatives and clearing of resale and repurchase agreements. Through NASDAQ OMX First North, our Nordic and Baltic operations also offer alternative marketplaces for smaller companies. As of June 30, 2012, the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, together with NASDAQ OMX First North, were home to 759 listed companies with a combined market capitalization of approximately $0.9 trillion. We also operate NASDAQ OMX Armenia.

In addition, NASDAQ OMX Commodities operates the world s largest power derivatives exchange, one of Europe s largest carbon exchanges, and, together with Nord Pool Spot, N2EX, a marketplace for physical U.K. power contracts.

We manage, operate and provide our products and services in three business segments: Market Services, Issuer Services and Market Technology.

Market Services

Our Market Services segment consists of our U.S. and European Transaction Services businesses, including Access Services, as well as our Market Data and Broker Services businesses. We offer trading on multiple exchanges and facilities across several asset classes, including cash equities, derivatives, debt, commodities, structured products and ETFs. In addition, in some of the countries where we operate exchanges, we also provide clearing, settlement and depository services.

Issuer Services

Our Issuer Services segment includes our Global Listing Services and Global Index Group businesses. We operate a variety of listing platforms around the world to provide multiple global capital raising solutions for private and public companies. Our main listing markets are The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic. We offer a consolidated global listing application to companies to enable them to apply for listing on The NASDAQ Stock Market and the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic, as well as NASDAQ Dubai. In addition, through our Corporate Solutions business, we offer companies access to innovative products and services that ease transparency, maximize board efficiency and facilitate corporate governance.

Market Technology

Our Market Technology segment delivers technology and services to marketplaces, brokers, and regulators throughout the world. Market Technology provides technology solutions for trading, clearing, settlement and information dissemination, and also offers facility management integration, surveillance solutions, and advisory services to over 70 exchanges, clearing organizations and central securities depositories in more than 50 countries. We serve as a technology partner to some of the world s most prominent exchanges, and we also provide critical technical support to start-ups and new entrants in the exchange space.

Business Environment

We serve listed companies, market participants and investors by providing high quality cash equity, derivative and commodities markets, thereby facilitating economic growth and corporate entrepreneurship. We also provide market technology to exchanges and

30

Table of Contents

markets around the world. In broad terms, our business performance is impacted by a number of drivers including macroeconomic events affecting the risk and return of financial assets, investor sentiment, government and private sector demands for capital, the regulatory environment for capital markets, and changing technology in the financial services industry. Our future revenues and net income will continue to be influenced by a number of domestic and international economic trends including:

- Trading volumes, particularly in U.S. and Nordic cash equity and derivative securities, which are driven primarily by overall macroeconomic conditions;
- The number of companies seeking equity financing, which is affected by factors such as investor demand, the global economy, availability of diverse sources of financing as well as tax and regulatory policies;
- The outlook of our technology customers for capital market activity;
- Continuing pressure in transaction fee pricing due to intense competition in the U.S. and Europe;
- Competition for listings and trading related to pricing, product features and service offerings;
- Regulatory changes imposed upon certain types of instruments, transactions, or capital market participants; and
- Technological advancements and members demand for speed, efficiency, and reliability.

Currently our business drivers are defined by investors cautious outlook about the slow pace of global economic recovery and certain governments ability to fund their sovereign debt. The lack of confidence in the prospects for growth results in sporadic increases in the level of market volatility and oscillating trading volumes in cash equities. In the second quarter of 2012, both the U.S. cash equity trading and the derivative trading and clearing businesses were negatively impacted by lower industry trading volumes. The IPO market weakened during the second quarter, which puts 2012 on a slower pace than 2011. Additional impacts on our business drivers include the international enactment and implementation of new legislative and regulatory initiatives, and the continued rapid evolution and deployment of new technology in the financial services industry. The business environment that influenced our financial performance for the second quarter of 2012 may be characterized as follows:

- A slower pace of new equity issuance in the U.S. with 15 IPOs on The NASDAQ Stock Market, down from 25 in the second quarter of 2011. IPO activity remained weak in the Nordics with no IPOs in the second quarter of 2012 on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic;
- Matched share volume for all our U.S. cash equity markets decreased by 3.9%, while average daily U.S. share volume fell by 4.7% relative to the second quarter of 2011. Losses in matched share volume were primarily due to lower U.S. consolidated volume as market share only slightly increased from 22.0% (NASDAQ 18.9%; NASDAQ OMX BX 2.0%; NASDAQ OMX PSX 1.1%) to 22.2% (NASDAQ 18.1%; NASDAQ OMX BX 2.8%; NASDAQ OMX PSX 1.3%);
- Matched equity options volume for two of our U.S. options exchanges, NASDAQ OMX PHLX and the NASDAQ Options Market, decreased 17.5% relative to the second quarter of 2011 driven by a decrease in overall U.S. options volume and a loss in market share of 3.7 percentage points. We launched our third options platform, BX Options, on June 29, 2012 and it executed insignificant volume during the quarter;

A 15.4% increase relative to the second quarter of 2011 in the number of cash equity transactions on our Nordic and Baltic exchanges;

A 20.7% decrease relative to the second quarter of 2011 in the SEK value of cash equity transactions on our Nordic and Baltic exchanges;

Growth of 0.7% experienced by our Nordic and Baltic exchanges relative to the second quarter of 2011 in the number of traded and cleared equity and fixed-income contracts (excluding Finnish option contracts traded on Eurex);

Intense competition among U.S. exchanges and dealer-owned systems for cash equity trading volume and strong competition between multilateral trading facilities and exchanges in Europe for cash equity trading volume;

Globalization of exchanges, customers and competitors extending the competitive horizon beyond national markets; and

Market trends requiring continued investment in technology to meet customers demands for speed, capacity, and reliability as markets adapt to a global financial industry, as increasing numbers of new companies are created, and as emerging countries show ongoing interest in developing their financial markets.

Table of Contents

Financial Summary

The following summarizes changes in our financial performance for the three and six months ended June 30, 2012 when compared with the same periods in 2011.

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
	2012	2011		2012	2011	
	(in millions)			(in millions)		
Revenues less transaction rebates, brokerage, clearance and exchange fees	$ 424	$ 415	2.2%	$ 835	$ 827	1.0%
Operating expenses	249	257	(3.1)%	489	486	0.6%
Operating income	175	158	10.8%	346	341	1.5%
Interest expense	24	31	(22.6)%	48	63	(23.8)%
Asset impairment charges	28		#	40		#
Income before income taxes	125	131	(4.6)%	262	283	(7.4)%
Income tax provision	33	40	(17.5)%	86	89	(3.4)%
Net income attributable to NASDAQ OMX	$ 93	$ 92	1.1%	$ 178	$ 196	(9.2)%
Diluted earnings per share	$ 0.53	$ 0.51	3.9%	$ 1.02	$ 1.09	(6.4)%

\# Denotes a variance equal to 100.0%.

In countries with currencies other than the U.S. dollar, revenues and expenses are translated using monthly average exchange rates. The following discussion of results of operations isolates the impact of year-over-year foreign currency fluctuations to better measure the comparability of operating results between periods. Operating results excluding the impact of foreign currency fluctuations are calculated by translating the current period s results by the prior period s exchange rates.

Revenues less transaction rebates, brokerage, clearance and exchange fees increased $9 million, or 2.2%, to $424 million in the second quarter of 2012, compared with $415 million in the same period in 2011, reflecting an operational increase in revenues of $24 million and an unfavorable impact from foreign exchange of $15 million. The increase in operational revenues was primarily due to an:

increase in other market services revenues of $10 million, reflecting income from open positions relating to the operations of the Exchange;

increase in market data revenues of $9 million;

increase in access services revenues of $7 million;

increase in Market Technology revenues of $3 million, primarily from delivery project revenues; and

increase in Issuer Services revenues of $1 million, primarily from Corporate Solutions and Global Index Group revenues, partially offset by;

decrease in cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees of $5 million; and

- decrease in derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees of $2 million, primarily related to European operations.

Revenues less transaction rebates, brokerage, clearance and exchange fees increased $8 million, or 1.0%, to $835 million in the first six months of 2012, compared with $827 million in the same period in 2011, reflecting an operational increase in revenues of $28 million and an unfavorable impact from foreign exchange of $20 million. The increase in operational revenues was primarily due to an:

- increase in market data revenues of $15 million;
- increase in access services revenues of $11 million;
- increase in other market services revenues of $11 million, primarily reflecting income from open positions relating to the operations of the Exchange;
- increase in Market Technology revenues of $5 million, primarily from delivery project and license, support and facility management revenues; and
- increase in Issuer Services revenues of $4 million, primarily from Corporate Solutions and Global Index Group revenues, partially offset by;
- decrease in cash equity trading revenues less transaction rebates, brokerage, clearance and exchange fees of $13 million, primarily related to U.S. operations; and
- decrease in derivative trading and clearing revenues less transaction rebates, brokerage, clearance and exchange fees of $7 million, primarily related to U.S. operations.

Table of Contents

Operating expenses decreased $8 million, or 3.1%, to $249 million in the second quarter of 2012, compared with $257 million in the same period in 2011, reflecting an increase in operating expenses of $1 million and a favorable impact from foreign exchange of $9 million. The operational increase in operating expenses was primarily due to restructuring actions taken during the second quarter of 2012 as well as increased professional and contract services expense, partially offset by decreased merger and strategic initiatives expense.

Operating expenses increased $3 million, or 0.6%, to $489 million in the first six months of 2012, compared with $486 million in the same period in 2011, reflecting an increase in operating expenses of $14 million and a favorable impact from foreign exchange of $11 million. The operational increase in operating expenses was primarily due to restructuring actions taken during the first six months of 2012 as well as increased professional and contract services expense, partially offset by decreased merger and strategic initiatives expense.

Interest expense decreased $7 million, or 22.6%, to $24 million in the second quarter of 2012, compared with $31 million in the same period in 2011, and decreased $15 million, or 23.8%, to $48 million in the first six months of 2012, compared with $63 million in the same period in 2011. This decrease was primarily due to lower average outstanding debt obligations in 2012.

In the second quarter of 2012, we recorded non-cash intangible asset impairment charges totaling $28 million related to certain acquired finite-lived intangible assets associated with technology ($19 million), customer relationships ($6 million), and certain trade names ($3 million). In the first six months of 2012, we also recorded an other-than-temporary impairment charge of $12 million related to our equity interest in EMCF.

Income tax provision decreased $7 million, or 17.5%, to $33 million in the second quarter of 2012 compared with $40 million in the same period in 2011, primarily due to a permanent tax benefit associated with certain taxable foreign exchange revaluation losses which are not reflected in pre-tax earnings.

These current and prior year items are discussed in more detail below.

Table of Contents

NASDAQ OMX s Operating Results

Key Drivers

The following table includes key drivers for our Market Services, Issuer Services and Market Technology segments. In evaluating the performance of our business, our senior management closely watches these key drivers.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Market Services				
Cash Equity Trading				
NASDAQ securities				
Average daily share volume (in billions)	1.80	2.00	1.80	2.02
Matched market share executed on NASDAQ	27.3%	28.8%	26.8%	27.8%
Matched market share executed on NASDAQ OMX BX	2.9%	1.8%	2.7%	1.6%
Matched market share executed on NASDAQ OMX PSX	1.6%	1.2%	1.5%	1.0%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	31.4%	32.2%	32.3%	32.4%
Total market share(1)	63.3%	64.0%	63.3%	62.9%
New York Stock Exchange, or NYSE, securities				
Average daily share volume (in billions)	3.86	3.91	3.88	4.22
Matched market share executed on NASDAQ	13.7%	14.0%	13.6%	12.8%
Matched market share executed on NASDAQ OMX BX	2.7%	2.1%	2.6%	2.0%
Matched market share executed on NASDAQ OMX PSX	0.9%	0.8%	0.8%	0.8%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	29.1%	27.8%	30.3%	28.9%
Total market share(1)	46.4%	44.7%	47.3%	44.6%
NYSE MKT and regional securities				
Average daily share volume (in billions)	1.19	1.29	1.15	1.32
Matched market share executed on NASDAQ	18.3%	18.5%	18.6%	17.6%
Matched market share executed on NASDAQ OMX BX	2.9%	1.9%	2.6%	1.8%
Matched market share executed on NASDAQ OMX PSX	2.4%	2.0%	2.2%	1.7%
Market share reported to the FINRA/NASDAQ Trade Reporting Facility	28.1%	25.5%	28.7%	26.3%
Total market share(1)	51.8%	47.9%	52.2%	47.4%
Total U.S.-listed securities				
Average daily share volume (in billions)	6.85	7.19	6.84	7.56
Matched share volume (in billions)	95.8	99.7	185.9	194.5
Matched market share executed on NASDAQ	18.1%	18.9%	17.9%	17.7%
Matched market share executed on NASDAQ OMX BX	2.8%	2.0%	2.6%	1.9%
Matched market share executed on NASDAQ OMX PSX	1.3%	1.1%	1.2%	1.0%
NASDAQ OMX Nordic and NASDAQ OMX Baltic securities				
Average daily number of equity trades	369,680	320,451	370,929	329,713
Average daily value of shares traded (in billions)	$ 2.9	$ 4.0	$ 3.0	$ 4.1
Derivative Trading and Clearing				
U.S. Equity Options				
Total industry average daily volume (in millions)	14.9	15.8	15.4	16.5
NASDAQ OMX PHLX matched market share	19.6%	24.3%	20.9%	23.9%
The NASDAQ Options Market matched market share	5.6%	4.6%	5.4%	4.9%
NASDAQ OMX Nordic and NASDAQ OMX Baltic				
Average Daily Volume:				
Options, futures and fixed-income contracts	431,154	428,041	451,433	442,282
Finnish option contracts traded on Eurex	92,616	109,682	81,582	144,958

NASDAQ OMX Commodities				
Clearing Turnover:				
Power contracts (TWh)[(2)]	346	383	867	837
Carbon contracts (1000 tCO2)[(2)]	6,951	12,114	37,863	16,150

Table of Contents

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Issuer Services				
Initial public offerings				
NASDAQ	15	25	36	47
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic		5	1	6
New listings				
NASDAQ(3)	29	40	72	74
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic(4)	2	13	5	17
Number of listed companies				
NASDAQ (5)	2,636	2,724	2,636	2,724
Exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic(6)	759	780	759	780
Market Technology				
Order intake (in millions)(7)	$ 77	$ 56	$ 133	$ 62
Total order value (in millions)(8)	$ 529	$ 483	$ 529	$ 483

(1) Includes transactions executed on NASDAQ s, NASDAQ OMX BX s and NASDAQ OMX PSX s systems plus trades reported through the FINRA/NASDAQ Trade Reporting Facility.

(2) Primarily transactions executed on Nord Pool and reported for clearing to NASDAQ OMX Commodities measured by TWh and one thousand metric tons of carbon dioxide (1000 tCO2).

(3) New listings include IPOs, including those completed on a best efforts basis, issuers that switched from other listing venues, closed-end funds and separately listed ETFs.

(4) New listings include IPOs and represent companies listed on the exchanges that comprise NASDAQ OMX Nordic and NASDAQ OMX Baltic and companies on the alternative markets of NASDAQ OMX First North.

(5) Number of listed companies for NASDAQ at period end, including separately listed ETFs.