

a BETTER market

NASDAQ®

is a public company that operates the leading electronic stock market in the U.S., home to over 3,300 companies across all industries. This world-renowned market is comprised of two business segments, Issuer Services and Market Services, which are made up of four business lines that deliver a rich portfolio of services and products to customers and multiple sources of revenue.

“I came here with a clear agenda: to secure NASDAQ’s rightful place as the premier U.S. market — and create the best example of an open, electronic marketplace that supports choice, competition and fairness.”

Robert Greifeld
President and CEO

a market that works for INVESTORS

We’ve built a market that brings buyers and sellers together efficiently and effectively, one that connects investors and capital with industry-leading companies and champions and seeks to protect the interests of all investors. This is NASDAQ’s leading role and value.

2003 saw a wide and growing acknowledgement of our market model and the greater merit of its quality, integrity and ingenuity.

Our market is succeeding by addressing the issues that matter most to investors and market participants. The fact that most of the world’s major equity exchanges are following NASDAQ’s competitive electronic model confirms the wisdom of having the right structure and quality. It also underscores the need for stock markets to evolve and innovate.

As we move into 2004, we’re pursuing ideas, products and technology designed to make the whole equation increasingly better: faster, fairer, more transparent, more efficient. We’re continuing to redefine what an equity market should be and to demonstrate how well it can serve investors, companies and traders. And, we’re working to make the NASDAQ businesses that support this market more competitive, profitable and responsive to customers.

As an organization, NASDAQ is moving fast forward — a revitalized NASDAQ, with a clear strategy and the right management and resources to execute on that strategy and reach our end goal of being the predominant U.S. stock market. To get there we plan to:

- attract and retain the majority of IPOs;
- capture more trading volume regardless of where a company is listed;
- aggressively pursue companies listed elsewhere to list on NASDAQ;
- achieve even greater levels of efficiency through ongoing operational improvements.

We’re refocusing on our core mission and leveraging NASDAQ’s vital assets. It’s an essential strategic move to create more value and solidify our rising status as the premier U.S. equity market — a market the world’s investors count on.

In this year’s report, we’d like to show you where and how this is happening, and what growth, leadership and marketplace opportunities it will yield.



a better MODEL

A market that makes more sense.

Investors, traders and listing companies are drawn to our open market structure and the virtues of using a smarter and more efficient electronic trading platform.

NASDAQ's decentralized structure of many market centers linked together — and multiple dealers committing capital and competing for orders under the NASDAQ "big tent"— gives investors a healthy and liquid environment.

NASDAQ's open and electronic trading environment allows an unlimited number of participants to trade in a company's shares. Instead of representation by individual specialists, over 300 market makers sponsor NASDAQ companies and trade NASDAQ stocks. An average of 20 cover each NASDAQ National Market® security, and as many as 100 or more make markets in some securities.¹ No other U.S. market can match this. NASDAQ also offers a high level of transparency that helps investors gauge trends and make more informed decisions.

"We asked [38 head traders from money management firms] in a survey which market do you feel you get a better execution in... Over 85% said NASDAQ."

Alfred Eskander
Director of Marketing, Liquidnet²

99.993%

NASDAQ's order execution and trading systems experienced 99.993% uptime for 2003 — the highest level since 1996.

64%

NASDAQ sets the best price 64% of the time.

Source: NASDAQ Economic Research, as of 12/1/03 - 12/12/03

Over 300 market makers

compete on NASDAQ, posting continuous bids and offers, supplying needed liquidity and stability to stocks, and boosting confidence and efficiency for investors.

Source: NASDAQ Economic Research



Computerized trading systems like ours lend themselves to open, efficient and nearly frictionless markets. NASDAQ has been using advanced technology to operate its market for more than 30 years. By creating the right balance of man and machine, the human factor comes into play only where it is essential to add value.

The advantages and efficiencies of our market model turn significantly on technology. To stay ahead of the curve of change and competition, we continue to aggressively improve by investing in newer technologies that lower the cost per transaction without sacrificing reliability. This raises the value we deliver to investors.

In 2003, we achieved greater than 99.99% reliability — known in the industry as four “nines” — the highest level since 1996. We also achieved average execution speeds of 1/20 of a second, fourteen times faster than they were just two-and-a-half years ago; speeds we will continue to accelerate.

Listing companies have a committed interest in ensuring that their investors get best execution. This means that lower execution cost and higher speed, efficiency and reliability are critical. That's why we are so intensely focused on maintaining the quality of our market — with the right and best technology and structure for all investors.



Looking at the results across stocks in three major indexes, investors on NASDAQ are more likely to get the price they are quoted, or better, and pay generally lower transaction costs.

EFFECTIVE SPREADS (Cents)

	NASDAQ	NYSE
S&P 500 Stocks	1.22	1.72
Dow Jones U.S. Large Cap Index Stocks	1.21	1.69
Russell 1000 Stocks	1.50	1.88

better QUALITY

A market that delivers more value.

Investors benefit in many ways from the superior quality of this market, from open access and fairness to the confidence of knowing that our regulator is separate from our market center.

NASDAQ raised the bar for corporate governance standards, and we're doing the same for market quality and integrity. This means putting investor protection over protecting profits and advocating investors' freedom to choose where to transact and trade on their own terms.

For the trading community, the ultimate points of competitive advantage are lower trading costs and certainty of execution. On these measures NASDAQ is clearly superior, a fact proven by SEC-mandated data. Looking at the results across stocks in three major indexes, the S&P 500, Dow Jones U.S. Large Cap Index and the Russell 1000, investors on NASDAQ are more likely to get the price they are quoted, or better, and pay generally lower transaction costs.³



To bolster integrity and better protect investors, NASDAQ companies are held to the highest standards of governance and transparency — rigorous standards we establish for them and also meet ourselves as a public company. In an era of widespread concern over corporate ethics and accountability, our corporate governance and listing standards put investors first.

A fundamental question is whether investors are getting the benefits they deserve: choice, competition and fairness — and the tools to evaluate their choices. Those options and tools are already in place on our market. They need to be available everywhere, to everyone.

SPEED (Seconds)

	NASDAQ	NYSE
S&P 500 Stocks	8.2	18.2
Dow Jones U.S. Large Cap Index Stocks	6.0	17.2
Russell 1000 Stocks	9.1	20.2

SHARES EXECUTED AT OR INSIDE THE QUOTE

	NASDAQ	NYSE
S&P 500 Stocks	91.1%	83.0%
Dow Jones U.S. Large Cap Index Stocks	91.2%	81.6%
Russell 1000 Stocks	90.7%	83.2%

Source: SEC Rule 11Ac1-5 data, December 2003 marketable orders of all sizes under 10,000 shares, provided by Market Systems, Inc. See SEC Release No. 34-43590; File No. S7-16-00 (November 17, 2000).



Part of the push for greater market quality involves raising awareness and seeking reform in Washington of certain regulations, including the outdated trade-through rule. NASDAQ believes that investors deserve both price and speed. The rule often forces orders to manual markets, where displayed prices may not be accessible.

If two key drivers of NASDAQ's market quality are good governance and superior execution, a third is the caliber of the people helping to support and enhance our market. We began 2004 with a streamlined and more purposeful workforce, led by an equally lean and focused management team. These dynamic and motivated professionals are the key to our continued success.

"The liquidity in NASDAQ allows us to execute larger size in the big-name stocks more efficiently and quicker."

Peter W. Jenkins
Head of North American Equity Trading
Deutsche Asset Management²



better BUSINESS

A company focused on customers, competition and leadership.

NASDAQ is taking steps as a business to increase operating efficiency and strengthen its ability to innovate, profit and lead.

We ended 2003 and entered 2004 with a clear, real and strong sense of purpose: an intense and undivided concentration on our central mission, not only as a market serving investors but also as a valued provider of services to customers — and a business creating value for our shareholders.

In 2003, we analyzed every NASDAQ business segment and venture to decide where our energies would be best directed and rewarded. This strategic review motivated us to narrow our focus in order to better leverage our brand and assets. It also led us to reshape our management team along leaner and more entrepreneurial lines.

This lays the groundwork for us to bring a superior level of service to customers with the goal of generating more revenue and profits. It's a classic corporate restructuring story of getting out of nonessential activities, streamlining personnel and operations and concentrating resources where they will produce optimum returns.

Having done a great deal of hard work to get our balance sheet in order and align the entire enterprise to compete, our underlying business is now powerfully positioned to maneuver and gain momentum.

Going forward, every initiative will tie back to our company-wide strategic goals, which include bringing costs down wherever possible, winning more market share, bringing Electronic Communications Networks (ECNs) into our "big tent," and assuming leadership of the U.S. equities marketplace on every important level.

NASDAQ earns revenue from two business segments, Issuer Services and Market Services, which are made up of four sub-segment businesses. This has always been a unique strength. Multiple business lines provide customers with valued services and products and our company with a wide source of revenues.

NASDAQ CORPORATE CLIENT GROUP

This Issuer Services business group cultivates new listings and supports listed companies with products, services and comprehensive market intelligence.

NASDAQ made headlines with our innovative dual-listing program developed in 2003 and launched in January of 2004. Six companies chose to lead a sea change in the marketplace by listing on both the NYSE and NASDAQ. Dual listing is an unprecedented opportunity for companies to experience our exceptional execution quality firsthand without disruption. The program has already generated significant visibility and interest from all industry sectors. We will continue building on the strong early momentum to attract more companies to our market.

In competing for listings, we're becoming more responsive to understanding and addressing companies' needs. We're putting more people in the field to meet and help educate companies on the dynamics of the market and how it benefits their investors. The long-term loyalty of NASDAQ's

\$6.37 billion

was raised on NASDAQ in 2003 via initial public offerings.

Source: Equidesk, as of 12/31/03

80%

NASDAQ's international investor programs, held in Europe and Asia, provide an interactive forum for companies to meet and present to more than 80% of international institutional investors holding U.S. equities.

The NASDAQ Composite gained 50%

In 2003, the NASDAQ Composite increased 50%, outperforming the Dow, S&P 500 and the NYSE Composite.

Source: NASDAQ Economic Research, as of 12/31/03

"[Dual listing] is an innovative concept that ratchets up the debate regarding the quality of the trading environment for securities — and what is best for shareholders."

Jeffrey Sonnenfeld
Associate Dean
Yale School of Management



companies speaks to their satisfaction, as evidenced by NASDAQ's 99.3% listed company retention rate for 2003.⁴

In 2003, we put ourselves more squarely in issuers' backyards by reorganizing the Corporate Client Group by regions. This has better positioned us to deliver superior service to listed companies, and to take advantage of opportunities in the U.S. and countries like China and India that will be bringing large companies to market. During 2003, NASDAQ won 57 IPOs.

Companies that list here gain the benefit of unrivaled market intelligence and options for accessing it. NASDAQ Market Intelligence DeskSM experts provide companies with timely, proactive updates on market activity and alerts on any unusual trading in their stock. NASDAQ OnlineSM gives them a one-stop source of company- and industry-specific data. A wide range of cost-effective services is available through affiliated partners in NASDAQ's Corporate Services program; including help with investor relations, news delivery, board education and compliance training.

NASDAQ-listed companies also benefit from exceptional visibility services geared to create value. NASDAQ's MarketSite[®], located in Times Square, New York, offers companies a unique venue to deliver their messages to investors through market opens, broadcast media and special events. NASDAQ's Institutional Investor Center, <http://investors.NASDAQ.com>, complements NASDAQ's international conferences by bringing companies and institutional investors together online.

NASDAQ FINANCIAL PRODUCTS

This Issuer Services business group oversees the development and marketing of new financial products and services primarily based on NASDAQ indexes.

This is NASDAQ's fastest growing business line; and through it, the only market to act as sponsor, listing market and licensor in connection with investment products. We have remarkable reach in financial products that touch investors and traders of all kinds around the world with a range of efficient, cost-effective and innovative investment vehicles. They extend from the most traditional funds to the most sophisticated, heavily traded derivative products.

The NASDAQ-100 Index Tracking StockSM, QQQSM, has attracted \$22 billion in total assets and grown into one of the top exchange traded funds (ETFs) in the U.S.⁵ The QQQ tracks the NASDAQ-100 Index[®], a benchmark for approximately 400 NASDAQ-branded products in 27 countries.

In 2003, a European exchange traded fund based on the NASDAQ-100 Index began trading in Europe on the Borse Italiana as EQQQSM. EQQQ is currently registered in Belgium, the UK, Italy, Germany and Ireland, with possible listings in 2004 on the Deutsche Bourse and Swiss Stock Exchange, subject to regulatory approvals.

1 million

QQQ is the world's most actively traded ETF with approximately one million individual investors.

Sources: Morgan Stanley Equity Research Europe, as of 12/31/03

ADP Brokerage Services Group

1.69 billion

Average daily volume in NASDAQ-listed securities in 2003 was 1.69 billion, outpacing that of both the NYSE and the Amex.

Source: NASDAQ Economic Research, as of 12/31/03

“... I believe investors will benefit from this competition by seeing improved liquidity, better execution, and greater transparency. I would encourage other CEOs and their Boards to examine the option of dual listing on both exchanges.”

Sean Harrigan
President
CalPERS Board of Administration⁶



Most recently, NASDAQ has licensed products based on the NASDAQ Composite Index[®], one of the most widely watched market barometers in the world. ONEQ, launched in October 2003 and managed by Fidelity Investments, is an ETF that seeks to provide investment returns that closely correspond to the price and yield performance of the NASDAQ Composite Index. ONEQ represents the equity ETF with the largest seed capital at introduction ever and traded over 1.7 million shares on its first day of trading on NASDAQ.⁷

Also in October 2003, Fidelity Investments introduced a traditional mutual fund based on the NASDAQ Composite Index. NASDAQ Composite Futures followed that month on the Chicago Mercantile Exchange, along with multiple listings of ETF options on ONEQ in December.

In 2004, NASDAQ plans to further expand the NASDAQ-100 Index product line globally and work to attract an increasing number of structured financial products to NASDAQ.

Investors should consider investment objectives, risks, charges and expenses before investing. For this and more complete information about QQQ, a unit investment trust, obtain a prospectus from your broker, or call 888.627.3837. Read it carefully before you invest.

ALPS Distributors, Inc. is distributor for the Trust.

NASDAQ TRANSACTION SERVICES

This Market Services business group handles price quotes, order routing and execution and transaction reporting services.

The Transaction Services group is critical to our enterprise. It is the engine that powers our market and helps to fuel the success of our data and listings businesses.

What our customers, investors and the trading community need most is liquidity and a market structure that gives them better execution. Our goal is to provide these in the most efficient way, together with a better, faster ability to see and act on critical information.

To improve our value proposition, we made major enhancements to our trading systems in 2003, including full trade anonymity, which enables market participants to execute trades anonymously. These enhancements are designed to be drivers for increasing our market share in 2004.

We adopted the industry-standard Financial Information eXchange (FIX) protocol for real-time electronic communication of securities transactions, to make it easier and more efficient for market makers to access our pool of liquidity. We also put into effect an extremely aggressive pricing program and are seeking regulatory approval for a robust closing and opening cross in order to consolidate volume on our platform.

We also expanded our market maker product with multiple market participant identifiers (MPIDs), and in the first quarter of 2004 launched

NASDAQ.com

NASDAQ.com is an important investor resource and generator of visibility for our listed companies. An average of 590,000 visitors use NASDAQ.com each month. The average number of page views per month is 159.14 million.

Source: NASDAQ.com

5 levels of information,

from pricing to liquidity, are visible in real time on each NASDAQ stock traded on our market, a depth of information unmatched by any competing equity exchange.



NASDAQ trading for securities listed on other markets, which created a single new platform for trading any stock.

NASDAQ folded NASDAQ InterMarketSM trading into its core facility to bring the best of our trading efficiencies to trading securities listed on other markets. This initiative is designed to enhance our dual-listing program and draw greater trading volume to NASDAQ. With the implementation of this expanded functionality, the nomenclature of our execution and trading systems is now streamlined under a new name, NASDAQ market centerSM.

NASDAQ DATA SERVICES

This Market Services business group sources and sells NASDAQ market quote and trade information, the tools investors need to make informed decisions.

Investors want a complete view of the activity occurring in a stock, from price movement to a full range of available liquidity — and the ability to see it the same way everyone else is seeing it. Our job is to offer high-quality data so that front-end providers like Ameritrade and Yahoo! can meet investors' information needs understandably, accurately and rapidly.

In 2003, we introduced a new data feed. Our TotalViewSM service gives retail investors and professionals equal, same-time, real-time access to all the information that is available to NASDAQ at any given instant.

We're also investing in new technology to deliver data more flexibly.

As well, we're exploring the development of new products and types of customized information that will further benefit investors.

With a new initiative called the NASDAQ Closing Cross, NASDAQ is seeking to improve the accuracy of closing prices in all of its stocks. This means closing prices will more fully represent and consolidate the market activity in a given stock. Implementation of NASDAQ's new closing cross in the first quarter of 2004 — plus, subject to regulatory approval, a new opening cross in the third quarter of 2004 — will have a fundamental impact on how the market works. By providing certainty and efficiency, the new market open and close process will impact pricing for millions of investors and is designed to result in increased open and close volume on our market.

¹ Source: NASDAQ Economic Research

² Excerpt from "Is the Big Board Getting Creaky?" by Gretchen Morgenson, as published in the 4/27/03 edition of *The New York Times*.

³ Source: SEC Rule 11Ac1-5 data, December 2003 marketable orders, provided by Market Systems, Inc. See SEC Release No. 34-43590; File No. S7-16-00 (November 17, 2000).

⁴ Source: NASDAQ Economic Research

⁵ Source: Bank of New York and FactSet Research Systems, Inc., as of 02/29/04

⁶ Excerpt from CalPERS press release dated 1/14/04, "CalPERS Issues Statement On Dual NYSE/NASDAQ Listing of Companies."

⁷ Source: FactSet Research Systems, Inc.



better OPPORTUNITIES

Our chief accomplishment in 2003 was setting a clear course to be the leading U.S. equity market, and shifting every gear, from senior management to organizational mind-set, to reach that next reality.

Although NASDAQ has been in business for over 30 years, in many ways our journey as an intensely competitive, profit-centered enterprise has only just begun. The opportunities are large and our future is bright.

We're working every day to get this enterprise to function as a powerfully efficient, effective and competitive business. My role is to help keep NASDAQ on track in this effort and execute on our strategy to make this the absolute best U.S. equity market. We've already made substantial progress.

As soon as I arrived in May of 2003, we made a top-to-bottom evaluation and began a serious transition and transformation process. We pared down management, eliminated noncore businesses and hired an aggressive sales force. We moved the whole company's thinking and actions to a new frame of reference — from public utility to highly competitive market and exchange service provider. We feel very good about what we achieved during the year. As a result, NASDAQ is ready to move out in front by winning more transaction share, trading more NASDAQ and other exchange-listed stocks, and inspiring more companies to list here.

We knew this transformation would involve substantial charges, use up some of our cash reserves, and reduce equity. It had to be done. In the final analysis it strengthens the company and our long-term potential. The good news is that the major restructuring is now behind us.

By year-end we lowered expenses from continuing operations by over \$100 million, paid off debt, and began 2004 with over \$300 million in cash and investments that we believe are sufficient to run our operations and fund our capital investments. We have a healthy balance sheet, strong cash flow and far less financial exposure. Over the next two years, we intend to continue to look for efficiencies and ways to cut costs.

After a year of market turmoil, extremely low volume and a very slow IPO market, we're glad to see a more encouraging environment emerging. This is good for the investing public and very good for our business.

Beyond taking this enterprise to a more profitable level, my other mission at NASDAQ is to lead investors back to a confident place. We're doing it by setting and applying higher corporate governance standards for our companies and ourselves. By creating a high-integrity market that protects investors and promotes fairness and equal access. By advocating investors' freedom to choose where and how to trade. By shaping the debate and working for the right kind of change.

Clearly, reform of the regulatory system needs to go further, to a point where all markets are regulated alike; all market centers are completely separated from their regulators; and all market structures are fully transparent and open to healthy competition. This is the right and, to us, the only way to ensure true and lasting investor trust.

We're positioned to succeed and excel regardless of how these critical issues and others, like the trade-through rule, are resolved. If the desired changes come about, they will be tremendously beneficial for the marketplace. They will also accelerate our progress.

Inside the for-profit business of NASDAQ, we have many new initiatives under way that will give us a greater edge. As referenced earlier, one vital initiative is dual listing. It offers companies far more flexibility in where and how their stock is traded. The program has begun, led by six companies that dual listed on NASDAQ in February 2004.

There's no question that NASDAQ has challenges. As a market, we have the challenge of sustaining and growing market share against fierce competition from other markets and execution service providers. As a company, we need to continue cutting costs, revamp our cost structure and get regulatory reform that allows us to compete on an equal footing.

We also have significant opportunities. As a market: to build a mass of liquidity and market share that makes our emerging leadership position unassailable. Also importantly, we need to achieve exchange registration status to make the separation between our market and regulatory body absolute. As a company, we will seek unique opportunities to add new revenue sources to further enhance our financial structure and shareholder satisfaction.

Investors have every reason to feel good about investing on our market. Similarly, the companies that list here have every reason to rely on NASDAQ's market structure. We encourage both sides to support this market that is proactively addressing their needs and interests. A more efficient market that's evolving with the times. A market that represents the best blend of man and machine.

Just as markets are being judged differently, more by performance, market leadership is also being redefined. The old rules don't apply anymore, nor do they work for investors. If you took a blank sheet of paper today and drew the ideal stock market, it would look like NASDAQ. We're the new definition; the blueprint every equity market is moving toward; the place investors want their money; the future.

There's always more to learn. But if we keep doing the right things every day as a market, business and brand, which we plan to do, we believe good things will happen for investors, NASDAQ shareholders and our industry.

We're on the way and right on track.



Robert Greifeld
President and CEO

EXECUTIVE OFFICERS

Robert Greifeld

President and Chief Executive Officer

Bruce Aust

Executive Vice President
Corporate Client Group

Christopher R. Concannon

Executive Vice President
Transaction Services

Adena T. Friedman

Executive Vice President
Strategy and Data Products

Ron Hassen

Senior Vice President
Controller, Principal Accounting Officer
and Treasurer

John L. Jacobs

Chief Executive Officer
NASDAQ Financial Products Services, Inc.
Executive Vice President, Worldwide Marketing

Edward S. Knight

Executive Vice President and General Counsel

Steven Randich

Executive Vice President, Operations &
Technology and Chief Information Officer

David P. Warren

Executive Vice President and
Chief Financial Officer

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Vice President and Treasurer
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Group Chief Executive and Director
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Chairman and Chief Executive Officer
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Mary Jo White

Partner
Debevoise & Plimpton

Arshad R. Zakaria

Retired, Executive Vice President and President
of Global Markets & Investment Banking
Merrill Lynch & Co., Inc.

SHAREHOLDER INFORMATION

The annual meeting will be held on Wednesday, May 26, 2004, at 10:00 a.m. at NASDAQ's offices at One Liberty Plaza, 50th Floor, New York, New York 10006.

INVESTOR INFORMATION

NASDAQ's home page on the World Wide Web is at www.NASDAQ.com.

Shareholders are advised to review financial information and other disclosure about NASDAQ contained in its Annual Report on Form 10-K (the "Form 10-K"). Investor information, including the Annual Report, Form 10-K, Form 10-Q,

Proxy Statement and other periodic SEC updates, as well as press releases and earnings announcements, can be accessed directly from our Web site at: www.NASDAQ.com/investorrelations/ir_home.stm.

Investor inquiries should be directed to:

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By phone: 301.978.5242

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The Nasdaq Stock Market, Inc.

Selected Consolidated Financial Data

As of or for the year ended December 31,
(in thousands, except share amounts)

	2003	2002	2001
Statements of Operations Data:			
Total revenues	\$ 589,845	\$ 787,154	\$ 848,070
Total expenses	647,159	675,307	764,533
Net (loss) income from continuing operations	(45,112)	65,021	60,055
Loss from discontinued operations, net of tax	(60,335)	(21,893)	(19,592)
Net (loss) income	(105,447)	43,128	40,463
Net (loss) income applicable to common stockholders	(113,726)	33,363	40,463
Weighted average common shares outstanding	78,378,376	83,650,478	116,458,902
Basic and diluted net (loss) earnings per share:			
Continuing operations	\$ (0.68)	\$ 0.66	\$ 0.52
Discontinued operations	(0.77)	(0.26)	(0.17)
Total basic and diluted net (loss) earnings per share	\$ (1.45)	\$ 0.40	\$ 0.35
Balance Sheet Data:			
Cash and cash equivalents	\$ 148,929	\$ 201,463	\$ 281,149
Total assets ⁽¹⁾	851,254	1,175,914	1,326,251
Total long-term liabilities ⁽¹⁾	452,927	636,210	529,029
Total stockholders' equity ⁽¹⁾	160,696	270,872	518,388

⁽¹⁾ Includes continuing and discontinued operations.

Continued competitive pressure, as well as expenses associated with a strategic review, resulted in a negative impact on the financial performance of NASDAQ during the year. However, NASDAQ has sharpened its strategic direction and remains focused on its core goals and objectives.

NASDAQ's revenues declined 25% during 2003 when compared to 2002. Driving the decline in revenues is increased competition from regional exchanges and Alternative Trading Systems. To remain competitive, NASDAQ continues to focus on expanding market share and reducing expenses while driving toward operational self-sufficiency.

NOTE: The above review of NASDAQ's financial performance should be read in conjunction with the consolidated financial statements and notes thereto included in the 2003 Form 10-K as filed with the Securities and Exchange Commission ("SEC"). NASDAQ's future performance may differ materially from that of 2003, 2002 and 2001 as a result of certain factors, including, but not limited to, those set forth in the 2003 Form 10-K under "Item 1. Business — Risk Factors" and elsewhere in the 2003 Form 10-K.

Cautionary Note Regarding Forward-Looking Statements

The matters described herein may contain forward-looking statements that are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve a number of risks, uncertainties or other factors beyond the control of The Nasdaq Stock Market, Inc. (the "Company"), which could cause actual results to differ materially from historical results, performance or other expectations and from any opinions or statements expressed or implied with respect to future periods. These factors include, but are not limited to, the Company's ability to implement its strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors detailed in the Company's registration statement on Form 10-K, as amended, and other periodic reports filed with the U.S. Securities and Exchange Commission. We undertake no obligation to release any revisions to any forward-looking statements.

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