

The Nasdaq Stock Market, Inc.
Condensed Consolidated Statements of Income
(unaudited)
(in millions, except per share amounts)

	Three Months Ended			Six Months Ended	
	June 30,	March 31,	June 30,	June 30,	June 30,
	2004	2004	2003	2004	2003
Revenues					
Market Services	\$ 68.9	\$ 76.1	\$ 96.1	\$ 145.0	\$ 207.7
Issuer Services	51.1	52.3	51.4	103.3	102.1
Other	-	-	0.1	0.1	0.2
Total revenues	<u>120.0</u>	<u>128.4</u>	<u>147.6</u>	<u>248.4</u>	<u>310.0</u>
Expenses					
Compensation and benefits	36.9	37.4	46.6	74.3	92.3
Marketing and advertising	3.6	2.6	5.4	6.2	10.3
Depreciation and amortization	16.5	19.6	25.1	36.1	47.9
Professional and contract services	4.7	5.2	8.9	9.9	21.6
Computer operations and data communications	27.4	31.2	29.3	58.6	60.8
Provision for bad debts	0.4	0.1	1.5	0.6	1.6
Occupancy	6.9	7.3	7.7	14.2	15.5
General and administrative	3.3	5.0	8.5	8.2	18.1
Total direct expenses	<u>99.7</u>	<u>108.4</u>	<u>133.0</u>	<u>208.1</u>	<u>268.1</u>
Elimination of non-core product lines, initiatives and severance	-	-	45.7	-	45.7
Nasdaq Japan impairment loss	-	-	(5.0)	-	(5.0)
Support costs from related parties, net	11.7	11.4	15.8	23.2	33.0
Total expenses	<u>111.4</u>	<u>119.8</u>	<u>189.5</u>	<u>231.3</u>	<u>341.8</u>
Operating income (loss)	8.6	8.6	(41.9)	17.1	(31.8)
Interest income	1.7	1.4	2.6	3.1	5.4
Interest expense	(2.9)	(2.9)	(5.3)	(5.7)	(10.5)
Operating income (loss) from continuing operations before income taxes	7.4	7.1	(44.6)	14.5	(36.9)
(Provision) benefit for income taxes	(2.6)	(2.5)	12.2	(5.1)	10.4
Net income (loss) from continuing operations	<u>\$ 4.8</u>	<u>\$ 4.6</u>	<u>\$ (32.4)</u>	<u>\$ 9.4</u>	<u>\$ (26.5)</u>
Loss from discontinued operations, net of tax	-	-	(16.6)	-	(19.9)
Net income (loss)	<u>\$ 4.8</u>	<u>\$ 4.6</u>	<u>\$ (49.0)</u>	<u>\$ 9.4</u>	<u>\$ (46.4)</u>
Net income (loss) applicable to common stockholders:					
Net income (loss)	\$ 4.8	\$ 4.6	\$ (49.0)	\$ 9.4	\$ (46.4)
Preferred stock dividends declared	(3.5)	(2.8)	(2.5)	(6.3)	(3.2)
Net income (loss) applicable to common stockholders	<u>\$ 1.3</u>	<u>\$ 1.8</u>	<u>\$ (51.5)</u>	<u>\$ 3.1</u>	<u>\$ (49.6)</u>
Basic and diluted net earnings (loss) per share:					
Continuing operations	\$ 0.02	\$ 0.02	\$ (0.45)	\$ 0.04	\$ (0.38)
Discontinued operations	-	-	(0.21)	-	(0.25)
Total basic and diluted net earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ 0.02</u>	<u>\$ (0.66)</u>	<u>\$ 0.04</u>	<u>\$ (0.63)</u>
Other Drivers					
Average daily shares traded (in billions)	1.7	2.0	1.8	1.9	1.6
Percentage of trades printed at Nasdaq	32.5%	35.5%	57.1%	34.0%	68.2%
Percentage of shares printed at Nasdaq	47.9%	50.6%	68.9%	49.3%	76.5%
Initial Public Offerings	41	28	2	69	5
Number of Companies Listed	3,298	3,311	3,440	3,298	3,440

The Nasdaq Stock Market, Inc.
Condensed Consolidated Balance Sheets
(in millions)

	June 30, 2004	December 31, 2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 222.4	\$ 148.9
Investments:		
Available-for-sale, at fair value	192.3	185.7
Held-to-maturity, at amortized cost	8.6	23.8
Receivables, net	74.2	111.4
Receivables from related parties	-	7.7
Deferred tax asset	37.2	40.5
Other current assets	11.6	11.6
Total current assets	<u>546.3</u>	<u>529.6</u>
Investments:		
Held-to-maturity, at amortized cost	22.0	4.5
Property and equipment:		
Land, buildings and improvements	96.8	96.6
Data processing equipment and software	347.9	346.9
Furniture, equipment and leasehold improvements	161.7	168.5
	<u>606.4</u>	<u>612.0</u>
Less: accumulated depreciation and amortization	(391.8)	(369.0)
Total property and equipment, net	<u>214.6</u>	<u>243.0</u>
Non-current deferred tax asset	69.9	72.1
Other intangible assets	0.8	0.9
Other assets	1.5	1.2
Total assets	<u>\$ 855.1</u>	<u>\$ 851.3</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 22.7	\$ 30.0
Accrued personnel costs	33.7	48.8
Deferred revenue	105.9	59.8
Other accrued liabilities	75.9	76.0
Current obligation under capital lease	-	1.6
Payables to related parties	8.2	21.6
Total current liabilities	<u>246.4</u>	<u>237.8</u>
Senior notes	25.0	25.0
Subordinated notes	240.0	240.0
Accrued pension costs	22.1	26.8
Non-current deferred tax liability	40.9	40.9
Non-current deferred revenue	88.3	84.7
Other liabilities	30.0	35.5
Total liabilities	<u>692.7</u>	<u>690.7</u>
Stockholders' equity		
Common stock	1.3	1.3
Preferred stock, Series A and B	133.8	133.8
Additional paid-in capital	358.6	358.9
Common stock in treasury, at cost	(666.5)	(667.8)
Accumulated other comprehensive (loss) income	(1.6)	0.1
Deferred stock compensation	(1.6)	(1.1)
Common stock issuable	2.8	2.9
Retained earnings	335.6	332.5
Total stockholders' equity	<u>162.4</u>	<u>160.6</u>
Total liabilities and stockholders' equity	<u>\$ 855.1</u>	<u>\$ 851.3</u>