

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, 2003	March 31, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Revenues					
Transaction Services	\$ 60.4	\$ 67.9	\$ 103.4	\$ 128.3	\$ 208.6
Market Information Services	36.5	43.9	50.5	80.4	103.2
Corporate Client Group	42.9	42.6	44.0	85.3	87.9
Other	11.6	11.5	7.2	23.3	16.8
Total revenues	<u>151.4</u>	<u>165.9</u>	<u>205.1</u>	<u>317.3</u>	<u>416.5</u>
Expenses					
Compensation and benefits	49.9	47.9	44.8	97.8	91.1
Marketing and advertising	5.5	5.3	4.2	10.8	8.0
Depreciation and amortization	23.3	25.5	24.8	48.8	50.1
Professional and contract services	11.3	14.8	17.1	26.1	32.1
Computer operations and data communications	31.6	33.5	35.4	65.0	77.9
Provision for bad debts	1.5	0.1	4.4	1.6	6.5
Travel, meetings and training	2.7	2.4	3.7	5.1	6.7
Occupancy	8.3	8.4	10.1	16.7	17.0
Publications, supplies and postage	2.1	1.6	2.8	3.8	5.0
Other	10.4	4.9	9.9	15.3	17.4
Total direct expenses	<u>146.6</u>	<u>144.4</u>	<u>157.2</u>	<u>291.0</u>	<u>311.8</u>
Elimination of non-core product lines, initiatives and severance	59.8	-	-	59.8	-
NASDAQ Japan impairment loss	(5.0)	-	15.2	(5.0)	15.2
Support costs from related parties, net	15.9	17.2	17.7	33.0	35.4
Total expenses	<u>217.3</u>	<u>161.6</u>	<u>190.1</u>	<u>378.8</u>	<u>362.4</u>
Net operating (loss) income	(65.9)	4.3	15.0	(61.5)	54.1
Interest income	2.6	2.8	3.4	5.4	6.5
Interest expense	(5.3)	(5.4)	(4.0)	(10.7)	(7.6)
Minority interests	6.4	2.7	2.7	9.0	5.6
Net (loss) income before taxes	<u>(62.2)</u>	<u>4.4</u>	<u>17.1</u>	<u>(57.8)</u>	<u>58.6</u>
Benefit (provision) for income taxes	13.2	(1.8)	(8.3)	11.4	(28.5)
Net (loss) income	<u>\$ (49.0)</u>	<u>\$ 2.6</u>	<u>\$ 8.8</u>	<u>\$ (46.4)</u>	<u>\$ 30.1</u>
Net (loss) income applicable to common stockholders:					
Net (loss) income	\$ (49.0)	\$ 2.6	\$ 8.8	\$ (46.4)	\$ 30.1
Preferred stock:					
Dividends declared	(2.5)	(0.7)	-	(3.2)	-
Accretion of preferred stock	-	-	(2.5)	-	(4.9)
Net (loss) income applicable to common stockholders	<u>\$ (51.5)</u>	<u>\$ 1.9</u>	<u>\$ 6.3</u>	<u>\$ (49.6)</u>	<u>\$ 25.2</u>
Earnings per common share:					
Basic (loss) earnings per share	<u>\$ (0.66)</u>	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ (0.63)</u>	<u>\$ 0.28</u>
Diluted (loss) earnings per share	<u>\$ (0.66)</u>	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ (0.63)</u>	<u>\$ 0.27</u>

The NASDAQ Stock Market, Inc.
Key Drivers
(Unaudited)

	Three months ended			Six months ended	
	June 30,	March 31,	June 30,	June 30,	June 30,
	2003	2003	2002	2003	2002
Revenue Details (in millions)					
Transaction Services					
Access Services	\$ 26.7	\$ 30.3	\$ 36.5	\$ 57.0	\$ 74.5
Execution Services	20.7	19.5	44.1	40.2	89.1
Trade Reporting	12.2	17.4	21.0	29.6	41.6
Other Transaction Services Revenue	0.8	0.7	1.8	1.5	3.4
Total Transaction Services Revenue	60.4	67.9	103.4	128.3	208.6
Market Information Services					
Level 1 Service	30.9	31.2	35.9	62.0	73.6
NQDS/ViewSuite	11.1	12.0	10.1	23.1	19.8
NASDAQ InterMarket & other	6.5	6.7	14.1	13.2	27.1
Unlisted Trading Privileges ("UTP")	(12.0)	(6.0)	(5.5)	(17.9)	(8.3)
NASDAQ Data Revenue Sharing	-	-	(4.1)	-	(9.0)
Total Market Information Services Revenue	36.5	43.9	50.5	80.4	103.2
Corporate Client Group					
Annual Renewal Fee	24.2	23.9	25.6	48.2	51.5
Listing Additional Shares ("LAS") Fee	9.4	9.3	9.5	18.6	18.8
Initial Listing Fee	8.1	8.2	8.4	16.3	16.9
Other Corporate Client Group Revenue	1.2	1.2	0.5	2.2	0.7
Total Corporate Client Group Revenue	42.9	42.6	44.0	85.3	87.9
Other revenue	11.6	11.5	7.2	23.3	16.8
Total revenues	\$ 151.4	\$ 165.9	\$ 205.1	\$ 317.3	\$ 416.5
Other Drivers					
Average daily shares traded (in billions)	1.9	1.5	1.8	1.6	1.8
Percentage of share volume executed on NASDAQ	17.6%	19.0%	29.8%	18.2%	30.7%
Percentage of trades printed at NASDAQ	57.1%	79.3%	79.5%	68.2%	84.6%
Initial Public Offerings	2	3	22	5	29
Number of Companies Listed	3,440	3,993	3,883	3,440	3,883

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

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 269.1	\$ 204.3
Investments:		
Available-for-sale, at fair value	233.2	222.1
Held-to-maturity, at amortized cost	28.3	18.7
Receivables, net	139.1	166.5
Receivables from related parties	7.2	11.3
Deferred tax asset	50.3	53.0
Other current assets	23.9	21.1
Total current assets	<u>751.1</u>	<u>697.0</u>
Investments:		
Held-to-maturity, at amortized cost	-	9.7
Property and equipment:		
Land, buildings and improvements	95.5	94.5
Data processing equipment and software	450.6	452.3
Furniture, equipment and leasehold improvements	194.8	192.1
	<u>740.9</u>	<u>738.9</u>
Less accumulated depreciation and amortization	<u>(411.9)</u>	<u>(377.7)</u>
Total property and equipment, net	329.0	361.2
Non-current deferred tax asset	74.2	70.0
Goodwill	2.0	10.1
Other intangible assets	4.2	6.5
Other assets	5.8	21.4
Total assets	<u>\$ 1,166.3</u>	<u>\$ 1,175.9</u>

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

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
	<u>(Unaudited)</u>	
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 47.0	\$ 79.6
Accrued personnel costs	41.0	47.5
Deferred revenue	108.6	64.6
Current portion of senior notes	4.9	11.3
Other accrued liabilities	77.0	40.5
Current obligation under capital lease	6.0	4.4
Payables to related parties	26.6	27.3
Total current liabilities	<u>311.1</u>	<u>275.2</u>
Senior notes	178.2	189.7
Subordinated notes	240.0	240.0
Non-current obligation under capital lease	4.0	7.7
Accrued pension costs	30.5	23.6
Non-current deferred tax liability	51.0	49.2
Non-current deferred revenue	88.7	102.1
Other liabilities	29.6	24.0
Total liabilities	<u>933.1</u>	<u>911.5</u>
Minority interests	6.6	(6.5)
Stockholders' equity		
Common stock, \$0.01 par value, 300,000,000 authorized, shares issued: 130,610,921 at June 30, 2003 and 130,518,921 at December 31, 2002; shares outstanding: 78,431,581 at June 30, 2003 and 78,266,708 at December 31, 2002	1.3	1.3
Preferred stock, 30,000,000 authorized, Series A: 1,338,402 shares issued and outstanding; Series B: 1 share issued and outstanding	133.8	133.8
Additional paid-in capital	358.8	358.2
Common stock in treasury, at cost: 52,179,340 at June 30, 2003 and 52,252,213 shares at December 31, 2002	(668.4)	(669.4)
Accumulated other comprehensive income	2.3	(2.3)
Deferred stock compensation	(0.9)	(1.9)
Common stock issuable	3.0	4.9
Retained earnings	396.7	446.3
Total stockholders' equity	<u>226.6</u>	<u>270.9</u>
Total liabilities, minority interests and stockholders' equity	<u>\$ 1,166.3</u>	<u>\$ 1,175.9</u>

The NASDAQ Stock Market, Inc.
Reconciliation of GAAP Financial Statements
(Unaudited)
(in millions, except per share amounts)

	Quarter Ended			Six Months Ended	
	June 30, 2003	March 31, 2003	June 30, 2002	June 30, 2003	June 30, 2002
GAAP Net (Loss) Income	\$ (49.0)	\$ 2.6	\$ 8.8	\$ (46.4)	\$ 30.1
Adjustments:					
Strategic Review	(47.3)	-	-	(47.3)	-
Minority Interest	1.6	-	-	1.6	-
Net Impact to NASDAQ After Tax (Net Strategic Review)	(45.7)	-	-	(45.7)	-
Non-GAAP Net (Loss) Income	<u>\$ (3.3)</u>	<u>\$ 2.6</u>	<u>\$ 8.8</u>	<u>\$ (0.7)</u>	<u>\$ 30.1</u>
GAAP Net (Loss) Income Applicable to Common Stockholders:	\$ (51.5)	\$ 1.9	\$ 6.3	\$ (49.6)	\$ 25.2
Adjustments:					
Strategic Review	(47.3)	-	-	(47.3)	-
Minority Interest	1.6	-	-	1.6	-
Net Strategic Review	(45.7)	-	-	(45.7)	-
Non-GAAP Net (Loss) Income Applicable to Common Stockholders	<u>\$ (5.8)</u>	<u>\$ 1.9</u>	<u>\$ 6.3</u>	<u>\$ (3.9)</u>	<u>\$ 25.2</u>
GAAP (Loss) Earnings per Common Share:					
Basic (Loss) Earnings Per Share	\$ (0.66)	\$ 0.02	\$ 0.08	\$ (0.63)	\$ 0.28
Adjustment:					
Strategic Review	(0.59)	-	-	(0.59)	-
Non-GAAP Basic (Loss) Earnings per Common Share	<u>\$ (0.07)</u>	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ (0.04)</u>	<u>\$ 0.28</u>
GAAP (Loss) Earnings per Common Share:					
Diluted (Loss) Earnings Per Share	\$ (0.66)	\$ 0.02	\$ 0.08	\$ (0.63)	\$ 0.27
Adjustment:					
Strategic Review	(0.59)	-	-	(0.59)	-
Non-GAAP Diluted (Loss) Earnings per Common Share	<u>\$ (0.07)</u>	<u>\$ 0.02</u>	<u>\$ 0.08</u>	<u>\$ (0.04)</u>	<u>\$ 0.27</u>
GAAP Total Expenses	\$ 217.3	\$ 161.6	\$ 190.1	\$ 378.8	\$ 362.4
Adjustment:					
Strategic Review	(59.8)	-	-	(59.8)	-
Non-GAAP Total Expenses	<u>\$ 157.5</u>	<u>\$ 161.6</u>	<u>\$ 190.1</u>	<u>\$ 319.0</u>	<u>\$ 362.4</u>
GAAP Total Expenses	\$ 217.3	\$ 161.6	\$ 190.1	\$ 378.8	\$ 362.4
Adjustments:					
Strategic Review	(59.8)	-	-	(59.8)	-
Minority Interest	2.0	-	-	2.0	-
NASDAQ Japan	5.0	-	(15.2)	5.0	(15.2)
Employee Benefit Obligations	(2.0)	-	-	(2.0)	-
Auxiliary Trading Platform Write-off	-	-	(4.9)	-	(4.9)
Technology Infrastructure Write-off	(5.0)	-	-	(5.0)	-
Total Non-Recurring Expenses	(59.8)	-	(20.1)	(59.8)	(20.1)
GAAP Recurring Total Expenses	<u>\$ 157.5</u>	<u>\$ 161.6</u>	<u>\$ 170.0</u>	<u>\$ 319.0</u>	<u>\$ 342.3</u>