

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

	<b>Three Months Ended</b>			<b>Year Ended</b>	
	<b>December 31,</b>	<b>September 30,</b>	<b>December 31,</b>	<b>December 31,</b>	<b>December 31,</b>
	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>Revenues</b>		<b>(unaudited)</b>		<b>(unaudited)</b>	
Market Services	\$ 116.2	\$ 73.3	\$ 86.3	\$ 334.5	\$ 383.7
Issuer Services	51.9	50.7	51.6	205.8	204.2
Other	-	-	0.1	0.1	1.9
Total revenues	<u>168.1</u>	<u>124.0</u>	<u>138.0</u>	<u>540.4</u>	<u>589.8</u>
<b>Cost of revenues</b>	<u>(46.7)</u>	<u>(9.2)</u>	<u>-</u>	<u>(55.8)</u>	<u>-</u>
<b>Gross margin</b>	<u>121.4</u>	<u>114.8</u>	<u>138.0</u>	<u>484.6</u>	<u>589.8</u>
<b>Expenses</b>					
Compensation and benefits	35.7	38.1	30.0	148.2	159.1
Marketing and advertising	3.8	2.8	5.7	12.8	19.5
Depreciation and amortization	21.3	18.9	20.9	76.3	90.0
Professional and contract services	7.1	6.7	8.9	23.7	37.5
Computer operations and data communications	17.7	22.6	32.2	98.9	125.6
Provision for bad debts	(0.2)	0.8	(0.2)	1.1	1.4
Occupancy	7.4	7.1	8.1	28.7	31.2
General and administrative	17.3	15.6	3.6	41.1	28.4
Total direct expenses	<u>110.1</u>	<u>112.6</u>	<u>109.2</u>	<u>430.8</u>	<u>492.7</u>
Elimination of non-core product lines, initiatives and severance	-	-	28.4	-	97.9
Nasdaq Japan impairment loss	-	-	-	-	(5.0)
Support costs from related parties, net	11.3	11.1	13.1	45.6	61.5
Total expenses	<u>121.4</u>	<u>123.7</u>	<u>150.7</u>	<u>476.4</u>	<u>647.1</u>
Operating (loss) income	-	(8.9)	(12.7)	8.2	(57.3)
Interest income	1.2	1.5	1.7	5.9	9.5
Interest expense	(2.9)	(2.9)	(2.9)	(11.5)	(18.5)
Operating (loss) income from continuing operations before income taxes	(1.7)	(10.3)	(13.9)	2.6	(66.3)
(Provision) benefit for income taxes	(0.5)	4.8	3.1	(0.8)	21.2
<b>Net (loss) income from continuing operations</b>	<u>\$ (2.2)</u>	<u>\$ (5.5)</u>	<u>\$ (10.8)</u>	<u>\$ 1.8</u>	<u>\$ (45.1)</u>
Net income (loss) from discontinued operations, net of tax	9.6	-	(10.2)	9.6	(60.3)
<b>Net income (loss)</b>	<u>\$ 7.4</u>	<u>\$ (5.5)</u>	<u>\$ (21.0)</u>	<u>\$ 11.4</u>	<u>\$ (105.4)</u>
<b>Net income (loss) applicable to common stockholders:</b>					
Net income (loss)	\$ 7.4	\$ (5.5)	\$ (21.0)	\$ 11.4	\$ (105.4)
Preferred stock:					
Loss on exchange of securities	(3.9)	-	-	(3.9)	-
Dividends declared	(1.0)	(1.0)	(2.5)	(8.4)	(8.3)
Accretion of preferred stock	(0.9)	-	-	(0.9)	-
Net income (loss) applicable to common stockholders	<u>\$ 1.6</u>	<u>\$ (6.5)</u>	<u>\$ (23.5)</u>	<u>\$ (1.8)</u>	<u>\$ (113.7)</u>
<b>Basic and diluted net (loss) earnings per share:</b>					
Continuing operations	\$ (0.10)	\$ (0.08)	\$ (0.17)	\$ (0.14)	\$ (0.68)
Discontinued operations	0.12	-	(0.13)	0.12	(0.77)
Total basic and diluted net earnings (loss) per share	<u>\$ 0.02</u>	<u>\$ (0.08)</u>	<u>\$ (0.30)</u>	<u>\$ (0.02)</u>	<u>\$ (1.45)</u>
<b>Other Drivers</b>					
Average daily share volume (in billions)	1.89	1.56	1.76	1.81	1.69
Percentage of trades printed at Nasdaq	42.7%	33.3%	42.2%	36.2%	54.7%
Percentage of share volume reported to Nasdaq's systems	57.1%	48.4%	56.7%	51.3%	67.0%
Initial Public Offerings	43	41	35	148	54
Number of Companies Listed	3,271	3,287	3,333	3,271	3,333

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

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(unaudited)</b>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 58.2	\$ 148.9
Investments:		
Available-for-sale, at fair value	174.9	185.7
Held-to-maturity, at amortized cost	28.6	23.8
Receivables, net	104.3	111.4
Receivables from related parties	3.2	7.7
Deferred tax asset	24.2	40.5
Other current assets	12.8	11.6
Total current assets	<u>406.2</u>	<u>529.6</u>
Investments:		
Held-to-maturity, at amortized cost	2.0	4.5
Property and equipment:		
Land, buildings and improvements	97.3	96.6
Data processing equipment and software	205.3	346.9
Furniture, equipment and leasehold improvements	140.0	168.5
	<u>442.6</u>	<u>612.0</u>
Less accumulated depreciation and amortization	<u>(268.8)</u>	<u>(369.0)</u>
Total property and equipment, net	173.8	243.0
Non-current deferred tax asset	48.8	72.1
Goodwill	141.4	-
Intangible assets, net	40.8	0.9
Other assets	1.8	1.2
Total assets	<u>\$ 814.8</u>	<u>\$ 851.3</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 40.2	\$ 30.0
Accrued personnel costs	49.4	48.8
Deferred revenue	59.5	59.7
Other accrued liabilities	42.5	76.0
Current obligation under capital lease	-	1.6
Payables to related parties	16.7	21.6
Total current liabilities	<u>208.3</u>	<u>237.7</u>
Senior notes	25.0	25.0
Subordinated notes	240.0	240.0
Accrued pension costs	25.7	26.8
Non-current deferred tax liability	29.5	40.9
Non-current deferred revenue	89.8	84.7
Other liabilities	39.9	35.5
Total liabilities	<u>658.2</u>	<u>690.6</u>
<b>Stockholders' equity</b>		
Common stock	1.3	1.3
Preferred stock, Series C in 2004, Series A in 2003 and Series B in 2004 and 2003	130.1	133.8
Additional paid-in capital	356.0	358.9
Common stock in treasury, at cost	(662.0)	(667.7)
Accumulated other comprehensive (loss) income	(1.1)	0.1
Deferred stock compensation	(1.0)	(1.1)
Common stock issuable	2.6	2.9
Retained earnings	330.7	332.5
Total stockholders' equity	<u>156.6</u>	<u>160.7</u>
Total liabilities and stockholders' equity	<u>\$ 814.8</u>	<u>\$ 851.3</u>

**The Nasdaq Stock Market, Inc.**  
**Reconciliation of GAAP Earnings**  
(in millions, except per share amounts)

	<u>Three Months Ended</u>		<u>Year Ended</u>
	<u>December 31,</u>	<u>September 30,</u>	<u>December 31</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
<b>GAAP Total Expenses:</b>	\$ 121.4	\$ 123.7	\$ 476.4
Adjustments:			
Reductions in force	1.8	4.8	9.4
Real estate consolidation	16.8	12.0	29.0
Technology migration	6.9	5.6	24.2
Total Adjustments	<u>25.5</u>	<u>22.4</u>	<u>62.6</u>
<b>Non-GAAP Total Expenses</b>	<u>\$ 95.9</u>	<u>\$ 101.3</u>	<u>\$ 413.8</u>
<b>GAAP Net Income (Loss):</b>	\$ 7.4	\$ (5.5)	\$ 11.4
Adjustments:			
Reductions in force	1.2	2.9	5.7
Real estate consolidation	10.2	7.3	17.5
Technology migration	4.2	3.4	14.8
Net income from discontinued operations	(9.6)	-	(9.6)
Total Adjustments	<u>6.0</u>	<u>13.6</u>	<u>28.4</u>
<b>Non-GAAP Net Income</b>	<u>\$ 13.4</u>	<u>\$ 8.1</u>	<u>\$ 39.8</u>
<b>GAAP Net Income (Loss) Applicable to Common Stockholders:</b>	\$ 1.6	\$ (6.5)	\$ (1.8)
Adjustments:			
Reductions in force	1.2	2.9	5.7
Real estate consolidation	10.2	7.3	17.5
Technology migration	4.2	3.4	14.8
Net income from discontinued operations	(9.6)	-	(9.6)
Loss on exchange of securities	3.9	-	3.9
Total Adjustments	<u>9.9</u>	<u>13.6</u>	<u>32.3</u>
<b>Non-GAAP Net Income Applicable to Common Stockholders</b>	<u>\$ 11.5</u>	<u>\$ 7.1</u>	<u>\$ 30.5</u>
<b>GAAP Basic and Diluted Earnings (Loss) per Common Share from Continuing Operations:</b>			
Basic and Diluted Earnings Per Share	\$ 0.02	\$ (0.08)	\$ (0.02)
Adjustments:			
Reductions in force	0.02	0.04	0.07
Real estate consolidation	0.13	0.09	0.22
Technology Migration	0.05	0.04	0.19
Net income from discontinued operations	(0.12)	-	(0.12)
Loss on exchange of securities	0.05	-	0.05
Total Adjustments	<u>0.13</u>	<u>0.17</u>	<u>0.41</u>
<b>Non-GAAP Basic and Diluted Earnings per Common Share from Continuing Operations</b>	<u>\$ 0.15</u>	<u>\$ 0.09</u>	<u>\$ 0.39</u>
<b>Shares used to compute Non-GAAP:</b>			
Basic Earnings per Share	78.7	78.6	78.6
Diluted Earnings per Share	79.3	78.6	78.6