

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

	Three months ended		
	March 31, 2004	December 31, 2003	March 31, 2003
Revenues			
MARKET SERVICES:			
Transaction Services	\$ 48.3	\$ 53.6	\$ 67.9
Market Information Services	27.8	32.7	43.7
Total Market Services	<u>76.1</u>	<u>86.3</u>	<u>111.6</u>
ISSUER SERVICES:			
Corporate Client Group	40.5	43.2	41.8
Nasdaq Financial Products	11.8	8.4	8.9
Total Issuer Services	<u>52.3</u>	<u>51.6</u>	<u>50.7</u>
Other	-	0.1	0.1
Total revenues	<u>128.4</u>	<u>138.0</u>	<u>162.4</u>
Expenses			
Compensation and benefits	37.4	30.0	45.7
Marketing and advertising	2.6	5.7	4.9
Depreciation and amortization	19.6	20.9	22.8
Professional and contract services	5.2	8.9	12.7
Computer operations and data communications	31.2	32.2	31.5
Provision for bad debts	0.1	(0.2)	0.1
Occupancy	7.3	8.1	7.8
General and administrative	5.0	3.6	9.6
Total direct expenses	<u>108.4</u>	<u>109.2</u>	<u>135.1</u>
Elimination of non-core product lines, initiatives and severance	-	28.4	-
Support costs from related parties, net	11.4	13.1	17.2
Total expenses	<u>119.8</u>	<u>150.7</u>	<u>152.3</u>
Operating income (loss)	8.6	(12.7)	10.1
Interest income	1.4	1.7	2.8
Interest expense	(2.9)	(2.9)	(5.2)
Operating income (loss) from continuing operations before income taxes	<u>7.1</u>	<u>(13.9)</u>	<u>7.7</u>
(Provision) benefit for income taxes	(2.5)	3.1	(1.8)
Net income (loss) from continuing operations	<u>4.6</u>	<u>(10.8)</u>	<u>5.9</u>
Loss from discontinued operations, net of tax	-	(10.2)	(3.3)
Net income (loss)	<u>\$ 4.6</u>	<u>\$ (21.0)</u>	<u>\$ 2.6</u>
Net income (loss) applicable to common stockholders:			
Net income (loss)	\$ 4.6	\$ (21.0)	\$ 2.6
Preferred stock dividends declared	(2.8)	(2.5)	(0.7)
Net income (loss) applicable to common stockholders	<u>\$ 1.8</u>	<u>\$ (23.5)</u>	<u>\$ 1.9</u>
Basic and diluted net earnings (loss) per share:			
Continuing operations	\$ 0.02	\$ (0.17)	\$ 0.06
Discontinued operations	-	(0.13)	(0.04)
Total	<u>\$ 0.02</u>	<u>\$ (0.30)</u>	<u>\$ 0.02</u>
Other Drivers			
Average daily shares traded (in billions)	2.0	1.8	1.5
Percentage of trades printed at Nasdaq	35.5%	42.2%	79.3%
Percentage of shares printed at Nasdaq	50.6%	56.7%	84.0%
Initial Public Offerings	28	38	3
Number of Companies Listed	3,311	3,333	3,536

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

	<u>March 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 133.6	\$ 148.9
Investments:		
Available-for-sale, at fair value	242.3	185.7
Held-to-maturity, at amortized cost	21.0	23.8
Receivables, net	111.6	111.4
Receivables from related parties	-	7.7
Deferred tax asset	38.8	40.5
Other current assets	13.9	11.6
Total current assets	<u>561.2</u>	<u>529.6</u>
Investments:		
Held-to-maturity, at amortized cost	9.5	4.5
Property and equipment:		
Land, buildings and improvements	96.6	96.6
Data processing equipment and software	351.6	346.9
Furniture, equipment and leasehold improvements	166.4	168.5
	<u>614.6</u>	<u>612.0</u>
Less accumulated depreciation and amortization	(386.6)	(369.0)
Total property and equipment, net	228.0	243.0
Non-current deferred tax asset	72.4	72.1
Other intangible assets	0.8	0.9
Other assets	1.5	1.2
Total assets	<u>\$ 873.4</u>	<u>\$ 851.3</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 24.6	\$ 30.0
Accrued personnel costs	33.1	48.8
Deferred revenue	126.6	59.8
Other accrued liabilities	66.3	76.0
Current obligation under capital lease	-	1.6
Payables to related parties	9.4	21.6
Total current liabilities	<u>260.0</u>	<u>237.8</u>
Long-term debt:		
Senior notes	25.0	25.0
Subordinated notes	240.0	240.0
Accrued pension costs	27.8	26.8
Non-current deferred tax liability	40.6	40.9
Non-current deferred revenue	84.9	84.7
Other liabilities	33.2	35.5
Total long-term liabilities	<u>451.5</u>	<u>452.9</u>
Total liabilities	711.5	690.7
Stockholders' equity		
Common stock	1.3	1.3
Preferred stock, Series A and B	133.8	133.8
Additional paid-in capital	359.3	358.9
Common stock in treasury, at cost	(667.8)	(667.8)
Accumulated other comprehensive income	(0.1)	0.1
Deferred stock compensation	(0.9)	(1.1)
Common stock issuable	2.0	2.9
Retained earnings	334.3	332.5
Total stockholders' equity	<u>161.9</u>	<u>160.6</u>
Total liabilities and stockholders' equity	<u>\$ 873.4</u>	<u>\$ 851.3</u>

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

	Three months ended March 31, 2004
GAAP Net Income from Continuing Operations:	\$ 4.6
Adjustments:	
Incremental depreciation and amortization expense	4.3
Severance charge	1.0
Total Adjustments	5.3
Non-GAAP Net Income from Continuing Operations	\$ 9.9
GAAP Net Income from Continuing Operations Applicable to Common Stockholders:	\$ 1.8
Adjustments:	
Incremental depreciation and amortization expense	4.3
Severance charge	1.0
Total Adjustments	5.3
Non-GAAP Net Income from Continuing Operations Applicable to Common Stockholders	\$ 7.1
GAAP Earnings (Loss) per Common Share from Continuing Operations:	
Basic and Diluted Earnings Per Share	\$ 0.02
Adjustments:	
Incremental depreciation and amortization expense	0.06
Severance charge	0.01
Total Adjustments	0.07
Non-GAAP Basic and Diluted Earnings per Common Share from Continuing Operations	\$ 0.09
Shares used to compute Non-GAAP:	
Basic Earnings per Share	78.5
Diluted Earnings per Share	79.3