

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, 2005	March 31, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Revenues					
Market Services	\$ 163.6	\$ 125.1	\$ 68.9	\$ 288.7	\$ 145.0
Issuer Services	56.1	54.9	51.1	110.9	103.3
Other	-	0.2	-	0.2	0.1
Total revenues	<u>219.7</u>	<u>180.2</u>	<u>120.0</u>	<u>399.8</u>	<u>248.4</u>
Cost of revenues					
Liquidity rebates	(69.2)	(35.4)	-	(104.5)	-
Brokerage, clearing and exchange fees	(20.1)	(18.5)	-	(38.6)	-
Total cost of revenues	<u>(89.3)</u>	<u>(53.9)</u>	<u>-</u>	<u>(143.1)</u>	<u>-</u>
Gross margin	<u>130.4</u>	<u>126.3</u>	<u>120.0</u>	<u>256.7</u>	<u>248.4</u>
Expenses					
Compensation and benefits	36.9	37.3	36.9	74.2	74.3
Marketing and advertising	2.0	1.3	3.6	3.4	6.2
Depreciation and amortization	14.9	18.2	16.5	33.1	36.1
Professional and contract services	7.0	7.0	4.7	14.0	9.9
Computer operations and data communications	15.9	16.2	27.4	32.1	58.6
Provision for bad debts	(0.7)	0.6	0.4	(0.2)	0.6
Occupancy	7.1	7.1	6.9	14.2	14.2
General and administrative	10.6	5.4	3.3	16.0	8.2
Total direct expenses	<u>93.7</u>	<u>93.1</u>	<u>99.7</u>	<u>186.8</u>	<u>208.1</u>
Support costs from related parties, net	10.4	10.4	11.7	20.8	23.2
Total expenses	<u>104.1</u>	<u>103.5</u>	<u>111.4</u>	<u>207.6</u>	<u>231.3</u>
Operating income	26.3	22.8	8.6	49.1	17.1
Interest income	3.1	1.4	1.7	4.5	3.1
Interest expense	(4.6)	(2.9)	(2.9)	(7.5)	(5.7)
Pre-tax operating income	24.8	21.3	7.4	46.1	14.5
Income tax provision	10.8	8.6	2.6	19.4	5.1
Net income	<u>\$ 14.0</u>	<u>\$ 12.7</u>	<u>\$ 4.8</u>	<u>\$ 26.7</u>	<u>\$ 9.4</u>
Net income applicable to common stockholders:					
Net income	\$ 14.0	\$ 12.7	\$ 4.8	\$ 26.7	\$ 9.4
Preferred stock:					
Dividends declared	(0.8)	(1.0)	(3.5)	(1.8)	(6.3)
Accretion of preferred stock	(1.5)	(0.9)	-	(2.3)	-
Net income applicable to common stockholders	<u>\$ 11.7</u>	<u>\$ 10.8</u>	<u>\$ 1.3</u>	<u>\$ 22.6</u>	<u>\$ 3.1</u>
Basic and diluted earnings per share:					
Basic	<u>\$ 0.15</u>	<u>\$ 0.14</u>	<u>\$ 0.02</u>	<u>\$ 0.28</u>	<u>\$ 0.04</u>
Diluted	<u>\$ 0.13</u>	<u>\$ 0.13</u>	<u>\$ 0.02</u>	<u>\$ 0.26</u>	<u>\$ 0.04</u>
Weighted average common shares outstanding for earnings per share:					
Basic	79.4	79.0	78.5	79.2	78.5
Diluted	109.9	92.6	78.9	101.0	79.1
Other Drivers					
Average daily share volume	1,781	2,004	1,747	1,890	1,892
Percentage of share volume of NASDAQ-listed securities reported to the NASDAQ Market Center	55.7%	54.9%	47.9%	55.3%	49.3%
Initial Public Offerings	25	20	38	45	64
Secondary Offerings	50	45	59	95	135
Number of Listed Companies	3,241	3,247	3,298	3,241	3,298

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

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	<u>(unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 304.3	\$ 58.2
Investments:		
Available-for-sale, at fair value	215.4	174.9
Held-to-maturity, at amortized cost	30.6	28.6
Receivables, net	112.9	104.3
Receivables from related parties	-	3.2
Deferred tax asset	7.5	24.2
Other current assets	25.7	12.8
Total current assets	<u>696.4</u>	<u>406.2</u>
Held-to-maturity investments, at amortized cost	-	2.0
Property and equipment:		
Land, buildings and improvements	79.6	97.3
Data processing equipment and software	211.6	205.3
Furniture, equipment and leasehold improvements	125.8	140.0
	<u>417.0</u>	<u>442.6</u>
Less accumulated depreciation and amortization	<u>(282.3)</u>	<u>(268.8)</u>
Total property and equipment, net	134.7	173.8
Non-current deferred tax asset	58.2	48.8
Goodwill	142.4	141.4
Intangible assets, net	39.3	40.8
Other assets	1.0	1.8
Total assets	<u>\$ 1,072.0</u>	<u>\$ 814.8</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 46.2	\$ 40.2
Accrued personnel costs	28.7	49.4
Deferred revenue	115.3	59.5
Other accrued liabilities	43.6	42.5
Payables to related parties	18.5	16.7
Total current liabilities	<u>252.3</u>	<u>208.3</u>
Senior notes	25.0	25.0
Subordinated notes	442.2	240.0
Accrued pension costs	29.0	25.7
Non-current deferred tax liability	21.1	29.5
Non-current deferred revenue	94.2	89.8
Other liabilities	34.3	39.9
Total liabilities	<u>898.1</u>	<u>658.2</u>
Mezzanine equity		
Warrants underlying common stock	10.2	-
Stockholders' equity		
Common stock	1.3	1.3
Preferred stock, Series B and C	94.0	130.1
Additional paid-in capital	358.1	356.0
Common stock in treasury, at cost	(643.6)	(662.0)
Accumulated other comprehensive loss	(0.7)	(1.1)
Deferred stock compensation	(3.3)	(1.0)
Common stock issuable	4.6	2.6
Retained earnings	353.3	330.7
Total stockholders' equity	<u>163.7</u>	<u>156.6</u>
Total liabilities and stockholders' equity	<u>\$ 1,072.0</u>	<u>\$ 814.8</u>