

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

	Three Months Ended			Nine Months Ended	
	September 30,	June 30,	September 30,	September 30,	September 30,
	2004	2004	2003	2004	2003
Revenues					
Market Services	\$ 73.3	\$ 68.9	\$ 89.7	\$ 218.4	\$ 297.4
Issuer Services	50.7	51.1	50.5	153.9	152.5
Other	-	-	1.7	0.1	1.9
Total revenues	<u>124.0</u>	<u>120.0</u>	<u>141.9</u>	<u>372.4</u>	<u>451.8</u>
Cost of revenues	<u>(9.2)</u>	<u>-</u>	<u>-</u>	<u>(9.2)</u>	<u>-</u>
Gross margin	<u>114.8</u>	<u>120.0</u>	<u>141.9</u>	<u>363.2</u>	<u>451.8</u>
Expenses					
Compensation and benefits	38.1	36.9	36.7	112.4	129.0
Marketing and advertising	2.8	3.6	3.6	9.0	13.8
Depreciation and amortization	18.9	16.5	21.2	55.0	69.1
Professional and contract services	6.7	4.7	7.1	16.6	28.7
Computer operations and data communications	22.6	27.4	32.6	81.3	93.4
Provision for bad debts	0.8	0.4	-	1.3	1.6
Occupancy	7.1	6.9	7.6	21.3	23.1
General and administrative	15.6	3.3	6.7	23.8	24.8
Total direct expenses	<u>112.6</u>	<u>99.7</u>	<u>115.5</u>	<u>320.7</u>	<u>383.5</u>
Elimination of non-core product lines, initiatives and severance	-	-	23.8	-	69.6
Nasdaq Japan impairment loss	-	-	-	-	(5.0)
Support costs from related parties, net	11.1	11.7	15.4	34.3	48.4
Total expenses	<u>123.7</u>	<u>111.4</u>	<u>154.7</u>	<u>355.0</u>	<u>496.5</u>
Operating (loss) income	<u>(8.9)</u>	<u>8.6</u>	<u>(12.8)</u>	<u>8.2</u>	<u>(44.7)</u>
Interest income	1.5	1.7	2.5	4.6	7.9
Interest expense	<u>(2.9)</u>	<u>(2.9)</u>	<u>(5.2)</u>	<u>(8.6)</u>	<u>(15.6)</u>
Operating (loss) income from continuing operations before income taxes	<u>(10.3)</u>	<u>7.4</u>	<u>(15.5)</u>	<u>4.2</u>	<u>(52.4)</u>
Benefit (provision) for income taxes	4.8	(2.6)	7.8	(0.3)	18.1
Net (loss) income from continuing operations	<u>\$ (5.5)</u>	<u>\$ 4.8</u>	<u>\$ (7.7)</u>	<u>\$ 3.9</u>	<u>\$ (34.3)</u>
Loss from discontinued operations, net of tax	-	-	(30.9)	-	(50.8)
Gain on disposition of discontinued operations	-	-	0.6	-	0.6
Loss from discontinued operations	<u>-</u>	<u>-</u>	<u>(30.3)</u>	<u>-</u>	<u>(50.2)</u>
Net (loss) income	<u>\$ (5.5)</u>	<u>\$ 4.8</u>	<u>\$ (38.0)</u>	<u>\$ 3.9</u>	<u>\$ (84.5)</u>
Net (loss) income applicable to common stockholders:					
Net (loss) income	\$ (5.5)	\$ 4.8	\$ (38.0)	\$ 3.9	\$ (84.5)
Preferred stock dividends declared	(1.0)	(3.5)	(2.5)	(7.3)	(5.7)
Net (loss) income applicable to common stockholders	<u>\$ (6.5)</u>	<u>\$ 1.3</u>	<u>\$ (40.5)</u>	<u>\$ (3.4)</u>	<u>\$ (90.2)</u>
Basic and diluted net loss (earnings) per share:					
Continuing operations	\$ (0.08)	\$ 0.02	\$ (0.13)	\$ (0.04)	\$ (0.51)
Discontinued operations	-	-	(0.39)	-	(0.64)
Total basic and diluted net (loss) earnings per share	<u>\$ (0.08)</u>	<u>\$ 0.02</u>	<u>\$ (0.52)</u>	<u>\$ (0.04)</u>	<u>\$ (1.15)</u>
Other Drivers					
Average daily share volume (in billions)	1.56	1.75	1.73	1.78	1.66
Percentage of trades printed at Nasdaq	33.3%	32.5%	47.5%	33.8%	61.3%
Percentage of shares printed at Nasdaq	48.4%	47.9%	62.0%	49.1%	70.7%
Initial Public Offerings	42	41	14	111	19
Number of Companies Listed	3,287	3,298	3,367	3,287	3,367

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

	September 30,	December 31,
	2004	2003
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 48.0	\$ 148.9
Investments:		
Available-for-sale, at fair value	189.0	185.7
Held-to-maturity, at amortized cost	25.6	23.8
Receivables, net	92.3	111.4
Receivables from related parties	0.2	7.7
Deferred tax asset	29.6	40.5
Other current assets	14.1	11.6
Total current assets	<u>398.8</u>	<u>529.6</u>
Investments:		
Held-to-maturity, at amortized cost	5.0	4.5
Property and equipment:		
Land, buildings and improvements	96.7	96.6
Data processing equipment and software	313.4	346.9
Furniture, equipment and leasehold improvements	157.2	168.5
	<u>567.3</u>	<u>612.0</u>
Less: accumulated depreciation and amortization	(361.9)	(369.0)
Total property and equipment, net	<u>205.4</u>	<u>243.0</u>
Non-current deferred tax asset	55.8	72.1
Goodwill	141.7	-
Intangible assets	42.4	0.9
Other assets	1.4	1.2
Total assets	<u>\$ 850.5</u>	<u>\$ 851.3</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 37.3	\$ 30.0
Accrued personnel costs	45.9	48.8
Deferred revenue	84.0	59.8
Other accrued liabilities	64.3	76.0
Current obligation under capital lease	-	1.6
Payables to related parties	8.8	21.6
Total current liabilities	<u>240.3</u>	<u>237.8</u>
Senior notes	25.0	25.0
Subordinated notes	240.0	240.0
Accrued pension costs	24.2	26.8
Non-current deferred tax liability	35.3	40.9
Non-current deferred revenue	90.8	84.7
Other liabilities	37.8	35.5
Total liabilities	<u>693.4</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 income	(0.6)	0.1
Deferred stock compensation	(1.3)	(1.1)
Common stock issuable	2.7	2.9
Retained earnings	329.1	332.5
Total stockholders' equity	<u>157.1</u>	<u>160.6</u>
Total liabilities and stockholders' equity	<u>\$ 850.5</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>September 30,</u>	<u>June 30,</u>
	<u>2004</u>	<u>2004</u>
GAAP Direct Expenses:	\$ 112.6	\$ 99.7
Adjustments:		
Severance charge	4.8	1.2
Real estate estimated loss on sublease	12.8	-
Real estate accelerated depreciation expenses	1.1	-
Real estate reversal of loss on sublease reserve	(1.9)	-
Incremental depreciation and amortization expense	5.6	4.8
Total Adjustments	<u>22.4</u>	<u>6.0</u>
Non-GAAP Direct Expenses	<u>\$ 90.2</u>	<u>\$ 93.7</u>
GAAP Total Expenses:	\$ 123.7	\$ 111.4
Adjustments:		
Severance charge	4.8	1.2
Real estate estimated loss on sublease	12.8	-
Real estate accelerated depreciation expenses	1.1	-
Real estate reversal of loss on sublease reserve	(1.9)	-
Incremental depreciation and amortization expense	5.6	4.8
Total Adjustments	<u>22.4</u>	<u>6.0</u>
Non-GAAP Total Expenses	<u>\$ 101.3</u>	<u>\$ 105.4</u>
GAAP Net (Loss) Income from Continuing Operations:	\$ (5.5)	\$ 4.8
Adjustments:		
Severance charge	2.9	0.7
Real estate estimated loss on sublease	7.8	-
Real estate accelerated depreciation expenses	0.7	-
Real estate reversal of loss on sublease reserve	(1.2)	-
Incremental depreciation and amortization expense	3.4	2.9
Total Adjustments	<u>13.6</u>	<u>3.6</u>
Non-GAAP Net Income from Continuing Operations	<u>\$ 8.1</u>	<u>\$ 8.4</u>
GAAP Net (Loss) Income from Continuing Operations		
Applicable to Common Stockholders:	\$ (6.5)	\$ 1.3
Adjustments:		
Severance charge	2.9	0.7
Real estate estimated loss on sublease	7.8	-
Real estate accelerated depreciation expenses	0.7	-
Real estate reversal of loss on sublease reserve	(1.2)	-
Incremental depreciation and amortization expense	3.4	2.9
Total Adjustments	<u>13.6</u>	<u>3.6</u>
Non-GAAP Net Income from Continuing Operations	<u>\$ 7.1</u>	<u>\$ 4.9</u>
Applicable to Common Stockholders		
GAAP Basic and Diluted (Loss) Earnings per		
Common Share from Continuing Operations:		
Basic and Diluted Earnings Per Share	\$ (0.08)	\$ 0.02
Adjustments:		
Severance charge	0.04	0.01
Real estate estimated loss on sublease	0.10	-
Real estate accelerated depreciation expenses	0.01	-
Real estate reversal of loss on sublease reserve	(0.02)	-
Incremental depreciation and amortization expense	0.04	0.04
Total Adjustments	<u>0.17</u>	<u>0.05</u>
Non-GAAP Basic and Diluted Earnings per Common	<u>\$ 0.09</u>	<u>\$ 0.07</u>
Share from Continuing Operations		
Shares used to compute Non-GAAP:		
Basic Earnings per Share	78.6	78.5
Diluted Earnings per Share	78.6	78.9