

QUARTERLY REPORT >

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*FOR THE NINE MONTHS
ENDED SEPTEMBER 30, 2005*

MANAGEMENT REPORT

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2005

October 26, 2005

The management report of Bourse de Montréal Inc. (the "Bourse") for the nine-month period ended September 30, 2005 should be read in conjunction with the interim unaudited consolidated financial statements, the consolidated financial statements for the fiscal year ended December 31, 2004, and the related management report. The accounting policies are in accordance with Canadian generally accepted accounting principles and all amounts are expressed in Canadian dollars.

Highlights

Expressed in thousands of \$
(except for volumes and basic earnings per share)

	For the quarter ended September 30		For the nine months ended September 30	
	2005	2004	2005	2004
Average daily volumes	125,747	77,654	112,230	84,100
Revenues ^(*)	\$ 16,569	\$ 13,160	\$ 46,652	\$ 38,270
Operating earnings before investment income, other items and income taxes ^(*)	\$ 4,735	\$ 2,188	\$ 11,801	\$ 6,772
Net earnings	\$ 4,570	\$ 1,252	\$ 12,651	\$ 6,812
Basic earnings per share	\$ 0.56	\$ 0.16	\$ 1.55	\$ 0.85
Operating earnings / Revenues ^(*)	29%	17%	25%	18%
Net earnings / Total revenues	28%	10%	27%	16%

* Revenues and operating earnings for the nine-month period ended September 30, 2004 exclude revenues of \$5.0 million from the Toronto Stock Exchange ("TSX") pertaining to the transaction with NGX.

Operating results

Revenues

For the third quarter ended September 30, 2005, the Bourse's total revenues reached \$16.6 million, compared to \$13.2 million for the same period in 2004, an increase of close to 26% or \$3.4 million. The overall increase in revenues was mainly attributable to transaction revenues, which stood at \$7.4 million compared to \$4.7 million in 2004, an increase of 57%. Average daily volumes grew by 62%, from 77,654 contracts in 2004 to 125,747 contracts in 2005. Increased activity also led to \$0.9 million rise in clearing revenues compared to the same period in 2004.

Revenues from the Bourse's information systems services remained stable at \$3.7 million as well as market data revenues at \$2.0 million. Revenues from market participants declined by \$0.3 million, reflecting the fact that Québec securities dealers, who were under the Bourse's responsibility until December 2004, are now governed by the Investment Dealers Association ("IDA").

MANAGEMENT REPORT (Cont.)

For the nine-month period ended September 30, 2005, the Bourse's total revenues stood at \$46.7 million, an increase of \$8.4 million or 22% compared to the same period in 2004 (excluding other revenue of \$5.0 million from the Toronto Stock Exchange (the "TSX") pertaining to the transaction with NGX which took place during the first quarter of 2004). This increase reflects the growth of transaction revenues, which reached \$19.8 million, up \$5.3 million or 37% over the same period in 2004. The 33% rise in total trading volume was mainly attributable to the growth of interest rate derivatives, which increased by 47% in 2005 compared to the same period in 2004, boosting our average daily volumes from 84,100 in 2004 to 112,230 for the same period in 2005. In addition, the rise in volumes generated an increase of \$1.4 million in clearing and option exercise revenues.

Revenues from information systems services stood at \$10.9 million and also boosted total revenues, generating \$2.3 million or 27% more than for the same period in 2004. Market data revenues rose by 2% compared to the same period in 2004, reaching \$6.0 million. Revenues from market participants declined by \$1.3 million due to the transfer of certain responsibilities to the IDA, as described above.

On September 1st, 2005, the overall exchange volume reached 294,942 contracts surpassing the previous record of 237,708 contracts established on August 25, 2005. These volumes also included a record level of 190,639 contracts on the Canadian three-month interest rate futures ("BAX"). Besides, the high level of activity in September allowed the Bourse to reach a new summit of 144,255 contracts on the average daily volume dealt in only one month.

Also, the combined trading on MX and BOX platforms, both operated by the Bourse, totalled a record of 695,563 contracts on September 1st, 2005. The previous record of 681,665 was achieved on April 15, 2005.

Moreover, the Bourse announced the listing of options on the US dollar (USX) on its market as of September 26, 2005, enabling retail and institutional investors as well as companies trading in US dollars to hedge their currency exposure. These currency options will allow investors to hedge against adverse exchange rate movement or to profit from any favourable exchange rate movement.

The federal government published amendments in the September "Canada Gazette" to include put options in the Registered Retirement Savings Plan (RRSP) and the Registered Retirement Income Funds (RRIFs). These amendments followed requests for changes on fiscal rules that the Bourse had wished for some years. This measure is retroactive to February 28, 2004.

Lastly, seven new foreign approved participants have connected to the Bourse's electronic trading platform since the beginning of the year, bringing to 20 the number of participants from the United States and the United Kingdom authorized to directly access our market.

Expenses

For the third quarter of 2005, total expenses rose, as expected, by 8% compared to the same period in 2004, reaching \$11.8 million. The same trend applies for the first nine months of 2005, when total expenses reached \$34.9 million, compared to \$31.5 million for the same period in 2004, up 11%. These increases are due mainly to expenses related to information systems services rendered to BOX, notably regarding salaries, computer licences and maintenance, telecommunications and equipment amortization.

MANAGEMENT REPORT (Cont.)

Operating earnings (before investment income, other items and income taxes)

Operating earnings stood at \$4.7 million for the third quarter of 2005 compared to \$2.2 million in 2004, an increase of \$2.5 million, and represented 29% of total revenues versus 17% in 2004.

Operating earnings for the first nine months of 2005 stood at \$11.8 million, compared to \$6.8 million (excluding other revenue of \$5 million) in 2004, and represented 25% of total revenues versus 18% in 2004.

Other items

For the third quarter of 2005, the equity in results of the Bourse's investment in BOX – included on an equity basis in accordance with Canadian and U.S. generally accepted accounting principles – stood at \$0.8 million in earnings compared to a loss of \$0.5 million the previous year, as a result of the increase in volumes and the achievement of the break-even point during the first quarter of 2005. For the first nine months of 2005, the equity in results showed earnings of \$2.1 million, compared to a loss of \$2.6 million for the same period in 2004.

In January 2005, two new shareholders of BOX injected US\$2.6 million, in return for additional shares generating a gain on dilution of \$1.0 million for the Bourse.

Net earnings

Net earnings for the third quarter of 2005 stood at \$4.6 million compared to \$1.3 million in 2004, and represented 28% of total revenues versus 10% in 2004. Net earnings for the first nine months of 2005 were \$12.7 million compared to \$6.8 million (including \$3.8 million attributable to other revenue of \$5.0 million after taxes) in 2004 and represented 27% of total revenues versus 16% in 2004.

Basic earnings per share stood at \$0.56 for the third quarter of 2005 versus \$0.16 for the same period the previous year, while diluted earnings per share were \$0.53 in 2005 and \$0.15 in 2004. For the first nine months of 2005, basic earnings per share reached \$1.55 compared to \$0.85 the previous year and diluted earnings per share were \$1.47 in 2005 versus \$0.83 in 2004.

Liquidity and financial resources

As at September 30, 2005, the Bourse had total liquidities of \$52.9 million, up \$13.6 million since the beginning of the year. Cash flows from operating activities for the nine-month period ended September 30, 2005 amounted to \$17.7 million, compared to \$16.7 million in 2004.

On June 10, 2005, the company acquired 0.7% of the BOX capital stock for a total of \$1.0 million, based on an overall evaluation of US\$125 million, thereby increasing its holding from 30.7% to 31.4%.

Capital stock

On June 3, 2005, the Autorité des marchés financiers ("AMF") approved a private placement for the Bourse's directors, allowing them to subscribe up to 10,000 shares each, at a price of \$13.74, based on the fair value of the shares established using the discounted cash flow method. At the end of the subscription period, 84,000 shares were issued and paid in full on June 8, 2005, for a total amount of \$1.2 million.

In addition, a fifth subscription period for the employee share purchase plan was held from May 6 to June 6, 2005, allowing all employees to purchase up to 200,000 shares. At the end of this period, 112,055 shares were issued at a price of \$13.74, based on the fair value of the shares established using

MANAGEMENT REPORT (Cont.)

the discounted cash flow method. Employees were granted interest-free loans payable through payroll deductions over 1 to 3 years. This transaction was authorized by the AMF on April 18, 2005.

Lastly, the company proceeded during the second quarter with the payment of 139,488 accumulated deferred share units at a unit price of \$13.74, based on the fair value of the shares established using the discounted cash flow method, thereby terminating the plan created for directors.

Strategy and outlook, performance indicators, ability to deliver expected results, risks and uncertainties, contractual obligations, capital stock information and changes in accounting policies

For a complete description of these items, refer to the corresponding columns in the 2004 annual report.



Luc Bertrand
President and Chief Executive Officer



Louise Laflamme
Executive Vice-President and
Chief Financial Officer

CONSOLIDATED BALANCE SHEET

September 30, 2005, with comparative figures as at December 31, 2004
(in thousands of dollars)

	September 30, 2005 (unaudited)	December 31, 2004 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,744	\$ 15,177
Temporary investments	23,120	24,109
Receivables	7,490	8,607
Daily settlements due from clearing members	7,615	23,663
Clearing members' cash margin deposits	559	5,370
Clearing fund cash deposits	402	544
Prepaid expenses	663	1,980
	69,593	79,450
Long-term investments (note 2)	9,958	6,169
Capital assets	15,632	17,792
Future income taxes	522	1,061
Goodwill and other intangible assets	970	1,165
	\$ 96,675	\$ 105,637
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accruals (note 3)	\$ 9,348	\$ 10,195
Daily settlements due to clearing members	7,615	23,663
Clearing members' cash margin deposits	559	5,370
Clearing fund cash deposits	402	544
Income taxes payable	2,367	789
Current portion of obligations under capital leases	3,640	3,490
	23,931	44,051
Obligations under capital leases	1,511	4,261
Future income taxes	306	562
Shareholders' equity:		
Capital stock (note 4)	45,145	43,389
Contributed surplus	799	721
Retained earnings	26,769	14,118
Cumulative translation adjustment	(1,786)	(1,465)
	70,927	56,763
	\$ 96,675	\$ 105,637

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

(in thousands of dollars, except per share amounts)
(unaudited)

	Quarter ended		Nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Revenues:				
Transactions	\$ 7,410	\$ 4,690	\$ 19,839	\$ 14,484
Participants	672	976	1,838	3,098
Clearing and option exercise	2,617	1,754	7,198	5,817
Information systems services	3,695	3,734	10,955	8,647
Market Data	2,004	1,968	5,969	5,854
Other	171	38	853	5,370
Total revenues	16,569	13,160	46,652	43,270
Expenses :				
Compensation and benefits (note 3)	5,298	4,620	14,758	13,948
Occupancy	642	618	2,063	1,877
Computer licences and maintenance	1,581	1,256	4,669	3,990
Amortization of capital assets and intangible assets	1,670	1,797	4,913	3,841
General and administrative	1,477	1,467	4,992	4,624
Telecommunications	765	774	2,202	1,808
Public affairs	316	337	969	1,145
Interest on obligations under capital leases	85	103	285	265
Total expenses	11,834	10,972	34,851	31,498
Earnings before investment income, other items and income taxes	4,735	2,188	11,801	11,772
Investment income	423	233	1,075	751
Equity in results of companies subject to significant influence	765	(482)	2,056	(2,637)
Gain (loss) on dilution (note 2)	-	(20)	1,042	(45)
Earnings before income taxes	5,923	1,919	15,974	9,841
Income taxes	1,353	667	3,323	3,029
Net earnings	\$ 4,570	\$ 1,252	\$ 12,651	\$ 6,812
Basic earnings per share	\$ 0.56	\$ 0.16	\$ 1.55	\$ 0.85
Diluted earnings per share	\$ 0.53	\$ 0.15	\$ 1.47	\$ 0.83
Weighted average number of shares outstanding - basic	8,175,847	8,051,076	8,175,847	8,051,076
Weighted average number of shares outstanding - diluted	8,606,469	8,214,251	8,606,469	8,214,251

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Nine-month period ended September 30, 2005 with comparative figures for 2004
(in thousands of dollars)
(unaudited)

	September 30, 2005	September 30, 2004
Retained earnings, beginning of period	\$ 14,118	\$ 5,159
Net earnings	12,651	6,812
Retained earnings, end of period	\$ 26,769	\$ 11,971

See accompanying notes to interim consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars)
(unaudited)

	Quarter ended		Nine months ended	
	September 30, 2005	September 30, 2004	September 30, 2005	September 30, 2004
Cash flows from (used in) operating activities:				
Net earnings	\$ 4,570	\$ 1,252	\$ 12,651	\$ 6,812
Adjustments for:				
Amortization of capital assets and intangible assets	1,670	1,797	4,913	3,841
Amortization of premium on investments	(11)	30	85	84
Interest income on discount investments	(133)	55	(355)	18
Equity in results of companies subject to significant influence	(765)	482	(2,056)	2,637
(Gain) loss on dilution	-	20	(1,042)	45
Future income taxes	87	391	283	2,466
Costs of stock option plan	27	63	78	183
Costs of deferred share unit plan	-	92	470	306
Net change in non-cash operating assets and liabilities:				
Receivables	(952)	772	1,117	1,102
Prepaid expenses	536	(39)	1,317	518
Accounts payable, accruals and income taxes payable	2,769	774	261	(1,364)
	7,798	5,689	17,722	16,648
Cash flows from (used in) investing activities:				
Purchase of capital assets	(1,162)	(878)	(2,587)	(1,538)
Purchase of intangible assets	-	(123)	-	(253)
Sale of capital assets	15	-	29	-
Purchase of investments	(90,137)	(44,267)	(187,084)	(135,954)
Sale of investments	88,391	48,707	188,343	133,013
Purchase of long-term investments	-	(481)	(1,012)	(3,762)
	(2,893)	2,958	(2,311)	(8,494)
Cash flows from (used in) financing activities:				
Decrease in obligations under capital leases	(877)	(678)	(2,600)	(1,666)
Share issuance	288	81	1,756	242
	(589)	(597)	(844)	(1,424)
Net increase in cash and cash equivalents	4,316	8,050	14,567	6,730
Cash and cash equivalents, beginning of period	25,428	6,396	15,177	7,716
Cash and cash equivalents, end of period	\$ 29,744	\$ 14,446	\$ 29,744	\$ 14,446

See accompanying notes to interim consolidated financial statements.

Notes to the Consolidated Financial Statements

Nine-month period ended September 30, 2005
(in thousand of dollars, except per share amounts)
(unaudited)

1. Significant accounting policies:

These unaudited interim consolidated financial statements of Bourse de Montréal Inc. (the "Company") have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

These financial statements follow the same accounting policies and their methods of application as the Company's consolidated financial statements for the year ended December 31, 2004. The Company's interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly, should be read in conjunction with the consolidated financial statements for the year ended December 31, 2004 which are included in the 2004 Annual Report.

Consolidation and long-term investments:

The consolidated financial statements include the accounts of Bourse de Montréal Inc., those of its wholly-owned subsidiary, the Canadian Derivatives Clearing Corporation ("CDCC") and of Clearco Inc., a joint venture. The Company uses the proportionate consolidation method to account for its 50% ownership interest in the assets, liabilities, revenues, expenses and cash flows of the joint venture.

Long term investments consist of the Company's 31.4% interest in the capital stock of the Boston Options Exchange LLC ("BOX"), and in the Company's 8% interest in the capital stock of Oxen Inc. These investments are accounted for under the equity method, according to which the initial cost of the investment is adjusted to include the Company's proportionate share of post-acquisition earnings or losses, reduced by dividends.

2. Long-term investments:

	September 30, 2005	December 31, 2004
Investment in the capital stock of BOX	\$ 9,577	\$ 5,769
Share %	31.4%	31.7%
Investment in the capital stock of Oxen Inc.	381	400
Share %	8.0%	8.0%
Long-term investments	\$ 9,958	\$ 6,169

In January 2005, two new BOX shareholders injected \$3,348 (US\$2,600) in return for additional shares. Following these transactions, the Company's interest was reduced from 31.7% to 30.7%, resulting in a gain on dilution of \$1,042, net of a realized portion of the cumulative translation adjustment of \$46.

On June 10, 2005, the Company acquired 0.7% of the BOX capital stock for \$1,012 (US\$810) increasing its participation to 31.4%. This transaction has generated a \$838 goodwill included in the BOX investment cost.

3. Employee future benefits:

For the quarter ended June 30, 2005, the total retirement benefit cost was \$67 (\$63 in 2004), and for the year-to-date \$214 (\$188 in 2004).

Notes to the Consolidated Financial Statements (Cont.)

Nine-month period ended September 30, 2005
(in thousand of dollars, except per share amounts)
(unaudited)

4. Capital stock:

	Nine months ended September 30, 2005		Twelve months ended December 31, 2004	
	Number of shares	Cost	Number of shares	Cost
Balance at beginning of period	8,099,691	\$ 43,389	8,022,612	\$ 43,071
Shares issued and paid during the period in accordance with employee share purchase plan	80,600	602	77,079	318
Shares issued and paid in June 2005 in accordance with the private placement for Directors	84,000	1,154	-	-
Balance at end of period	8,264,291	\$ 45,145	8,099,691	\$ 43,389

a) Share purchase plan

As approved on April 18, 2005 by l'Autorité des marchés financiers (the « AMF »), a fifth subscription period for the employee share purchase plan was held from May 6 to June 6, 2005, allowing a subscription to a maximum of 200,000 shares. At the end of this period, 112,055 shares were issued at a unit price of \$13.74, based on the fair value of the shares established using the discounted cash flow method. Interest-free loans were granted to employees to buy these shares and are payable through equal payroll deductions over a period varying from 1 to 3 years from the date of acquisition. All shares, acquired by way of loan following the subscription period, are subject to the same conditions to those associated with prior subscriptions. The assumptions and the method used are the same with those of December 31, 2004.

b) Private placement of shares for Directors

On June 3, 2005, the AMF approved a private placement to allow the fourteen Directors to subscribe up to a maximum of 10,000 shares each, at a unit price of \$13.74, based on the fair value of the shares established using the discounted cash flow method. At the end of the subscription period, 84,000 shares were issued and entirely paid on June 8, 2005, for a total amount of \$1,154.

c) Deferred share unit plan

The deferred share unit plan for the Directors was terminated at the beginning of 2005. During the second quarter of 2005, the Company has proceeded with the payment of 139,488 accumulated deferred share units, at a unit price of \$13.74, based on the fair value of the shares established using the discounted cash flow method.

Notes to the Consolidated Financial Statements (Cont.)

Nine-month period ended September 30, 2005
(in thousand of dollars, except per share amounts)
(unaudited)

5. Segmented information:

The Company operates in two industry segments. The commercial activities of these segments are undertaken in Canada and are defined as follows:

Exchange (Bourse):

This sector acts as the derivatives exchange in Canada, providing a complete range of equity, index and interest rate derivatives.

Clearinghouse (CDCC):

This sector acts as a clearinghouse and guarantor of equity, index and interest rate derivatives.

Quarter ended September 30

	Bourse		CDCC		Consolidated	
	2005	2004	2005	2004	2005	2004
Revenues from exchange and clearing	\$ 10,157	\$ 7,620	\$ 2,717	\$ 1,806	\$ 12,874	\$ 9,426
Revenues from information systems services	3,695	3,734	-	-	3,695	3,734
Investment income	304	151	119	82	423	233
Amortization of capital assets and intangible assets	1,636	1,708	34	89	1,670	1,797
Equity in results of companies subject to significant influence	765	(482)	-	-	765	(482)
Net earnings	3,420	719	1,150	533	4,570	1,252
Purchase of capital assets and intangible assets	1,144	956	18	45	1,162	1,001
Assets	72,031	56,477	24,644	25,468	96,675	81,945

Notes to the Consolidated Financial Statements (Cont.)

Nine-month period ended September 30, 2005
(in thousand of dollars, except per share amounts)
(unaudited)

5. Segmented information (cont.):**Nine-month period ended September 30**

	Bourse		CDCC		Consolidated	
	2005	2004	2005	2004	2005	2004
Revenues from exchange and clearing	\$ 28,171	\$ 28,652	\$ 7,526	\$ 5,971	\$ 35,697	\$ 34,623
Revenues from information systems services	10,955	8,647	-	-	10,955	8,647
Investment income	757	533	318	218	1,075	751
Amortization of capital assets and intangible assets	4,701	3,563	212	278	4,913	3,841
Equity in results of companies subject to significant influence	2,056	(2,637)	-	-	2,056	(2,637)
Net earnings	9,829	4,853	2,822	1,959	12,651	6,812
Purchase of capital assets and intangible assets	2,516	4,263	71	85	2,587	4,348
Assets	72,031	56,477	24,644	25,468	96,675	81,945

Regulatory Division:

Pursuant to a decision rendered by the AMF on November 24, 2000, the Company created a separate Regulatory Division, responsible for approved participant and market regulation and operating on a cost recovery basis.

The AMF has accepted, as at January 1, 2005, that the Regulatory Division performs its functions exclusively in the area of derivatives. At the same date, the Division has transferred its member regulation functions regarding securities dealers, in order to bring all these dealers and their representatives and officers under the jurisdiction of one self-regulatory organization: the Investment Dealers Association of Canada (IDA).

For the three months ended September 30, 2005, the Division billed fees of \$437 (\$834 in 2004) and incurred operating expenses for the same amount. For the nine-month period ended September 30, 2005, the division billed fees of \$1,161 (\$2,475 in 2004) and incurred operating expenses for the same amount.



Tour de la Bourse

P.O. Box 61
800 Victoria Square
Montréal, Québec
H4Z 1A9

Telephone: (514) 871-2424
Toll-free within Canada and the U.S.:
1 800 361-5353

Toll-free from the U.K. and France:
00.800.36.15.35.35

Fax: (514) 871-3553
info@m-x.ca
www.m-x.ca