

BOURSE DE MONTRÉAL INC.

2007 MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") provides information concerning Bourse de Montréal Inc.'s ("MX") operating results and financial condition for the fiscal year ended December 31, 2007 compared to the same period in 2006. Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2007. The information contained in this MD&A takes into account all major events that occurred up to February 8, 2008.

This MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes. Unless otherwise indicated, the financial information presented in this MD&A including the amounts appearing in the tables is expressed in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A contains forward-looking statements, which are subject to a variety of factors that could cause actual results to differ materially from those contemplated by these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below. Please refer to the section on "Forward-Looking Statements, Risks and Uncertainties" for a more detailed discussion of risks and uncertainties. You will also find more information about MX, including our Annual Information Form which will be filed in March 2008 and the Management Proxy Circular dated January 10, 2008, on our website at www.m-x.ca and on SEDAR at www.sedar.com.

Background

Mission

Our mission is to operate and develop high-quality derivatives market and clearing services for our Canadian and international clients. We aim to accomplish our mission by remaining at the forefront of worldwide developments in risk management, market technology, market models and regulation, as well as outsourcing services. To fulfill our mission, we rely on employee teams that continually strive to improve their skills and client service practices.

Segments and Main Activities

We have two reporting segments, Exchange and Clearing House.

Exchange

Within our Exchange segment, our principal business activities are conducted through our Financial Markets business unit (which we refer to as "MX-FM"), which includes our financial markets activities as well as activities related to our training service and the sale of market data, our Information Technology Solutions business unit (which we refer to as "MX-ITS"), in which we undertake our technology services and solutions, including the development, operation, enhancement and licencing of our SOLA[®] suite of products, and our Regulatory Division. In 2007, our Exchange segment generated 83% of our revenues.

MX-FM

MX is Canada's only standardized financial derivatives exchange, offering an extensive range of interest rates, index and equity derivatives. We connect participants to our market, build business relationships with them and work with them to ensure that our offering of derivatives meets investor needs.

MX-ITS

Our MX-ITS business unit offers high-quality professional services and innovative software solutions for use both internally and by third parties. MX-ITS has developed a state-of-the-art robust, scalable, reliable and portable electronic trading platform, called SOLA[®], currently in use at MX and at Boston Options Exchange Group LLC (“BOX”). During 2007, MX completed the development and implementation of SOLA[®] *Surveillance*, a market surveillance software, for BOX. MX also started to implement SOLA[®] *Surveillance* for its own regulatory environment and full product deployment is planned for 2009. MX-ITS is currently developing SOLA[®] *Clearing*, a clearing software which should be completed in 2008 and implemented at the Canadian Derivatives Clearing Corporation (“CDCC”), a wholly-owned subsidiary of MX.

Regulatory Division

We are a self-regulatory organization (“SRO”) that has a major stake in maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada. Our Regulatory Division, which is operated independently of our other operations, is responsible for the regulation of our markets and its participants. Our Regulatory Division is subject to the sole internal oversight of our Special Committee – Regulatory Division. Our Special Committee – Regulatory Division, which is appointed by the Board of Directors of MX, is composed of a majority of independent members, none of whom are members of the Board of Directors of MX or CDCC. Our Regulatory Division operates on a non-profit/cost-recovery basis.

Clearing House

Our Clearing House segment generates revenues from clearing and settlement, as well as from options and futures exercise activities. We offer central counterparty and clearing, and settlement services through our wholly-owned subsidiary, CDCC. CDCC is the issuer of options traded on our markets and the clearing house and guarantor for options and futures contracts traded on our markets and on the over-the-counter (“OTC”) market. CDCC reduces investor risk by guaranteeing all contractual commitments made between parties during transactions executed on our markets. In 2007, our Clearing House segment generated 17% of our revenues.

Strategy and Outlook

To achieve our objectives, we have built a strategy around the following elements:

- Expand our current market business by adding new market participants, expanding our access network, and offering a range of products that remains adapted to client needs. Our development efforts are designed to promote greater use of derivatives in Canada.
- Expand the range of clearing services that we may offer to a larger clientele, including in the OTC and the commodities markets, comprising energy products.
- Continue to make investments to keep the SOLA[®] suite at the leading edge of market solutions, and complete the development of the SOLA[®] suite of products, with the completion and delivery of all the SOLA[®] *Clearing* and SOLA[®] *Surveillance* components planned for 2008 and 2009, respectively.
- Expand and enhance our alliances’ operations and take advantage of new strategic opportunities.
- Manage costs to increase profitability and shareholder value.

Recent Developments

Changes in Share Capital

On March 27, 2007, the MX listed its shares on the Toronto Stock Exchange (“TSX”) through a non-offering listing. The MX’s shares are now publicly traded under the symbol MXX.

On March 15, 2007, we effected a three-for-one subdivision of our common shares (and a corresponding adjustment to the MX stock options that were outstanding on that date). The subdivision did not change any shareholder’s proportionate ownership of our outstanding common shares. We refer to this subdivision as our “Stock Split”. All references to earnings per share, dividends per share, shares issued and outstanding, shares held in guarantee, and options outstanding have been restated to reflect the impact of the Stock Split.

MX and TSX Group Inc. Join Forces to Create TMX Group

On December 10, 2007, MX and TSX Group Inc. (“TSX Group”) announced that they have agreed to combine their organizations to create TMX Group. TMX Group will list, trade, clear and offer market data for both cash and derivatives markets across multiple asset classes.

The combination is expected to create significant value for MX and TSX Group shareholders through TMX Group’s enhanced growth profile and opportunity to realize meaningful synergies. Cost synergies are expected to be achieved through optimizing technology platforms, rationalizing premises and data centres and reducing corporate costs. In addition, revenue synergies will be targeted through the development of new trading, clearing and market data products and by leveraging the broader platform across multiple asset classes.

The MX Board of Directors has approved entering into this transaction and unanimously recommends that MX shareholders vote in favour of the combination. MX and TSX Group have entered into a combination agreement (Agreement) pursuant to which TSX Group will indirectly acquire all of MX’s outstanding common shares for total consideration of 15.3 million TSX Group common shares and \$428 million in cash.

Under the terms of the Agreement, MX shareholders will receive, at the election of each holder:

- 0.7784 of a common share of TSX Group (the equivalent of \$39.00 as at the market close on November 28, 2007, being the last business day prior to the confirmation of combination discussions by both companies), or
- \$39.00 in cash,

for each common share of MX, subject in each case, to proration. After the effect of full proration, each MX shareholder will be entitled to receive 0.5 of a common share of TSX Group and \$13.95 in cash. Those directors and officers of MX who hold approximately 7% of MX common shares outstanding, have irrevocably agreed to vote their shares in favour of the amalgamation.

The combination will be effected by way of an amalgamation of MX with an indirect wholly-owned subsidiary of TSX Group under Part 1A of the Québec Companies Act, requiring the approval of two-thirds of the votes cast by the shareholders of MX, present in person or represented by proxy, at a special meeting which will be held to consider the amalgamation on February 13, 2008. The combination will also be subject to regulatory approvals, including approvals of the Autorité des marchés financiers ("AMF"), the Ontario Securities Commission, the Competition Bureau, the TSX, the United States Securities and Exchange Commission ("SEC") by virtue of the BOX Operating Agreement and to certain other conditions customary for an agreement of this nature.

Under the terms of the Agreement, MX has agreed that prior to the completion of the transaction it will conduct its business in the normal course consistent with past practice. In connection with this clause, MX has agreed to restrict certain of its activities, including the entering into certain transactions such as acquisitions, capital contributions and distributions and the incurrence of indebtedness (subject to certain thresholds and exceptions such as the acquisition of an additional partnership interest of 21.9% in BOX).

MX has given its rationale for supporting the combination with TSX Group in a Management Proxy Circular dated January 10, 2008 and has filed on February 1, 2008 an application to the AMF for an amendment of its recognition as a self-regulatory organization and its authorization to carry on business as an exchange. The amendment to MX's recognition order is required in the context of its proposed combination with TSX Group.

The amalgamation is expected to close in the first part of the second quarter of 2008¹. Full details of the amalgamation are included in the Management Proxy Circular which can be found on our website at www.m-x.ca and on SEDAR at www.sedar.com.

Agreement with NYMEX Holdings Inc., Development of the Canadian Resources Exchange Inc. and Normal Course Issuer Bid

On March 13, 2007, MX and NYMEX Holdings Inc. ("NYMEX") entered into an agreement whereby NYMEX purchased on March 23, 2007, 3,097,718 newly-issued MX common shares, representing 10% of our outstanding share capital after giving effect to this issuance, for \$29 $\frac{1}{2}$ per common share, totalling net proceeds of \$89.7 million (net of transaction fees). We refer to this issuance and sale as the "NYMEX Investment".

We used a portion of the proceeds from the NYMEX Investment to fund the payment of a special dividend totalling \$9.3 million to shareholders of record on March 22, 2007 and to repurchase 387,500 shares totalling \$12.4 million under a normal course issuer bid. MX plans to use most of the remaining proceeds to acquire an additional interest of 21.9% in BOX (this planned transaction is described below under the "BOX" section). The normal course issuer bid, starting on March 23, 2007 and ending on March 22, 2008, allows MX to purchase up to 2,412,143 MX common shares. The purchases are made at market prices through the facilities of the TSX in accordance with its rules and policies. The common shares thereby purchased are cancelled. Following the announcement by MX and TSX Group, on December 10, 2007, concerning their agreement to combine their organizations, the purchase of shares under the normal course issuer bid has been halted.

¹ Please refer to the section "Forward-Looking Statements, Risks and Uncertainties" for a discussion of risks and uncertainties related to such statement.

As part of the agreement with NYMEX and together with NYMEX, we created a joint venture called Canadian Resources Exchange Inc. ("CAREX"), for the trading and clearing of OTC (in the first phase) and on-exchange (in the second phase) futures and options contracts with financial or physical settlement relating to Canadian-based energy (including natural gas, heavy crude oil and power), metals and soft commodities. Under the terms of this agreement, MX and NYMEX each invested \$2 million in the new entity in order to fund initial working capital requirements. MX and NYMEX share CAREX's net results equally and control is exercised jointly.

BOX

On December 21, 2007, MX announced that it had reached an agreement to increase its ownership position in BOX from 31.4% to 53.2%, subject to regulatory approval by the SEC and to other customary closing conditions. Under the terms of the agreement with the Boston Stock Exchange ("BSE"), a partner in BOX, MX will pay US\$52.5 million in cash for the 21.9% partnership interest in BOX held by the BSE. MX intends to finance this transaction with its existing cash resources. The request for formal regulatory approval should be filed with the SEC in the first quarter of 2008². There is no assurance that this acquisition will be approved by the SEC or that it will close.

Montréal Climate Exchange Inc. ("MCeX")

Following the publication of the federal government's regulatory framework for air emissions, namely the reduction of greenhouse gases, on April 26, 2007, MCeX entered into a consultation process with potential carbon market participants, including major industrial emitters. This consultation process addressed the conditions for the launch of a futures market. On this basis, MX and our partner, the Chicago Climate Exchange Inc. ("CCX"), decided to announce the launch of a carbon futures contract by the beginning of 2008, subject to required regulatory approvals. On October 5, 2007, MX announced that it had filed an application for regulatory approval of market rules designed to govern the trading of MCeX environmental products on its electronic trading platform, SOLA[®], namely futures contracts on Canadian carbon dioxide equivalent units.

SOLA[®] Surveillance

In keeping with our strategy to build on the SOLA[®] suite of products, during the second quarter of 2007, MX completed the development and implementation of SOLA[®] Surveillance for BOX.

Penny Trading

Penny trading in options on nine Canadian equities and one equity index fund was introduced on July 27, 2007 on the MX equity options market. This innovation, enabled by MX's proprietary SOLA[®] technology, permits trading in increments of a penny rather than a nickel. Earlier in 2007, the MX technology team introduced penny trading on BOX, as part of a U.S. pilot project.

² Please refer to the section "Forward-Looking Statements, Risks and Uncertainties" for a discussion of risks and uncertainties related to such statement.

Changes to Fees for 2008

Effective January 1, 2008, real-time market data information monthly fees were increased from \$35 to \$38 for the basic service per professional user and from \$45 to \$48 for the combined basic service and market depth information per professional user. Based on the number of professional users in December 2007 affected by those rate increases, it is estimated that market data revenue would increase by about 7% on an annual basis as a result of these fee increases. The additional revenue should result in a corresponding increase in earnings before income taxes³.

Use of Non-GAAP Performance Measures

In this MD&A, we use certain supplemental financial measures that are not calculated in accordance with Canadian GAAP to assess our financial performance. These measures, which include adjusted operating earnings, adjusted net earnings and assets excluding certain clearing assets, are not required by or recognized under Canadian GAAP. Other companies may define or calculate those measures differently, limiting its usefulness as a comparative measure.

We define adjusted operating earnings as operating earnings excluding other items which are described in the section "Expenses - Other Items" of this MD&A. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. Excluding these items does not imply they are necessarily non-recurring. The following table provides a reconciliation of operating earnings under Canadian GAAP as disclosed in our financial statements to adjusted operating earnings:

	<u>Fourth Quarter</u>		<u>Years ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(\$ in thousands)				
Operating earnings	\$ 5,380	\$ 7,566	\$ 26,941	\$ 27,645	\$ 15,121
Other items	2,312	700	6,359	2,071	–
Adjusted operating earnings	\$ 7,692	\$ 8,266	\$ 33,300	\$ 29,716	\$ 15,121

We define adjusted net earnings as net earnings excluding other items, unrealized gain on foreign exchange on temporary investments, gain on dilution on long-term investment, loss and termination fees on disposal of investments in a company subject to significant influence and in joint venture, reversal of an income tax valuation allowance, application of previously unrecognized tax losses from BOX and the tax impact, where applicable, of the above mentioned items. The following table provides a reconciliation of net earnings under Canadian GAAP as disclosed in our financial statements to adjusted net earnings:

³ The "Changes to Fees for 2008" section above contains certain forward-looking statements. Please refer to "Forward-Looking Statements, Risks and Uncertainties" for a discussion of risks and uncertainties related to such statements.

	<u>Fourth Quarter</u>		<u>Years ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(\$ in thousands)				
Net earnings	\$ 6,292	\$ 7,506	\$ 25,707	\$ 24,831	\$ 15,135
Other items	2,312	700	6,359	2,071	–
Unrealized gain on foreign exchange on temporary investments	(1,621)	–	(1,621)	–	–
Gain on dilution	–	–	–	–	(1,042)
Loss and termination fees on disposal of investments in a company subject to significant influence and in joint venture	–	–	–	–	699
Income tax effect, where applicable, of above adjustments (estimated based on statutory tax rate in each respective period applicable to MX)	53	(170)	(942)	(504)	254
Reversal of an income tax valuation allowance	–	(1,023)	–	(1,023)	–
Application of previously unrecognized tax losses from BOX	–	(532)	–	(532)	–
Adjusted net earnings	\$ 7,036	\$ 6,481	\$ 29,503	\$ 24,843	\$ 15,046

We define assets excluding certain clearing assets as total assets less daily settlements due from clearing members, clearing members' cash margin deposits and clearing fund cash deposits. Since these excluded clearing assets have a corresponding liability and that the values of these assets vary with market volatility, we believe that to measure assets excluding certain clearing assets is more effective for analysing our assets relating to our ongoing operating activities. The following table provides a reconciliation of assets excluding certain clearing assets to total assets under Canadian GAAP as disclosed in our financial statements:

<u>December 31,</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	(\$ in thousands)		
Total assets	\$ 215,256	\$ 122,694	\$ 119,032
Clearing fund cash deposits	(22,949)	(14,807)	(4,005)
Clearing members' cash margin deposits	(492)	(2,312)	(1,041)
<u>Daily settlements due from clearing members</u>	<u>(23,817)</u>	<u>(6,951)</u>	<u>(22,006)</u>
Assets excluding certain clearing assets	\$ 167,998	\$ 98,624	\$ 91,980

Adjusted operating earnings, adjusted net earnings, assets excluding certain clearing assets and ratios using these measures, including adjusted earnings per share, are used by financial analysts and other users of our financial information to assess our financial performance and results of operations, and to compare us to other companies in our industry. You should not consider these non-GAAP measures in isolation from, or as a substitute for analysis of, our financial information reported under Canadian GAAP. You should note that other companies, including other companies in our industry, may not use such measures or may calculate these measures differently than as presented in this discussion, limiting their usefulness as comparative measures.

Three Year Annual Financial Highlights

(\$ in thousands, except ratios, per share data, number of shares, other data and average daily volume)

Operating Results	Years ended December 31,		
	2007	2006	2005
Revenues	\$ 83,047	\$ 79,260	\$ 63,164
Operating earnings	26,941	27,645	15,121
Adjusted operating earnings	33,300	29,716	15,121
Operating margin ⁽¹⁾	32 %	35 %	24 %
Adjusted operating margin ⁽¹⁾	40 %	37 %	24 %
Net earnings	25,707	24,831	15,135
Adjusted net earnings	29,503	24,843	15,046
Net margin ⁽²⁾	31 %	31 %	24 %
Adjusted net margin ⁽²⁾	36 %	31 %	24 %
Cash flows from operating activities	25,191	29,563	25,139
Per Share Data ⁽³⁾			
Earnings per share			
Basic	0.86	0.95	0.62
Diluted	0.85	0.91	0.57
Adjusted earnings per share			
Basic	0.98	0.95	0.61
Diluted	0.98	0.91	0.57
Dividends declared per share	0.68½	0.83½	0.50
Weighted average number of shares outstanding			
Basic	30,010,105	26,228,286	24,591,153
Diluted	30,244,464	27,436,125	26,349,936
Financial Position			
	2007	December 31, 2006	2005
Total assets	\$ 215,256	\$ 122,694	\$ 119,032
Assets excluding certain clearing assets	167,998	98,624	91,980
Long-term liabilities	2,605	1,525	1,677
Other Data			
	2007	2006	2005
Average daily volume (# of contracts)	169,612	161,517	114,284
SOLA [®] availability rate	99.87 %	99.84 %	99.90 % ⁽⁴⁾

⁽¹⁾ Operating margin calculated as operating earnings as a percentage of revenues and adjusted operating margin calculated as adjusted operating earnings as a percentage of revenues.

⁽²⁾ Net margin calculated as net earnings as a percentage of revenues and adjusted net margin calculated as adjusted net earnings as a percentage of revenues.

⁽³⁾ All references to earnings per share, dividends per share, shares issued and outstanding, shares held in guarantee and options outstanding have been restated in this MD&A to reflect the three-for-one stock split that we effected on March 15, 2007.

⁽⁴⁾ SOLA[®] was implemented and operational beginning in October 2005.

2007 vs 2006 Financial Highlights

Revenue grew by 5% in 2007, which was driven mainly by an increase of 5% in average daily volumes and a slight rise in average revenue per contract. All primary revenue streams were higher compared to 2006 except for revenues generated by information systems services which declined by 1% as a result of a reduction in capital lease payments that were re-invoiced to BOX, which reduction was equally reflected in a decline in operating expenses.

Operating earnings declined by 3% and represented 32% of our revenue in 2007 compared to 35% in 2006. The decline in margin is related to other items totalling \$6.4 million in 2007 compared to \$2.1 million in 2006. Other items are described under the "Expenses – Other Items" section of this MD&A. Adjusted operating earnings, which excludes other items, increased by 12% and represented 40% of our revenue in 2007 compared to 37% in 2006. The increase is due to higher revenues coupled with relatively flat operating expenses excluding other items.

Net earnings increased by 4% and represented 31% of our revenue in 2007, the same net margin as in 2006. The rise in net earnings results from increased investment income and equity in the results of a company subject to significant influence, partly offset by lower operating earnings and higher income taxes. Adjusted net earnings rose by 19% and represented 36% of our revenue in 2007 compared to 31% in 2006. The rise in adjusted net earnings results from increased adjusted operating earnings, investment income and equity in the results of a company subject to significant influence partly offset by higher income taxes.

Total assets excluding certain clearing assets stood at \$168 million as at December 31, 2007, a \$69.4 million increase compared to a year ago, mainly explained by a rise in cash and cash equivalents, temporary investments, long-term investment and capital assets. Higher cash and cash equivalents and temporary investments resulted from the share issuance to NYMEX, less dividends paid and funds used for MX's share repurchases.

2006 vs 2005 Financial Highlights

Revenue grew by 25% in 2006, which reflected significantly higher revenue across all primary revenue streams, except for revenues generated by information systems services which declined by 2% as a result of a reduction in capital lease payments that were re-invoiced to BOX, which reduction was equally reflected in a decline in operating expenses. Revenue growth was mainly related to a 41% rise in average daily volumes.

Operating earnings increased by 83% and represented 35% of our revenue in 2006 compared to 24% in 2005. The increased margin is mainly due to lower compensation and benefits expenses as a percentage of revenue and lower occupancy, computer licences and maintenance, amortization and telecommunications expenses compared to 2005. Operating earnings for 2006 are net of other items of \$2.1 million in connection with legal settlements and a provision in connection with the closing of our trading floor. Adjusted operating earnings, which exclude other items, increased by 97% and represented 37% of our revenue in 2006 compared to 24% in 2005.

Net earnings increased by 64% and represented 31% of our revenue in 2006 compared to 24% in 2005. Adjusted net earnings rose by 65% and represented 31% of our revenue in 2006 compared to 24% in 2005. The increase in net earnings and adjusted net earnings results mainly from increased operating earnings, partly offset by higher income taxes.

Total assets excluding certain clearing assets stood at \$98.6 million as at December 31, 2006, a \$6.6 million increase, compared to December 31, 2005, mainly explained by a rise in temporary investments, receivables and future income taxes.

Key Performance Indicators

Management closely monitors the following key performance indicators as it believes that optimizing them leads to enhanced shareholder value creation:

- Average daily volume and total annual volume;
- Operating earnings;
- Earnings per share;
- Cash flows from operating activities; and
- Reliability of our electronic trading platform, and the related information systems, measured in terms of the availability rate of the trading platform.

Some of the above key performance indicators are not measurements according to Canadian GAAP and should not be considered an alternative to other measures of performance in accordance with GAAP. Please refer to the section "Use of Non-GAAP Performance Measures" of this MD&A for more details.

Overview of Revenues and Expenses

Revenue

Exchange

Our Exchange segment derives its revenues from the following activities:

Transactions

Our largest source of revenues is transaction revenues, representing 47% of our revenues in 2007. Transaction revenues are a function of two variables: (1) transaction fee rates, determined principally by contract type and participant status, and (2) trading volume.

Since our transaction fee rates are assessed on a per transaction basis, our transaction revenues are directly correlated to the volume of contracts traded on our markets. In 2007, we essentially maintained the same volume rebate programs pursuant to which certain of our customers benefit from volume discounts and limits on fees as part of our effort to encourage increased liquidity in our markets. Nevertheless, while transaction fee rates and volume rebate programs are established by us, trading volume and transaction mix are primarily influenced by factors outside of our control. These external factors include interest rate or inflation volatility, changes in Canadian government monetary or fiscal policies, the Canadian stock market condition, financial liquidity conditions and market moving national and international economic and political events.

We have experienced consistent increases in our trading volumes over the last several years. Our average daily volume was 161,517 contracts in 2006 and 169,612 contracts in 2007, representing year-over-year growth of 5%.

MX-ITS

MX-ITS provides information systems services including the technical operation and maintenance of the electronic trading and surveillance platforms as well as the development of technology solutions. Revenues generated by MX-ITS are derived from two main sources:

- (1) licence and maintenance of the electronic trading and surveillance platforms, which also includes software modifications based on customer requests and fees related to the implementation of technology solutions; and
- (2) services relating to the technical operations of the electronic trading and surveillance platforms.

At this time, the sole external customer of our MX-ITS business unit is BOX (including BSE's regulatory division which regulates BOX's operations). We have entered into a service agreement with BOX pursuant to which we provide the technical operations services related to BOX's trading and surveillance platforms.

On March 14, 2006, BOX confirmed its selection of the new SOLA[®] electronic trading platform for its operations. BOX has been trading on the SOLA[®] platform since October 2006, and the service agreement has been updated to reflect the new SOLA[®] licence effective January 1, 2007.

In 2007, our MX-ITS business unit accounted for 18% of our revenues.

Market Data

MX sells real-time trading and quotation data (quotes, prices, size, trades) and historical data to market participants on a global basis. Timely and comprehensive information about market activity assists market participants and investors in their decision-making processes and facilitates efficient markets.

Revenues from the sales of our market data are principally dependant upon the number of data subscriptions, which is driven by our network of brokers and the extent of our client base, as well as our ability to remain a principal market and to respond to innovations in technology that may affect the availability, reliability and price of market data. Market data revenues are also generated by the sale of data to resellers of information as well as the sale of individual quotes via the Internet.

In December 2007, our market data was displayed on over 28,200 screens, compared to approximately 26,300 in December 2006, an increase of 7%. In 2007, market data revenues accounted for 13% of our revenues.

Participants; Regulatory Division

Our Regulatory Division's operations are performed based on the principle of self-financing and on a not-for-profit basis. The Regulatory Division financial structure is separate from that of MX and it operates on a cost-recovery basis. Any surplus in the Regulatory Division must be redistributed to our approved participants (excluding regulatory fine revenues, which can not be redistributed) and any shortfall must be made up by a special assessment by our approved participants or by MX upon recommendation of the Special Committee – Regulatory Division.

Revenues generated by the Regulatory Division are from two sources: (1) regulatory fees, and (2) regulatory fine revenues. Regulatory fees are principally comprised of market surveillance fees collected by MX on behalf of its Regulatory Division. These market surveillance fees can be broken down in two broad categories: a fixed annual fee paid on a quarterly basis by all our approved participants, regardless of their level of activity on our markets; and a fee per contract traded on our markets. This fee is charged on each side of each transaction (to the buyer and to the seller), and billed to approved participants on a monthly basis.

Other fees are also charged for the approval of individuals employed by our approved participants seeking direct access to our electronic trading platform and for the annual renewal of these approvals. These fees do not represent a significant portion of the total regulatory fees collected by our Regulatory Division.

Regulatory fine revenues are generated from fines levied by our Regulatory Division as it regulates and monitors our markets and approved participants' compliance with applicable law and with our Rules and Policies. Regulatory fines result from disciplinary action taken by our Regulatory Division based upon the actions of our approved participants or of their employees on our markets. The frequency with which fines may be levied and their amount may vary significantly from period to period. Regulatory fine revenues are used for specific regulatory purposes. They may also be used, subject to the approval of the Special Committee – Regulatory Division, for educational or charitable purposes. In order to ensure that they are not refunded to approved participants, regulatory fine revenues are accounted for separately and are excluded from the calculations that are made at each financial year-end to determine the amount of excess regulatory fees collected during the year that are to be refunded to approved participants.

In 2007, participant revenues accounted for 4% of our revenues. Approximately 72% of participant revenues are derived from the Regulatory Division. Other participant revenues consist principally of "access/connection" fees charged to approved participants.

Other

A significant portion of our other revenues is generated through CAREX and our Training Service. Revenues derived from CAREX mainly relate to professional services rendered to NYMEX. The Training Service's mission is to inform, educate and provide specialized training to the general public and finance professionals on the use and value of derivatives in portfolio and risk management.

Other revenues accounted for 1% of our revenues in 2007.

Clearing House

In our Clearing House segment we provide, through CDCC, central counterparty clearing and settlement services to approved participants. CDCC reduces investor risk by guaranteeing contractual commitments between counterparties to transactions carried out on our markets and on the OTC market.

We generate revenues in our Clearing House segment from transaction fees and certain participant revenues associated with the clearing and settlement of our products. Our clearing and settlement revenues are correlated to the trading volume of our products and therefore fluctuate based on the same factors that affect our trading volume. Although not significant in 2007, clearing and settlement revenues also fluctuate based on the volume of OTC transactions cleared by CDCC.

CDCC revenues accounted for 17% of our revenues in 2007. Included in CDCC's revenues are some revenues from participants, but this portion is not significant.

Expenses

The largest single component of our expenses is compensation and benefits, representing 43% of our expenses in 2007. Other significant expenses are incurred to support our electronic trading platform, including expenses such as licences and maintenance expenses, amortization and telecommunications expenses, as well as general and administrative expenses, which include, among others, expenses relating to professional services, business development and training of personnel.

While a majority of our expenses are fixed in nature, meaning that the overall expense structure is generally independent of trading volume, others are based in part on electronic trading platform maintenance and enhancements.

Results of Operations for the Year Ended December 31, 2007 compared to the Year Ended December 31, 2006

Revenues

Total revenues of MX amounted to \$83 million in 2007 compared to \$79.3 million in 2006, an increase of \$3.8 million, or 5%. The following table provides a breakdown of our revenues in 2007 and 2006.

Years ended December 31,	2007		2006		Change	
(\$ in thousands)	\$	% of total	\$	% of total	\$	%
Revenues						
Transactions	39,030	47%	36,422	46%	2,608	7%
Clearing and option exercise	13,910	17%	12,989	17%	921	7%
Information systems services	15,055	18%	15,275	19%	(220)	(1%)
Market data	10,963	13%	10,562	13%	401	4%
Participants	3,561	4%	3,261	4%	300	9%
Other	528	1%	751	1%	(223)	(30%)
Total revenues	83,047	100%	79,260	100%	3,787	5%

Transactions

In 2007, our transactions revenues grew to \$39 million, compared to \$36.4 million in 2006, an increase of \$2.6 million or 7% driven mainly by additional volume and a slight rise in average revenue per contract. Average daily volumes grew to 169,612 contracts in 2007, compared to 161,517 contracts in 2006, a rise of 8,095 contracts, or 5%. The following table illustrates trading volumes across the different categories of products traded on our markets over the past two years.

Years ended December 31,	Annual Volumes			Average Daily Volumes ⁽¹⁾		
	2007	2006	% change	2007	2006	% change
Interest Rate Derivatives	25,347,002	25,087,481	1%	100,984	100,350	1%
Index Derivatives	3,937,863	3,156,633	25%	15,626	12,576	24%
Equity Options	13,422,456	12,265,461	9%	53,264	48,866	9%
Currency Options	34,889	31,262	12%	138	125	10%
Total	42,742,210	40,540,837	5%	169,612	161,517	5%

⁽¹⁾ Average daily volume per product statistics are calculated as the total traded contracts per product divided by the number of trading days for each product and may include rounding differences. Total average daily volume is calculated as the total traded contracts divided by the overall number of trading days in the given year.

All the above categories have contributed to growth in our trading volume. Interest rate derivatives, representing 59% of trading volume, consist primarily of the “Three-Month Canadian Bankers’ Acceptance Futures Contract” (“BAX”) and the “Ten-Year Government of Canada Bond Futures Contract” (“CGB”). The slight increase in the average daily volumes of interest rate derivatives is related to a 21% increase in the CGB mostly offset by a drop of 9% in the BAX. The decline in the BAX is largely due to monetary policy trends, a decline in market moving economic events and the general deterioration in financial liquidity conditions in the Canadian short term interest rate market that occurred in the second half of 2007. Some factors that we believe contributed to increased trading volume on index derivatives, which represent 9% of trading volume, include higher equity market volatility, liquidity provider programs and continued business development efforts focused on these products towards our customer base. Factors that we believe affected trading volume on our equity derivatives, representing 31% of trading volume, include higher equity market volatility, increased educational programs offered by our Training Service and continued business development efforts focused specifically towards retail customers.

In 2007, average transaction revenue per contract increased to \$0.91 per contract from \$0.90 per contract in 2006 due to variations in product and client mix.

Clearing and Option Exercise

Clearing and option exercise revenues were \$13.9 million in 2007, compared to \$13 million in 2006, an increase of \$0.9 million or 7% due principally to additional trading volumes on our markets.

In 2007, average clearing revenue per contract was relatively stable compared to 2006 at \$0.32 per contract.

Information Systems Service

Revenues from information systems services amounted to \$15.1 million in 2007, compared to \$15.3 million in 2006, a decline of \$0.2 million, or 1%.

A decrease of \$2.5 million was due to a reduction of obligations under capital leases for computer hardware and software for BOX which were re-invoiced to BOX at cost. This decline is equally reflected in our amortization expense and interest expense. This reduction in revenues was largely offset by approximately \$2.3 million additional revenues from services rendered to BOX which in turn drove an increase in our compensation and benefits, occupancy, telecommunications and general and administrative expenses, including professional services.

Market Data

Market data revenues reached \$11 million in 2007, compared to \$10.6 million in 2006, an increase of \$0.4 million, or 4% driven principally by greater data subscriptions, partly offset by a decline in average revenue per screen due to variations in product and client mix. In December 2007, our market data was displayed on over 28,200 screens, compared to approximately 26,300 in December 2006, an increase of 7%.

Participants

Revenues from approved participants, generated primarily by the Regulatory Division, reached \$3.6 million in 2007, compared to \$3.3 million in 2006, an increase of \$0.3 million, or 9%. This rise was due primarily to a higher level of expenses incurred by the Regulatory Division. Such expenses were charged back to participants.

At December 31, 2007, our number of approved participants stood at 93, of which 66 are platform-connected, compared to 91 approved participants at December 31, 2006, of which 64 were platform-connected.

Participant revenues that were not generated by the Regulatory Division remained relatively stable in 2007.

Others

Revenues from other sources were \$0.5 million in 2007, compared to \$0.8 million in 2006, a decline of \$0.2 million, or 30% mainly due to the discontinuance of the in class training program. Such decline was partly offset by revenues generated through CAREX.

Expenses

Excluding other items (as described in the "Use of Non-GAAP Performance Measures" and the "Other Items" sections of this MD&A), expenses in 2007 increased by less than 1% compared to 2006. Our total expenses amounted to \$56.1 million in 2007, compared to \$51.6 million in 2006, an overall increase of \$4.5 million, or 9%. The following table provides a breakdown of our expenses in 2007 and 2006.

Years ended December 31, (\$ in thousands)	2007		2006		Change	
	\$	% of total	\$	% of total	\$	%
Total revenues	83,047		79,260	100%	3,787	5%
Expenses:						
Compensation and benefits	24,157	43%	22,061	43%	2,096	10%
Occupancy	3,172	6%	2,667	5%	505	19%
Computer licences and maintenance	5,203	9%	6,184	12%	(981)	(16%)
Amortization of capital assets and other assets	3,342	6%	6,398	12%	(3,056)	(48%)
General and administrative	9,134	16%	7,674	15%	1,460	19%
Telecommunications	2,830	5%	2,536	5%	294	12%
Public affairs	1,882	3%	1,870	4%	12	1%
Interest on obligations under capital leases and debts due within one year	27	0%	154	0%	(127)	(82%)
Other items	6,359	12%	2,071	4%	4,288	207%
Total Expenses	56,106	100%	51,615	100%	4,491	9%
Operating earnings	26,941		27,645		(704)	(3%)
Adjusted operating earnings	33,300		29,716		3,584	12%

Compensation and Benefits

Total compensation and benefits amounted to \$24.2 million in 2007, compared to \$22.1 million in 2006, an overall increase of \$2.1 million, or approximately 10%. This rise is explained mainly by more personnel, principally in our MX-ITS business unit, as well as annual wage increases totalling \$0.6 million.

Our total number of full-time equivalent employees at December 31, 2007 was 231, compared to 216 at December 31, 2006, an increase of approximately 7%.

Occupancy

Occupancy expenses amounted to \$3.2 million in 2007, compared to \$2.7 million in 2006, an increase of \$0.5 million or 19% due mainly to the relocation of BOX's operating site to New Jersey and BOX's new backup facilities.

Computer Licences and Maintenance

Computer licences and maintenance expenses were \$5.2 million in 2007, compared to \$6.2 million in 2006, a decline of \$1 million, or 16%. The drop is related to the early termination on September 24, 2007 of the licence and maintenance agreements with ATOS Euronext, subsequent to our decision to develop SOLA[®], our customized trading platform and a reduction of other maintenance expenses due to the transition to SOLA[®]. Licence and maintenance fees under the ATOS Euronext agreements were approximately \$2.9 million on an annualized basis.

Amortization of Capital Assets and Other Assets

Amortization of capital assets and other assets amounted to \$3.3 million in 2007, compared to \$6.4 million in 2006, a decrease of \$3.1 million, or 48%. This decline is attributable mainly to reduced amortization related to assets under capital lease for computer hardware and software related to BOX operations, resulting from the implementation of SOLA[®] at BOX. The drop is also linked to a lesser extent to accelerated amortization that was taken in 2006 on software that was replaced by the SOLA[®] trading platform.

General and Administrative

General and administrative expenses were \$9.1 million in 2007, compared to \$7.7 million in 2006, an increase of \$1.5 million, or approximately 19%. This rise is attributable principally to increased professional fees relating to technology projects in 2007 and to a lesser extent expenses linked to maintaining a public company structure.

Telecommunications

Telecommunication expenses amounted to \$2.8 million in 2007, compared to \$2.5 million in 2006, an increase of \$0.3 million, or 12%, attributable mainly to additional capacity at BOX and MX.

Public Affairs

Expenses related to public affairs remained essentially stable at \$1.9 million in 2007 and 2006.

Other Items

The following table provides a breakdown of other items in 2007 and 2006:

Years ended December 31,	2007	2006
	(\$ in thousands)	
Non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares	\$ 2,725	\$ –
Professional fees in connection with the planned combination with the TSX Group	2,312	–
Settlement charges and provision relating to the closing of our trading floor	–	2,071
Early termination penalties on computer licence and maintenance agreements	1,322	–
	\$ 6,359	\$ 2,071

In 2008, MX expects to incur additional professional fees in connection with the planned combination with the TSX Group. The commitments related to the planned combination are described under the “Contractual Obligations, Commitments and Guarantees” section of this MD&A. The settlement charges and provision relate to litigation brought against us in connection with the closing of our physical trading floor in 2001. The early termination penalties relate to the termination of licence and maintenance agreements with ATOS Euronext on September 24, 2007 subsequent to our decision to develop SOLA[®], our customized trading platform.

Operating Earnings

Operating earnings reached \$26.9 million in 2007, compared to \$27.6 million in 2006, a decline of \$0.7 million, or 3%. Operating margin amounted to 32% compared to 35% in 2006. Adjusted operating earnings amounted to \$33.3 million in 2007, compared to \$29.7 million in 2006, an increase of \$3.6 million, or 12%. Adjusted operating margin increased to 40% compared to 37% for the same period in 2006. This growth can be explained by a 5% increase in revenue in 2007, partly offset by an increase of less than 1% in expenses excluding other items as described in the sections "Use of Non-GAAP Performance Measures" and "Other Items" of this MD&A. Since a majority of our expenses are fixed in nature, a large portion of our revenue increase flows through operating earnings.

Investment Income

Investment income reached \$6.3 million in 2007, compared to \$2.6 million in 2006, a net rise of \$3.7 million, or 142% mainly as a result of increased cash and cash equivalents and temporary investments held throughout the year and an unrealized gain on foreign exchange of \$1.6 million partly offset by a \$0.7 million unrealized loss on our bond portfolio recorded as a result of the effect of adopting new accounting standards requiring the marking-to-market of cash equivalents and temporary investments. The unrealized gain on foreign exchange relates to investments made in US dollar denominated short-term investments that will be used to finance part of the additional 21.9% interest in BOX MX intends to acquire.

Equity in Results of a Company Subject to Significant Influence Net of Loss Due to the Impact of Distributions Received from BOX

Equity in results of a company subject to significant influence represents our share of BOX's results. This investment is accounted for on an equity basis in accordance with Canadian GAAP, based on a 31.4% interest in BOX as at December 31, 2007 (31.4% in 2006). Equity in the results of BOX amounted to \$3 million in 2007, compared to \$1.7 million in 2006 (before loss resulting from the impact of distributions received from BOX), an increase of \$1.3 million or 79%.

This rise was mainly a result of BOX's increase in average daily volume in 2007 compared to 2006. BOX's average daily volume stood at 517,121 contracts in 2007, compared to 376,058 in 2006, an increase of 141,063 contracts or 38%. Furthermore, revenue growth was greater than the rise in expenses resulting in a higher operating margin in 2007. Also, in 2006, BOX recorded accelerated depreciation on technology assets amounting to US\$3 million (whereby our share amounts to C\$1.1 million) as a result of the introduction of the SOLA[®] platform.

In 2006, equity in results of BOX was offset by a \$0.6 million loss resulting from the impact of distributions received from BOX.

Income Taxes

MX's income tax expense for 2007 was \$10.6 million, compared to \$6.6 million in 2006, with this increase being attributable to the rise in net earnings and in the effective tax rate. The effective tax rate for 2007 was 29%, compared to 21% for 2006. The higher effective tax rate in 2007 resulted from the following: (1) the effective tax rate on investment income was greater in 2007, as a portion of the investment income, including the full amount of the unrealized gain on foreign exchange, was taxable at a higher rate and not eligible for the Québec tax holiday since MX held some excess temporary investments following the NYMEX Investment in March 2007; (2) in 2006, the application of previously unrecognized tax losses from BOX to reduce income taxes on our share of BOX's earnings resulted in a lower effective tax rate (the tax benefit of the remaining losses was fully recognized during the fourth quarter of 2006); (3) contribution from BOX, which is taxed at a higher rate, was greater in 2007; and (4) in 2006, the reversal of an income tax valuation allowance resulted in a lower effective tax rate.

See notes 6, 18 and 20 to our audited consolidated financial statements for further details on income taxes.

Net Earnings

Net earnings for the fiscal year ended December 31, 2007 amounted to \$25.7 million, compared to \$24.8 million in 2006, an increase of \$0.9 million or 4%. The increase in net earnings results from increased investment income and equity in the result of a company subject to significant influence, partly offset by lower operating earnings and higher income taxes. Net margin stood at 31% in 2007 and 2006. Basic earnings per share in 2007 amounted to \$0.86, compared to \$0.95 in 2006. Diluted earnings per share in 2007 were \$0.85 compared to \$0.91 for the same period in 2006.

Adjusted net earnings in 2007 amounted to \$29.5 million, compared to \$24.8 million in 2006, an increase of \$4.7 million, or approximately 19%. Adjusted net margin stood at 36% in 2007, compared to 31% in 2006. Adjusted basic earnings per share in 2007 amounted to \$0.98, compared to \$0.95 in 2006. Adjusted diluted earnings per share in 2007 were \$0.98, compared to \$0.91 in 2006.

In 2007, earnings per share and adjusted earnings per share were negatively affected due to a higher number of shares outstanding.

Segment Analysis

Exchange

Revenues from the Exchange segment were \$68.9 million in 2007, compared to \$66 million in 2006, an increase of \$2.9 million, or 4% mainly due to higher levels of activity on our markets. Investment income reached \$5.3 million in 2007, compared to \$1.5 million in 2006, a rise of \$3.8 million as a result of increased cash and cash equivalents and temporary investments as well as an unrealized gain on foreign exchange of \$1.6 million, partly offset by a \$0.5 million unrealized loss on our bond portfolio.

Equity in the results of BOX amounted to \$3 million in 2007, compared to \$1.7 million in 2006 (before loss resulting from the impact of distributions received from BOX), an increase of \$1.3 million or 79%. This rise was mainly a result of BOX's increase in average daily volume in 2007 compared to 2006. BOX's average daily volume stood at 517,121 contracts in 2007, compared to 376,058 in 2006, an increase of 141,063 contracts or 38%. Furthermore, revenue growth was greater than the rise in expenses resulting in a higher operating margin in 2007. Also, in 2006, BOX recorded accelerated depreciation on technology assets amounting to US\$3 million (whereby our share amounts to C\$1.1 million) as a result of the introduction of the SOLA[®] platform. In addition, in 2006, equity in results of BOX was offset by a \$0.6 million loss resulting from the impact of distributions received from BOX.

Net earnings amounted to \$18.4 million in 2007, compared to \$17 million in 2006, a rise of \$1.4 million, or 8%. Net earnings represented 27% of our revenues in 2007, compared to 26% in 2006.

Clearing House

Revenues from CDCC were \$14.2 million in 2007, compared to \$13.2 million in 2006, an increase of \$0.9 million, or 7%, mainly due to greater level of activity on our markets. Net earnings stood at \$7.3 million in 2007, compared to \$7.8 million in 2006, a decline of \$0.6 million, or 7% mainly attributable to a higher effective tax rate in 2007 compared to 2006. The effective tax rate in 2006 was significantly lower due to a reversal of the income tax valuation allowance of \$1 million. Net earnings represented 51% of our revenues in 2007, compared to 59% in 2006.

Regulatory Division

Pursuant to a decision rendered by the AMF on November 24, 2000, MX created a separate regulatory division, responsible for approved participants and market regulation and operating on a cost recovery basis. Results of the Regulatory Division are included in the Exchange segment above. For the year ended December 31, 2007, the Regulatory Division generated gross revenues of \$3.3 million (\$3.2 million in 2006) and incurred direct expenses of \$1.5 million (\$1.4 million in 2006) and indirect expenses of \$1.1 million (\$0.9 million in 2006). The surplus of the Regulatory Division at December 31, 2007 totals \$1.6 million (\$1.7 million in 2006) and is presented in accounts payable and accruals, and an equivalent amount is included in restricted cash. Of this amount, \$0.4 million will be reimbursed to approved participants at the beginning of 2008.

For a discussion of our most recent quarterly results, see section on "Quarterly Financial Information" of this MD&A.

Cash Flow Analysis

Years ended December 31,	2007	2006
	(\$ thousands)	
Cash flows from (used in) operating activities		
Net earnings	25,707	24,831
Non-cash items	(745)	3,711
Net changes in non-cash operating assets and liabilities	229	1,021
	25,191	29,563
Cash flows from (used in) investing activities		
Net purchase of investments	(40,534)	(3,625)
Net purchase of capital assets	(6,859)	(3,314)
Decrease (increase) in other assets	241	(2,337)
Distributions from a company subject to significant influence	–	2,471
	(47,152)	(6,805)
Cash flows from (used in) financing activities		
Share issuance	92,106	3,310
Shares repurchased	(12,357)	–
Dividends	(34,037)	(23,183)
Restricted cash	1,050	(1,159)
Repayment of obligations under capital leases and debts	(1,072)	(3,189)
	45,690	(24,221)
Net increase (decrease) in cash and cash equivalents	23,729	(1,463)
Cash and cash equivalents, beginning of year	22,919	24,382
Cash and cash equivalents, end of year	46,648	22,919
Temporary investments, end of year	80,023	36,639
Cash and cash equivalents and temporary investments, end of year	126,671	59,558

Cash Flows from Operating Activities

Cash flows from operating activities declined to \$25.2 million in 2007, compared to \$29.6 million in 2006, due to a decrease in non-cash items of \$4.5 million and in net change in non-cash operating assets and liabilities of \$0.8 million partly offset by an increase in net earnings of \$0.9 million. The decline in non-cash items in 2007 is mainly related to a \$3.1 million reduction in amortization, a \$1.6 million unrealized gain on foreign exchange on temporary investments and an increase of \$1.9 million in the equity results of a company subject to significant influence, partly offset by an increase of \$2 million in future income taxes.

Cash Flows from Investing Activities

Investing activities required cash outflows of \$47.2 million in 2007, compared to \$6.8 million in 2006. The cash outflows in 2007 are due to the net purchase of \$40.5 million in investments and \$6.9 million invested in capital assets net of disposals, primarily to further develop the SOLA[®] software, net of a decline of \$0.2 million in other assets. The balance of capital spending related mainly to the expansion of the telecommunication and network capacity and added back-up facilities. The cash outflows in 2006 are due to the net purchase of \$3.6 million in investments, \$3.3 million invested in capital assets net of disposals, primarily to further develop the SOLA[®] software, \$2.3 million in increased other assets, net of a \$2.5 million distribution received from BOX.

For 2008, we expect our total annual capital expenditures to approximate \$6 million⁴. Planned 2008 investments include product development and enhancements to the technology infrastructure. We currently expect that capital expenditures will be funded by cash flows from operations.

Cash Flows from Financing Activities

Cash flows from financing activities generated \$45.7 million in net funds in 2007, compared to a use of funds of \$24.2 million in 2006.

In 2007, share issuances generated \$92.1 million, share repurchases required \$12.4 million, dividend payments totalled \$34 million, restricted cash declined by \$1.1 million, and capital leases and debt repayments reached \$1.1 million. On March 23, 2007, we received net proceeds of \$89.7 million in connection with the NYMEX Investment, representing 10% of our outstanding share capital. With part of these proceeds, MX repurchased 387,500 common shares at an average price of \$31.89 during 2007. Special dividend payments in 2007 were as follows: \$0.50 per common share declared on November 30, 2006 and paid on January 12, 2007, \$0.33 $\frac{1}{3}$ per common share declared on March 12, 2007 and paid on April 12, 2007 and \$0.35 per common share declared on July 25, 2007 and paid on August 16, 2007.

In 2006, share issuances generated \$3.3 million while dividend payments totalled \$23.2 million, restricted cash increased by \$1.2 million and capital leases and debt repayments reached \$3.2 million. Special dividend payments in 2006 were as follows: \$0.50 per common share declared in 2005 and paid in February 2006 and \$0.33 $\frac{1}{3}$ per common share declared in 2006 and paid in July 2006.

Financial Position

Total assets excluding certain clearing assets reached \$168 million as at December 31, 2007 compared to \$98.6 million as at December 31, 2006, an increase of \$69.4 million, or 70%. This increase is attributable mainly to an increase in cash and cash equivalents, temporary investments, long-term investment and capital assets. The rise in cash and cash equivalents and temporary investments resulted mainly from the share issuance to NYMEX, less dividends paid and funds used for the share repurchases.

Daily settlements due from and to clearing members consist of amounts due from and to clearing members as a result of marking open futures positions to market and settling option transactions each day that are required to be collected from or paid to clearing members prior to the commencement of the next trading day. The amounts due from clearing members are presented as an asset in the balance sheet and are not offset against amounts due to other clearing members, which are presented as a liability. As at December 31, 2007, the largest amount due from a clearing member was \$10.9 million (\$3 million in 2006) and the largest amount due to a clearing member was \$9.3 million (\$2.1 million in 2006).

⁴ Please refer to "Forward-Looking Statements, Risks and Uncertainties" for a discussion of risks and uncertainties related to such statement.

Cash deposits of clearing members are held in the name of CDCC and are disclosed in our consolidated balance sheets under Clearing members' cash margin deposits and Clearing fund cash deposits. Government securities, letters of credit and other securities are deposited by the clearing members with approved depositories under irrevocable agreements. Clearing members may also deposit letters of credit and escrow receipts directly with CDCC.

Also, there are margin and clearing fund deposits held by custodians, of which CDCC is beneficiary, that are not included in our consolidated balance sheets.

Shareholders' equity as at December 31, 2007 was \$150.4 million, compared to \$65.7 million as at December 31, 2006. The \$84.7 million increase is mainly attributable to net proceeds of \$89.7 million from share issuances to NYMEX and net earnings of \$25.7 million generated in 2007, partly offset by dividends of \$20.1 million declared in 2007 and share repurchases totalling \$12.4 million.

Liquidity and Capital Resources

Our operations are usually the major source of our liquidity. Our cash requirements primarily consist of operating expenses, as well as capital expenditures for the development of technology solutions and technology enhancements.

As at December 31, 2007, we had total cash, cash equivalents and temporary investments of \$126.7 million, compared to \$59.6 million as at December 31, 2006. As at December 31, 2007, we had no external borrowings compared to \$1.1 million as at December 31, 2006. We intend to use part of the temporary investments to finance our planned acquisition of a 21.9% interest in BOX.

We believe that current cash balances and future funds generated through our operations will be sufficient to meet cash requirements currently and for the foreseeable future. If we were to experience a significant reduction in our cash flows from operations, we believe we currently have a variety of options for raising capital for short-term cash needs, including an unused revolving line of credit and extending our available credit facilities.

Financing Facilities

We have an operating line of credit of \$3 million, of which an amount of \$2.1 million has been drawn (by way of letter of credit) as a guarantee to the trustee under our employee future benefit plan in respect of our accrued future employee benefits. Borrowings under our operating line of credit bear interest at the bank's prime rate. The line of credit contains customary covenants requiring us to maintain certain financial ratios.

CDCC has also arranged a total of \$30 million in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%. These facilities have not been utilized since the date they were established.

Under the combination agreement with TSX Group, MX has agreed to pay TSX Group a termination fee of up to \$45.7 million, including expense reimbursement of up to \$7.5 million, in certain circumstances if the amalgamation is not completed. MX's commitment towards service providers is estimated at \$11.1 million if the amalgamation is completed and \$0.1 million if the amalgamation is not completed, in addition to a reimbursement of out-of-pocket expenses over \$0.1 million in all cases. Furthermore, MX has awarded retention bonuses amounting to \$0.7 million of which \$0.4 million is payable even if the amalgamation is not completed.

A letter of credit of \$2.1 million has been issued as a guarantee to the trustee under our employee future benefit plan in respect of accrued future employee benefits.

Business Acquisition and Strategic Investment

On December 21, 2007, MX announced that it had reached an agreement to increase its ownership position in BOX from 31.4% to 53.2%, subject to regulatory approval. Under the terms of the agreement with the BSE, a partner in BOX, MX will pay US\$52.5 million in cash (C\$52 million as at December 31, 2007) for the 21.9% partnership interest in BOX held by the BSE. MX intends to finance this transaction with its existing cash resources. The request for formal regulatory approval should be filed with the SEC in the first quarter of 2008⁵. There is no assurance that this acquisition will be approved by the SEC or that it will close.

Capital Stock and Outstanding Share Data

As at December 31, 2007, our capital stock consisted of 30,655,683 issued and outstanding common shares, all of which are voting and participating shares. Of this number, 33,228 were held in guarantee for loans under our previous share purchase plan. In addition, 98,600 stock options were outstanding as of December 31, 2007.

In 2007, 126,000 stock options granted were exercised at a weighted average exercise price of \$1.72. MX recorded a compensation cost of \$0.2 million in 2007 and \$0.1 million in 2006 related to the stock option plans.

See also note 13 to our audited consolidated financial statements for further details.

Off-Balance Sheet Arrangements

We have obligations under our employee future benefit plan. As at December 31, 2007, our estimated obligations under this employee future benefit plan were approximately \$1.6 million, of which \$1 million is recorded as a liability in our audited consolidated financial statements. In 2007, our net benefit plan expense amounted to \$0.4 million, which was included in compensation and benefits in our consolidated statement of earnings. For more information regarding our employee future benefit obligations, see note 23 to our audited consolidated financial statements.

We are also party to certain contractual obligations and commitments, including obligations under operating leases and purchase obligations, which we discuss under the section "Contractual Obligations, Commitments and Guarantees" of this MD&A.

⁵ Please refer to "Forward-Looking Statements, Risks and Uncertainties" for a discussion of risks and uncertainties related to such statement.

Financial Instruments

Our financial instruments include cash and cash equivalents, temporary investments, accounts receivable, certain other assets (employee loans), clearing members' cash deposits (assets and liabilities), clearing fund cash deposits (assets and liabilities), daily settlements due from/to clearing members, accounts payable and accruals, and short-term debt.

Cash and cash equivalents and temporary investments are carried at fair value. The carrying amount of accounts receivable, clearing members' cash deposits (assets and liabilities), clearing fund cash deposits (assets and liabilities), daily settlements due from/to clearing members, accounts payable and accruals and short-term debt approximates their fair value due to the near-term maturity of those instruments. The fair value of loans to employees is calculated based on the present value of future repayments and approximates its accounting value.

Cash and cash equivalents consist of liquid investments having an original maturity of three months or less and temporary investments consist of fixed income securities. The fair value of cash and cash equivalents and temporary investments is determined based on quoted market values. The primary risks related to these financial instruments are variations in interest rates and counterparty default. Interest rate risk is managed by maintaining a mix between amounts invested in short-term and medium-term instruments. We manage credit risk by restricting investments to counterparties with a credit rating of: (1) at least R-1 from DBRS Limited and A-1 (high) from Standard & Poor's Ratings Services ("S&P") for money market funds that are not issued and guaranteed by the government; (2) at least AAA from S&P for asset backed securities; and (3) at least A from S&P for other corporate investments. Investments in asset backed securities are limited to 10% of the portfolio and investments in mortgage backed securities are not permitted unless they are issued and guaranteed by the government.

Related Party Transactions

In 2007, we were party to related party transactions with affiliated companies in the normal course of business. Beginning in 2004, we became an official supplier to BOX and, in this regard, we charge BOX for salaries, telecommunication services, computer equipment, and other services at rates set forth in our agreement with BOX. The revenues generated in 2007 amounted to \$15.1 million (\$15.3 million in 2006), including an amount of \$2.2 million indirectly charged to BOX (nil in 2006). These transactions were undertaken in the normal course of business. An amount of \$0.4 million receivable from BOX is included in receivables as at December 31, 2007.

In 2007, MX incurred costs for its joint venture CAREX for an amount of \$0.2 million. These costs were recharged to CAREX. An amount of \$0.3 million receivable from CAREX, including all taxes applicable, is included in receivables as at December 31, 2007. MX also had operations in the normal course of business with NYMEX amounting to \$0.1 million.

See note 21 to our audited consolidated financial statements for further details on related party transactions.

Forward-Looking Statements, Risks and Uncertainties

This MD&A, in particular the sections under the headings "Strategy and Outlook", "Recent Developments" and "Cash Flows from Investing Activities", contain certain forward-looking information within the meaning of the Quebec Securities Act and the Ontario Securities Act. Forward-looking information often contains terms such as "believe," "anticipate," "estimate," "plan," "expect," "intend," "may," "will" and similar expressions. This forward-looking information is based on current expectations, estimates, forecasts and projections about the industry in

which we operate, as well as certain assumptions made by our management. Although we believe that the expectations and assumptions reflected in the forward-looking information are reasonable, forward-looking information involves known and unknown risks and uncertainties and is not a guarantee of future performance. Some of the factors that could cause actual results to differ materially from those contemplated by this forward-looking information are described below. We caution you that this list of factors is not exhaustive. Additional risk factors are discussed in our periodic filings with the Canadian securities regulatory authorities. Given the uncertainty of forward-looking information, you are cautioned not to place undue reliance on this information. We disclaim any obligation to update any forward-looking information, except as may be required by applicable law.

Concentration of Revenue and Credit Risk

For the year ended December 31, 2007, approximately 18% of our revenues were generated by BOX in information systems services (19% in 2006), and four approved participants, on behalf of numerous clients, generated, in the aggregate, 35% of our revenues (33% in 2006), for a combined total of 53% of our revenues in 2007 (52% in 2006). These four approved participants individually generated at least 6% of our revenues in 2007. Although we seek to diversify our base of approved participants and continuously seek ways of encouraging activity by all of our approved participants, we may in the future continue to be dependent to a certain degree on BOX and these key approved participants.

Credit Risk and Clearing House Risk

We are exposed to the credit risk of our approved participants and customers. We review a customer's credit history before extending credit and we conduct regular reviews of our existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

CDCC is also exposed to the risk of default of its clearing members. CDCC is the central counterparty and guarantor of all transactions carried out on MX's markets and on the OTC market. It primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default. CDCC is also exposed to risks arising from its operations, including regulatory and operational risks.

See note 25 to our audited consolidated financial statements for a more detailed description of CDCC's risk management policy.

Market Risk

Market risk is the risk of declining trading and clearing volumes that might generate operational and financial losses. This risk flows from adverse changes in factors underlying the financial and stock markets, over which we have no control.

Cost Structure Largely Fixed

Our cost structure, with the exception of any stock-based compensation, is largely fixed. We base our overall cost structure on historical and expected levels of demand for our products and services. If demand for our products and services declines resulting in a loss of revenue, we may not be able to adjust our cost structure on a timely basis. If we are unable to reduce our costs in proportion to our decline in revenue, our profitability could be materially adversely affected.

Competition Risk

We are in direct competition with other derivatives exchanges as well as alternative trading systems. Increased competition could lead to reduced interest in our products and pressure on transaction prices, among other things. Furthermore, the 1999 Agreement with the TSX Group, including the non-competition covenants, expires in March 2009. Should the combination be approved by the shareholders and by certain regulatory authorities, then the 1999 Agreement would be terminated. For the risks related to the combination, we refer you to the Risk Factors Section of the “Amalgamation Involving Bourse de Montréal Inc. and TSX Group Inc. Notice of Special General Meeting and Management Proxy Circular” dated January 10, 2008. If the combination with the TSX Group is not approved by the shareholders’ of MX and by certain regulatory authorities, this could have a material adverse impact on the market price of MX’s shares.

The MX holds a licence from Standard and Poor’s to use the S&P/TSX 60 Index as a support for futures contracts (SXF) and options until June 2009. We continue to develop these contracts which represented approximately 7% of total revenues for 2007. In August 2007, TSX announced that it had signed an agreement with Standard and Poor’s to secure exclusive use of the S&P/TSX equity indices in connection with options, futures and options on futures, beginning in 2009. In light of the announcement made, MX is examining all its options regarding the period subsequent to 2009. In December 2007, MX and the TSX Group announced a planned combination to create the TMX Group. Refer to section “Recent Developments – MX and TSX Group Inc. Join Forces to Create TMX Group” for further details on this transaction.

Reliability of Information Systems

Being entirely automated, we are highly dependent on our information technology systems. We have implemented fully redundant parallel processing back-up systems and fail-safes to minimize the risk of system interruptions or outages that could affect our trading and clearing operations. We completed BOX’s full redundancy and back-up systems in June 2007.

Regulatory

We are subject to numerous regulatory requirements governing our activities. We carry on these activities in accordance with the regulations of securities commissions in Canada, the U.S., France and the U.K., and, given our development plans, we could eventually be subject to the regulations of other jurisdictions. Regulatory trends are not always predictable. Unexpected and new regulatory requirements could impact our organization, market position and results.

Critical Accounting Estimates

Allowance for Doubtful Accounts

We are exposed to the credit risk of our approved participants and customers. We review a customer’s credit history before extending credit and we conduct regular reviews of our existing customers’ credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

Long Term Investment

Long term investment consists of our 31.4% interest in BOX and is accounted for under the equity method.

If there is a loss in value of an investment that is other than a temporary decline, the investment would be written down to recognize the loss. The write-down would be included in the determination of net earnings. A significant or prolonged decline in the fair value of an investment below its carrying value is evidence of an other-than-temporary loss in value of an investment.

When an investment has been written down to recognize a loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes and, accordingly, a subsequent increase in value would be recognized only when realized.

As at December 31, 2007, the fair value of BOX exceeded its carrying value, and therefore we concluded that no write-down was required in this respect.

Tax Credits on Development Costs and Government Assistance

We incur development costs that are eligible for tax credits. The tax credits are recorded based on the estimated amounts to be recovered as determined by management. These amounts are subject to an audit by the tax authorities.

Government assistance and tax credits on development costs relating to operating expenses are charged to earnings when the related expenses are incurred. Government assistance and tax credits on development costs relating to capital expenditures are deducted from the related asset.

Capital Assets and Intangibles

Capital assets and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Other Assets

The development costs of on-line training courses, less government assistance received, are amortized over five years on a straight-line basis beginning on their launch date. The development cost of software is capitalized over five years, the estimated economic life of the product. Licence and maintenance fees are capitalized and amortized on a straight-line basis over periods of two to three years.

Fees for the acquisition of an additional interest in BOX, currently included in other assets, will be included in the purchase price when the transaction is completed, or will be expensed if the transaction is not realized.

Employee Future Benefits

On January 1, 2004, we established a defined benefit registered pension plan for certain officers. The benefits are based on years of service and the participants' compensation. The cost of this program is being funded periodically.

We accrue our obligations under the pension plan as employees render the services necessary to earn the pension benefits. We have adopted the following policies:

- (i) The cost of the accrued benefit obligations for pensions earned by the employees is actuarially determined using the projected benefit method pro rated on services and management's best estimation of expected plan investment performance, salary escalation and retirement ages.
- (ii) For the purpose of calculating expected return on plan assets, these assets are valued at fair value.
- (iii) Past service costs of \$0.6 million from pension plan initiation are amortized on a straight-line basis over the average remaining service period of employees active at the initiation date, which is 12.4 years.
- (iv) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gains (losses) over 10 percent of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees when applicable.

Income Taxes

We follow the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the accounting value of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment or substantive enactment date. Future income tax assets are recognized and, if realization is not considered "more likely than not," a valuation allowance is provided.

Management is required to assess whether it is more likely than not that our future income tax assets will be realized prior to their expiration and, based on all the available evidence, determine if a valuation allowance is required on all or a portion of our future income tax assets. The factors used to assess the likelihood of the realization are our past experience of income and capital gains, forecast of net income before taxes, available tax planning strategies that could be implemented to realize the future income tax assets and the remaining expiration period of tax loss carry forwards. Although realization is not assured, management believes, based on all the available evidence, it is more likely than not that the remaining future income tax assets, net of the valuation allowance, will be realized prior to their expiration.

Contingent Liabilities

We are party to a number of legal proceedings in connection with the closing of our physical trading floor. As at December 31, 2007, there was a total of \$27.3 million in outstanding claims against us in respect of this matter which we defended vigorously. In accordance with Canadian GAAP, amounts are accrued for the financial resolution of the claims if, in the opinion of management, it is both likely that the future event will confirm that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

We regularly assess the adequacy of our contingent liabilities accrual and make necessary adjustments to incorporate new information as it becomes available. While there exists an inherent difficulty in predicting the outcome of such matters, our management accounted for provisions, as and when appropriate, and believes that the outcome of these matters will not have a material adverse effect on our operating results or financial position.

Adoption of New Accounting Standards

Changes in Accounting Policies in Fiscal 2007

We monitor the application of new accounting policies, including proposed harmonization to international financial reporting requirements. On January 1, 2007, we adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook: Section 1530, *Comprehensive Income*, Section 3251, *Equity*, Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments. Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income, but that are excluded from net income calculated in accordance with GAAP. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period.

Under Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included in the consolidated balance sheet and are measured at fair value with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost using the effective interest method of amortization. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

As a result of the adoption of these new standards, we have classified cash, cash equivalents, restricted cash and temporary investments as held-for-trading. Receivables, daily settlements due from clearing members, clearing members' cash margin deposits and clearing fund cash deposit are classified as loans and receivables. Our long-term investment consists of an equity investment and is accounted for under the equity method and thus, is excluded from the recommendations of this standard. Accounts payable and accruals, daily settlements due to clearing members, clearing members' cash margin deposits and clearing fund cash deposit, and short-term debt, including interest payable, are classified as other liabilities, all of which are measured at amortized cost.

The adoption of these new standards resulted in an increase in retained earnings as at January 1, 2007 of \$0.6 million, net of income taxes, resulting mainly from the unrealized appreciation of temporary investments. Furthermore, the unrealized loss on translating financial statements of a self-sustaining foreign operation as at December 31, 2006 of \$1 million, previously presented under Cumulative translation adjustment, has been reclassified to Accumulated other comprehensive loss in the shareholders' equity section of the consolidated balance sheet.

See Note 1 to the audited consolidated financial statements for more information about the significant accounting policies we used to prepare our financial statements.

Future Accounting Pronouncements

In December 2006, the CICA published three new accounting standards: Section 1535 *Capital Disclosures*; Section 3862 *Financial Instruments – Disclosures*; and Section 3863 *Financial Instruments – Presentation*. These new standards will apply to MX effective January 1, 2008.

Section 1535 establishes disclosure requirements concerning a) an entity's objectives, policies and processes for managing capital; b) the quantitative data about what the entity regards as capital; c) whether the entity has complied with any capital requirements and d) the consequences of non-compliance with such capital requirements.

Section 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. They revise and enhance the disclosure requirements set out in Section 3861 *Financial Instruments – Disclosure and Presentation* and carry forward unchanged the presentation requirements of Section 3861.

Section 3862 establishes disclosure requirements that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Harmonization of Canadian and International Standards

In March 2006, the Accounting Standards Board of the CICA released its new strategic plan, which proposes to abandon Canadian GAAP and effect a complete convergence to the International Financial Reporting Standards. At the end of a transitional period of about 5 years, Canadian GAAP will cease to exist as a separate distinct basis of financial reporting for public companies. MX will closely monitor changes arising from this convergence.

Controls and Procedures

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us is recorded, processed, summarized and reported within the time periods specified under Canadian securities laws, and include controls and procedures that are designed to ensure that information is accumulated and communicated to management, including our President and Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. We regularly review our disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

As of December 31, 2007, an evaluation was carried out, under the supervision of and with the participation of management, including our CEO and our CFO, of the effectiveness of our disclosure controls and procedures as defined under Multilateral Instrument 52-109. Based on that evaluation, our CEO and our CFO concluded that the design and operation of our disclosure controls and procedures were effective as at December 31, 2007.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. No changes were made in our internal control over financial reporting during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Quarterly Financial Information (unaudited)

(\$ in thousands, except trading days, volume, margins and per share amounts)

Quarters ended	2007				2006			
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Trading days	61	62	63	64	62	62	63	64
Average daily volume (contracts)	152,458	161,516	176,560	187,501	165,110	158,750	173,735	148,691
Revenues	\$ 19,559	\$ 20,140	\$ 21,435	\$ 21,913	\$19,545	\$ 19,924	\$ 20,714	\$ 19,077
Operating earnings	5,380	6,553	8,550	6,458	7,566	7,275	7,355	5,449
Operating margin	28%	33%	40%	29%	39%	37%	36%	29%
Net earnings	6,292	6,924	6,917	5,574	7,506	5,929	6,465	4,931
Basic earnings per share	0.21	0.23	0.22	0.20	0.28	0.23	0.25	0.19
Diluted earnings per share	0.21	0.23	0.22	0.20	0.27	0.22	0.24	0.18
Cash flows from operating activities	8,778	9,277	7,630	(494)	9,229	11,395	9,877	(938)

Our revenues are driven primarily by transaction volume. Transaction volume is not subject to any specific seasonality effects, although it does fluctuate based on prevailing market conditions and volatility, and can be particularly responsive to Canadian and U.S. interest rate announcements as well as the announcement of other key economic indicators. Our cash flows from operating activities are generally lower during the first quarter of the year, principally due to cash outlays in respect of corporate tax payments and executive and employee bonus payments.

2007

Revenues in the first quarter of 2007 were higher compared to the fourth quarter of 2006 due mainly to increased transaction volume. Operating earnings and net earnings declined compared to the fourth quarter of 2006 principally as a result of non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares.

Revenues in the second quarter were slightly down compared to the first quarter due mainly to reduced transaction volume. Operating earnings and net earnings increased compared to the first quarter principally as a result of non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares incurred in the first quarter of 2007.

Revenues in the third quarter were slightly down compared to the second quarter due mainly to transaction volume. Operating earnings also decreased in the third quarter compared to the second quarter principally due to a combination of reduced revenues and non-recurring early termination penalty on computer licence and maintenance agreements. Net earnings remained stable due to an increase in investment income and equity in the results of BOX offset by the reduction in operating earnings.

Review of Fourth Quarter Results

Compared with the Fourth Quarter of 2006

In the fourth quarter of 2007, our revenues reached \$19.6 million compared to \$19.5 million for the same period in 2006. The slight rise was driven mainly by an increase in revenue from information system services, partly offset by a decline in transaction and clearing revenue due to an 8% decline in average daily volume.

Interest rate derivatives, representing approximately 51% of trading volume, experienced a global decline in average daily volume of 21%. The average daily volume in our two main interest rate futures contracts, the BAX and the CGB declined by 30% and 8% respectively, largely due to monetary policy trends, a decline in market moving economic events and the general deterioration in financial liquidity conditions in the Canadian interest rate market that occurred in the second half of 2007. Index derivatives, which represent approximately 11% of trading volume, posted a 20% rise in average daily volume while equity options, representing 38% of trading volume, posted an increase in average daily volume of 10%. The growth in index derivatives and equity options was mainly attributable to equity market volatility as well as liquidity provider programs and continued business development efforts.

Excluding other items, expenses in the fourth quarter of 2007 increased by 5% compared to the same period in 2006 mainly reflecting spending for growth initiatives on MX, CAREX and BOX. Our total expenses amounted to \$14.2 million in the fourth quarter of 2007, compared to \$12 million for the same period in 2006, an overall increase of \$2.2 million, or 18%. The higher level of expenses is mainly related to an increase in other items of \$1.6 million as a result of expenses incurred in connection with the planned combination with the TSX Group, a rise of \$0.4 million in compensation and benefits and a net rise in other expenses of \$0.2 million, partly attributable to expenses linked to maintaining a public company structure.

Operating earnings were \$5.4 million in the fourth quarter of 2007, a decline of 29% compared to the same period in 2006. Operating earnings represented 28% of our revenue in the fourth quarter of 2007 compared to 39% in the fourth quarter of 2006. Adjusted operating earnings were \$7.7 million in the fourth quarter of 2007 compared to \$8.3 million for the same period last year. The lower operating margin is due to a higher level of expenses, compared to the fourth quarter of 2006.

Equity in the results of BOX amounted to \$0.9 million in the fourth quarter of 2007, compared to \$0.4 million during the same period of 2006 (before a \$0.3 million gain resulting from the impact of distributions received from BOX). This rise was mainly a result of BOX's increase in average daily volume compared to the same period of 2006. BOX's average daily volume stood at 618,587 contracts in the fourth quarter of 2007, compared to 352,772 in the same period of 2006, an increase of 265,815 contracts or 75%. Furthermore, revenue growth was significantly greater than the rise in expenses resulting in a higher operating margin in the fourth quarter of 2007. Also, during the fourth quarter of 2006, BOX recorded accelerated depreciation on technology assets amounting to US\$0.5 million (whereby our share amounts to C\$0.2 million) as a result of the introduction of the SOLA[®] platform.

Investment income in the fourth quarter of 2007 amounted to \$3.3 million compared to \$0.8 million for the same period in 2006. The significant rise is mainly attributable to increased cash and cash equivalents and temporary investments held throughout the quarter and a \$1.6 million unrealized gain on foreign exchange on short-term portfolio investments of US\$30.2 million.

Income taxes rose from \$0.9 million in the fourth quarter of 2006 to \$3.3 million in the same period of 2007 mainly due to an increase in the effective income tax rate from 11% in the fourth quarter of 2006 to 34% in the same period of 2007. The higher effective tax rate in the fourth quarter of 2007 is a result of the following: (1)

the effective tax rate on investment income was greater in the fourth quarter of 2007, as a portion of the investment income, including the full amount of an unrealized gain on foreign exchange, was taxable at a higher rate and not eligible for the Québec tax holiday since MX held some excess temporary investments following the NYMEX Investment in March 2007; (2) in the fourth quarter of 2006, the reversal of an income tax valuation allowance resulted in a lower effective tax rate; (3) in the fourth quarter of 2006, the application of previously unrecognized tax losses from BOX to reduce income taxes on our share of BOX's earnings resulted in a lower effective tax rate (the tax benefit of the remaining losses attributable to BOX was fully recognized during that quarter); and (4) contribution from BOX, which is taxed at a higher rate, was greater in the fourth quarter of 2007.

Net earnings amounted to \$6.3 million in the fourth quarter of 2007, down 16% versus the \$7.5 million recorded for the same period of 2006. This translated into diluted earnings per share of \$0.21, compared to \$0.27 for the same period of 2006. The decline in net earnings results mainly from a drop in operating earnings combined with a rise in income taxes, partly offset by increased investment income and equity in the result of a company subject to significant influence. Adjusted net earnings amounted to \$7 million in the fourth quarter of 2007, up 9% versus the \$6.5 million recorded for the same period of 2006. The rise in adjusted net earnings results mainly from increased investment income and equity in the result of a company subject to significant influence, partly offset by a drop in adjusted operating earnings combined with a rise in income taxes..

Cash flows from operating activities totalled \$8.8 million in the fourth quarter of 2007, compared to \$9.2 million in the same period of 2006. This decline is due to a decrease in non-cash items of \$1 million and in net earnings of \$1.2 million, partly offset by an increase in net change in non-cash operating assets and liabilities of \$1.8 million. The decline in non-cash items in the fourth quarter of 2007 is mainly related to a \$1.6 million unrealized gain on foreign exchange on temporary investments and a \$1 million rise in equity results of a company subject to significant influence, partly offset by a rise in future income taxes of \$2 million. The rise in net change in non-cash operating assets and liabilities in the fourth quarter of 2007 is mainly related to a \$1.4 million increase in accounts payable, accruals and income taxes payable.

Compared with the Third Quarter of 2007

Revenues in the fourth quarter were slightly lower compared to the third quarter due mainly to a decline of 4% in average daily volumes. Average daily volumes in interest rate derivatives and index derivatives posted a decline of 14% and 2% respectively, while the average daily volumes in equity options posted an increase of 10%.

Operating earnings declined compared to the third quarter principally due to expenses incurred in connection with the planned combination with the TSX Group. The decline in net earnings results mainly from a drop in operating earnings combined with a rise in income taxes, partly offset by increased investment income.

2006

The second quarter experienced record volumes for various products resulting in strong revenues, operating earnings and net earnings growth.

Revenues in the third quarter decreased compared to the second quarter, which had experienced record volumes for various products, due to a decrease in transaction volume. Despite a decrease in revenues, operating earnings remained relatively stable due to a reduction of expenses in the quarter.

Revenues in the fourth quarter were slightly down compared to the third quarter. Despite an increase of average daily volume in the fourth quarter, the decline in revenues was due mainly to a reduction of information system service revenues, subsequent to a reduction of capital lease payments that are re-invoiced to BOX. Operating earnings increased compared to the third quarter principally as a result of an increase in transaction and clearing revenues, offset by a provision for claim settlements. The increase in net earnings in the fourth quarter compared to the third quarter was mainly due to a reversal of the income tax valuation allowance.