



Quarterly Report // **Q2** ENDED JUNE 30, 2006

Q2





Montréal Exchange – Press Release

THE MONTRÉAL EXCHANGE ANNOUNCES ITS FINANCIAL RESULTS FOR THE SECOND QUARTER OF 2006

Highlights (Q2 2006 vs. Q2 2005)

- Revenues up 34% to \$20.7 million
- Net earnings up 67% to \$6.5 million
- Diluted earnings per share of \$0.74 compared to \$0.45
- Average daily volume grew 62% to reach 173,735 contracts per day

MONTRÉAL (Québec), July 26, 2006 – The Montréal Exchange (MX) today announced its financial results for the second quarter and for the six-month period ended June 30, 2006.

“The MX’s performance for the second quarter was exceptional,” declared Luc Bertrand, President and CEO of the Montréal Exchange. “The 62% growth in daily volume resulted in record earnings of \$6.5 million - a 67% increase over the year-earlier period.”

During the second quarter of 2006, total revenues rose 34% to \$20.7 million compared to the \$15.5 million posted during the same period in 2005. This increase stems from growth in transaction revenues (up 50% to \$9.8 million), clearing revenues (up 47% to \$3.5 million), revenues from participants (up 30% to \$0.8 million), market data revenues (up 23% to \$2.5 million) and revenues from information systems services (up 11% to \$4.0 million).

“Furthermore, the MX has pressed ahead with its major growth initiatives,” noted Mr. Bertrand. “SOLA™, the trading system developed by the Montréal Exchange, was deployed on the Boston Options Exchange (BOX) and will support BOX’s growth in the U.S. markets. We also concluded discussions that led to the creation, as announced July 12, 2006, of the Montréal Climate Exchange (MCeX), a joint initiative with the Chicago Climate Exchange®. MCeX is the first organized market in Canada for environment-related financial products, an area of activity that holds immense potential for the development of the Montréal Exchange.”

For the first six months

For the first six months ended June 30, 2006, average daily volume stood at 161,115 contracts, a 53% jump from the first six months of 2005.



The MX's total revenues reached \$39.8 million versus \$30.1 million, for a 32% increase over the same period in 2005.

Net earnings for the six-month period grew by 41% and reached \$11.4 million (\$1.32 per share on a diluted basis) as against the \$8.1 million (\$0.94 per share on a diluted basis) posted during the same period in 2005.

The financial report for the second quarter of 2006 is available on the Montréal Exchange's web site at www.m-x.ca.

About the Montréal Exchange

The Montréal Exchange is Canada's oldest exchange and continues to be the leader in derivative products. The Montréal Exchange offers individual and institutional investors, both in Canada and abroad, a wide range of risk management products for protecting their investments and ensuring growth. The Montréal Exchange is fully electronic and its services include: trading, training, market information, market operations and regulations as well as information technology solutions. The Montréal Exchange, through its wholly-owned subsidiary, the Canadian Derivatives Clearing Corporation ("CDCC"), provides central counterparty clearing services for Montréal Exchange listed products. The Montréal Exchange is also a significant shareholder of the Boston Options Exchange (BOX), a U.S. automated equity options exchange whose technical operations are ensured by the Montréal Exchange. On July 12, 2006, the Montréal Exchange and the Chicago Climate Exchange® announced the joint creation of the Montréal Climate Exchange (MCeX), the first organized market in Canada for environment-related financial products. For more information, please visit www.m-x.ca.

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MANAGEMENT REPORT

FOR THE SIX MONTHS ENDED JUNE 30, 2006

July 26, 2006

The Management Report of the Montréal Exchange (MX) for the six-month period ended June 30, 2006 should be read in conjunction with the Interim Unaudited Consolidated Financial Statements as well as the Consolidated Financial Statements for the year ended December 31, 2005 and its related management report. The accounting policies are in accordance with Canadian generally accepted accounting principles, and all amounts are expressed in Canadian dollars.

The information in this Management Report takes into account all major events that occurred prior to July 26, 2006, the date on which the Audit Committee, mandated by the Board of Directors, approved the financial statements and the interim Management Report for the six-month period ended June 30, 2006; these statements present, to management's best knowledge, the MX's position at the time this report was prepared.

The Interim Consolidated Financial Statements contained in this report have not been subject to a review by the MX's auditors.

This Management Report includes the following sections:

- Highlights
- Main Activities
- Operating Results
- Liquidity and Financial Resources
- Additional Financial Information
- Main Assumptions
- Risks and Uncertainties

Highlights

(in thousands of dollars, except per share amounts and volume)

	For the three months ended		For the six months ended	
	June 30		June 30	
	2006	2005	2006	2005
Average daily volume (contracts)	173,735	107,265	161,115	105,335
Revenues	\$ 20,714	\$ 15,484	\$ 39,791	\$ 30,083
Operating earnings	7,355	3,925	12,804	7,066
Net earnings	6,465	3,867	11,396	8,081
Basic earnings per share	0.74	0.47	1.32	0.99
Diluted earnings per share	0.74	0.45	1.32	0.94
Dividend declared per share	1.00	-	1.00	-
Cash provided by (used in) operations	9,877	7,296	8,939	9,924
Financial ratios:				
Return on shareholders' equity	40%	23%	36%	23%
Operating earnings / Revenues	36%	25%	32%	23%
Net earnings / Revenues	31%	25%	29%	27%

Main Activities

Derivatives Exchange

The MX acts as the exclusive financial derivatives exchange in Canada, providing a complete range of equity, index and interest rate derivatives. The MX connects participants to its market, builds business relationships with them and works with them to ensure that its offering of derivatives meets investor needs. It also delivers market information services and manages a Training Service, the learning and training arm of the MX.

The MX has also developed a robust, scalable, reliable and exportable trading technology platform, thus eliminating its reliance on external vendors. The availability rate of the SAM platform was 100% during the second quarter of 2006 (100% for the first six months of 2006 and 99.7% in 2005). Its team has solid financial software expertise and a valuable pool of proprietary intellectual capital.

Clearing Services

This business unit provides central counterparty clearing services to participants. It reduces investor risk by guaranteeing all contractual commitments made between parties during transactions carried out at the MX.

Regulation

The MX is a self-regulatory organization that has a major stake in maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada.

The Regulatory Division is managed and overseen at arm's length from the MX and reports to the Regulatory Special Committee. The aim is to ensure neutrality and impartiality when the Division applies the ground rules that govern relationships between the MX and its market participants.

Operating Results

Revenues

The MX's total revenues amounted to \$20.7 million for the second quarter of 2006 compared to \$15.5 million for the same period in 2005, an increase of 34%. For the first six months of 2006, the MX's total revenues amounted to \$39.8 million compared to \$30.1 million for the same period in 2005, an increase of 32%.

Transaction revenues grew by 50%, rising from \$6.5 million in the second quarter of 2005 to \$9.8 million during the same period in 2006. Average daily volume grew by 62%, rising from 107,265 contracts in second quarter 2005 to 173,735 contracts for the same period in 2006. Interest rate derivatives posted the most robust growth, with a 71% rise in average daily volume. Equity options also contributed to the MX's growth with a 50% increase in volume. Index derivatives were also on the rise, posting a 45% increase in average daily volume. The heightened level of activity on the MX's markets during the second quarter of 2006 resulted in a \$1.1 million or 47% increase in clearing and option exercise revenues when compared to the same period in 2005.

For the first six months of 2006, transaction revenues grew by 47%, rising from \$12.4 million to \$18.2 million. Average daily volume grew by 53%, rising from 105,335 contracts in the first six months of 2005 to 161,115 contracts during the same period in 2006. Interest rate derivatives maintained the most robust growth, with a 63% rise in average daily volume. Equity options posted a 41% increase in volume while index derivatives were on the rise, posting a 33% increase in average daily volume. The heightened level of activity on the MX's markets resulted in a \$1.9 million or 42% increase in clearing and option exercise revenues when compared to the same period in 2005.

Revenues from market participants, mainly generated by the Regulatory Division, amounted to \$0.8 million during the second quarter of 2006 compared to \$0.6 million for the same period in 2005. For the first six months of 2006, revenues from market participants amounted to \$1.6 million compared to \$1.2 million for the same period in 2005.

MANAGEMENT REPORT (continued)

Revenues from information systems services rose by \$0.4 million, from \$3.6 million in the second quarter of 2005 to \$4.0 million in the same period of 2006. The MX is the principal shareholder of the Boston Options Exchange LLC (BOX), with a 31.4% interest, and is responsible for the technical operations and maintenance of the electronic trading platform used by BOX. For the first six months of 2006, revenues from information systems services rose by \$0.8 million, amounting to \$8.1 million, from the \$7.3 million posted during the first six months of 2005. Furthermore, on March 14, 2006, BOX confirmed that it had chosen the new, SOLA™ electronic trading platform, a next generation technology solution developed by the MX.

At \$2.5 million for the second quarter of 2006, market data revenues grew by 23% from the same period in 2005. The increase is attributable to an approximate 10% increase in the number of screens and to the new prices in effect since January 1, 2006. For the first six months of 2006, market data revenues amounted to \$5.0 million, rising 26% from the same period in 2005. The increase is also attributable to the situation described above.

On May 25, 2006, the MX's overall exchange volume reached 434,462 contracts, surpassing the record of 319,987 contracts set on November 22, 2005. These volumes also reflected a record activity level for CGB contracts, with 307,738 contracts traded. Furthermore, as a result of this heightened activity, the MX set a new record in May, as the daily average volume exchanged in a single month stood at 195,112 contracts.

On July 12, 2006, the MX also announced the closing of an agreement that would give rise to the Montréal Climate Exchange (MCeX), the first organized market for environmental products in Canada of which the MX will hold 51%, in partnership with the Chicago Climate Exchange (CCX). The new market allies MX's expertise with that of CCX, an exchange that operates the only greenhouse gas emissions trading system. CCX is also a world leader in building and operating environmental markets.

Expenses

For the second quarter of 2006, total expenses rose to \$13.4 million from the \$11.6 million posted during the same period in 2005, for an increase of 16%. This percentage increase was echoed over the first six months of 2006, when total expenses rose 17%, reaching \$27.0 million compared to \$23.0 million during the same period in 2005. There was a \$2.0 million increase in the compensation and benefits expense due to an increase in information technology resources, and there was a non-recurring expense of \$1.4 million posted to general and administrative expenses during the first six months of 2006 and incurred with respect to settlements made with 32 of the 70 claimants in the legal action brought against the MX in connection with the closing of the physical trading floor in 2001 (see Note 5 to the Interim Consolidated Financial Statements for more information).

Operating Earnings

(Before Investment Income, Other Items and Income Taxes)

Operating earnings stood at \$7.4 million for the second quarter of 2006 compared to \$3.9 million in 2005 and represented 36% of total revenues versus 25% in 2005. For the first six months of 2006, operating earnings stood at \$12.8 million compared to \$7.1 million in 2005 and represented 32% of total revenues versus 23% in 2005.

Other Items

In the second quarter of 2006, investment income was \$0.7 million, an increase over the \$0.3 million posted during the second quarter of 2005. For the first six months of 2006, investment income was \$1.1 million, an increase over the \$0.7 million posted during the same period in 2005.

MANAGEMENT REPORT (continued)

The MX's investment in BOX, presented on an equity basis in accordance with Canadian and U.S. generally accepted accounting principles, generated \$0.5 million of equity in net earnings for the second quarter of 2006, which compares to \$0.6 million for the same period in 2005. This decrease in the equity of BOX owes primarily to \$0.5 million in accelerated depreciation of the current exchange system, a consequence of choosing the new SOLA™ electronic platform. For the first six months of 2006, and after including the aforementioned reason, the equity in net earnings of BOX was \$1.1 million versus \$1.3 million for the same period in 2005. For the first six months of 2005, a gain on dilution of \$1.0 million was also recorded when two new shareholders injected funds in exchange for shares.

Income Tax Expense

The income tax expense for the second quarter of 2006 was \$2.1 million, representing an effective tax rate of 25.9%; during the same quarter in 2005, the income tax expense was \$1.0 million, and the effective tax rate 24.4%. For the first six months of 2006, the income tax expense stood at \$3.7 million, for an effective tax rate of 26.4%; during the same period in 2005, the income tax expense was \$2.0 million, and the effective tax rate 25.5%.

Net Earnings

For the second quarter of 2006, net earnings stood at \$6.5 million compared to \$3.9 million for the same period in 2005 and represented 31% of total revenues compared to 25% for the same period in 2005. Basic earnings per share was \$0.74 versus \$0.47 the previous year, while diluted earnings per share was \$0.74 in 2006 compared to \$0.45 in 2005. For the first six months of 2006, net earnings stood at \$11.4 million compared to \$8.1 million, including a gain on dilution of \$1.0 million, for the same period in 2005. Net earnings represented 29% of total revenues compared to 27% (23% excluding the gain on dilution) for the same period in 2005. Basic earnings per share was \$1.32 versus \$0.99 the previous year, while diluted earnings per share was \$1.32 in 2006 compared to \$0.94 in 2005.

Liquidity and Financial Resources

Financial Position

As at June 30, 2006, the MX had total liquidities of \$50.4 million, net of a \$13.9 million dividend payment in February 2006, compared to \$46.7 million as at June 30, 2005 and \$58.5 million as at December 31, 2005.

Cash Flows

Cash Flows from (used in) Operating Activities

Cash flows from operating activities generated cash resources of \$9.9 million during the second quarter of 2006 compared to \$7.3 million during the same quarter of the previous year. Cash flows from operating activities, except for the net change in non-cash operating assets and liabilities, generated cash resources of \$7.8 million compared to \$4.9 million during the second quarter of 2005.

For the first six months of 2006, cash flows from operating activities generated cash resources of \$8.9 million compared to \$9.9 million the previous year. Cash flows from operating activities, except for the net change in non-cash operating assets and liabilities, generated net cash resources of \$13.9 million compared to \$9.6 million during the first six months of 2005.

Cash Flows from (used in) Investing Activities

Cash flows from investing activities required funds of \$7.5 million compared to \$2.5 million for the same period in 2005. The resulting cash outflows are due to the \$5.1 million purchase of investments during the second quarter of 2006. The MX also invested \$2.4 million in capital assets, other assets and intangible assets during the second quarter of 2006, primarily to further develop its SOLA™ software.

MANAGEMENT REPORT (continued)

For the first six months of 2006, cash flows from investing activities required funds of \$0.1 million, whereas, for the first six months of 2005, cash flows from investing activities was a source of cash of \$0.6 million. The resulting cash inflows are due to the sale of \$3.6 million in investments during the first six months of 2006. The MX also invested \$3.7 million in capital assets, other assets and intangible assets during the first six months of 2006, primarily to further develop its SOLA™ software.

Cash Flows from (used in) Financing Activities

During the second quarter of 2006, the MX decreased its obligations under capital leases by \$0.9 million. In the second quarter of 2005, the MX proceeded with a share issuance for an amount of \$1.3 million compared to \$0.2 million in 2006.

For the first six months of 2006, cash flows from financing activities required the use of \$13.4 million in funds compared to \$0.3 million for the same period in 2005, owing primarily to the dividend payment of February 2006 that saw a cash outflow of \$13.9 million. In addition, a share issuance generated \$2.4 million, owing to the exercising of options (see Note 4 to the Interim Consolidated Financial Statements). The MX also paid an amount of \$1.8 million in capital lease repayments.

Capital Stock

Between January 1 and February 6, 2006, 792,000 of the 835,000 stock options granted were exercised at an average exercise price of \$5.08. The MX has granted loans bearing interest at 5% on 595,000 shares. Any dividend payable on these shares will be applied against the loans. The loans are repayable at the latest in February 2009 and interest is payable annually in February (see Note 4 to the Interim Consolidated Financial Statements).

Data on outstanding shares and options

	As at June 30, 2006	As at December 31, 2005
Shares outstanding (issued and paid)	8,722,416	8,293,508
Options outstanding	43,000	835,000

Special Dividend

On June 22, 2006, a special dividend of \$1 per common share was declared and was paid on July 24, 2006 to common shareholders of record at the close of business on July 17, 2006.

Contractual Obligations

The MX rents its premises and equipment under operating lease agreements expiring between 2006 and 2015 and is committed under service and licence agreements until 2007.

As at June 30, 2006, total minimum lease payments and minimum payments required for each of the forthcoming years under these commitments are as follows:

<u>(in thousands of dollars)</u>	
2006 (6 months)	\$ 3,073
2007	7,082
2008	2,052
2009	1,642
2010	1,596
2011 and thereafter	6,230
Total minimum payments required	<u>\$ 21,675</u>

MANAGEMENT REPORT (continued)

Additional Financial Information

Main Quarterly Financial Data (unaudited)

(in thousands of dollars, except per share amounts, and volume)

	2006		2005				2004	
	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Average daily volume (contracts)	173,735	148,691	120,548	125,747	107,265	103,342	92,638	77,654
Revenues	\$ 20,714	\$ 19,077	\$ 16,512	\$ 16,569	\$15,484	\$ 14,599	\$ 14,064	\$ 13,160
Operating earnings	7,355	5,449	3,320	4,735	3,925	3,141	2,575	2,188
Operating margin (%)	36%	29%	20%	29%	25%	22%	18%	17%
Net earnings	6,465	4,931	2,484	4,570	3,867	4,214	2,148	1,252
Basic earnings per share	0.74	0.58	0.30	0.56	0.47	0.52	0.25	0.16
Diluted earnings per share	0.74	0.58	0.27	0.53	0.45	0.49	0.25	0.15
Cash provided by (used in) operations	9,877	(938)	7,418	7,797	7,296	2,628	3,460	5,689

As evidenced in its quarterly results, the MX is demonstrating strong growth due primarily to growing volumes, which have posted an average quarterly increase of 12% between the third quarter of 2004 and the second quarter of 2006.

During the first quarter of 2005, a gain on dilution of \$1.0 million explains the difference observed between the \$4.2 million in net earnings of that quarter and those of the second quarter of 2005, which were \$3.9 million, even though there was growth in volumes between these two quarters.

Also, the net earnings of fourth quarter 2005 included a loss and termination cost of \$0.7 million related to the sale of investments in a company subject to significant influence and joint venture. It also includes an additional depreciation expense of \$0.9 million for the MX's former trading system following the production startup of the new SOLA™ electronic trading platform.

Main Assumptions

Changes in Accounting Policies

The MX did not make any accounting changes during the first six months of 2006 or during the year 2005.

Critical Accounting Estimates

In preparing its financial statements, the MX did not make any significant changes to the critical accounting estimates described in the management report of the MX's annual report for the year ended December 31, 2005.

Risks and Uncertainties

The MX did not observe any significant changes in the risks and uncertainties to which it is exposed and that are described in the management report of the MX's annual report for the year ended December 31, 2005.



Luc Bertrand
President and Chief Executive Officer



Louise Laflamme
Executive Vice-President and
Chief Financial Officer

CONSOLIDATED BALANCE SHEET

As at June 30, 2006
with comparative figures as at December 31, 2005
(in thousands of dollars)

	June 30, 2006 (unaudited)	December 31, 2005 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,363	\$ 25,923
Temporary investments	29,082	32,577
Receivables	8,901	6,272
Daily settlements due from clearing members	31,912	22,006
Clearing members' cash margin deposits	1,576	1,041
Clearing fund cash deposits	12,292	4,005
Prepaid expenses	1,926	1,525
	107,052	93,349
Long-term investment (Note 2)	10,565	9,798
Capital assets	13,567	14,208
Future income taxes	689	705
Other assets	903	46
Goodwill and other intangible assets	808	926
	\$ 133,584	\$ 119,032
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accruals	\$ 9,865	\$ 9,887
Dividends payable	9,273	12,721
Daily settlements due to clearing members	31,912	22,006
Clearing members' cash margin deposits	1,576	1,041
Clearing fund cash deposits	12,292	4,005
Income taxes payable	1,416	3,484
Current portion of obligations under capital leases	2,100	3,239
	68,434	56,383
Obligations under capital leases	341	1,022
Future income taxes	295	245
Accrued employee benefits liability (Note 3)	522	410
Shareholders' equity:		
Capital stock (Note 4)	48,262	45,405
Contributed surplus	434	825
Retained earnings	17,466	16,532
Cumulative translation adjustment	(2,170)	(1,790)
	63,992	60,972
Contingencies (Note 5)		
	\$ 133,584	\$ 119,032

See accompanying Notes to the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF EARNINGS

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

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Revenues:				
Transactions	\$ 9,778	\$ 6,525	\$ 18,232	\$ 12,429
Participants	791	607	1,601	1,166
Clearing and option exercise	3,470	2,367	6,513	4,581
Information systems services	4,026	3,636	8,083	7,260
Market data	2,489	2,020	4,988	3,965
Other	160	329	374	682
Total revenues	20,714	15,484	39,791	30,083
Expenses:				
Compensation and benefits (Note 3)	5,696	4,719	11,498	9,460
Occupancy	654	745	1,345	1,421
Computer licences and maintenance	1,651	1,520	3,273	3,088
Amortization of capital assets and intangible assets	1,917	1,646	3,607	3,243
General and administrative	2,257	1,790	4,867	3,515
Telecommunications	670	690	1,208	1,437
Public affairs	469	352	1,086	653
Interest on obligations under capital leases	45	97	103	200
Total expenses	13,359	11,559	26,987	23,017
Earnings before investment income, other items and income taxes	7,355	3,925	12,804	7,066
Investment income	668	346	1,122	652
Equity in results of companies subject to significant influence	516	641	1,147	1,291
Gain on dilution	-	-	-	1,042
Earnings before income taxes	8,539	4,912	15,073	10,051
Income taxes:				
Current	2,070	959	3,611	1,774
Future	4	86	66	196
	2,074	1,045	3,677	1,970
Net earnings	\$ 6,465	\$ 3,867	\$ 11,396	\$ 8,081
Basic earnings per share	\$ 0.74	\$ 0.47	\$ 1.32	\$ 0.99
Diluted earnings per share	\$ 0.74	\$ 0.45	\$ 1.32	\$ 0.94
Weighted average number of shares outstanding - basic	8,712,101	8,172,097	8,620,805	8,141,589
Weighted average number of shares outstanding - diluted	8,747,340	8,602,719	8,656,044	8,572,211

See accompanying Notes to the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(in thousands of dollars)
(unaudited)

	Six months ended	
	June 30, 2006	June 30, 2005
Retained earnings, beginning of period	\$ 16,532	\$ 14,118
Net earnings	11,396	8,081
Dividends (Note 4)	(10,462)	-
Retained earnings, end of period	\$ 17,466	\$ 22,199

See accompanying Notes to the Interim Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars)
(unaudited)

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Cash flows from (used in) operating activities:				
Net earnings	\$ 6,465	\$ 3,867	\$ 11,396	\$ 8,081
Adjustments for:				
Amortization of capital assets and intangible assets	1,917	1,646	3,607	3,243
Equity in results of companies subject to significant influence	(516)	(641)	(1,147)	(1,291)
Gain on dilution	-	-	-	(1,042)
Amortization of premium on investments	20	52	36	96
Interest income on discount investments	(145)	(87)	(125)	(222)
Future income taxes	4	86	66	196
Costs of stock option plan	19	24	114	51
Costs of deferred share unit plan	-	-	-	470
Net change in non-cash operating assets and liabilities:				
Receivables	(366)	395	(2,629)	2,069
Prepaid expenses	(793)	448	(401)	781
Accounts payable, accruals and income taxes payable	3,187	1,435	(2,090)	(2,587)
Increase in the accrued employee benefits liability	85	71	112	79
	9,877	7,296	8,939	9,924
Cash flows from (used in) investing activities:				
Purchase of capital assets	(1,894)	(1,098)	(2,848)	(1,425)
Purchase of other assets and intangible assets	(507)	-	(857)	-
Sale of capital assets	-	-	-	14
Purchase of investments	(69,244)	(55,769)	(137,849)	(96,947)
Sale of investments	64,161	55,363	141,433	99,952
Purchase of long-term investments	-	(1,012)	-	(1,012)
	(7,484)	(2,516)	(121)	582
Cash flows from (used in) financing activities:				
Decrease in obligations under capital leases	(917)	(864)	(1,820)	(1,723)
Share issuance	216	1,349	2,352	1,468
Dividends	-	-	(13,910)	-
	(701)	485	(13,378)	(255)
Net increase (decrease) in cash and cash equivalents	1,692	5,265	(4,560)	10,251
Cash and cash equivalents, beginning of period	19,671	20,163	25,923	15,177
Cash and cash equivalents, end of period	\$ 21,363	\$ 25,428	\$ 21,363	\$ 25,428
Supplemental cash flow information:				
Interest paid	\$ 45	\$ 97	\$ 103	\$ 200
Income taxes paid	1,093	177	5,630	1,115

See accompanying Notes to the Interim Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements

For the six months ended June 30, 2006

(in thousand of dollars, except per share amounts and number of shares)
(unaudited)

1. Significant accounting policies

These Unaudited Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP), using the same accounting policies as outlined in Note 1 to the Consolidated Financial Statements for the year ended December 31, 2005. These financial statements and the accompanying notes should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2005.

Consolidation and long-term investments

The Consolidated Financial Statements include the accounts of the Montréal Exchange (the Company), those of its wholly owned subsidiary, the Canadian Derivatives Clearing Corporation (CDCC) and, until December 19, 2005, of Clearco Inc., a joint venture. The Company uses the proportionate consolidation method to account for its 50% ownership interest in the assets, liabilities, revenues, expenses and cash flows of the joint venture.

Long-term investments consist of the Company's 31.4% interest in the capital stock of the Boston Options Exchange LLC (BOX) and, until December 19, 2005, of the Company's 8% interest in the capital stock of Oxen Inc., both investments being in companies subject to significant influence. These investments are accounted for under the equity method, according to which the initial cost of the investment is adjusted to include the Company's proportionate share of post-acquisition earnings or losses, less dividends.

2. Long-term investment

	June 30, 2006	December 31, 2005
31.4% interest in the capital stock of BOX	\$ 12,523	\$ 12,523
Share in accumulated losses	(2,473)	(3,620)
Gain on dilution	2,685	2,685
Cumulative translation adjustment	(2,170)	(1,790)
Long-term investment	\$ 10,565	\$ 9,798

3. Employee future benefits

For the quarter ended June 30, 2006, the total retirement benefit cost was \$86 (\$68 in 2005). For the first six months of 2006, this cost was \$171 (\$147 in 2005).

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2006

(in thousand of dollars, except per share amounts and number of shares)
(unaudited)

4. Capital stock

	June 30, 2006	December 31, 2005
Authorized:		
An unlimited number of shares, without face value:		
Common, voting and participating		
Preferred, non-voting, dividend to be determined upon issuance		
Total issued, including in guarantee:		
9,273,155 common shares		
(8,481,155 as at December 31, 2005)	\$ 51,551	\$ 47,019
Held in guarantee for loans under share purchase plan:		
135,274 common shares		
(187,647 as at December 31, 2005)	(1,162)	(1,614)
Held in guarantee for loans under stock option plan:		
415,465 common shares	(2,127)	-
Issued:		
8,722,416 common shares		
(8,293,508 as at December 31, 2005)	\$ 48,262	\$ 45,405

On June 22, 2006, the Company declared a special dividend of \$1.00 per share and was paid on July 24, 2006 to the common shareholders of record at the close of business on July 17, 2006.

a) Stock Option Plan

Between January 1 and February 6, 2006, 792,000 of the 835,000 stock options granted were exercised at an average exercise price of \$5.08. The Company has granted loans bearing interest at 5% on 595,000 shares. The exercise of these options gave rise to an additional dividend payment of \$1,189 on the special dividend declared on December 1, 2005 and payable on February 7, 2006. Any dividend payable on these shares will be applied against the loans. The loans are repayable at the latest in February 2009 and interest is payable annually in February. The total loan payment is secured by a first hypothec with delivery in favour of the Company on all shares acquired by way of loan. These loans are recorded as a reduction of capital stock. Loans granted for the purchase of these shares are repayable in all circumstances regardless of the variation in share value.

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2006

(in thousand of dollars, except per share amounts and number of shares)
(unaudited)

4. Capital stock (continued)

The following table summarizes information on outstanding and exercisable options as at June 30, 2006:

	Six months ended June 30, 2006		Twelve months ended December 31, 2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	835,000	\$ 5.09	838,000	\$ 5.09
Granted	-	-	-	-
Exercised	(792,000)	5.08	-	-
Cancelled	-	-	(3,000)	5.09
Options outstanding, end of period	43,000	\$ 5.15	835,000	\$ 5.09

5. Contingencies

During the first six months of 2006, an amount of \$12,824 of the legal actions taken against the Company, in connection with the closing of the trading floor, was settled for \$1,252 in addition to \$119 in fees. During the second quarter of 2006, an amount of \$6,539 of the total legal actions was settled for \$515 plus \$51 in fees. As at June 30, 2006, there was a total of \$27,269 in remaining, unsettled legal actions against which the Company intends to defend itself vigorously. The outcome of these remaining actions cannot be determined at this time, and consequently, no provision was recorded as at June 30, 2006.

6. Segmented information

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

Exchange (MX):

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

Clearinghouse (CDCC):

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

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2006

(in thousand of dollars, except per share amounts and number of shares)
(unaudited)

6. Segmented information (continued)

Three months ended June 30

	MX		CDCC		Consolidated	
	2006	2005	2006	2005	2006	2005
Revenues from exchange and clearing	\$13,153	\$ 9,383	\$3,535	\$ 2,465	\$16,688	\$ 11,848
Revenues from information systems services	4,026	3,636	-	-	4,026	3,636
Investment income	364	248	304	98	668	346
Amortization of capital assets and intangible assets	1,894	1,566	23	80	1,917	1,646
Equity in results of companies subject to significant influence	516	641	-	-	516	641
Net earnings	4,494	3,009	1,971	858	6,465	3,867
Purchase of capital assets, other assets and intangible assets	2,383	1,063	18	35	2,401	1,098
Assets	72,316	67,073	61,268	87,414	133,584	154,487

Six months ended June 30

	MX		CDCC		Consolidated	
	2006	2005	2006	2005	2006	2005
Revenues from exchange and clearing	\$25,068	\$18,014	\$6,640	\$ 4,809	\$31,708	\$ 22,823
Revenues from information systems services	8,083	7,260	-	-	8,083	7,260
Investment income	668	453	454	199	1,122	652
Amortization of capital assets and intangible assets	3,563	3,065	44	178	3,607	3,243
Equity in results of companies subject to significant influence	1,147	1,291	-	-	1,147	1,291
Net earnings	7,957	6,409	3,439	1,672	11,396	8,081
Purchase of capital assets, other assets and intangible assets	3,680	1,372	25	53	3,705	1,425
Assets	72,316	67,073	61,268	87,414	133,584	154,487

Regulatory Division:

Pursuant to a decision rendered by the "Autorité des marchés financiers" (AMF) on November 24, 2000, the Company created a separate regulatory division responsible for approved participants and market regulation and operating on a cost recovery basis. The AMF accepted that, effective January 1, 2005, the Regulatory Division shall perform its regulatory functions exclusively in the area of derivatives. Also, at that date, the Division transferred its functions and delegated authority regarding securities dealers in order to bring all these dealers and their representatives and officers under the jurisdiction of one self-regulatory organization in Québec, the Investment Dealers Association of Canada (IDA).

Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2006

(in thousand of dollars, except per share amounts and number of shares)
(unaudited)

6. Segmented information (continued)

For the second quarter ended June 30, 2006, the Division generated revenues of \$936 (\$707 in 2005) and incurred direct expenses of \$349 (\$223 in 2005) and indirect expenses of \$185 (\$158 in 2005). To date, revenues total \$1,682 (\$1,245 in 2005), direct expenses total \$704 (\$414 in 2005), and indirect expenses total \$383 (\$310 in 2005). The surplus of the Division at June 30, 2006 totals \$1,340 and is presented in accounts payable and accruals, of which \$886 results from the excess of fines and penalties over related expenses and will be used for special projects for the purposes of the financial industry. The balance of the surpluses, if any, will be repaid to the approved participants after the end of the fiscal year.

7. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.



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