



Quarterly Report  
**Q2**

ended  
June 30, 2007



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### SECOND QUARTER REPORT ENDED JUNE 30, 2007

July 25, 2007

The following discussion and analysis provides information concerning the Montréal Exchange Inc.'s ("MX") operating results and financial condition for the quarter and six months ended June 30, 2007.

This discussion should be read in conjunction with our unaudited Interim Consolidated Financial Statements for the quarter and six months ended June 30, 2007 and the accompanying notes as well as the audited Consolidated Financial Statements for the year ended December 31, 2006 and its related management report. Our unaudited Interim Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Unless otherwise indicated, the financial information presented in this discussion and analysis, including the amounts appearing in the tables, is expressed in Canadian dollars.

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

You will find more information about us, including MX's non-offering prospectus dated March 23, 2007, on MX's website at [www.m-x.ca](http://www.m-x.ca) and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Forward-Looking Statements, Risks and Uncertainties**

This document contains 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. Factors that could cause actual results to differ materially from those contemplated by this forward-looking information include, but are not limited to, risks associated with general market and economic conditions, evolving national and international competition, credit risks and clearing house risk, reliability of information systems and regulatory risks. We caution you that this list of factors is not exhaustive. The forward-looking information in this document is subject to the risks identified 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.

#### **Recent Developments**

##### ***Montréal Climate Exchange ("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 ("CCX"), decided to announce the launch of a carbon futures contract by the end of this year, subject to required regulatory approvals.

##### ***Special Dividend***

On July 25, 2007, a special dividend of \$0.35 per common share was declared and is payable on August 16, 2007 to common shareholders of record at the close of business on August 3, 2007.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### **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 of SOLA® Surveillance, including implementation at Boston Options Exchange Group LLC's ("BOX") self-regulatory division.

### **Use of Non-GAAP Performance Measures**

In this discussion, we refer to "operating earnings", a performance measure that is not recognized under Canadian GAAP. Although operating earnings is typically understood to be a non-GAAP performance measure, in our case operating earnings is equivalent to the line item "earnings before investment income, other items and income taxes" in our unaudited Interim Consolidated Financial Statements prepared in accordance with Canadian GAAP. Other companies may define or calculate operating earnings differently, limiting its usefulness as a comparative measure.

In this discussion, we also 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.

We define adjusted operating earnings as operating earnings excluding: a) charges relating to non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares (which are included in "General and administrative" expenses); and b) charges relating to legal settlements in connection with the closing of our trading floor (which are included in "General and administrative" expenses). The following table provides a reconciliation of operating earnings under Canadian GAAP as disclosed in our financial statements to adjusted operating earnings:

	Q2 2007	Q2 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
(\$ in thousands)				
<b>Reconciliation of operating earnings and adjusted operating earnings disclosed herein</b>				
Operating earnings	\$ 8,550	\$ 7,355	\$ 15,008	\$ 12,804
Non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares	–	–	2,725	–
Settlement charges relating to the closing of our trading floor	–	566	–	1,371
<b>Adjusted operating earnings</b>	<b>\$ 8,550</b>	<b>\$ 7,921</b>	<b>\$ 17,733</b>	<b>\$ 14,175</b>

We define adjusted net earnings as net earnings excluding: a) charges (net of tax) relating to non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares (which are included in "General and administrative" expenses); and b) charges (net of tax) relating to legal settlements in connection with the closing of our trading floor (which are included in "General and administrative" expenses). The following table provides a reconciliation of net earnings under Canadian GAAP as disclosed in our financial statements to adjusted net earnings:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	Q2 2007	Q2 2006	For the six months ended June 30, 2007	For the six months ended June 30, 2006
	(\$ in thousands)			
<b>Reconciliation of net earnings and adjusted net earnings disclosed herein</b>				
Net earnings	\$ 6,917	\$ 6,465	\$ 12,491	\$ 11,396
Non-recurring professional fees in connection with the preparation of our non-offering prospectus and the listing of our shares	-	-	2,725	-
Settlement charges relating to the closing of our trading floor	-	566	-	1,371
Income tax effect of adjustments (estimated based on statutory tax rate in each respective period applicable to MX)	-	(138)	(670)	(334)
<b>Adjusted net earnings</b>	<b>\$ 6,917</b>	<b>\$ 6,893</b>	<b>\$ 14,546</b>	<b>\$ 12,433</b>

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 the 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.

	June 30, 2007	December 31, 2006
	(\$ in thousands)	
<b>Reconciliation of total assets and assets excluding certain clearing assets disclosed herein</b>		
Total assets	\$390,362	\$122,694
Clearing fund cash deposits	(22,732)	(14,807)
Clearing members' cash margin deposits	(8,270)	(2,312)
Daily settlements due from clearing members	(188,739)	(6,951)
<b>Assets excluding certain clearing assets</b>	<b>\$170,621</b>	<b>\$ 98,624</b>

Operating earnings, 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Highlights**

**Selected Consolidated Quarterly Data**

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

Operating Results	Q2		For the six months ended June 30	
	2007	2006	2007	2006
Revenues	\$ 21,435	\$ 20,714	\$ 43,348	\$ 39,791
Operating earnings	8,550	7,355	15,008	12,804
Adjusted operating earnings	8,550	7,921	17,733	14,175
Operating margin	40 %	36 %	35 %	32 %
Adjusted operating margin	40 %	38 %	41 %	36 %
Net earnings	6,917	6,465	12,491	11,396
Adjusted net earnings	6,917	6,893	14,546	12,433
Net margin	32 %	31 %	29 %	29 %
Adjusted net margin	32 %	33 %	34 %	31 %
Cash flows from (used in) operating activities	7,630	10,279	7,136	8,738

Financial Position	June 30, 2007	December 31, 2006
Total assets	390,362	122,694
Assets excluding certain clearing assets	170,621	98,624
Long-term financial liabilities	341	1,072

Per Share Data <sup>(1)</sup>	Q2		For the six months ended June 30	
	2007	2006	2007	2006
Earnings per share				
Basic	0.22	0.25	0.43	0.44
Diluted	0.22	0.24	0.42	0.42
Adjusted earnings per share				
Basic	0.22	0.26	0.50	0.48
Diluted	0.22	0.25	0.49	0.45
Dividends declared per share	–	0.33⅓	0.33⅓	0.33⅓
Weighted average number of share outstanding				
Basic	30,903,158	26,136,303	29,356,498	25,862,415
Diluted	31,029,519	27,530,319	29,826,389	27,422,343

Other Data	Q2		For the six months ended June 30	
	2007	2006	2007	2006
Average daily volume (# of contracts)	176,560	173,735	182,074	161,115
SOLA® availability rate <sup>(2)</sup>	99.72 %	99.97 % <sup>(3)</sup>	99.72 %	99.97 % <sup>(3)</sup>

<sup>(1)</sup> All references to earnings per share, dividends per share, shares issued and outstanding, shares held on guarantee and options outstanding have been restated to reflect the three-for-one stock split that we effected on March 15, 2007.

<sup>(2)</sup> Calculated on a trailing twelve month basis.

<sup>(3)</sup> SOLA® was implemented and operational beginning in October 2005.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Results of Operations for the Quarter Ended June 30, 2007 Compared to the Quarter Ended June 30, 2006**

**Revenues**

Total revenues amounted to \$21.4 million in Q2 2007 compared to \$20.7 million in Q2 2006, an increase of \$0.7 million, or 3%. The following table provides a breakdown of our revenues for the quarters ended June 30, 2007 and 2006.

(\$ in thousands)	Q2 2007		Q2 2006		Change	
	\$	% of total	\$	% of total	\$	%
Revenues						
Transactions	10,046	47%	9,778	47%	268	3%
Clearing and option exercise	3,637	17%	3,470	18%	167	5%
Information systems services	3,928	18%	4,026	19%	(98)	(2%)
Market data	2,718	13%	2,489	12%	229	9%
Participants	946	5%	791	4%	155	20%
Other	160	0%	160	0%	–	(0%)
<b>Total revenues</b>	<b>21,435</b>	<b>100%</b>	<b>20,714</b>	<b>100%</b>	<b>721</b>	<b>3%</b>

**Transactions**

In Q2 2007, our transactions revenues amounted to \$10.0 million, compared to \$9.8 million for Q2 2006, an increase of \$0.3 million or 3% driven mainly by additional average daily volume and a slight increase in average revenue per contract.

Average daily volume stood at 176,560 contracts in Q2 2007, compared to 173,735 contracts in Q2 2006, a slight increase of 2,825 contracts, or 2%. Index derivatives, which represent less than 10% of trading volume, posted a 9% increase in average daily volume, while equity options, representing approximately 30% trading volume, posted an increase in average daily volume of 6%. Approximately 60% of trading volume is generated by interest rate derivatives, which experienced a global decline in average daily volume of 1%. Trading in our short term interest rate futures contract, the BAX, experienced a decrease in average daily volume of 13%, largely due to monetary policy trends and a decline in market moving economic events. Note however that the Ten-Year Government of Canada Bond Futures, the CGB, contracts experienced a 26% growth in average daily volume in comparison to Q2 2006.

During the quarter, the MX set various volume records including total traded volume for the month of May 2007 when volume reached 4,592,430 contracts and on May 24, 2007, when volume for the CGB reached 368,471 contracts.

In Q2 2007, average revenue per contract increased to \$0.90 per contract from \$0.89 per contract in Q2 2006 due to a combination of variations in product and client mix, and additional volume rebates, pursuant to liquidity provider programs.

**Clearing and Option Exercise**

Clearing and option exercise revenues increased to \$3.6 million in Q2 2007, compared to \$3.5 million in Q2 2006, an increase of 5% due principally to the increased trading volumes on our markets and a slight increase in average revenue per contract.

**Information Systems Services**

Revenues from information systems services amounted to \$3.9 million in Q2 2007, compared to \$4.0 million in Q2 2006, a decrease of \$0.1 million, or 2%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A decrease of \$0.8 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 decrease is equally reflected in our amortization expense.

This decrease in revenues was offset by approximately \$0.7 million in additional revenues from services rendered to BOX, and reflected by an increase in our compensation and benefits expense, occupancy and general and administrative expense.

### **Market Data**

Market data revenues reached \$2.7 million in Q2 2007, compared to \$2.5 million in Q2 2006, an increase of \$0.2 million or 9%, driven principally by increased data subscriptions.

### **Participants**

Revenues from approved participants, generated primarily by the Regulatory Division, amounted to \$0.9 million in Q2 2007 compared to \$0.8 million in Q2 2006, an increase of 20%.

### **Expenses**

Our total expenses amounted to \$12.9 million in Q2 2007 compared to \$13.4 million for Q2 2006, an overall decrease of \$0.5 million, or 4%. Expenses, excluding non-recurring charges, have increased by less than 1%. The following table provides a breakdown of our expenses in the quarters ended June 30, 2007 and 2006.

(\$ in thousands)	Q2 2007		Q2 2006		Change	
	\$	% of total	\$	% of total	\$	%
Total revenues	21,435	100%	20,714	100%	721	3%
Expenses:						
Compensation and benefits	6,030	47%	5,441	41%	589	11%
Occupancy	768	6%	654	5%	114	17%
Computer licences and maintenance	1,489	12%	1,651	12%	(162)	(10)%
Amortization of capital assets and other assets	818	6%	1,917	14%	(1,099)	(57)%
General and administrative	2,630	20%	2,512	19%	118	5%
Telecommunications	751	6%	670	5%	81	12%
Public affairs	392	3%	469	4%	(77)	(16)%
Interest on obligations under capital leases and debts due within one year	7	0%	45	0%	(38)	(84)%
Total Expenses	12,885	100%	13,359	100%	(474)	(4)%
Operating earnings	8,550		7,355		1,195	16%

### **Compensation and Benefits**

Total compensation and benefits amounted to \$6.0 million in Q2 2007, compared to \$5.4 million in Q2 2006, an overall increase of \$0.6 million, or approximately 11%. This increase is explained mainly by a higher number of employees generating an increase in wages and employee benefits of which a portion is related to additional information systems services re-invoiced to BOX.

Our total number of employees at June 30, 2007 was 228, compared to 216 at June 30, 2006.

**Occupancy**

Occupancy expenses amounted to \$0.8 million in Q2 2007 compared to \$0.7 million in Q2 2006, an increase of \$0.1 million or 17% 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 decreased to \$1.5 million in Q2 2007 compared to \$1.7 million in Q2 2006, a decrease of \$0.2 million, or 10%. This decrease is attributable mainly to a reduction of licences and maintenance expense due to the transition to SOLA®.

**Amortization of Capital Assets and Other Assets**

Amortization of capital assets and other assets decreased to \$0.8 million in Q2 2007 compared to \$1.9 million in Q2 2006, a decrease of \$1.1 million, or 57%. This decrease 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.

**General and Administrative**

General and administrative expenses increased to \$2.6 million in Q2 2007 compared to \$2.5 million in Q2 2006, an increase of \$0.1 million, or approximately 5%. This increase is attributable partly to increased professional fees relating to technology projects. In Q2 2006, non-recurring settlement charges relating to the closing of our trading floor amounted to \$0.6 million.

**Telecommunications**

Telecommunication expenses increased to \$0.8 million in Q2 2007, compared to \$0.7 million in Q2 2006, an increase of \$0.1 million, or 12%, attributable mainly to additional capacity.

**Public Affairs**

Public affairs decreased to \$0.4 million in Q2 2007 compared to \$0.5 million in Q2 2006, a decrease of \$0.1 million, or 16%.

**Operating Earnings**

Operating earnings rose to \$8.6 million in Q2 2007 compared to \$7.4 million in Q2 2006, an increase of \$1.2 million, or 16%. Operating margin (calculated as operating earnings as a percentage of revenues) increased to 40% compared to 36% in Q2 2006. This increase can be explained by higher revenues in Q2 2007 coupled with a decrease in expenses related to the operation of our technology platform.

Adjusted operating earnings rose to \$8.6 million in Q2 2007 compared to \$7.9 million in Q2 2006, an increase of \$0.6 million, or 8%. Adjusted operating margin (calculated as adjusted operating earnings as a percentage of revenues) increased to 40% compared to 38% in Q2 2006. This increase can be explained by the increase in revenues experienced in Q2 2007 coupled with a marginal decrease in expenses after giving effect to non-recurring expenses as described in detail in the section "Use of non-GAAP performance measures".

**Investment Income**

Investment income decreased to \$0.6 million in Q2 2007 compared to \$0.7 million in Q2 2006, a net decrease of \$0.1 million, or 17%. As a result of the effect of adopting new accounting standards requiring the mark-to-market of temporary investments, during the quarter, we recorded a \$0.9 million unrealized loss on our bond portfolio. This decrease was offset by increased investment income from increased cash and cash equivalents.

**Other Items**

**Equity in Results of a Company Subject to Significant Influence**

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 June 30, 2007. Equity in the results of BOX amounted to \$0.4 million in Q2 2007, compared to \$0.5 million in Q2 2006, a decrease of \$0.1 million.

#### ***Income Taxes***

MX's income tax expense for Q2 2007 was \$2.6 million compared to \$2.1 million in Q2 2006. The effective tax rate for Q2 2007 was 27%, compared to 24% in Q2 2006. The lower effective tax rate in Q2 2006 is a result of the application of previously unrecognized tax losses from BOX to reduce income taxes on our share of BOX's earnings. The tax benefit of the remaining losses was fully recognized during Q4 2006, thereby resulting in a higher effective tax rate in 2007.

#### ***Net Earnings***

Net earnings for Q2 2007 amounted to \$6.9 million compared to \$6.5 million in Q2 2006, an increase of approximately 7%. Net margin (calculated as net earnings as a percentage of revenues) stood at 32% in Q2 2007 compared to 31% for Q2 2006. Basic earnings per share for Q2 2007 amounted to \$0.22 compared to \$0.25 in Q2 2006. Diluted earnings per share for Q2 2007 were \$0.22 compared to \$0.24 for Q2 2006.

Adjusted net earnings for Q2 2007 remained stable at \$6.9 million. Adjusted net margin (calculated as adjusted net earnings as a percentage of revenues) amounted to 32% in Q2 2007 compared to 33% for Q2 2006. Adjusted basic earnings per share for Q2 2007 amounted to \$0.22 compared to \$0.26 in Q2 2006. Adjusted diluted earnings per share for Q2 2007 were \$0.22 compared to \$0.25 in Q2 2006. The adjusted earnings per share have decreased due to a higher number of shares outstanding during the quarter.

Earnings per share and adjusted earnings per share decreased due to a higher number of shares outstanding during the quarter.

#### ***Segment Analysis***

##### ***Exchange***

Revenues from the Exchange segment increased to \$17.7 million in Q2 2007 compared to \$17.2 million in Q2 2006, an increase of \$0.6 million, or 3% mainly due to the increased level of activity on our markets. Net earnings increased to \$5.2 million compared to \$4.5 million, an increase of \$0.7 million or 16%. Net margin amounted to 29% in Q2 2007, compared to 26% in Q2 2006.

##### ***Clearing House***

Revenues from the Canadian Derivatives Clearing Corporation ("CDCC") increased to \$3.7 million in Q2 2007 compared to \$3.5 million in Q2 2006, an increase of \$0.2 million, or 5%, mainly due to the increased level of activity on our markets. Net earnings stood at \$1.7 million in Q2 2007 compared to \$2.0 million in Q2 2006, a decrease of \$0.3 million, or 14%, and represented 46% of our revenues in Q2 2007, compared to 56% in Q2 2006.

For a discussion of our most recent quarterly results, see "Quarterly Financial Information" below.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Results of Operations for the Six-Months Ended June 30, 2007 Compared to the Six-Months Ended June 30, 2006**

**Revenues**

Total revenues amounted to \$43.3 million for the first six months of 2007 compared to \$39.8 million for the same period in 2006, an increase of 9%. The following table provides a breakdown of our revenues for the first six months of 2007 and 2006.

(\$ in thousands)	For the six months ended June 30, 2007		For the six months ended June 30, 2006		Change	
	\$	% of total	\$	% of total	\$	%
Revenues						
Transactions	20,814	48%	18,232	46%	2,582	14%
Clearing and option exercise	7,536	18%	6,513	16%	1,023	16%
Information systems services	7,528	17%	8,083	20%	(555)	(7%)
Market data	5,353	12%	4,988	13%	365	7%
Participants	1,816	4%	1,601	4%	215	13%
Other	301	1%	374	1%	(73)	(20%)
<b>Total revenues</b>	<b>43,348</b>	<b>100%</b>	<b>39,791</b>	<b>100%</b>	<b>3,557</b>	<b>9%</b>

**Transactions**

For the first six months of 2007, our transactions revenues grew to \$20.8 million, compared to \$18.2 million for the same period in 2006, an increase of \$2.6 million or 14% driven mainly by additional volume and a slight increase in average revenue per contract.

Average daily volume grew to 182,074 contracts for the first six months of 2007, compared to 161,115 contracts for the same period in 2006, an increase of 20,959 contracts, or 13%. Index derivatives, which represent less than 10% of trading volume posted a 23% increase in average daily volume while interest rate derivatives, representing approximately 60% of trading volume posted an increase in volume of 18%. Trading in our short term interest rate futures contract, the BAX, experienced a below average growth in average daily volume of 8%, largely due to monetary policy trends and a decline in market moving economic events. Note however that the CGB contracts experienced a 41% growth in average daily volume in comparison to Q2 2006. Equity options, representing 30% of trading volume posted an increase in average daily volume of 2%.

During the first six months of 2007, the MX set various volume records including total traded volume for the month of May 2007 when volume reached 4,592,430 contracts and on May 24, 2007, when volume for the CGB reached 368,471 contracts.

For the first six months of 2007, average revenue per contract increased to \$0.90 per contract from \$0.89 per contract for the same period in 2006 due to a combination of variations in product and client mix, and additional volume rebates, pursuant to liquidity provider programs.

**Clearing and Option Exercise**

Clearing and option exercise revenues increased to \$7.5 million for the first six months of 2007, compared to \$6.5 million for the same period in 2006, an increase of \$1.0 million or 16% due principally to the increased trading volumes on our markets and a slight increase in average revenue per contract.

**Information Systems Services**

Revenues from information systems services amounted to \$7.5 million for the first six months of 2007, compared to \$8.1 million for the same period in 2006, a decrease of \$0.6 million, or 7%.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A decrease of \$1.6 million was due to a reduction of obligations under capital leases for computer hardware and software for Boston Options Exchange Group LLC (« BOX ») which were re-invoiced to BOX at cost. This decrease is equally reflected in our amortization expense.

This decrease in revenues was offset by approximately \$1.0 million additional revenues from services rendered to BOX, and partly reflected by an increase in our compensation and benefits expense, occupancy and, general and administrative expense.

### **Market Data**

Market data revenues reached \$5.4 million for the first six months of 2007, compared to \$5.0 million for the same period in 2006, an increase of \$0.4 million or 7%, driven principally by increased data subscriptions.

### **Participants**

Revenues from approved participants, generated primarily by the Regulatory Division, amounted to \$1.8 million for the first six months of 2007 compared to \$1.6 million for the same period in 2006, an increase of \$0.2 million, or 13%.

### **Expenses**

Our total expenses amounted to \$28.3 million for the first six months of 2007 compared to \$27.0 million in the same period of 2006, an overall increase of 5%. Expenses, excluding non-recurring charges, remained stable. The following table provides a breakdown of our expenses for the first six months of 2007 and 2006.

(\$ in thousands)	For the six months ended June 30, 2007		For the six months ended June 30, 2006		Change	
	\$	% of total	\$	% of total	\$	%
Total revenues	43,348	100%	39,791	100%	3,557	9%
Expenses:						
Compensation and benefits	12,372	44%	11,224	42%	1,148	10%
Occupancy	1,473	5%	1,345	5%	128	10%
Computer licences and maintenance	2,979	10%	3,273	12%	(294)	(9)%
Amortization of capital assets and other assets	1,624	6%	3,607	13%	(1,983)	(55)%
General and administrative	7,626	27%	5,141	19%	2,485	48%
Telecommunications	1,371	5%	1,208	5%	163	13%
Public affairs	874	3%	1,086	4%	(212)	(20)%
Interest on obligations under capital leases and debts due within one year	21	0%	103	0%	(82)	(80)%
Total Expenses	28,340	100%	26,987	100%	1,353	5%
Operating earnings	15,008		12,804		2,204	17%

### **Compensation and Benefits**

Total compensation and benefits amounted to \$12.4 million for the first six months of 2007, compared to \$11.2 million for the same period in 2006, an overall increase of \$1.1 million, or approximately 10%. This increase is explained mainly by a higher number of employees generating an increase in wages and employee benefits of which a portion is related to additional information systems services re-invoiced to BOX.

Our total number of employees at June 30, 2007 was 228, compared to 216 at June 30, 2006.

**Occupancy**

Occupancy expenses amounted to \$1.5 million for the first six months of 2007 compared to \$1.3 million for the same period in 2006, an increase of 10% 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 decreased to \$3.0 million for the first six months of 2007 compared to \$3.3 million for the same period in 2006, a decrease of \$0.3 million, or 9%. This decrease is attributable mainly to a reduction of licences and maintenance expense due to the transition to SOLA®.

**Amortization of Capital Assets and Other Assets**

Amortization of capital assets and other assets decreased to \$1.6 million for the first six months of 2007 compared to \$3.6 million for the same period in 2006, a decrease of \$2.0 million, or 55%. This decrease 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.

**General and Administrative**

General and administrative expenses increased to \$7.6 million for the first six months of 2007 compared to \$5.1 million for the same period in 2006, an increase of \$2.5 million, or approximately 48%. This increase is attributable principally to various non-recurring professional fees of \$2.7 million incurred in connection with the preparation of our non-offering prospectus and the listing of our shares and increased professional fees relating to technology projects. For the same period in 2006, non-recurring settlement charges relating to the closing of our trading floor amounted to \$1.4 million.

**Telecommunications**

Telecommunication expenses increased to \$1.4 million for the first six months of 2007, compared to \$1.2 million for the same period in 2006, an increase of \$0.2 million, or 13%, attributable mainly to additional capacity.

**Public Affairs**

Public affairs decreased to \$0.9 million for the first six months of 2007 compared to \$1.1 million for the same period in 2006, a decrease of \$0.2 million, or 20%.

**Operating Earnings**

Operating earnings rose to \$15.0 million for the first six months of 2007 compared to \$12.8 million for the same period in 2006, an increase of \$2.2 million, or 17%. Operating margin (calculated as operating earnings as a percentage of revenues) increased to 35% compared to 32% for the same period in 2006.

Adjusted operating earnings rose to \$17.7 million for the first six months of 2007 compared to \$14.2 million for the same period in 2006, an increase of \$3.6 million, or 25%. Adjusted operating margin (calculated as adjusted operating earnings as a percentage of revenues) increased to 41% compared to 36% for the same period in 2006. This growth can be explained by the increase in revenues experienced for the first six months of 2007 coupled with a stable level of expenses after giving effect to non-recurring expenses as described in detail in the section "Use of non-GAAP performance measures".

**Investment Income**

Investment income increased to \$1.2 million for the first six months of 2007 compared to \$1.1 million for the same period in 2006, a net increase of \$0.1 million, or 8%. As a result of the effect of adopting new accounting standards requiring the mark-to-market of temporary investments, during the first six months of 2007, we recorded a \$1.0 million unrealized loss on our bond portfolio. This decrease was offset by increased investment income from increased cash and cash equivalents.

## Other Items

### ***Equity in Results of a Company Subject to Significant Influence***

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 June 30, 2007. Equity in the results of BOX amounted to \$1.2 million for the first six months of 2007 compared to \$1.1 million for the same period in 2006.

### ***Income Taxes***

MX's income tax expense for the first six months of 2007 was \$4.8 million compared to \$3.7 million for the same period in 2006. The effective tax rate for the first six months of 2007 was 28%, compared to 24% for the same period in 2006. The lower effective tax rate in the first six months of 2006 is a result of the application of previously unrecognized tax losses from BOX to reduce income taxes on our share of BOX's earnings. The tax benefit of the remaining losses was fully recognized during Q4 2006, thereby resulting in a higher effective tax rate in 2007.

### ***Net Earnings***

Net earnings for the first six months of 2007 amounted to \$12.5 million compared to \$11.4 million for the same period in 2006, an increase of \$1.1 million or approximately 10%. Net margin (calculated as net earnings as a percentage of revenues) remained stable at 29%. Basic earnings per share for the first six months of 2007 amounted to \$0.43 compared to \$0.44 for the same period in 2006. Diluted earnings per share for first six months of 2007 remained stable at \$0.42.

Adjusted net earnings for the first six months of 2007 amounted to \$14.5 million compared to \$12.4 million for the same period of 2006, an increase of \$2.1 million, or approximately 17%. Adjusted net margin (calculated as adjusted net earnings as a percentage of revenues) stood at 34% for the first six months of 2007, compared to 31% for the same period in 2006. Adjusted basic earnings per share for the first six months of 2007 amounted to \$0.50 compared to \$0.48 for the same period in 2006. Adjusted diluted earnings per share for the first six months of 2007 were \$0.49 compared to \$0.45 for the same period of 2006.

Earnings per share and adjusted earnings per share have decreased due to a higher number of shares outstanding during the first six months of 2007.

## Segment Analysis

### ***Exchange***

Revenues from the Exchange segment increased to \$35.7 million for the first six months of 2007 compared to \$33.2 million for the same period in 2006, an increase of \$2.5 million, or 8% mainly due to the increased level of activity on our markets. Net earnings increased to \$8.8 million for the first six months of 2007 compared to \$8.0 million for the same period in 2006, an increase of \$0.8 million or 10%, representing a net margin of 25% and 24% respectively.

### ***Clearing House***

Revenues from CDCC increased to \$7.7 million for the first six months of 2007 compared to \$6.6 million for the same period in 2006, an increase of \$ 1.0 million, or 15%, mainly due to the increased level of activity on our markets. Net earnings stood at \$3.7 million for the first six months of 2007 compared to \$3.4 million for the same period in 2006, an increase of \$0.3 million, or 9%, and represented 49% of our revenues for the first six months of 2007, compared to 52% for the same period in 2006.

## Liquidity and Financial Resources

### ***Liquidity***

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

As at June 30, 2007, we had total cash and cash equivalents, and temporary investments of \$130.6 million, compared to \$59.6 million as at December 31, 2006. On March 12, 2007, we declared a special dividend of \$0.33 $\frac{1}{2}$  per common share (\$9.3 million in the aggregate) which was paid on April 12, 2007 to shareholders of record on March 22, 2007. On March 23, 2007, we received net proceeds of \$89.7 million in connection with the NYMEX Investment. We intend to use the remaining proceeds from the NYMEX Investment for general corporate purposes and to finance our normal course issuer bid that we also announced on March 23, 2007. At June 30, 2007, MX repurchased 81,000 common shares for a total cash consideration of \$3.2 million.

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

Among our available sources of financing, we have a revolving line of credit of US\$34.0 million with a Canadian Schedule I Bank intended for general corporate purposes including strategic investments such as the planned acquisition of an additional 13.3% ownership interest in BOX. The terms of the revolving line of credit are described in more detail in our non-offering prospectus dated March 23, 2007.

***Cash Flows from Operating Activities***

Cash flows from operating activities generated funds of \$7.6 million in Q2 2007 compared to \$10.3 million in Q2 2006. The resulting cash inflows are mainly due to net earnings generated in the quarter less the net change in non-cash operating assets and liabilities.

Cash flows from operating activities generated funds of \$7.1 million in the first six months of 2007 compared to \$8.7 million for the same period in 2006 as explained above.

***Cash Flows from Investing Activities***

Cash flows from investing activities required funds of \$2.2 million in Q2 2007 compared to \$7.5 million in Q2 2006. The resulting cash outflows are due mainly to purchases of capital assets.

Cash flows from investing activities required funds of \$1.2 million in the first six months of 2007 compared to \$0.1 million for the same period in 2006. The resulting cash outflows are due to purchases of capital assets, less the net sale of investments.

***Cash Flows from Financing Activities***

Cash flows from financing activities required \$12.4 million in funds in Q2 2007 compared to \$1.1 million in Q2 2006. The resulting cash outflows are due mainly to dividend payments totalling \$9.3 million and share repurchases amounting to \$3.2 million.

Cash flows from financing activities generated \$65.8 million in net funds in the first six months of 2007 compared to a use of funds of \$13.2 million for the same period in 2006. Also, share issuances generated \$92.0 million while dividend payments totalled \$23.2 million and share repurchases required \$3.2 million.

***Total Assets***

Total assets excluding certain clearing assets increased to \$170.6 million as at June 30, 2007 compared to \$98.6 million as at December 31, 2006, an increase of \$72.0 million, or 73%. This increase is attributable mainly to an increase in cash and cash equivalents, and temporary investments resulting from the share issuance to NYMEX.

***Shareholders' Equity***

Shareholders' equity as at June 30, 2007 was \$157.5 million compared to \$65.7 million as at December 31, 2006. The increase of \$91.8 million reflects namely share issuances to NYMEX amounting to \$89.7 million, net earnings generated during the first six months of 2007, less dividends of \$9.3 million recorded in the first half of the year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Capital Stock

As at June 30, 2007 (and as at July 25, 2007), our capital stock consisted of 30,955,183 issued and outstanding common shares, all of which are voting and participating shares. Of this number, 74,949 were held in guarantee for loans under our previous employee share purchase plan.

Under the normal course issuer bid, during Q2 and the first half of 2007, MX repurchased and cancelled 81,000 common shares for a total cash consideration of \$3.2 million.

During Q2 2007, 59,000 (119,000 for the first half of 2007) of the 129,000 outstanding stock options granted under the plan existing prior to February 13, 2007 were exercised at an average exercise price of \$1.72 for an amount of \$0.1 million (\$0.2 million for the first half of 2007).

During Q2 and for the first six months of 2007, the MX awarded 193,800 stock options under the new stock option plan, approved on February 13, 2007, at an exercise price of \$42.42 and with an expiry date of December 31, 2017. The fair value of these options on the award date, estimated using the Black-Scholes model, was \$8.62. The following assumptions were used : i) a risk-free interest rate of 4.67%; ii) an expected life of 3.45 years; iii) an expected volatility of 25%, and iv) an expected dividend yield of 2.0%. The compensation cost related to these options is recognized over a four year period, being the period over which the options vest, from the grant date.

During Q2 and for the first six months of 2007, the MX recorded a compensation cost of \$0.1 million related to the stock option plans (nil in Q2 2006 and \$0.1 million in the first six months of 2006).

See also Note 5 to our unaudited Interim Consolidated Financial Statements.

### Data on outstanding shares and options

	June 30, 2007	December 31, 2006
Shares issued and outstanding	30,955,183	27,819,465
Options outstanding	203,800	129,000

### Financial Instruments

Our financial instruments include cash and cash equivalents, and temporary investments, receivables, certain other assets (employee loans), clearing members' cash margin 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 receivables, clearing members' cash margin 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.

### **Contractual Obligations and Commitments**

Our material obligations under firm contractual arrangements, including commitments for future payments under operating leases and other debt arrangements consist in rental of our premises and equipment under operating lease agreements expiring between 2007 and 2015, service and licence agreements through 2010 and obligations under capital leases and debts due within one year.

In addition, pursuant to our decision to internally develop SOLA®, our customized trading platform, we foresee terminating certain licence and maintenance agreements with AtosEuronext prior to their expiry date should the implementation of the remaining outstanding SOLA® protocol be completed during Q3 2007, as currently scheduled. Licence and maintenance fees under these agreements are approximately \$2.9 million on an annualized basis. Should we exercise this termination right in 2007, we will be subject to early termination penalties amounting to €0.9 million (\$1.3 million at June 30, 2007).

We have also entered into a commitment in respect of Montréal Climate Exchange Inc. ("MCeX"), pursuant to which we have agreed with Chicago Climate Exchange Inc. ("CCX") that MX will fund the first US\$3.0 million of MCeX's initial working capital requirements.

### **Business Acquisitions**

During 2006, MX made a commitment to acquire a further 13.3% ownership interest in BOX from the Boston Stock Exchange Inc. ("BSE") for US\$34.2 million (\$36.4 million at June 30, 2007). Should this transaction be completed, our interest in BOX would rise from 31.4% to 44.7%. This acquisition is subject to the prior approval of the United States Securities and Exchange Commission ("SEC") as well as customary closing conditions. It is expected that the request for formal regulatory approval will be filed with the SEC by the end of 2007. There is no assurance that this acquisition will be approved by the SEC or that it will close.

### **Critical Accounting Estimates**

During Q2 2007, there has been no change in the critical accounting estimates as described in our non-offering prospectus dated March 23, 2007.

### **Accounting Developments**

#### ***Changes in Accounting Policies***

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*.

As a result of the adoption of these new standards, we have classified cash and cash equivalents, and temporary investments as held-for-trading. Receivables are classified as loans and receivables. Our long-term investment consists of an equity investment which is accounted for the equity method and thus, is excluded from the recommendations of this standard. Accounts payable and accrued liabilities, and short-term debt, including interest payable, are classified as other liabilities, all of which are measured at amortized cost. We have measured all derivatives at fair value.

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 \$1.0 million, previously presented under Cumulative translation adjustment, has been reclassified to Accumulated other comprehensive loss in the consolidated balance sheet.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

See Notes 1 and 3 to the unaudited interim consolidated financial statements for more information about the accounting policies we used to prepare our financial statements.

### **Internal control over financial reporting**

No changes were made in our internal control over financial reporting during the interim period ended June 30, 2007, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Quarterly Financial Information**

#### **Quarterly Financial Information (unaudited)**

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

	2007		2006				2005	
	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30
Trading days	63	64	62	62	63	64	61	63
Average daily volume (contracts)	176,560	187,501	165,110	158,750	173,735	148,691	120,548	125,747
Revenues	\$ 21,435	\$ 21,913	\$ 19,545	\$ 19,924	\$ 20,714	\$ 19,077	\$ 16,512	\$ 16,569
Operating earnings	8,550	6,458	7,566	7,275	7,355	5,449	3,320	4,735
Operating margin	40%	29%	39%	37%	36%	29%	20%	29%
Net earnings	6,917	5,574	7,506	5,929	6,465	4,931	2,484	4,570
Basic earnings per share	0.22	0.20	0.28	0.23	0.25	0.19	0.10	0.19
Diluted earnings per share	0.22	0.20	0.27	0.22	0.24	0.18	0.09	0.17
Cash flows from operating activities	7,630	(494)	9,229	11,395	9,877	(938)	7,417	7,798

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.

### **2005**

Revenues in Q4 2005 remained stable compared to Q3 2005. Net quarterly earnings decreased mainly due to the additional depreciation, and a loss and termination expense of \$0.7 million (before income taxes) on the disposal of investments in a company subject to significant influence and a joint venture.

### **2006**

Revenues in Q1 2006 improved over Q4 2005 due to higher transaction volume.

Q2 2006 experienced record volumes for various products resulting in another quarter of growth in revenues, operating earnings and net earnings.

Revenues in Q3 2006 decreased compared to Q2 2006, which had experienced a strong performance, due to a decrease in transaction volume. Despite a decrease in revenues, operating earnings remained stable due to a reduction of expenses in the quarter.

Revenues in Q4 2006 were slightly down compared to Q3 2006. Despite an increase of average daily volume in Q4 2006, the decrease 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 Q3 2006 principally as a result of a reduction in amortization expense related to assets under capital lease, offset by a provision for claim settlements. The increase in net earnings Q4 2006 compared to Q3 2006 was mainly due to a realization of the income tax valuation allowance.

**2007**

Revenues in Q1 2007 were higher compared to Q4 2006 due mainly to increased transaction volume. Operating earnings and net earnings decreased compared to Q4 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 Q2 2007 were slightly down compared Q1 2007 due mainly to reduced transaction volume. Operating earnings and net earnings increased compared to Q1 2007 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 Q1 2007.



Luc Bertrand  
President and Chief Executive Officer



Louise Laflamme  
Executive Vice-President and  
Chief Financial Officer

## CONSOLIDATED BALANCE SHEET

(in thousands of dollars)  
(unaudited)

	June 30, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 94,605	\$ 22,919
Temporary investments	36,039	36,639
Restricted cash	1,734	2,700
Receivables	8,610	7,889
Daily settlements due from clearing members	188,739	6,951
Clearing members' cash margin deposits	8,270	2,312
Clearing fund cash deposits	22,732	14,807
Prepaid expenses	2,387	1,690
	<b>363,116</b>	<b>95,907</b>
Long-term investment	9,539	9,302
Capital assets	13,110	12,319
Future income taxes	2,507	2,523
Other assets	2,090	2,643
	<b>\$ 390,362</b>	<b>\$ 122,694</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accruals	\$ 9,843	\$ 13,057
Dividends payable	–	13,910
Daily settlements due to clearing members	188,739	6,951
Clearing members' cash margin deposits	8,270	2,312
Clearing fund cash deposits	22,732	14,807
Income taxes payable	862	3,343
Debts due within one year and current portion of obligations under capital leases	341	1,072
	<b>230,787</b>	<b>55,452</b>
Future income taxes	1,162	812
Accrued employee benefits liability	903	713
Shareholders' equity:		
Capital stock (Note 5)	140,921	49,258
Contributed surplus	481	434
Retained earnings	17,896	16,991
Accumulated other comprehensive loss	(1,788)	(966)
	<b>157,510</b>	<b>65,717</b>
Contingencies (Note 6)		
	<b>\$ 390,362</b>	<b>\$ 122,694</b>

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, 2007	June 30, 2006	June 30, 2007	June 30, 2006
<b>Revenues:</b>				
Transactions	\$ 10,046	\$ 9,778	\$ 20,814	\$ 18,232
Clearing and option exercise	3,637	3,470	7,536	6,513
Information systems services	3,928	4,026	7,528	8,083
Market data	2,718	2,489	5,353	4,988
Participants	946	791	1,816	1,601
Other	160	160	301	374
	<b>21,435</b>	<b>20,714</b>	<b>43,348</b>	<b>39,791</b>
<b>Expenses:</b>				
Compensation and benefits (Note 4)	6,030	5,441	12,372	11,224
Occupancy	768	654	1,473	1,345
Computer licences and maintenance	1,489	1,651	2,979	3,273
Amortization of capital assets and other assets	818	1,917	1,624	3,607
General and administrative	2,630	2,512	7,626	5,141
Telecommunications	751	670	1,371	1,208
Public affairs	392	469	874	1,086
Interest on obligations under capital leases and debts due within one year	7	45	21	103
	<b>12,885</b>	<b>13,359</b>	<b>28,340</b>	<b>26,987</b>
<b>Earnings before investment income, other items and income taxes</b>	<b>8,550</b>	<b>7,355</b>	<b>15,008</b>	<b>12,804</b>
Investment income	553	668	1,218	1,122
Equity in results of a company subject to significant influence	403	516	1,059	1,147
<b>Earnings before income taxes</b>	<b>9,506</b>	<b>8,539</b>	<b>17,285</b>	<b>15,073</b>
Income taxes				
Current	2,564	2,070	4,241	3,611
Future	25	4	553	66
	<b>\$ 2,589</b>	<b>\$ 2,074</b>	<b>\$ 4,794</b>	<b>\$ 3,677</b>
<b>Net earnings</b>	<b>\$ 6,917</b>	<b>\$ 6,465</b>	<b>\$ 12,491</b>	<b>\$ 11,396</b>
Basic earnings per share	\$ 0.22	\$ 0.25	\$ 0.43	\$ 0.44
Diluted earnings per share	\$ 0.22	\$ 0.24	\$ 0.42	\$ 0.42
Weighted average number of shares outstanding - basic	<b>30,903,158</b>	26,136,303	<b>29,356,498</b>	25,862,415
Weighted average number of shares outstanding - diluted	<b>31,029,519</b>	27,530,319	<b>29,826,389</b>	27,422,343

See accompanying Notes to the Interim Consolidated Financial Statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of dollars)  
(unaudited)

	Three months ended June 30, 2007	Six months ended June 30, 2007
Net earnings	\$ 6,917	\$ 12,491
Other comprehensive income (loss)		
Unrealized loss on translating financial statements of a self-sustaining foreign operation	(709)	(822)
<b>Comprehensive income</b>	<b>\$ 6,208</b>	<b>\$ 11,669</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands of dollars)  
(unaudited)

	June 30, 2007	June 30, 2006
<b>Common shares at beginning of period</b>	<b>\$ 49,258</b>	<b>\$ 45,405</b>
Issuance of common shares		
New issuance of common shares (Note 5)	90,866	–
Transaction fees related to common shares issuance, net of income taxes of \$391	(1,199)	–
Repurchase of shares (Note 5)	(369)	–
Stock Option Plan (Note 5)	204	4,026
Variation of shares held in guarantee (Note 5)	2,161	(1,169)
<b>Common shares at end of period</b>	<b>140,921</b>	<b>48,262</b>
<b>Contributed surplus at beginning of period</b>	<b>434</b>	<b>825</b>
Stock option expense	70	76
Employee share purchase plan expense	46	38
Stock options and share purchase plan reimbursed	(69)	(505)
<b>Contributed surplus at end of period</b>	<b>481</b>	<b>434</b>
<b>Retained earnings at beginning of period</b>	<b>16,991</b>	<b>16,532</b>
Net earnings	12,491	11,396
Impact of initial adoption of new accounting standard (Note 3)	571	–
Dividend	(9,293)	(10,462)
Premium paid on shares repurchased (Note 5)	(2,864)	–
<b>Retained earnings, end of period</b>	<b>17,896</b>	<b>17,466</b>
<b>Accumulated other comprehensive income (loss), beginning of period</b>	<b>(966)</b>	<b>(1,790)</b>
Unrealized gain or loss on translating financial statements of a self-sustaining foreign operation	(822)	(380)
<b>Accumulated other comprehensive income (loss), end of period</b>	<b>(1,788)</b>	<b>(2,170)</b>
<b>Shareholders' equity, end of period</b>	<b>\$ 157,510</b>	<b>\$ 63,992</b>

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, 2007	June 30, 2006	June 30, 2007	June 30, 2006
<b>Cash flows from (used in) operating activities:</b>				
Net earnings	\$ 6,917	\$ 6,465	\$ 12,491	\$ 11,396
Adjustments for:				
Amortization of capital assets and other assets	818	1,917	1,624	3,607
Equity in results of a company subject to significant influence	(403)	(516)	(1,059)	(1,147)
Amortization of premium on investments	(114)	20	(94)	36
Interest income on discount investments	110	(145)	(185)	(125)
Future income taxes	25	4	162	66
Cost of stock option plan and employee share purchase plan	93	19	116	114
Change in fair value of derivative financial instruments	948	–	1,004	–
Net change in non-cash operating assets and liabilities:				
Receivables	546	(366)	(721)	(2,629)
Prepaid expenses	(1,110)	(793)	(697)	(401)
Accounts payable, accruals and income taxes payable	(295)	3,589	(5,695)	(2,291)
Increase in the accrued employee benefits liability	95	85	190	112
	<b>7,630</b>	<b>10,279</b>	<b>7,136</b>	<b>8,738</b>
<b>Cash flows from (used in) investing activities:</b>				
Purchase of capital assets	(1,359)	(1,894)	(2,213)	(2,848)
Decrease (increase) in other assets	47	(507)	325	(857)
Purchase of investments	(225,940)	(69,244)	(527,515)	(137,849)
Sale of investments	225,031	64,161	528,191	141,433
	<b>(2,221)</b>	<b>(7,484)</b>	<b>(1,212)</b>	<b>(121)</b>
<b>Cash flows from (used in) financing activities:</b>				
Restricted cash	217	(402)	966	201
Decrease in obligations under capital leases and debts	(359)	(917)	(731)	(1,820)
Share issuance	288	216	91,963	2,352
Repurchase of shares	(3,233)	–	(3,233)	–
Dividends	(9,293)	–	(23,203)	(13,910)
	<b>(12,380)</b>	<b>(1,103)</b>	<b>65,762</b>	<b>(13,177)</b>
Net increase (decrease) in cash and cash equivalents	<b>(6,971)</b>	1,692	<b>71,686</b>	(4,560)
Cash and cash equivalents, beginning of period	101,576	19,671	22,919	25,923
Cash and cash equivalents, end of period	94,605	21,363	94,605	21,363
Temporary investments, end of period	36,039	29,082	36,039	29,082
<b>Cash and cash equivalents, and temporary investments, end of period</b>	<b>\$ 130,644</b>	<b>\$ 50,445</b>	<b>\$ 130,644</b>	<b>\$ 50,445</b>
Supplemental cash flow information:				
Interest paid	\$ 7	\$ 45	\$ 21	\$ 103
Income taxes paid	1,968	1 093	6,686	5 630

See accompanying Notes to the Interim Consolidated Financial Statements.

## Notes to the Interim Consolidated Financial Statements

For the six months ended June 30, 2007

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

(unaudited)

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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.

### 1. Presentation

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 audited consolidated financial statements for the year ended December 31, 2006, with the exception of the changes in accounting policies presented in Note 3 below. The MX's unaudited interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 which are included in the 2006 Annual Report.

### 2. Joint venture

On March 13, 2007, the MX concluded an agreement with NYMEX Holdings, Inc. (« NYMEX ») to create the Canadian Resources Exchange Inc. (« CAREX »), a joint venture over which the two partners exercise joint control and share equally in the profits. CAREX will provide the Canadian market with trading and clearing services for over-the-counter and on-exchange products relating to energy (including natural gas, heavy crude oil and electricity), metals and soft commodities. Under the terms of this agreement, on March 23, 2007, the MX and NYMEX each invested \$2,000 in the new joint venture in order to fund initial working capital requirements. The MX uses the proportionate consolidation method to account for its 50% interest in the assets, liabilities, revenue, expenses and cash flows of the joint venture.

### 3. Changes in accounting policies

On January 1<sup>st</sup>, 2007, the MX 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, as well as standards on when and how hedge accounting may be applied. 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 generally accepted accounting principles.

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. 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, the MX has classified its cash and cash equivalents, and temporary investments as held-for-trading. Receivables are classified as loans and receivables. The MX's long-term investment consists of an equity investment and is accounted for under the equity method and thus excluded from the recommendations of this standard. Accounts payable and accruals and short-term debt, including interest payable, are classified as other liabilities, all of which are measured at amortized cost. The MX has measured all derivatives at fair value.

### Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2007

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

(unaudited)

#### 3. Changes in accounting policies (continued)

The adoption of these new standards resulted in an increase in retained earnings as at January 1, 2007 of \$571, 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 \$966, previously presented under Cumulative translation adjustment, has been reclassified to accumulated other comprehensive loss in the consolidated balance sheet.

#### 4. Employee future benefits

For the quarter ended June 30, 2007, the total retirement benefit cost was \$96 (\$86 in 2006). For the first six months of 2007, this cost was \$190 (\$171 in 2006).

#### 5. Capital stock

On February 13, 2007, the Board of Directors of the MX (the « Board ») approved a three-for-one stock split of the MX's common shares, effective March 15, 2007. All numbers of shares below are presented on a split basis.

	June 30, 2007	December 31, 2006
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:		
30,955,183 common shares		
(27,819,465 as at December 31, 2006)	\$ 141,160	\$ 51,589
Held in guarantee for loans under employee share purchase plan:		
74,949 common shares		
(256,173 as at December 31, 2006)	(239)	(800)
Held in guarantee for loans under stock option plan:		
nil common shares		
(894,954 as at December 31, 2006)	–	(1,531)
Issued and paid:		
30,880,234 common shares		
(26,668,338 as at December 31, 2006)	\$ 140,921	\$ 49,258

On March 13, 2007, the MX and NYMEX entered into an agreement whereby NYMEX purchased, on March 23, 2007, 3,097,718 newly-issued MX common shares for \$29 $\frac{1}{3}$  per common share totalling net proceeds of \$89,667 (net of transaction fees).

On March 13, 2007, the MX concluded a second agreement with NYMEX whereby the MX granted NYMEX a pre-emptive right allowing it, subject to regulatory approval and certain conditions, to maintain its proportionate ownership in MX shares should there be an issuance of MX shares.

## Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2007

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

(unaudited)

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### 5. Capital stock (continued)

MX used a portion of the proceeds from the NYMEX Investment to fund the payment of a special dividend of \$0.33 $\frac{1}{2}$  per common share of an aggregate dividend amount of \$9,293. This dividend was paid on April 12, 2007 to shareholders of record on March 22, 2007. In addition to general corporate purposes, the proceeds will also be used under a normal course issuer bid to purchase in the normal course of its activities, which started on March 23, 2007 and ending on March 22, 2008, up to 2,412,143 MX common shares. The purchases will be made at market prices through the facilities of TSX in accordance with its rules and policies. The common shares thereby purchased will be cancelled. As at June 30, 2007, 81,000 shares had been repurchased by the MX under the normal course issuer bid for a total consideration of \$3,233. Premiums paid above the average carrying value of the common shares were charged to retained earnings, which reduced common share capital by \$369 and retained earnings by \$2,864.

#### a) Employee Share Purchase Plan

On February 13, 2007, the Board agreed to terminate the existing employee share purchase plan and approved the creation of a new employee share purchase plan. Under the terms of this plan, the eligible employees may contribute up to 10% of their annual base salary. The MX contributes an amount equal to 50% of the eligible employee's contribution, up to a maximum of \$2.5 per year. This plan took effect on March 23, 2007, the date that the receipt in respect to the final non-offering prospectus was issued by the securities regulatory authorities, and employee and employer contributions started in the second quarter of 2007.

As at June 30, 2007, the compensation cost related to the employee share purchase plan totalled \$41.

#### b) Stock Option Plan

On February 13, 2007, the Board agreed to terminate the existing stock option plan, but to maintain the options still outstanding and unexercised.

At the same time, the Board approved the creation of a new stock option plan for officers and key employees of the MX and its wholly-owned subsidiary, CDCC. This plan, for a total duration of 10 years, foresees a total reserve of 1,800,000 common shares. A block of fifty percent (50%) of options granted will be vested upon achieving performance criteria, as determined annually, while the second block of 50% is only subject to the passage of time. The stock options will be vested evenly over a four-year period. The exercise price of a stock option shall not be less than the weighted average price of the shares on the TSX during the five trading days immediately preceding the day on which the stock option was granted. The Board has full latitude on all aspects of the plan.

During the second quarter of 2007, 59,000 (119,000 for the first six months of 2007) of the 129,000 outstanding stock options granted under the previous plan were exercised at an average exercise price of \$1.72 for an amount of \$101 (\$204 for the first six months of 2007).

During the second quarter of 2007 and for the first six months, the MX awarded 193,800 stock options at an exercise price of \$42.42 and with an expiry date of December 31, 2017. The fair value of these options on the award date, estimated using the Black-Scholes model, was \$8.62. The following assumptions in weighted average were used : i) a risk-free interest rate of 4.67%; ii) an expected life of the options of 3.45 years; iii) an expected volatility of 25%, and iv) a rate of dividend yield of 2.0%. The cost of stock options granted is established according to the fair value method at the grant date. The compensation cost related to these options is recognized over a four year period, being the period over which the options vest, from the grant date.

## Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2007

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

(unaudited)

### 5. Capital stock (continued)

#### b) Stock Option Plan (continued)

During 2006, 2,376,000 of the 2,505,000 stock options granted were exercised at an average exercise price of \$1.69. The MX has granted loans bearing interest at 5% on 1,785,000 shares for an amount of \$3,042, repayable at the latest in February 2009. During the first quarter of 2007, all of these loans have been reimbursed.

During the quarter, the MX recorded a compensation cost of \$70 (nil in 2006) related to the stock option plans and for the first six months of 2007 a cost of \$70 (\$76 in 2006).

The following table summarizes information on outstanding and exercisable options as at June 30, 2007:

	Three months ended June 30, 2007		Twelve months ended December 31, 2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	129,000	1.72\$	2,505,000	\$ 1.70
Granted	193,800	42.42	–	–
Exercised	(119,000)	1.72	(2,376,000)	1.69
Options, end of period	203,800	40.42\$	129,000	\$ 1.72

### 6. Contingencies

The MX is a party to legal actions for damages in connection with the closing of the trading floor. During the quarter ended June 30, 2007 and for the first six months, no legal actions have been settled. As at June 30, 2007, there was a total of \$27,269 remaining in unsettled legal actions against which the MX defended itself vigorously. A court decision is expected in the coming months. Even though the court decision cannot be determined with certainty as at June 30, 2007, management of the MX believes that the decision will not have a material adverse impact on the MX's operating results or financial position.

### 7. Segmented information

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

#### Exchange (Bourse):

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

#### Clearing house (Canadian Derivatives Clearing Corporation):

This segment acts as a clearing house and guarantor for derivative instruments traded at the MX and certain other derivative instruments from the over-the-counter market (OTC).

These segments are managed and evaluated separately based on revenues and net earnings.

## Notes to the Interim Consolidated Financial Statements (continued)

For the six months ended June 30, 2007

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

(unaudited)

### 7. Segmented information (continued)

#### Three months ended June 30

	Bourse		CDCC		Consolidated	
	2007	2006	2007	2006	2007	2006
Revenues from exchange and clearing	<b>\$13,806</b>	\$13,153	<b>\$3,701</b>	\$3,535	<b>\$17,507</b>	\$16,688
Revenues from information systems services	<b>3,928</b>	4,026	–	–	<b>3,928</b>	4,026
Investment income	<b>541</b>	364	<b>12</b>	304	<b>553</b>	668
Amortization of capital assets and other assets	<b>794</b>	1,894	<b>24</b>	23	<b>818</b>	1,917
Equity in results of company subject to significant influence	<b>403</b>	516	–	–	<b>403</b>	516
Net earnings	<b>5,224</b>	4,494	<b>1,693</b>	1,971	<b>6,917</b>	6,465
Purchase of capital assets	<b>1,304</b>	2,383	<b>55</b>	18	<b>1,359</b>	2,401
Assets	<b>154,743</b>	72,316	<b>235,619</b>	61,268	<b>390,362</b>	133,584

#### Six months ended June 30

	Bourse		CDCC		Consolidated	
	2007	2006	2007	2006	2007	2006
Revenues from exchange and clearing	<b>\$28,156</b>	\$25,068	<b>\$7,664</b>	\$6,640	<b>\$35,820</b>	\$31,708
Revenues from information systems services	<b>7,528</b>	8,083	–	–	<b>7,528</b>	8,083
Investment income	<b>981</b>	668	<b>237</b>	454	<b>1,218</b>	1,122
Amortization of capital assets and other assets	<b>1,573</b>	3,563	<b>51</b>	44	<b>1,624</b>	3,607
Equity in results of company subject to significant influence	<b>1,059</b>	1,147	–	–	<b>1,059</b>	1,147
Net earnings	<b>8,752</b>	7,957	<b>3,739</b>	3,439	<b>12,491</b>	11,396
Purchase of capital assets	<b>2,143</b>	3,680	<b>70</b>	25	<b>2,213</b>	3,705
Assets	<b>154,743</b>	72,316	<b>235,619</b>	61,268	<b>390,362</b>	133,584

#### Regulatory Division:

Pursuant to a decision rendered by the AMF on November 24, 2000, the MX created a separate regulatory division, responsible for approved participants and market regulation and operating on a cost recovery basis.

For the second quarter ended June 30, 2007, the Regulatory Division generated gross revenues of \$816 (\$936 in 2006) and incurred direct expenses of \$406 (\$349 in 2006) and indirect expenses of \$281 (\$185 in 2006). To date, revenues total \$1,790 (\$1,682 in 2006), direct expenses total \$763 (\$704 in 2006) and indirect expenses total \$538 (\$383 in 2006). The surplus of the Regulatory Division at June 30, 2007 totals \$1,390 (\$1,728 at December 31, 2006) and is presented in accounts payable and accruals and an equivalent amount is included in restricted cash.

### 8. Comparative figures

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



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