2002 ANNUAL REPORT

Montréal
Chicago
New York
London
Toronto
Boston

Montréal Exchange

The Montréal Exchange reaches the entire Canadian market as well as financial centres in the United States and the United Kingdom. The Montréal Exchange is also a partner of the Boston Options Exchange (BOX), a U.S. equity options exchange which is scheduled to begin operations in 2003*.

* pending approval from U.S. regulatory authorities

Profile

The Montréal Exchange is a specialized derivatives exchange that offers individual and institutional investors risk management products with which to manage and grow their investments.

Canada's first exchange, today the Montréal Exchange is recognized for its electronic trading system and a market model unique in North America. Its features ensure that all users have access to a market that is transparent, efficient and highly competitive.

Table of content

1 Message from the Chairman of the Board of Directors
2 Message from the President and Chief Executive Officer
4 Financial Highlights
5 Management's Discussion and Analysis
6 Management's Responsibility for Financial Statements
7 Auditors' Report to the Shareholders
8 Consolidated Balance Sheet
9 Consolidated Statement of Operations
10 Consolidated Statement of Deficit
11 Consolidated Statement of Cash Flows
12 Notes to Consolidated Financial Statements
26 Board of Directors
27 Committees of the Board
27 Management
28 Statistical Information 2002

OCTAS 2002

The Montréal Exchange won the 2002 *OCTAS Award of Excellence* and the *Organizational Transformation Award,* in recognition of its outstanding contribution in the field of information technology, following its transformation into an electronic exchange.

Message from the Chairman of the Board of Directors

The Montréal Exchange achieved several key milestones in 2002. It expanded its access network to include the major liquidity centres of Chicago, New York and London, and its trading platform is now available to all U.S. and U.K. brokers authorized to trade on the Montréal Exchange. The Exchange also surpassed several of its objectives, especially in terms of profitability.

A turning point

The year 2002 was, without question, a turning point in the young history of the Montréal Exchange as a specialized derivatives exchange. The restructuring of Canada's markets, begun in 1999, posed many challenges and, in the case of the Montréal Exchange, many risks, as well. Today I am pleased to see that the working assumptions used by management of the Montréal Exchange were based on sound knowledge and an in-depth analysis of the Exchange's environment. By following through with its business plan over the last few years, the Exchange achieved convincing results in 2002, and even exceeded expectations on a number of fronts.

I would like to emphasize the role played by the members of the Board, and their continuing support to management, in the development of the Exchange. The quality and diversity of experience of the Board members are both impressive and beneficial to the company and its shareholders. By participating in the activities and various committees of the Board, the members contribute to the Exchange's orientations, the way it conducts its business, the attainment of its objectives and its success. I would like to thank them for their vital contribution.

Corporate governance

In the same vein, the corporate rules and guidelines that underpin the responsibilities and actions of the Board of Directors and its committees are regularly reviewed to ensure that best practices are adopted and followed. Accordingly, even though the Montréal Exchange's shares are not actually traded on the stock market, the Exchange conducts itself like a listed public company subject to the most stringent standards.

Other challenges lie ahead of us

With its broader scope, its key role in the launch and operation of a new U.S. options exchange and its other growth initiatives, the Montréal Exchange is already looking at a very busy program in 2003. However, it can count on a strong team of individuals that is entirely devoted to its success. It is worth noting that 41% of Exchange staff are also shareholders of the company. On behalf of the Board of Directors, I wish to express my deep appreciation for their contribution to the Exchange's many accomplishments.

In ending, I wish to thank the users, the Canadian and foreign approved participants, and all the stakeholders for their confidence in the Montréal Exchange.

Jacques O. Nadeau
Chairman of the Board of Directors

Message from the President and Chief Executive Officer

At the end of 2002, after one complete year as a fully automated exchange, the Montréal Exchange was able to gauge the appropriateness of its strategic choices and the robustness of its business model. Trading volume grew by 15% compared to 2001 and the year ended on a positive note as we recorded our first profit since the transformation of the Exchange was initiated in 1999. We owe this strong performance to the hard work and commitment of our staff. I am extremely grateful for their contribution to our success.

Tangible achievements

I am gratified by our many achievements in 2002, which were realized in spite of a difficult market environment. We forged ahead with our business plan, demonstrating the needed enthusiasm and determination to attain our ambitious goals.

In 2001, the Exchange had completed major structuring projects to transform itself into an electronic derivatives exchange. Our accomplishments included demutualizing our business, transferring our trading activities onto the electronic trading platform and implementing a new market model, reconfiguring the trading floor, integrating the Canadian Derivatives Clearing Corporation, launching the Derivatives Institute and creating specialized teams focused on users and on promoting the Exchange.

Once these initiatives were completed, we turned our attention to developing our markets. With its new capabilities, the Montréal Exchange achieved in 2002 a number of milestones essential to its growth.

- The Exchange made significant headway in extending market access, in particular to U.S. and U.K. participants.
- Its partnership project to launch a new U.S. options exchange in 2003 is well on the way and is generating considerable partner and market interest.
- Its clearinghouse finalized a series of initiatives to consolidate its competitive position.

Moreover, the volume of trading on the Montréal Exchange grew significantly in 2002 due to favourable market conditions for derivative products and to our specialist team's unflagging efforts to make current and prospective users aware of the quality of its market. As at December 31, 2002, open interest, a lead indicator of future Exchange market activity, was up 31% from 2001. In another significant development, the Exchange captured a larger share of the interlisted options market in 2002, repatriating to Montréal more than 35% of all activity, against 9% in 2001.

On the financial side, I am pleased to inform the shareholders that a critical threshold was crossed in June 2002 when we achieved the first operating profit since the transformation of the Montréal Exchange into a derivatives exchange-well before the period of profitability anticipated in our initial plans. For 2002, earnings from operations reached $1.6 million, compared to a loss of $0.9 million in 2001. Earnings per share stood at $0.01 in 2002, compared to a loss of $0.34 per share the preceding year. Additional financial information is presented in the *Management's Discussion and Analysis of Financial Condition and Results of Operations,* on page 5.

Remote access — the core of our growth strategy

One of the undeniable benefits of being an electronic exchange is the ability it gives the Montréal Exchange to connect with users and sources of liquidity wherever they are located. Already, five large U.S. firms — Deutsche Bank Securities, Crédit Suisse First Boston Corporation, International Trading Group, Lehman Brothers and Rand Financial Services — have become foreign approved participants of the Montréal Exchange. These firms are now connected to our elctronic platform and actively trading Canadian futures contracts and options on futures contracts, following approval received by the Exchange from the U.S. Commodity and Futures Trading Commission. In December 2002, the U.K. Financial Services Authority gave effect to a similar application of the Montréal Exchange, allowing British brokers to access the Exchange's trading platform and its complete line of products. Business development activites are already under way and the admission of U.K. participants will take place in 2003.

The BOX project — a unique opportunity to participate in the U.S. marketplace

Because of its electronic trading system and its market model, which is unique in North America, early in 2002 the Montréal Exchange was invited to found the Boston Options Exchange (BOX) in partnership with the Boston Stock Exchange and Interactive Brokers. Since then, four international brokerage firms have joined the original partners: Crédit Suisse First Boston Corporation, J.P. Morgan Securities, Salomon Smith Barney and UBS Warburg. The launch of BOX, pending final regulatory approval from the U.S. Securities and Exchange Commission, is scheduled for the summer of 2003.

The project is a major investment that makes the Montréal Exchange a major shareholder and the technical facilities manager of BOX LLC, and is a unique opportunity to access and participate directly in the largest and most dynamic equity options market in the world.

The clearinghouse — essential to the Exchange's development

The Canadian Derivatives Clearing Corporation (CDCC), a wholly owned subsidiary of the Montréal Exchange, cleared close to 15 million transactions in 2002 and generated more than 15% of the Exchange's total revenues.

In June 2002, following sustained efforts by the Montréal Exchange, CDCC benefited from an important amendment to the *Payment Clearing and Settlement Act*. Prior to the amendment, CDCC was at a disadvantage by comparison with other clearinghouses in the U.S. and Europe, since it did not have the same capacity to fully meet its commitments in the eventuality of a clearing member's bankruptcy. The passage of Bill S-40 now ensures CDCC the same legal protection as other clearing corporations and the ability to compete with them on an equal footing.

In November 2002, the CDCC was assigned an "AA" rating by Standard & Poor's in recognition of its prudent and high-quality risk management policies. Obtaining a credit rating is an important step for the CDCC, which plans to explore new business opportunities, such as services to investors involved in over-the-counter trading who face high counterparty risks.

The Derivatives Institute — towards a better knowledge of derivatives

Institutional and individual investors are increasingly turning to derivatives to manage their portfolios and guarantee the performance of their investments. The Derivatives Institute was founded in 2001 to inform and train this new generation of investors. In 2002, the Institute entered into a series of continuing education partnerships with bodies such as the Ordre des comptables agréés du Québec and the Chambre de la sécurité financière, as well as with Canadian universities. The Derivatives Institute expects that, by the end of 2003, a total of 35 courses will be offered to investors and available over the Institute's web site.

Generating solid growth

The Canadian markets are lagging behind in the use of exchange traded derivatives to manage risk. The business strategy of the Montréal Exchange aims to remedy this situation by offering investors the best trading and clearing structures, market quality and education required to reach their investment goals. Through its transformation, the Montréal Exchange also developed exclusive capabilities. Its unique position in North America allows the Exchange to extend its presence to the main financial centres and take advantage of the many growth opportunities available to it.

The year 2002 was a turning point for the Montréal Exchange. We pursued our initiatives with determination and surpassed our objectives. As we look to the future, we are firmly convinced that we have the resources to accomplish even more and generate solid growth for our shareholders.

Luc Bertrand
President and Chief Executive Officer

Financial Highlights

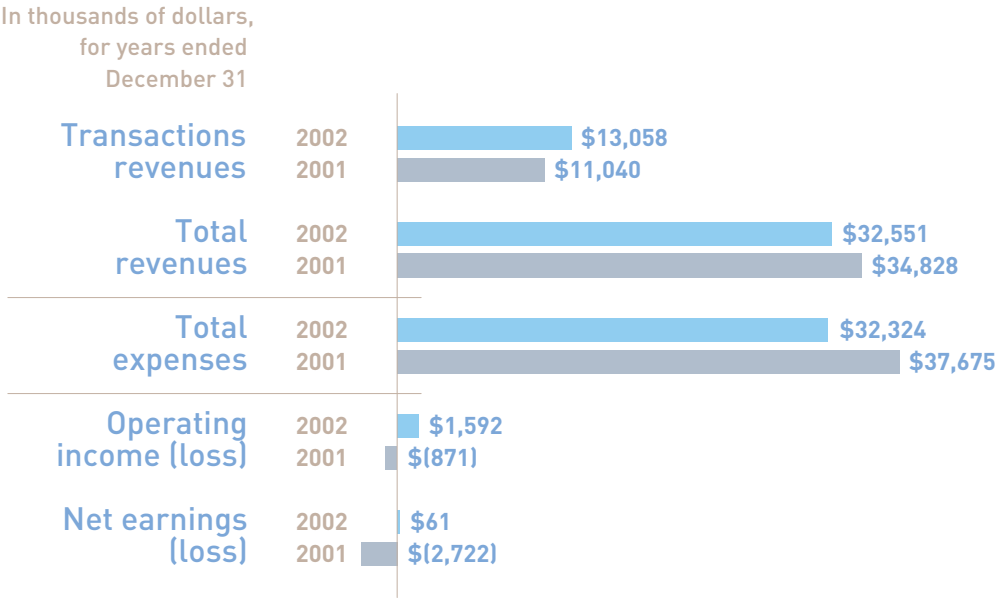
In thousands of dollars, except for per share amounts

	2002	2001
For fiscal years ended December 31		
Revenues — transactions	$ 13,058	$ 11,040
Revenues — clearing	4,937	4,646
Total revenues	32,551	34,828
Total expenses	32,324	37,675
Operating income (loss) [1]	1,592	(871)
Net earnings (loss)	61	(2,722)
Cash flow from operating activities	4,886	3,637
As at December 31		
Total cash resources [2]	$ 26,689	$ 32,015
Total assets [3]	53,374	74,399
Purchase of capital assets	6,890	9,070
Investment in company subject to significant influence	3,310	—
Number of shares outstanding	8,143,664	8,095,867
Book value per share	$ 5.23	$ 5.23

1 Before undernoted items and income taxes

2 Consist of cash, cash equivalents and short-and long-term investments

3 Variation explained by daily settlements due to and from CDCC members: $1,945 in 2002; $23,320 in 2001



Management's Discussion and Analysis

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Montréal Exchange met, if not exceeded, its 2002 business plan objectives of increasing trading volumes and decreasing expenses. By so doing, it managed to generate its first earnings since becoming a derivatives exchange. This was achieved more rapidly than predicted in the studies that paved the way for the restructuring of the Canadian exchanges in 1999.

Total revenues reached $32.5 million in 2002, compared with $34.8 million the year before. This $2.3-million or 6.5% decline is attributable to a decrease in market data revenues from $11.9 million in 2001 to $7.6 million in 2002. This situation resulted from pressures exerted within the data services market worldwide and to the reorganization of this market at the Canadian level.

However, transactions revenues were up $2 million or 18.2% over 2001, which evidences the significantly higher trading volumes registered in 2002. This increase in transactions revenues has the effect of reducing our dependence on market data revenues, which are becoming more and more precarious for us as for all other exchanges. Market data revenues represented 34.3% of our total revenues in 2001, compared with 23.5% in 2002.

Total expenses were down $5.3 million or 14.2% from 2001 reflecting a collective effort across the company to exercise a tight control on spending. Savings arose also from the automation of activities and the transformation of the trading floor.

For 2002, the Montréal Exchange recorded operating income (before undernoted items and income taxes) of $1.6 million compared with a loss of $0.9 million for 2001. This reflects a significant improvement in our operating performance.

The Montréal Exchange posted net earnings of $61,000 in 2002, compared with a net loss of $2.7 million in 2001. Results for 2002 take into account the Exchange's equity in the net loss from the Boston Options Exchange Group LLC (BOX) entity amounting to $1.0 million and $0.5 million in income taxes, including $0.4 million in future income taxes, as at December 31, 2002.

Earnings per share basic and diluted were $0.01 in 2002, compared with a loss per share basic and diluted of $0.34 in 2001. Albeit it modest, these results illustrate the progress made in 2002.

Cash flow from operating activities totalled $4.9 million in 2002, compared with $3.6 million for 2001.

As at December 31, 2002, total assets amounted to $53.4 million, of which $26.7 million in liquidity in the form of cash, cash equivalents and short-and long-term investments (redeemable at any time).

Finally, in 2002, the Montréal Exchange pursued strategic investments in order to maintain its technological edge and sustain its growth. To this end, capital investments were made, among other things, to create a backup site in the event of a disaster, with a view to ensuring the reliability and integrity of its market, a project that will continue to progress in 2003. The Montréal Exchange is also investing in the creation of an automated options exchange in the United States, BOX, for which we will provide operating and maintenance services for the electronic trading platform. As at December 31, 2002, the value of our investment, less our equity in the net losses for the project amounting to $1.0 million, added up to $3.3 million.

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Bourse de Montréal Inc. and its subsidiary, the Canadian Derivatives Clearing Corporation (CDCC), and all the information in this Annual Report, are the responsibility of management and are approved by the Board of Directors of Bourse de Montréal Inc.

These financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles and include amounts that are based on best estimates and judgements. The financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management of the Company and of its subsidiary, in furtherance of the integrity and objectivity of data in the financial statements, have developed and maintain systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements included in this Annual Report principally through its Audit Committee, consisting mainly of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Luc Bertrand

President and Chief Executive Officer

Louise Laflamme

Senior Vice-President, Finance,
Human Resources and Administration

Montréal, Canada
March 24, 2003

Auditors' Report to the Shareholders

We have audited the consolidated balance sheet of Bourse de Montréal Inc. as at December 31, 2002 and the consolidated statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada
February 4, 2003

Consolidated Balance Sheet

December 31, 2002,
with comparative figures
as at December 31, 2001

(In thousands of dollars)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents	$ 4,899	$ 10,882
Short-term investments (note 2)	21,790	3,300
Receivables (note 8)	5,739	5,304
Daily settlements due from clearing members	1,945	23,320
Prepaid expenses	1,669	1,890
	36,042	44,696
Share purchase loans to employees (note 8)	524	555
Investments in bonds (note 2)	—	17,833
Investment in company subject to significant influence (note 7)	3,310	—
Clearing members' cash margin deposits (note 3)	329	726
Clearing fund cash deposits (note 3)	282	329
Capital assets (note 4)	9,096	6,440
Future income taxes (note 12)	2,800	3,243
Goodwill and other intangible assets (note 5)	991	577
	$ 53,374	$ 74,399
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued charges (note 8)	$ 8,231	$ 7,691
Daily settlements due to clearing members	1,945	23,320
	10,176	31,011
Clearing members' cash margin deposits (note 3)	329	726
Clearing fund cash deposits (note 3)	282	329
Shareholders' equity:		
Capital stock (note 8)	43,559	43,366
Contributed surplus (note 8)	370	370
Deficit	(1,342)	(1,403)
	42,587	42,333
Commitments (note 10)		
Contingencies (note 11)		
	$ 53,374	$ 74,399

See accompanying notes to consolidated financial statements.

On behalf of the Board,

Director

Director

Consolidated Statement of Operations

Year ended December 31, 2002, with comparative figures for 2001

(In thousands of dollars, except per share amounts)

	2002	2001
Revenues:		
Transactions	$ 13,058	$ 11,040
Participants	5,807	5,755
Clearing and option exercise	4,937	4,646
Listed companies	—	751
Market data	7,649	11,954
Other	1,100	682
	32,551	34,828
Expenses:		
Salaries and benefits	15,384	15,494
Premises	2,907	3,306
Computer licenses and maintenance	5,040	4,937
Amortization of capital assets and intangible assets	2,625	4,940
General and administrative	3,667	6,494
Telecommunications	1,310	1,600
Public affairs	1,391	904
	32,324	37,675
Earnings (loss) before investment income, other items and income taxes	227	(2,847)
Investment income	1,365	1,976
Earnings (loss) before undernoted items and income taxes	1,592	(871)
Contributions from other Canadian Exchanges	—	3,500
Write-off of capital assets and related charges (note 4)	—	(2,645)
Restructuring costs (note 9)	—	(650)
Equity in net losses of company subject to significant influence	(1,022)	—
Earnings (loss) before income taxes	570	(666)
Income taxes (note 12):		
Current	66	55
Future	443	2,001
	509	2,056
Net earnings (loss)	$ 61	$ (2,722)
Earnings (loss) per share — basic and diluted	$ 0.01 [1]	$ (0.34) [1]
Weighted average number of shares outstanding – basic and diluted	8,120,093 [1]	8,088,888 [1]

(1) For the years ended December 31, 2001 and 2002, stock options were outstanding but are not included in the computation of diluted earnings (loss) per share because their effect would be anti-dilutive.

See accompanying notes to consolidated financial statements.

Consolidated Statement of Deficit

Year ended December 31, 2002, with comparative figures for 2001

(In thousands of dollars)

	2002	2001
(Deficit) retained earnings, beginning of year	**$ (1,403)**	$ 610
Net earnings (loss) for the year	**61**	(2,722)
Recognition of future income tax assets in CDCC	**—**	709
Deficit, end of year	**$ (1,342)**	$ (1,403)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2002, with comparative figures for 2001

(In thousands of dollars)

	2002	2001
Cash flows from operating activities:		
Net earnings (loss)	$ 61	$ (2,722)
Adjustments for:		
Amortization of capital assets and intangible assets	2,625	4,940
Equity in net losses of company subject to significant influence	1,022	—
Contributions from other Canadian Exchanges	—	(3,500)
Write-off of capital assets (note 4)	—	1,877
Amortization of discounts on investments	(832)	(1,099)
Amortization of goodwill	—	37
Future income taxes	443	2,001
Net change in non-cash operating assets and liabilities (note 13)	1,567	2,103
	4,886	3,637
Cash flows from investing activities (note 13):		
Purchase of capital assets	(6,401)	(7,363)
Purchase of intangible assets	(512)	(317)
Purchase of investments	(77,022)	(103,997)
Sale of investments	77,197	115,013
Purchase of investment in company subject to significant influence	(4,332)	—
	(11,070)	3,336
Cash flows from financing activities (note 13):		
Redemption of common shares for cancellation (note 8)	—	(1,867)
Share issuance under stock option plan (note 8)	201	114
	201	(1,753)
Net (decrease) increase in cash and cash equivalents	(5,983)	5,220
Cash and cash equivalents, beginning of year	10,882	5,662
Cash and cash equivalents, end of year	$ 4,899	$ 10,882
Cash and cash equivalents are comprised of:		
Cash	$ 894	$ 322
Bankers' acceptances	4,005	6,072
Treasury bill	—	4,488
	$ 4,899	$ 10,882

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

Bourse de Montréal Inc. (the "Company") was incorporated on September 29, 2000, following the demutualization of The Montreal Exchange, under Part 1A of the Companies Act (Québec). Its principal business activity is to provide a marketplace for the buying and selling of derivative products. Under the regulations of the Commission des valeurs mobilières du Québec ("CVMQ"), the Company must, among other things, meet certain financial ratios to continue as a self-regulatory organization. Its subsidiary, the Canadian Derivatives Clearing Corporation ("CDCC"), is the issuer, clearinghouse and guarantor for options and futures contracts traded at the Company.

1. Significant accounting policies:

(a) Changes in accounting policies:

The Company has changed certain accounting policies to comply with the new standards of the Canadian Institute of Chartered Accountants ("CICA").

(i) Goodwill and other intangible assets:

In August 2001, the CICA issued Handbook Section 3062, *Goodwill and Other Intangible Assets*. Under Section 3062, goodwill and other intangible assets with indefinite useful lives are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the income statement before extraordinary items and discontinued operations.

The Company has adopted the recommendations of Section 3062 effective January 1, 2002. As of the date of adoption, the Company had unamortized goodwill of $308 which is no longer being amortized. In accordance with the requirements of Section 3062, this change in accounting policy is not applied retroactively and the amounts presented for prior periods have not been restated for this change. This change in accounting policy, if retroactively applied, would have reduced the loss before income taxes and the net loss for the year ended December 31, 2001 by $37 and reduced the basic and diluted loss per share by $0.01.

Based on the results of the transitional impairment test, the Company determined that the goodwill was not impaired as at the date of adoption; accordingly, no transitional impairment loss has been charged to the opening deficit for the year ended December 31, 2002.

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

1. Significant accounting policies *(continued)*:

(ii) Stock-based compensation:
Effective January 1, 2002, the Company adopted the new recommendations of the CICA Handbook Section 3870 for stock-based compensation and other stock-based payments. These new recommendations are applied prospectively to all non-employee stock-based payments and all employee awards granted as of January 1, 2002, that are direct stock awards, or that call for settlement in cash or other assets, or that are stock appreciation rights that call for settlement by the issuance of equity instruments. In the case of awards granted before January 1, 2002, that call for settlement in cash or other assets or that are stock appreciation rights that call for settlement by the issuance of equity instruments, the new recommendations will be applied retroactively, without restatement of prior-year financial statements. This retroactive application had no significant impact on the deficit and on liabilities as at January 1, 2002.

(b) Consolidation and investment in company subject to significant influence:
The consolidated financial statements include the accounts of Bourse de Montréal Inc. and its wholly-owned subsidiary, the CDCC, and are prepared in accordance with Canadian generally accepted accounting principles. Effective January 1, 2001, the CDCC changed its articles of association to become a profit-oriented corporation, subject to corporate income tax, whereas prior to that date, the CDCC was a non-profit organization under the terms of Section 149 of the Income Tax Act (Canada) and, as such, was not subject to income taxes.

The investment in company subject to significant influence represents a 35% interest which the Company holds in the capital stock of the Boston Options Exchange LLC (BOX), and is accounted for under the equity method, according to which the initial cost of the investment is adjusted to include the Company's proportionate share of post-acquisition earnings or losses, reduced by dividends.

(c) Cash and cash equivalents:
Cash and cash equivalents consist of liquid investments having an original maturity of three months or less and are carried at cost, which approximates their fair value.

(d) Short-term investments and investments in bonds:
Short-term investments consist of fixed income securities maturing within the next fiscal year and are carried at the lower of cost and fair value.

(e) Daily settlement due from and to clearing members of the CDCC:
The amounts due from and to clearing members as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from clearing members are presented as an asset in the balance sheet and are not offset against amounts due to other clearing members.

As at December 31, 2002, the largest amount due from a clearing member was $821 ($12,395 in 2001) and the largest amount due to a clearing member was $423 ($9,133 in 2001).

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

1. Significant accounting policies *(continued)*:

(f) Capital assets:

Capital assets are carried at historical cost less contributions from other exchanges and government assistance. Amortization expense is provided over the following periods on the straight-line basis:

Asset	Period
Computer development, hardware and software	3 to 5 years
Furniture, fixtures and equipment	5 years

Leasehold improvements are being amortized over periods not exceeding the term of the leases.

(g) Goodwill and other intangible assets:

Goodwill, which represents the excess of the purchase price over the fair value of net assets acquired in business combinations, is no longer amortized after December 31, 2001. Goodwill is instead subjected, at least once a year, to an impairment test and is written down for impairment. Intangible assets, which represent the development costs of the on-line training courses offered by the Derivatives Institute, less government assistance received, are amortized over 5 years on a straight-line basis beginning on their launch date.

(h) Stock-based compensation and other stock-based payments:

Deferred share unit plan:

The Company implemented a deferred share unit plan for certain members of the Board of directors and for various committees of the Company, for which an expense is included in the income statement and a liability recorded as share units are granted, at the fair value at the time of their grant based on the fair value method which is described in note 8. Changes in the fair value of the underlying shares, between the date they are granted and the valuation date, result in a change in the valuation of the liability.

Stock option plan and stock purchase plan:

The Company has implemented a stock option plan and a stock purchase plan, as described in note 8. No expense relating to the benefit received by the beneficiary is recorded under the stock option plan when stock options are issued to directors, officers and employees. Any compensation paid by the latter upon exercise of the options is credited to capital stock.

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

1. Significant accounting policies *(continued)*:

(i) Revenue recognition:
Revenue from goods and services is recognized when the services are provided or the goods are sold. Investment income is recognized in the period it is earned. Clearing revenue is recognized on the settlement date of the related transaction.

(j) Government assistance:
Government assistance relating to operating expenses is charged to earnings when the related expenses are incurred. Government assistance relating to capital expenditures is deducted from the related asset.

(k) Foreign currency translation:
Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the time of the transaction. Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate, whereas non-monetary items are translated at the exchange rate prevailing at the time of the transaction. Gains or losses are recognized in earnings.

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

(m) Measurement uncertainty:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant areas requiring the use of management estimates relate to accounts receivable, the useful life of assets for amortization purposes and evaluation of their net recoverable amount and determination of valuation allowance related to future income tax assets. Consequently, actual results could differ from those estimates.

2. Investments:

(In thousands of dollars)	2002			2001		
	Effective interest rate at December 31, 2002	**Cost**	**Fair value**	Effective interest rate at December 31, 2001	Cost	Fair value
Short-term investments:						
Bonds maturing in the next fiscal year	**5.66%**	**$ 18,397**	**$ 18,677**	6.25%	$ 3,300	$ 3,330
Quebec Government zero-coupon bond	**3.53%**	**3,393**	**3,404**	—	—	—
		21,790	**22,081**		3,300	3,330
Long-term investments:						
Bonds maturing between 1 year and less than 5 years	—	—	—	5.66%	17,833	18,475
		$ 21,790	**$ 22,081**		$ 21,133	$ 21,805

The fair value of the Quebec Government zero-coupon bond is calculated based on market value.

3. Clearing fund and members' margin deposits:

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

Non-cash margin and clearing fund deposits, which are not included in the balance sheet as at December 31, 2002, are as follows:

(In thousands of dollars)	**2002**	2001
Margin deposits:		
Government securities, at face value	**$ 963,210**	$ 866,142
Letters of credit, at face value	**379,369**	272,838
Equity securities (to cover short positions), at market value	**434,950**	305,679
	$ 1,777,529	$ 1,444,659
Clearing fund deposits:		
Government securities, at face value	**$ 136,253**	$ 153,261

4. Capital assets:

(In thousands of dollars)	2002			2001		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer development, hardware and software	$ 15,393	$ 11,334	$ 4,059	$ 13,278	$ 11,572	$ 1,706
Leasehold improvements	20,111	15,377	4,734	18,378	13,911	4,467
Furniture, fixtures and equipment	2,002	1,699	303	1,869	1,602	267
	$ 37,506	$ 28,410	$ 9,096	$ 33,525	$ 27,085	$ 6,440

In 2001, the subsidiary decided to abandon its new clearing system project. Consequently, the subsidiary wrote off the capitalized costs from the accounts, except for an amount of $154 relating to software. A write-down of $1,877 was charged to operations in 2001.

5. Goodwill and other intangible assets:

(In thousands of dollars)	2002			2001		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
On-line training programs	$ 829	$ 146	$ 683	$ 317	$ 48	$ 269
Goodwill			308	373	65	308
			$ 991	$ 690	$ 113	$ 577

6. Operating lines of credit:

The Company has operating lines of credit of $3,000. When used, these lines of credit bear interest at the banks' prime rate and are renewable annually (see note 18 for other authorized credit).

7. Investment in company subject to significant influence:

In 2002, the Company, the Boston Stock Exchange and a group of five major global securities dealers announced the creation of Boston Options Exchange LLC (BOX) to establish an electronic exchange for the trading of United States equity options.

(In thousands of dollars)	2002	2001
35% interest in capital stock of Boston Options Exchange LLC	$ 4,332	$ —
Equity in accumulated losses	(1,022)	—
	$ 3,310	$ —

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

8. Capital stock:

	2002	2001
Authorized:		
An unlimited number of shares, without par value:		
Common, voting and participating		
Preferred, non-voting, dividend to be determined upon issuance		
Issued:		
8,143,664 common shares (8,095,867 in 2001)	**$ 43,559**	$ 43,366

No person or combination of persons will be permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the Company.

In April 2001, the Company redeemed 414,900 shares of its capital stock for an amount totalling $1,867, at a price of $4.50 per share, which resulted in a difference of $0.89 per share as compared with an assigned value of $5.39. This difference, totalling $370, was credited to contributed surplus.

(a) Stock option plan:

On October 30, 2000, the Board of Directors (the "Board") approved the creation of a stock option plan (the "Plan") available to the Company's management. The term of each option and the number of underlying shares will be determined by the Board. Some 830,000 common shares are likely to be purchased under options granted pursuant to the stock option plan. The maximum number of common shares that can be granted to a single person is limited to 5% of the Company's issued and outstanding common shares. The exercise price of each option represents the amount as determined by the Board without being lower than the fair market value of the shares on the date of the grant. However, when the shares will be listed on a recognized stock exchange, the exercise price will correspond to the weighted average price of the shares for the five days preceding the date of grant of the options.

Under no circumstances shall the term of an option exceed ten years from the date of its grant.

The Plan has two components: performance options and options vested over time. Thus, 50% of the stock options will be vested after three years provided the required performance criteria as determined by the Board are met at the time of the grant, while the remaining 50% stock options will be vested over a three-year period and may be exercised in whole or in part at any time, as follows: 33.3% as of the first anniversary, 66.67% as of the second anniversary, and the whole as of the third anniversary of the grant.

	Number of options	Weighted average exercise price
Options outstanding as at January 1, 2001	630,000	$ 4.96
Granted during 2001	40,000	4.96
Options outstanding as at January 1, 2002	670,000	4.96
Granted during 2002	156,000	5.15
Cancelled during 2002	(54,000)	4.96
Options outstanding as at December 31, 2002	772,000	$ 5.00

8. Capital stock *(continued)*:

The following table summarizes information about outstanding and exercisable options at December 31, 2002:

Year ended December 31, 2002

(In thousands of dollars, except per share amounts)

	Outstanding options			Exercisable options	
Exercise prices	Number of options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of options	Weighted average exercise price
$ 4.96	616,000	$ 4.96	8	205,999	$ 4.96
5.15	156,000	5.15	10	—	—
	772,000$	5.00	8	205,999	$ 4.96

Had the cost of the stock options granted been established based on the fair value method at the grant date of options granted in 2002, the pro forma net earnings, basic earnings per share and diluted earnings per share would not have changed given that the stock options were granted on December 31, 2002, and that the compensation cost related to these options would be recognized over a three-year period, which is the period over which the options vest, starting from the grant date.

The fair value of the 156,000 stock options granted in 2002 is $2.03 per stock option, and was determined using the Black-Scholes options pricing model, assuming a fair value of the Company's shares of $5.15, a risk-free rate of 5%, a dividend yield of 0%, expected volatility of 1% and an expected life for the options of 10 years. The pro forma information does not take into account the impact of attributions granted prior to January 1, 2002.

(b) Share purchase plan:

An employee share purchase plan (400,000 shares) was implemented in March 2001. At the end of the subscription period of 2002, the Company issued 47,797 shares (210,767 shares in 2001), at a price of $4.05 per share, for an amount totalling $193 ($854 in 2001). Interest-free loans were granted to employees to buy these shares and the loans are payable through equal payroll deductions over a period varying from 1 to 5 years from the date of acquisition. 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. As at December 31, 2002, accounts receivable include an amount of $208 ($185 in 2001) representing the current portion of share purchase loans to employees.

(c) Deferred share unit plan:

	Number
Deferred share units outstanding as at January 1, 2001	—
Granted during 2001	23,222
Deferred share units outstanding as at January 1, 2002	23,222
Granted during 2002	35,611
Deferred share units outstanding as at December 31, 2002	58,833

The recorded value per deferred share unit is $5.15 ($4.50 in 2001) as at December 31, 2002.

Year ended
December 31, 2002
(In thousands of dollars, except per share amounts)

9. Restructuring costs:

In August 2001, the CDCC implemented a restructuring plan to better align its business functions with those of the Company, namely its finance, information technology, and human resource functions. These expenses consist primarily of severances and related expenses.

10. Commitments:

The Company rents its premises and equipment under operating lease agreements expiring between 2003 and 2015.

As at December 31, 2002, total minimum lease payments and minimum payments required for each of the following years under these commitments were as follows:

	Premises and equipment leases	Licenses and maintenance agreements	Other	Total
2003	$ 2,557	$ 2,340	$ 2,112	$ 7,009
2004	2,868	1,955	47	4,870
2005	2,692	1,610	42	4,344
2006	2,098	—	—	2,098
2007 and after	12,271	—	—	12,271
Total minimum payments	$ 22,486	$ 5,905	$ 2,201	$ 30,592

During the year, the Company committed to contribute up to a maximum of US$5,500 ($8,688 Canadian) in cash, assets and services in accordance with the partnership agreement for the development of the Boston Options Exchange LLC. The Company's contribution to date totals US$2,750 ($4,332 Canadian) (see note 7).

11. Contingencies:

The Company is a party to legal actions for damages amounting to $40,881 in connection with the closing of the trading floor. The Company intends to defend itself vigorously since management is of the opinion that these legal actions are unfounded. The outcome of these actions cannot be determined at this time and, consequently, no provision was recorded as at December 31, 2002. Any liability, if any, resulting from these legal actions, would be recorded in the year during which the damages would be known.

12. Income taxes:

(a) Income taxes:

The provision for income taxes differs from the amount determined by applying the combined federal-provincial tax rate to earnings before income taxes as set out by laws.

Year ended December 31, 2002

(In thousands of dollars, except per share amounts)

The reasons and tax consequences of this difference are as follows:

	2002	2001
Earnings (loss) before income taxes	$ 570	$ (666)
Tax rate as set out by laws	35.2%	37.3%
Income taxes computed	201	(248)
Change in valuation allowance	(82)	1,078
Adjustment to future tax assets and liabilities for enacted changes in tax rates	(98)	327
Change in tax rate used to estimate net future income tax assets at the beginning of the year	107	822
Equity in net losses of company subject to significant influence	359	—
Non-taxable contributions	—	(1,305)
Provincial tax holiday	(99)	1,422
Impact of subsidiary's tax rate differential	17	(152)
Effect of permanent differences	38	57
Tax on large corporations	66	55
Income taxes	$ 509	$ 2,056

(b) Future income tax:

The tax consequences arising from timing differences resulting in significant portions of income tax assets and liabilities are as follows:

	2002	2001
Future income tax assets:		
Capital assets	$ 3,507	$ 4,515
Investment tax credit	422	—
Operating losses available for carry forward (expiring in 2008)	621	402
Goodwill	1,381	1,580
Others	90	49
Future income tax assets	6,021	6,546
Valuation allowance	(3,221)	(3,303)
Future income tax assets, net amount	$ 2,800	$ 3,243

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

13. Supplemental cash flow information:

		2002	2001
(a)	Interest paid	$ 10	$ 6
	Income taxes paid	66	83
(b)	Net change in non-cash operating assets and liabilities:		
	Receivables	$ (412)	$ 3,472
	Prepaid expenses	221	(392)
	Accounts payable and accrued charges	1,758	(977)
		$ 1,567	$ 2,103
(c)	Non-cash transactions related to:		
	Investing activities:		
	Acquisition of the derivative-based trading system financed through deferred contributions	$ —	$ 7,314
	Purchase of capital assets financed through accounts payable	489	1,707
	Financing activities:		
	Deferred contributions used in the acquisition of the derivative-based trading system	—	7,314
	Loans granted for share purchases	193	740

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

14. Government assistance:

On March 31, 2001, the ministère des Finances du Québec (the "Ministère") agreed to grant two government assistance programs to the Company.

The first program, of a maximum amount of $3,500, was granted for the Derivatives Institute in order to pay up to a maximum of 50% of business development expenses and/or a maximum of 50% of operating expenses before March 31, 2004.

Under the second program, a final amount of $194 was granted to pay up to a maximum of 50% of expenses relating to a study for the development of an electronic platform for intercompany trading.

The above-mentioned government assistance is granted provided that the Company carries out all or substantially all its operations on the territory of the City of Montréal, at least up to December 31, 2005. If the Company does not meet these conditions, the Ministère could apply various measures, including the suspension or cancellation of the agreement or the repayment of the amounts received by the Company.

Under these programs, for the year 2002, the Company received $1,494 ($1,200 as at December 31, 2001), of which $787 ($860 in 2001) was recognized in earnings, $512 ($317 in 2001) was charged against fixed assets and the balance of $218 ($23 in 2001) was deferred in the balance sheet. The following table summarizes the classification and the amount of government assistance appearing in the statement of operations:

		2002		2001
Salaries and benefits	**$**	**318**	$	219
Premises and equipment		**104**		63
General and administrative		**365**		578
	$	**787**	$	860

In addition, on April 9, 2001, the Ministère announced the application of tax measures to support the financial sector in the province of Québec, including, among others, securities exchanges such as the Company. These measures will provide income tax exemption, capital tax exemption, and an exemption from employer contributions to the Health Services Fund relating to the eligible activities carried out by the Company for the period from October 1, 2000 to December 31, 2010. These exemptions, except for income tax, total approximately $704 in 2002 ($1,060 in 2001).

No amount is included in receivables on the balance sheet as a reimbursement of these tax measures ($204 in 2001).

15. Related party transactions:

During 2002, the Company provided the necessary services, totalling $6,376, to put in place the technical structure at BOX.

As at December 31, 2002, the receivables from BOX are $436.

16. Segmented information:

The Company operates two industry segments. All of the Company's operations are located in Canada and are defined as follows:

Exchange (Bourse):
This sector acts as the exclusive 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.

(In thousands of dollars)	2002		2001	
	Bourse	**CDCC**	Bourse	CDCC
Revenues from external clients	**$ 27,224**	**$ 5,329**	$ 29,990	$ 4,837
Investment income	**1,224**	**141**	1,656	320
Amortization of capital assets and intangible assets	**2,231**	**394**	4,504	436
Unusual items	**—**	**—**	3,500	(3,295)
Net (loss) earnings	**(11)**	**72**	854	(3,576)
Purchase of capital assets and intangible assets	**6,828**	**85**	7,284	396
Assets	**42,989**	**10,385**	42,609	31,790

Regulatory Division:
Pursuant to a decision rendered by the Commission des valeurs mobilières du Québec on November 24, 2000, Bourse de Montréal Inc. created a separate regulatory division, responsible for approved participant and market regulation and operating on a cost recovery basis. For the year ended December 31, 2002, the division billed fees of $3,227 ($2,878 in 2001) and incurred operating expenses of the same amount.

17. Financial instruments:

(a) Credit risk:
The Company does not have a significant exposure to any individual customer. The Company reviews a customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

(b) Interest rate risk:
Any fluctuation in market interest rates will cause the market value of cash equivalents and fixed income securities to vary either upward or downward.

(c) Fair value of financial instruments:
The carrying amount of accounts receivable and accounts payable approximates their fair value due to the near-term maturity of those instruments.

(d) Concentration of credit risk:
Approximately 52% of the Company's revenues for the year ended December 31, 2002 (44% in 2001) were generated by five approved participants on behalf of numerous clients.

Year ended
December 31, 2002

(In thousands of dollars, except per share amounts)

18. Risk management:

In its role as clearinghouse, the CDCC assumes the obligations that arise from a defaulting member's derivative positions. The CDCC employs various techniques to minimize its exposure in the event of such a default. The principal technique is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities (note 3). Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be available to apply against costs incurred by the CDCC in liquidating the positions.

The CDCC's margining system is now complemented by a stress test reporting system, which is part of its Capital Monitoring Program. This process, introduced in 2000, evaluates the financial strength of the members to meet margin requirements that may result from a sudden adverse change in the market. Members' portfolios are subject to these stress tests and those members that fail to meet the criteria established by the CDCC are required to deposit stress margin.

The CDCC also maintains a clearing fund through deposits of cash and securities from clearing members (note 3). This fund is available in the event that the cost of liquidating a defaulting member's positions exceeds the margin deposits collected from that member. The aggregate level of clearing funds required to be deposited by each clearing member is 12% of the largest aggregate daily margin requirement of that clearing member over the preceding calendar month.

If, on a member default, further funding is necessary to complete the liquidation, the CDCC has the right to require members to contribute an additional amount equal to their previous contribution to the clearing fund.

The CDCC has arranged a total of $30,000 in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%. These facilities have not been utilized since the date they were established.

19. Comparative figures:

Certain prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Board of Directors

(as of February 19, 2003)

Luc Bertrand

Mr. Luc Bertrand has been President and Chief Executive Officer of the Montréal Exchange since March 2000. He has served on its Board of Directors since 1992, and was Chairman from 1998 to 2000. Mr. Bertrand is also a member of the Board of the Canadian Derivatives Clearing Corporation and Chairman of the Board of the Boston Options Exchange. Mr. Bertrand was a driving force behind the restructuring of the Canadian markets, which led to the specialization of the Montréal Exchange in 1999.

Director since 1992
Committees: Member of the Executive Committee (since 1994), the Nominating Committee, the Human Resources Committee and the Special Committee — Regulatory Division

Gretta Chambers

Ms. Chambers is Governor Emeritus of McGill University and a journalist. Ms. Chambers was Chancellor of McGill University from 1991 to 1999. In addition to being actively involved in her community, she is also a member of several associations and Boards of Directors, including that of Capital International CDPQ. Ms. Chambers received many honorary distinctions over the course of her career. She received the *Officier de l'Ordre national du Québec* in 1993 and was made a member of the Order of Canada in 1994.

Director since 1996
Committee: Member of the Nominating Committee

Stephen J. Elgee

Mr. Elgee is Managing Director, Equity Derivatives, at BMO Nesbitt Burns, where he is responsible for managing a portfolio of Canadian equity derivative positions. Throughout his career, Mr. Elgee has been involved in risk management as well as the research, sales and trading of non-traditional equity securities. He was Chairman of the Board of the Toronto Futures Exchange and a Board member of the Canadian Derivatives Clearing Corporation. He currently serves on the Risk Margin Advisory Committee of the Montréal Exchange.

Director since 2001

Wayne Finch

Mr. Finch is Chairman and Chief Investment Officer of Quadravest Capital Management, a Canadian investment firm which he founded. He has many years of experience in the securities industry and is recognized as an industry leader in the effective use of management strategies designed to enhance returns on common equity portfolios. Mr. Finch is a member of the Toronto Society of Financial Analysts and of the Association for Investment Management and Research.

Director since 2001

Claude Garcia

Mr. Garcia has been President, Canadian Operations, at Standard Life Assurance Company since June 1993, and is responsible for four wholly-owned subsidiaries. He serves on the Board of Directors of The Standard Life Assurance Company (U.K.). Mr. Garcia is also actively involved as a Board member of other organizations, including the Canadian Life and Health Insurance Association. He is a Fellow of the Society of Actuaries and of the Canadian Institute of Actuaries.

Director since 1998
Committees: Chairman of the Governance Committee and member of the Human Resources Committee

Giovanni Giarrusso

Mr. Giarrusso is Senior Executive Vice-President, Corporate Affaires, at the Montréal Exchange. He joined the Exchange in 1963 and has since taken on numerous and diverse responsibilities within the organization. Mr. Giarrusso was also International Advisor, Market Development, and President of Giarrusso Conseil, from 1993 to 1997. He has indepth knowledge of the operations, development and infrastructure of the financial markets.

Director since 2000

James T. Kiernan

Mr. Kiernan has been President and Chief Executive Officer of Cornerstone Capital Partners since January 2002. He previously spent 25 years with Goldman Sachs, where he held various positions in the United States, England and Canada, including that of President of Goldman Sachs Canada from 1988 to 2002. Mr. Kiernan is on the Board of Directors of American Friends of Canada and The Canada-U.S. Fulbright Program. He was also a member of the Executive Committee of the Investment Dealers Association of Canada.

Director since 1994

Thomas S. Monahan

Mr. Monahan is Head of CIBC Wood Gundy and Managing Director of CIBC World Markets. He is also Director of four other CIBC subsidiaries and is Chairman of the Board and Director of the Canadian Derivatives Clearing Corporation, a subsidiary of the Montréal Exchange.

Director since 1998
Committees: Member of the Governance Committee and the Human Resources Committee

William W. Moriarty

Mr. Moriarty is a Managing Director of RBC Dominion Securities, Head of the Alternative Investments Division and a member of the Executive and Operating Committees. In this capacity he is directly responsible for the firm's North American private equity investment management, CDO asset management and structured fund of hedge funds businesses. Mr. Moriarty is also Chairman and Chief Executive Officer of Commission Direct, a Director of RBC Capital Partners and Chairman of Market Regulation Services. He has also served as a member of the Board of Governors of the Toronto Stock Exchange.

Director since 2000

Jacques O. Nadeau — Chairman of the Board of Directors

Mr. Nadeau has been Chairman of the Board of Directors of the Montréal Exchange since April 2000. He has also been Vice-Chairman of the Board of Yorkton Securities since January 2001. Mr. Nadeau has many years of experience in the securities industry, dating back to 1970. Throughout his career, he has taken on many management positions within major brokerage firms, including Scotia Capital Market and Dominion Securites Pitfield. Mr. Nadeau is a member of the Board and is President of the Audit Committee of Pirel, a subsidiary of Westfield Group of Cleveland, Ohio.

Director since 1997
Committees: Chairman of the Executive Committee, the Nominating Committee and the Human Resources Committee

Carmand Normand

Mr. Normand has been Chairman of the Board, Chief Executive Officer and Investment Officer of Addenda Capital since 1996. He was formerly the founding president of Les conseillers financiers du St-Laurent. From 1982 to 1985, he was Senior Vice-President, Variable Income, at the Caisse de dépôt et placement du Québec. He also served on the Board of Directors of Provigo, Teleglobe, Microtec, Papier Rolland, T.I.W. and the Montréal Metropolitan Orchestra. Mr. Normand is recipient of the *Hermès* career award of l'Université Laval. He is also co-author of the book *Caisse de retraite et placements*.

Director since 1996
Committees: Member of the Executive Committee, Audit Committee and Governance Committee

Louis Vachon — Vice-Chairman

Mr. Vachon is Vice-Chairman of the Board of Directors of the Montréal Exchange since April 2001. He has joined the National Bank of Canada in 1997 and is Senior Vice-President, Treasury and Financial Markets as well as a member of the Bank's management Committee. Mr. Vachon was formerly President and Chief Executive Officer of Innocap Investment Management and BT Bank of Canada. In 2002, he was designated one of "Canada's Top 40 Under 40."

Director since 2000
Committees: Vice-Chairman of the Executive Committee, Chairman of the Audit Committe, member of the Nominating Committee and the Special Committee — Regulatory Division

Laurent Verreault

Mr. Verreault is President and Chief Executive Officer of Groupe Laperrière & Verreault, a company he founded in 1975. At the *2002 Mercuriades Gala* of the Chambre de Commerce du Québec, Groupe Laperrière & Verreault received the *Business of the Year Award* in the *Large Business* category. A dedicated entrepreneur, Mr. Verreault has supported numerous social and community organizations throughout his career. He also serves on the Board of Directors of Télé-Métropole and Cascades.

Director since 1999
Committee: Member of the Audit Committee

Committees of the Board

Audit Committee

The Audit Committee reviews the following elements, with respect to which it submits reports and, if necessary, gives its approval or makes recommendations to the Board of Directors: annual and periodic financial statements of the Montréal Exchange and the Canadian Derivatives Clearing Corporation (CDCC); any report from management which accompanies the published financial statements; the annual reports of external auditors and the audit plans; accounting and internal control principles relative to the practices prevailing in the industry; the appointment of external auditors; the appropriateness and reasonableness of the proposed audit fees; the monitoring of the financial and internal control policies of the Exchange and CDCC.

Governance Committee

The Governance Committee of the Montréal Exchange was created in December 2002. Its initial mandate is to develop policies which respect the highest governance standards. These policies will include, though not be limited to, conflict of interest rules as well as rules of ethical and professional conduct that will apply to directors, officers and employees of the Exchange, the Regulatory Division and CDCC.

Nominating Committee

The Nominating Committee selects the nominees for director that are voted on annually by the shareholders. This selection is made in accordance with the independence criteria set forth in the By-Laws of the Exchange.

Human Resources Committee

The Human Resources Committee reviews and approves the policies relating to remuneration, general working conditions and modifications to the employee evaluation and performance process.

Special Committee — Regulatory Division

The Special Committee — Regulatory Division has the power to adopt or amend policies of the Montréal Exchange relating to market surveillance and certain aspects of the supervision of Approved Participants of the Exchange.

The Special Committee — Regulatory Division is made up of the following members:

Marie Giguère — Committee Chair
Senior Vice-President,
Chief Legal Officer and Secretary
Molson

Louis Vachon — Committee Vice-Chair
Senior Vice-President,
Treasury and Financial Markets
National Bank of Canada

Nabil Antaki
Professor, Faculty of Law, Université Laval

Luc Bertrand
President and Chief Executive Officer
Montréal Exchange

Pierre-Paul Côté
Professor, Faculty of Law, Université de Montréal

Jean-Pierre Gallardo
President and Chief Executive Officer
FIMAT Canada

Pierre Lizé
President, Teraxis Securities

Management (as of February 19, 2003)

Luc Bertrand*
President and Chief Executive Officer

Jean Bérard
Director, Examinations and Market Surveillance,
Regulatory Division

Léon Bitton
Vice-President, Research and Development

Richard Bourbonnière
Vice-President, Market Operations

Michel Favreau*
Senior Vice-President and Chief Clearing Officer

Brian Z. Gelfand
Director, Derivatives Institute

Giovanni Giarrusso*
Senior Executive Vice-President, Corporate Affairs

Glenn Goucher
Vice-President, Sales and Marketing

Nathalie Grondin
Director, Human Resources

Jean Guilbault
Director, Development

Lara Krivokucha
Director, Risk Management, CDCC

Louise Laflamme*
Senior Vice-President, Finance,
Human Resources and Administration

François Lambert
Director, Systems Exploitation
and technological architecture

Josée Larin
Director, Project Office

Alain Laurendeau
Director, Finance and Administration

Philippe Loumeau*
Senior Executive Vice-President,
Market and Business Development

Ann McCarthy
Director, Approved Participant Relations,
Business Development

Réjean Rhéaume
Director, Business Integration

Jean-Charles Robillard
Director, Public Relations and Communications

Joëlle Saint-Arnault
Vice-President, Legal Affairs and Secretary,
General Secretariat and Legal Affairs

Jacques Tanguay
Vice-President, Regulatory Division

Rosanna Teti
Vice-President, Business Solutions
and Information Technology

Laurent Terrasse
Director, Marketing & Promotion

Jean-Yves Trempe
Director, Market Data Services

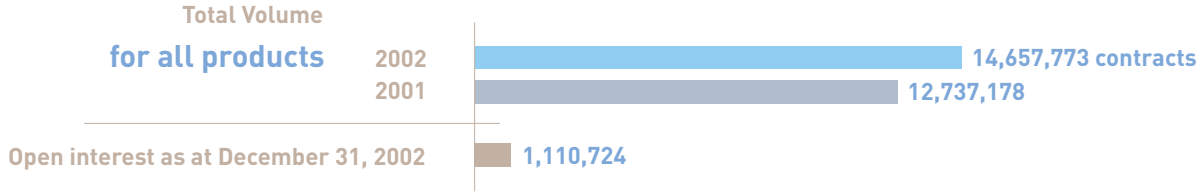
Roger Warner
Director, Operations and
Process Improvements, CDCC

* Member, Management Committee

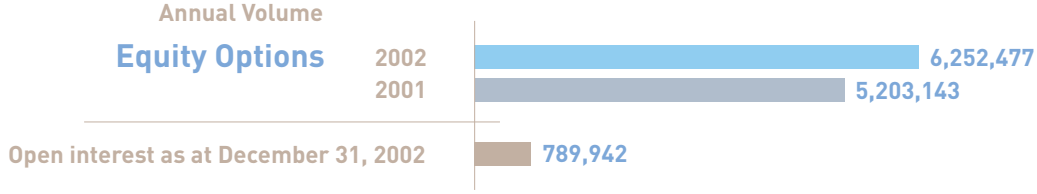
Statistical Information 2002

The Montréal Exchange traded 14.7 million derivative contracts in 2002, a 15% increase compared to the volume traded in 2001. The monetary value of the underlying derivatives traded averaged more than $20 billion on a daily basis. The number of contracts held, or open interest, reached 1.1 million contracts as of December 31, 2002, representing a 31% increase over the preceding year.

Total volume



Equity Derivatives



The volume of equity options continued to grow in 2002, reaching 6,252,477 contracts, a 20% increase over the preceding year. The Exchange achieved a record monthly volume of 693,090 contracts in October 2002, breaking the previous record reached in January 2001.

The five most active equity option classes in 2002:

Name	Symbol	Volume	Open interest as of December 31, 2002
Nortel Networks Corp.	NT	772,038	82,993
Bombardier Inc., Cl. B	BBD.B	415,746	83,214
Royal Bank of Canada	RY	358,256	67,923
BCE	BCE	343,525	27,739
Toronto Dominion Bank	TD	329,591	35,345

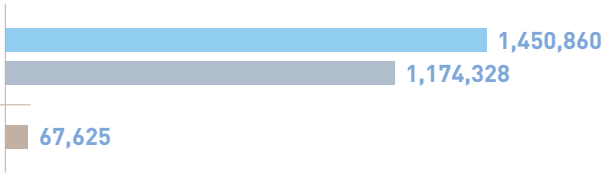
Sponsored Options

Sponsored options peaked interest among investors. Launched in January 2002 in collaboration with Société Générale, the volume of sponsored options attained 842,777 contracts.

Index Derivatives

Annual Volume

SXF: S&P Canada 60 Index Futures



Open interest as at December 31, 2002: 67,625

SXF trading volumes increased by 24% in 2002. The Exchange achieved a new record monthly volume of 244,890 contracts in September 2002.

Index futures, launched on April 29, 2002, reached a total volume of 8,082 contracts in 2002. Open interest stood at 1,375 contracts on December 31, 2002.

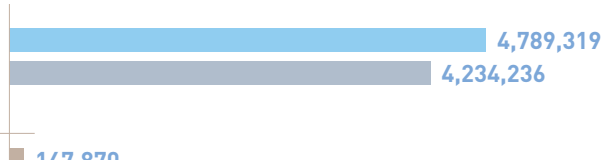
Index options and ETF options

The volume of i60 Fund options and long-term options increased by 86% from 2001, for an annual volume of 237,325 contracts. S&P Canada 60 index options and long-term index options traded in 2002 increased by 34% from 2001 to 47,749 in 2002.

Interest Rate Derivatives

Annual Volume

BAX: Three-month Canadian Bankers' Acceptances Futures

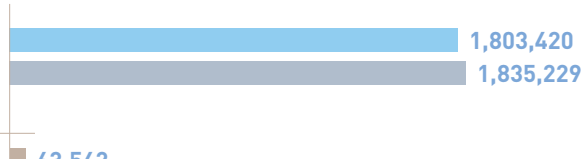


Open interest as at December 31, 2002: 147,870

The volume of Three-month Canadian Bankers' Acceptance Futures (BAX) increased by 13% in 2002. Open interest as of December 31, 2002 reached 147,870 compared to 156,352 on the same date the previous year.

Annual Volume

CGB: Ten-Year Government of Canada Bond Futures



Open interest as at December 31, 2002: 63,542

Ten-year Government of Canada Bond Futures (CGB) traded at a volume of 1,803,420 contracts in 2002, slightly below the record attained in 2001.

Other Interest Rate Derivatives

A total of 57,950 options on Three-month Canadian Bankers' Acceptance Futures (OBX) and 3,774 bond options were also traded in 2002, compared to 89,339 and 20,369, respectively, in 2001.

The new 30-Day Overnight Repo Rate Futures (ONX), launched on June 14, 2002, attained an annual volume of 6,817 contracts for the year.

APPROVED PARTICIPANTS OF THE MONTRÉAL EXCHANGE

(as of April 3, 2003)

ALTAMIRA SECURITIES • BEACON SECURITIES • BMO NESBITT BURNS
BROCKHOUSE & COOPER • CANACCORD CAPITAL CORPORATION
CIBC WORLD MARKETS • CBID MARKETS • CREDIFINANCE SECURITIES
CREDIT SUISSE FIRST BOSTON CANADA • CREDIT SUISSE FIRST BOSTON CORPORATION
DARIER HENTSCH (CANADA) • DEMERS CONSEIL
DESJARDINS SECURITIES • DEUTSCHE BANK SECURITIES-CANADA
DEUTSCHE BANK SECURITIES-U.S. • DLOUHY MERCHANT GROUP • DPM SECURITIES
DUBEAU CAPITAL & COMPAGNIE • DUNDEE SECURITIES CORPORATION
E*TRADE CANADA SECURITIES CORPORATION
F. C. G. SECURITIES CORPORATION • FIMAT CANADA
FRIEDBERG MERCANTILE GROUP • GEORGIA PACIFIC SECURITIES CORPORATION
GLOBAL SECURITIES CORPORATION • GOLDEN CAPITAL SECURITIES
GOLDMAN SACHS CANADA • GRIFFITHS MCBURNEY & PARTNERS
LE GROUPE OPTION RETRAITE • HAMPTON SECURITIES
HAYWOOD SECURITIES • HSBC SECURITIES (CANADA)
INDUSTRIAL ALLIANCE SECURITIES • INTERNATIONAL TRADING GROUP
J.P. MORGAN SECURITIES CANADA
THE JITNEY GROUP • JONES, GABLE & COMPANY • LAURENTIAN BANK SECURITIES
LEHMAN BROTHERS • LEDUC & ASSOCIÉS VALEURS MOBILIÈRES
LOEWEN, ONDAATJE, MCCUTCHEON • MACDOUGALL, MACDOUGALL & MACTIER
MAISON PLACEMENTS CANADA • MAPLE FUTURES CORP.
MERRILL LYNCH CANADA
MORGAN STANLEY CANADA • NATIONAL BANK DISCOUNT BROKERAGE
NATIONAL BANK FINANCIAL • ODLUM BROWN• PACIFIC INTERNATIONAL SECURITIES
PENSON FINANCIAL SERVICES CANADA•PICTET CANADA L.P.
POLAR SECURITIES •POLLITT & CO. • RAND FINANCIAL SERVICES
RAYMOND JAMES • RBC DOMINION SECURITIES • REFCO FUTURES (CANADA)
RESEARCH CAPITAL CORPORATION • SCOTIA CAPITAL
SOCIÉTÉ GÉNÉRALE SECURITIES • SPROTT SECURITIES
TD SECURITIES • TD WATERHOUSE CANADA • TERAXIS SECURITIES
TIMBER HILL CANADA COMPANY
TRANSATLANTIC SECURITIES • UBS BUNTING WARBURG • UNION SECURITIES
W.D. LATIMER • WESTWIND PARTNERS • WOLVERTON SECURITIES
WOODSTONE CAPITAL • YORKTON SECURITIES

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