

TSX Group Inc.  
2006 Third Quarter Report  
to Shareholders

## CEO'S LETTER TO SHAREHOLDERS

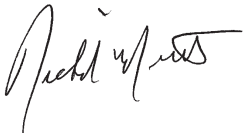
I am pleased to report strong results for the third quarter of 2006.

Revenue was \$81.2 million, up 8% over the third quarter of 2005, reflecting increased listing and market data revenue, partially offset by a decline in trading revenue following the introduction of a new trading fee model. Expenses were up 14% compared with the third quarter of last year, partially due to increased technology costs. The implementation of the volume-based trading fee structure in July and continued technology investments provide our customers with one of the most efficient and reliable marketplaces in the world. Net income was \$33.2 million, or 48 cents per common share, up 16% from the third quarter of last year.

On the listings side of the business, we continue to seek out and add foreign-based listings, and leverage our global leadership position in resources and mining. Interest remains strong among Asian-based issuers, and with the recent signing of a Memorandum of Understanding with Brazil's BOVESPA, we hope to attract increased listings from Brazil.

We also announced two exciting initiatives that fit well with our strategy to expand our presence in the domestic fixed income market and build on our 47% interest in CanDeal.ca Inc. We reached an agreement to purchase Shorcan Brokers Limited, Canada's first fixed income inter-dealer broker and announced the acquisition of Scotia Capital's Fixed Income Indices, PC-Bond®, and related data assets. We also signed a long term data license with Scotia Capital to continue to provide fixed income pricing data. These transactions will make us the leading provider of fixed income indices in Canada and enable us to offer inter-dealer broker trading to our customers.

In summary, we had a very active third quarter. I look forward to updating you in the New Year.



**RICHARD NESBITT**

Chief Executive Officer

TSX Group Inc.

October 25, 2006

## Q3-2006 MANAGEMENT'S DISCUSSION AND ANALYSIS

*Note: All references to earnings per share, common shares issued and outstanding, common shares reserved for issuance, and options outstanding have been restated to reflect the impact of the two-for-one stock split which was effective May 17, 2005.*

This Management's Discussion and Analysis (MD&A) of TSX Group Inc.'s (TSX Group) financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the quarter and nine months ended September 30, 2006 compared with the quarter and nine months ended September 30, 2005 or year December 31, 2005, as applicable. This MD&A is dated October 25, 2006. It should be read carefully together with our Q3/06 Unaudited Consolidated Financial Statements and related notes, as well as our 2005 Audited Consolidated Financial Statements, related notes and MD&A, filed with Canadian securities regulators, and accessible through [www.sedar.com](http://www.sedar.com), or our website at [www.tsx.com](http://www.tsx.com). All amounts are in Canadian dollars and are based on financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP), unless otherwise specified.

Additional information about TSX Group, including our most recent Annual Information Form, is available through [www.sedar.com](http://www.sedar.com) and on our website at [www.tsx.com](http://www.tsx.com).

### Non-GAAP Financial Measures

Certain measures used in this MD&A, specifically listing fees received, initial listing fees received, additional listing fees received and earnings per share prior to revaluation of the future tax asset do not have standardized meanings prescribed by Canadian GAAP. We present initial listing fees received and additional listing fees received as an indication of how initial and additional listing activity in the period presented, and the fees received for these activities, impact the financial performance and cash flows of our business.

### Quarter Ended September 30, 2006 compared to Quarter Ended September 30, 2005

Net income was \$33.2 million, or 49 cents per common share (48 cents on a diluted basis) for Q3/06, compared to net income of \$28.7 million, or 42 cents per common share (on both a basic and diluted basis) for the same period in 2005, representing an increase of 16%, largely due to higher revenue and investment income, partially offset by increased expenses.

### REVENUE

Revenue was \$81.2 million for Q3/06, up 8% as compared to revenue of \$75.3 million for the same period in 2005, reflecting increased listing and market data revenue, partially offset by a decline in trading revenue.

### Listing Revenue

The following is a summary of listing fees reported and listing fees received\* (reconciled below in this section) in Q3/06 and Q3/05. We present the latter measure as an indication of how initial and additional listing activity and the fees received for those activities impact the financial performance and cash flows of the business.

(in millions of dollars)

	Reported			Received*		
	Q3/06	Q3/05	% increase (decrease)	Q3/06	Q3/05	% increase (decrease)
<i>Initial listing fees</i>	\$ 3.0	\$ 2.4	25%	\$ 6.8	\$ 7.8	(13%)
<i>Additional listing fees</i>	\$ 9.3	\$ 7.7	21%	\$ 18.7	\$ 16.3	15%
<i>Sustaining listing fees**</i>	\$ 15.3	\$ 12.2	25%	\$ 15.3	\$ 12.2	25%
<i>Total listing fees</i>	\$ 27.6	\$ 22.3	24%	\$ 40.8	\$ 36.3	12%

\*See discussion under the heading Non-GAAP Financial Measures.

\*\*Sustaining listing fees received, as shown in this table, represents the amount recognized for accounting purposes during the quarter. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight line basis.

Initial and additional listing fees are non-refundable fees received from listed issuers, which are recorded as “deferred revenue – initial and additional listing fees”, and recognized on a straight line basis over an estimated service period of ten years. The following is a reconciliation of listing fees received\* to listing fees reported:

**Initial Listing Fees** (in millions of dollars)

	Q3/06	Q3/05
Initial listing fees received*	\$ 6.8	\$ 7.8
Initial listing fees received* and deferred to future periods	(\$ 6.7)	(\$ 7.6)
Recognition of initial listing fees received* and previously included in deferred revenue	<u>\$ 2.9</u>	<u>\$ 2.2</u>
Initial listing fee revenue reported	<u>\$ 3.0</u>	<u>\$ 2.4</u>

**Additional Listing Fees** (in millions of dollars)

	Q3/06	Q3/05
Additional listing fees received*	\$ 18.7	\$ 16.3
Additional listing fees received* deferred to future periods	(\$ 18.3)	(\$ 15.9)
Recognition of additional listing fees received* and previously included in deferred revenue	<u>\$ 8.9</u>	<u>\$ 7.3</u>
Additional listing fee revenue reported	<u>\$ 9.3</u>	<u>\$ 7.7</u>

- *Initial and additional listing fees reported* increased due to capital market activity and listing fee increases during the period from October 1, 1996 to September 30, 2006 compared with the period from October 1, 1995 to September 30, 2005. *Initial and additional listing fees received\** in Q3/06, as compared to Q3/05, reflect changes in the value of shares listed and reserved in the respective quarters, as well as changes to the pricing model that were implemented in Q1/06.
- *Sustaining listing fees* increased due to the overall higher market capitalization of listed issuers at the end of 2005 compared with the end of 2004. Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. In addition, sustaining listing fees increased due to listing fee increases on each equity exchange that were effective January 1, 2006.

**Trading and Related Revenue**

(in millions of dollars)

	Q3/06	Q3/05	% increase (decrease)
Capital Markets	\$ 23.6	\$ 29.2	(19%)
Energy Markets	<u>\$ 4.6</u>	<u>\$ 4.4</u>	5%
Total trading and related fees	<u>\$ 28.2</u>	<u>\$ 33.6</u>	(16%)

\* See discussion under the heading Non-GAAP Financial Measures.

### Capital Markets

- *Trading and Related Revenue* decreased following the introduction of a volume-based fee structure for most issues listed on Toronto Stock Exchange and TSX Venture Exchange, effective July 1, 2006. Previously, *trading and related revenue* was driven primarily by value traded and the number of transactions in the period. This was the third change to our trading fee structure since September 30, 2005, which has resulted in overall fee reductions for our customers.
- The total volume of securities traded in Q3/06 on Toronto Stock Exchange and TSX Venture Exchange increased by 11% over Q3/05 (23.7 billion in Q3/06 versus 21.3 billion in Q3/05); however, it is difficult to compare *trading and related revenue* in Q3/06 to Q3/05 given that we converted to a volume-based fee structure from a value-based fee model, effective July 1, 2006.
- The volume-based fee structure better aligns our trading fees with the prevailing model in U.S. marketplaces and replaced the value-based fee model for most issues. This model has been structured so that market participants have an incentive to enter orders in the central limit order book. When liquidity is added to the central limit order book, executed passive orders receive a credit on a per share basis, and when liquidity is removed from the central limit order book, each executed active order is charged on a per share basis. While we implemented a volume-based model for TSX Venture Exchange issues, there are no credits provided for passive order flow. To further encourage trading on our equity exchanges, discounts are available to customers based on the volume of shares traded.

### Energy Markets

- The volumes traded and/or cleared in natural gas and electricity contracts on Natural Gas Exchange (“NGX”) in Q3/06 increased by 5% over Q3/05 (2.3 million terajoules in Q3/06 versus 2.2 million terajoules in Q3/05).

### Market Data Revenue

(in millions of dollars)

	Q3/06	Q3/05	% increase
	\$ 23.0	\$ 17.3	33%

- Market Data Revenue increased due to an 18% increase in the number of professional and equivalent real-time data subscriptions in both Canada and the U.S. (over 134,000 at September 30, 2006 versus over 114,000 at September 30, 2005).
- The increase was also due to incremental revenue recoveries in Q3/06 of approximately \$2.8 million over Q3/05 related to under-reported usage of real-time quotes.
- The increase was also attributable to fee adjustments that were effective April 1, 2006 and sales of new market data products.
- The increase was partially reduced by the negative impact of the appreciation of the Canadian dollar against the U.S. dollar since Q3/05.

### Business Services Revenue

(in millions of dollars)

	Q3/06	Q3/05	% increase
	\$ 2.1	\$ 1.9	11%

- *Business Services Revenue* increased primarily due to providing additional services to customers.
- Market Regulation Services Inc. paid us \$2.0 million for technology related services in Q3/06, as compared to \$1.7 million in Q3/05.

## EXPENSES

Expenses were \$37.7 million in Q3/06, an increase of 14% from \$33.1 million in Q3/05. The increase was primarily due to higher information and trading systems costs as well as increased general and administration costs.

### Compensation and Benefits

(in millions of dollars)

	Q3/06	Q3/05	% increase
	\$ 18.9	\$ 18.4	3%

- *Compensation and Benefits* costs increased due to higher costs related to employee benefits and long term incentives.
- The increase was partially offset by lower performance incentive accruals and organizational transition costs, as well as by a reduction in the number of employees (502 at September 30, 2006 versus 510 employees at September 30, 2005).

### Information and Trading Systems

(in millions of dollars)

	Q3/06	Q3/05	% increase
	\$ 6.3	\$ 4.0	58%

- *Information and Trading Systems* costs increased due to higher hardware lease and maintenance costs relating in part to expansion of trading system capacity required to accommodate the substantial growth in the number of orders and transactions. In addition, resources were directed towards further improving execution speeds for traders with our TSXPress™ initiative, and providing our listed issuers with investor relations services through TSXconnect™.

### General and Administration

(in millions of dollars)

	Q3/06	Q3/05	% increase
	\$ 9.2	\$ 7.6	21%

- *General and Administration* costs increased due to higher fees paid to external consultants as well as increased market data sales commissions.
- We paid Market Regulation Services Inc. \$0.9 million for regulation services in Q3/06, as compared to \$0.8 million in Q3/05.

### Amortization

(in millions of dollars)

	Q3/06	Q3/05	
	\$ 3.2	\$ 3.2	No change

### Income from Investment in Affiliate

(in millions of dollars)

	Q3/06	Q3/05
	\$ 0.1	(\$ 0.3)

- *Income from Investment in Affiliate* represents TSX Group's share of CanDeal.ca Inc.'s (CanDeal) income for Q3/06 based on a 47% interest in CanDeal. This was CanDeal's first quarter of profitability and reflects its progress in adding liquidity providers and buy-side institutional investors as well as continued cost containment measures.

### Investment Income

(in millions of dollars)

	Q3/06	Q3/05	% increase
	\$ 5.1	\$ 1.8	183%

- *Investment Income* increased due to an increase in cash and marketable securities during Q3/06 versus Q3/05, and a gain on short-term bond and mortgage fund investments.

### Income Taxes

(in millions of dollars)

	Q3/06	Q3/05	Effective tax rate (%)	
			Q3/06	Q3/05
	\$ 15.5	\$ 15.1	32%	34%

- The effective tax rate decreased from approximately 34% for the third quarter of 2005 to approximately 32% for the third quarter of 2006, primarily pertaining to tax adjustments related to short-term bond and mortgage fund investments.

**NINE MONTHS ENDED SEPTEMBER 30, 2006 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2005**

Net income was \$96.4 million, or \$1.41 per common share (\$1.40 on a diluted basis) for the first nine months of 2006, compared to net income of \$75.5 million, or \$1.11 per common share (\$1.10 on a diluted basis) for the same period in 2005, representing an increase of 28%. The increase was mainly attributable to higher revenue and investment income, partially offset by increased expenses and higher income taxes related to a decrease in the value of the corporation's future tax asset.

**REVENUE**

Revenue was \$261.8 million for the first nine months of 2006, up 23% as compared to revenue of \$213.7 million for the same period in 2005, reflecting increased revenue in the primary revenue streams of listing, trading and market data.

**Listing Revenue**

The following is a summary of listing fees reported and listing fees received\* (reconciled below in this section) in the first nine months of 2006 and the first nine months of 2005. We present the latter measure as an indication of how initial and additional listing activity and the fees received for those activities impact the financial performance and cash flows of the business.

(in millions of dollars)

	Reported Nine months ended			Received* Nine months ended		
	Sept. 30/06	Sept. 30/05	% increase	Sept. 30/06	Sept. 30/05	% increase
<i>Initial listing fees</i>	\$ 8.4	\$ 6.8	24%	\$ 21.7	\$ 21.4	1%
<i>Additional listing fees</i>	\$ 26.3	\$ 21.9	20%	\$ 64.1	\$ 50.0	28%
<i>Sustaining listing fees**</i>	\$ 45.5	\$ 35.9	27%	\$ 45.5	\$ 35.9	27%
<i>Total listing fees</i>	\$ 80.2	\$ 64.6	24%	\$ 131.3	\$ 107.3	22%

Initial and additional listing fees are non-refundable fees received from listed issuers, which are recorded as "deferred revenue – initial and additional listing fees", and recognized on a straight line basis over an estimated service period of ten years. The following is a reconciliation of listing fees received\* to listing fees reported.

Initial Listing Fees (in millions of dollars)	Nine months ended Sept. 30/06	Nine months ended Sept. 30/05
Initial listing fees received*	\$ 21.7	\$ 21.4
Initial listing fees received* and deferred to future periods	(\$ 21.4)	(\$ 20.9)
Recognition of initial listing fees received* and previously included in deferred revenue	\$ 8.1	\$ 6.3
Initial listing fee revenue reported	\$ 8.4	\$ 6.8

\*See discussion under the heading Non-GAAP Financial Measures.

\*\*Sustaining listing fees received, as shown in this table, represents the amount recognized for accounting purposes during the quarter. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight line basis.

<b>Additional Listing Fees (in millions of dollars)</b>	<b>Nine months ended Sept. 30/06</b>	<b>Nine months ended Sept. 30/05</b>
Additional listing fees received*	\$ 64.1	\$ 50.0
Additional listing fees received* and deferred to future periods	(\$ 63.1)	(\$ 48.7)
Recognition of additional listing fees received* and previously included in deferred revenue	<u>\$ 25.3</u>	<u>\$ 20.8</u>
Additional listing fee revenue reported	<u>\$ 26.3</u>	<u>\$ 21.9</u>

- *Initial and additional listing fees reported* increased due to capital market activity and listing fee increases during the period from April 1, 1996 to September 30, 2006 compared with the period from April 1, 1995 to September 30, 2005. *Initial and additional listing fees received\** in the first nine months of 2006, as compared to the first nine months of 2005, reflect changes in the value of shares listed and reserved in the respective periods, as well as changes to the pricing model that were implemented in Q1/06.
- *Sustaining listing fees* increased due to the overall higher market capitalization of listed issuers at the end of 2005 compared with the end of 2004. Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. In addition, sustaining listing fees increased due to listing fee increases on each equity exchange that were effective January 1, 2006.

## Trading And Related Revenue

(in millions of dollars)

	<b>Nine months ended</b>		<b>% increase</b>
	<b>Sept. 30/06</b>	<b>Sept. 30/05</b>	
<i>Capital Markets</i>	\$ 96.9	\$ 80.3	21%
<i>Energy Markets</i>	<u>\$ 13.9</u>	<u>\$ 12.2</u>	14%
<i>Total trading and related fees</i>	<u>\$110.8</u>	<u>\$ 92.5</u>	20%

### *Capital Markets*

- *Trading and Related Revenue* increased as a result of increases in market activity. However, the increase was partially offset by the impact of a series of changes to our trading fee structure, effective October 1, 2005, January 1, 2006 and July 1, 2006, that resulted in overall fee reductions for our customers.
- The total volume of securities traded in the first nine months of 2006 on Toronto Stock Exchange and TSX Venture Exchange increased by 41% over the first nine months of 2005 (88.4 billion in the first nine months of 2006 versus 62.6 billion in the first nine months of 2005).
- The total value of securities traded in the first nine months of 2006 on Toronto Stock Exchange and TSX Venture Exchange increased by 36% over the first nine months of 2005 (\$1,073.6 billion in the first nine months of 2006 versus \$789.8 billion in the first nine months of 2005).
- The number of transactions in the first nine months of 2006 on Toronto Stock Exchange and TSX Venture Exchange increased by 62% over the first nine months of 2005 (66.5 million in the first nine months of 2006 versus 41.1 million in the first nine months of 2005).

\*See discussion under the heading Non-GAAP Financial Measures.

### Energy Markets

- The volumes traded and/or cleared in natural gas and electricity contracts on NGX in the first nine months of 2006 increased by 14% over the first nine months of 2005 (7.5 million terajoules in the first nine months of 2006 versus 6.6 million terajoules in the first nine months of 2005).

### Market Data Revenue

(in millions of dollars)

	Nine months ended		% increase
	Sept. 30/06	Sept. 30/05	
	\$ 63.0	\$ 49.6	27%

- *Market Data Revenue* increased due to an 18% increase in the number of professional and equivalent real-time data subscriptions in both Canada and the U.S. (over 134,000 at September 30, 2006 versus over 114,000 at September 30, 2005).
- The increase was also due to incremental revenue recoveries in Q3/06 of approximately \$2.8 million over Q3/05 related to under-reported usage of real-time quotes.
- The increase was also attributable to fee adjustments that were effective April 1, 2006 and May 1, 2005, and sales of new market data products.
- The increase was partially reduced by the negative impact of the appreciation of the Canadian dollar against the U.S. dollar since Q3/05.

### Business Services Revenue

(in millions of dollars)

	Nine months ended		% increase
	Sept. 30/06	Sept. 30/05	
	\$ 6.5	\$ 6.0	8%

- *Business Services Revenue* increased primarily due to providing additional services to customers.
- Market Regulation Services Inc. paid us \$5.4 million for technology related services in the first nine months of 2006, as compared to \$5.0 million for the first nine months of 2005.

### EXPENSES

Expenses were \$109.0 million in the first nine months of 2006, an increase of 4% from \$104.5 million in the first nine months of 2005. The increase was largely due to higher information and trading systems costs.

### Compensation and Benefits

(in millions of dollars)

	Nine months ended	
	Sept. 30/06	Sept. 30/05
	\$ 57.7	\$ 57.5

- *Compensation and Benefits* costs increased due to higher costs related to pension and employee benefits as well as long term incentives, largely offset by lower organizational transition costs.

## Information and Trading Systems

(in millions of dollars)

Nine months ended		
Sept. 30/06	Sept. 30/05	% increase
\$ 16.3	\$ 12.4	31%

- *Information and Trading Systems* costs increased due to higher hardware lease costs relating in part to expansion of trading system capacity required to accommodate the substantial growth in the number of orders and transactions. In addition, resources were directed towards further improving execution speeds for traders with our TSXPress™ initiative, and providing our listed issuers with investor relations services through TSXconnect™.

## General and Administration

(in millions of dollars)

Nine months ended		
Sept. 30/06	Sept. 30/05	% increase
\$ 25.7	\$ 25.0	3%

- *General and Administration* costs increased due to higher fees paid to external consultants as well as increased sales commissions, somewhat offset by reduced spending on marketing activities.
- We paid Market Regulation Services Inc. \$2.8 million for regulation services in the first nine months of 2006, as compared to \$2.5 million in the first nine months of 2005.

## Amortization

(in millions of dollars)

Nine months ended		
Sept. 30/06	Sept. 30/05	% (decrease)
\$ 9.3	\$ 9.5	(2%)

- *Amortization* decreased primarily due to reduced depreciation of TSX Venture Exchange's tangible assets.

## Loss from Investment in Affiliate

(in millions of dollars)

Nine months ended		
Sept. 30/06	Sept. 30/05	% (decrease)
(\$ 0.1)	(\$ 0.4)	(75%)

- *Loss from Investment in Affiliate*, which decreased from the first nine months of 2005, represents TSX Group's share of CanDeal's

loss for the first nine months of 2006. The reduced loss reflects CanDeal's progress in adding liquidity providers and buy-side institutional investors as well as continued cost containment measures.

### Investment Income

(in millions of dollars)

	Nine months ended		
	Sept. 30/06	Sept. 30/05	% increase
	\$ 9.5	\$ 5.6	70%

- There was an increase in cash and marketable securities during the first nine months of 2006 versus the first nine months of 2005, generating higher investment income.

### Income Taxes

(in millions of dollars)

	Nine months ended		Effective tax rate %	
	Sept. 30/06	Sept. 30/05	Nine months ended Sept. 30/06	Nine months ended Sept. 30/05
	\$ 65.8	\$ 38.8	41%	34%

- The effective tax rate increased from approximately 34% for the first nine months of 2005 to approximately 41% for the first nine months of 2006. The higher tax rate relates primarily to an adjustment in the value of the future tax asset. In June, 2006, the federal government enacted legislation to reduce corporate tax rates for 2008-2010 and beyond. The future tax asset was reduced, and income taxes increased by \$9.6 million, primarily as a result of these changes in federal corporate tax rates.

### LIQUIDITY AND CAPITAL RESOURCES

#### Cash and Marketable Securities

(in millions of dollars)

	September 30, 2006	December 31, 2005	Increase
	\$ 360.9	\$ 276.2	\$ 84.7

- The increase was primarily due to \$151.4 million in cash received from operations in the first nine months of 2006, offset by three dividends of \$0.33 per common share, or \$67.6 million in aggregate.

#### Total Assets

(in millions of dollars)

	September 30, 2006	December 31, 2005	Decrease
	\$ 1,125.3	\$ 1,557.2	\$ 431.9

- *Total Assets* decreased by \$431.9 million due to lower energy contracts receivable of \$480.5 million at September 30, 2006 related to the clearing operations of NGX, compared with \$1,004.3 million at the end of 2005. The reduced level of receivables reflected lower natural gas prices in September 2006 compared with December 2005. (As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were \$480.5 million at September 30, 2006 compared with \$1,004.3 million at the end of 2005.)
- The decrease was offset by an increase in cash and marketable securities.

### Shareholders' Equity

(in millions of dollars)

	September 30, 2006	December 31, 2005	Increase
	\$ 213.6	\$ 177.8	\$ 35.8

- *Shareholders' Equity* increased primarily due to net income of \$96.4 million, offset by the three dividend payments in the first nine months of 2006 totalling \$67.6 million. Net income from NGX was \$3.3 million in the first nine months of 2006, as compared to \$3.0 million for the first nine months of 2005.
- At September 30, 2006, there were 68,410,030 common shares issued and outstanding. There were 5,600,000 common shares originally reserved for issuance under a share option plan of which 320,412 common shares were issued on the exercise of stock options in the first nine months of 2006. At September 30, 2006, there were 1,100,296 options outstanding.
- At October 24, 2006, there were 68,410,530 common shares issued and outstanding and 1,099,796 options outstanding under the share option plan.

### Cash Flows from Operating Activities

(in millions of dollars)

	Q3/06	Q3/05	Increase / (decrease) in cash
Cash Flows from Operating Activities	\$ 38.0	\$ 40.5	(\$ 2.5)

*Cash Flows from Operating Activities* were \$2.5 million lower in Q3/06 compared with Q3/05 due to:

(in millions of dollars)

	Q3/06	Q3/05	Increase / (decrease) in cash
Net income	\$ 33.2	\$ 28.7	\$ 4.5
Amortization	\$ 3.2	\$ 3.2	–
(Increase) in future tax asset	(\$ 4.1)	(\$ 5.8)	\$ 1.7
(Increase)/decrease in accounts receivable and prepaid expenses	\$ 1.0	(\$ 5.6)	\$ 6.6
Net increase in accounts payable, accrued liabilities and long term other liabilities	\$ 6.5	\$ 6.2	\$ 0.3
Increase/(decrease) in deferred revenue	(\$ 2.4)	\$ 1.7	(\$ 4.1)
Increase/(decrease) in income taxes payable	(\$ 0.1)	\$ 9.1	(\$ 9.2)
Net increase in other items	\$ 0.7	\$ 3.0	(\$ 2.3)
<i>Cash Flows from Operating Activities</i>	<u>\$ 38.0</u>	<u>\$ 40.5</u>	<u>(\$ 2.5)</u>

(in millions of dollars)

	Nine months ended		Increase / (decrease) in cash
	Sept. 30/06	Sept. 30/05	
<i>Cash Flows from Operating Activities</i>	\$ 151.4	\$ 114.7	\$ 36.7

*Cash Flows from Operating Activities* were \$36.7 million higher in the first nine months of 2006 compared with the first nine months of 2005 due to:

(in millions of dollars)

	Nine months ended		Increase / (decrease) in cash
	Sept. 30/06	Sept. 30/05	
Net income	\$ 96.4	\$ 75.5	\$ 20.9
Amortization	\$ 9.3	\$ 9.5	(\$ 0.2)
(Increase) in future tax asset	(\$ 10.4)	(\$ 16.0)	\$ 5.6
(Increase) in accounts receivable and prepaid expenses	(\$ 3.0)	(\$ 14.9)	\$ 11.9
Net increase/(decrease) in accounts payable, accrued liabilities and long term other liabilities	(\$ 0.9)	\$ 3.0	(\$ 3.9)
Increase in deferred revenue	\$ 68.4	\$ 56.6	\$ 11.8
(Decrease) in income taxes payable	(\$ 10.8)	(\$ 2.8)	(\$ 8.0)
Net increase in other items	\$ 2.4	\$ 3.8	(\$ 1.4)
<i>Cash Flows from Operating Activities</i>	<u>\$151.4</u>	<u>\$ 114.7</u>	<u>\$ 36.7</u>

#### Cash Flows From (Used in) Investing Activities

(in millions of dollars)

			Increase / (decrease) in cash
	Q3/06	Q3/05	
<i>Cash Flows From (Used in) Investing Activities</i>	\$ 35.9	(\$ 15.8)	\$ 51.7

*Cash Flows From Investing Activities* were \$51.7 million higher in Q3/06 compared with Q3/05 due to:

(in millions of dollars)

			Increase / (decrease) in cash
	Q3/06	Q3/05	
Capital expenditures primarily related to technology investments and leasehold improvements	(\$ 2.5)	(\$ 1.3)	(\$ 1.2)
Net sale/(purchase) of marketable securities	\$ 38.4	(\$ 14.5)	\$ 52.9
<i>Cash Flows From (Used in) Investing Activities</i>	<u>\$ 35.9</u>	<u>(\$ 15.8)</u>	<u>\$ 51.7</u>

(in millions of dollars)

	Nine months ended		Increase / (decrease) in cash
	Sept. 30/06	Sept. 30/05	
<i>Cash Flows From (Used in) Investing Activities</i>	(\$ 38.7)	(\$ 68.3)	\$ 29.6

*Cash Flows From (Used in) Investing Activities* were \$29.6 million lower in the first nine months of 2006 compared with the first nine months of 2005 due to:

(in millions of dollars)

	Nine months ended		Increase / (decrease) in cash
	Sept. 30/06	Sept. 30/05	
Capital expenditures primarily related to technology investments and leasehold improvements	(\$ 3.6)	(\$ 3.3)	(\$ 0.3)
Net (purchase) of marketable securities	(\$ 35.1)	(\$ 65.1)	\$ 30.0
Net increase in other items	—	\$ 0.1	(\$ 0.1)
<i>Cash Flows From (Used in) Investing Activities</i>	<u>(\$ 38.7)</u>	<u>(\$ 68.3)</u>	<u>\$ 29.6</u>

#### NGX COLLATERAL ARRANGEMENTS AND CLEARING BACKSTOP FUND

As part of its clearing operations, NGX becomes the counterparty to each transaction, thereby guaranteeing the performance of every contract that is executed on its electronic trading platform. To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank. We are NGX's guarantor for this credit agreement up to a maximum of \$30.0 million. We have pledged \$30.0 million of marketable securities related to our obligations as guarantor. In addition, NGX has covenanted under the agreement to maintain a minimum of \$9.0 million of tangible net worth. If NGX suffers a loss on its clearing operations, it could lose its entire tangible net worth. The bank could also realize up to a maximum of \$30.0 million on our guarantee, to the extent required to cover a loss.

NGX requires each counterparty (the "Contracting Party") to provide collateral in the form of cash or letters of credit based on the margins required for its unsettled contractual obligations, which may be accessed in the event of a default by such Contracting Party.

The collateral provided in the form of cash ("the cash collateral deposits") is segregated in individually designated bank accounts held at the same Canadian chartered bank by NGX, which acts as trustee for these funds. The cash collateral deposits, together with letters of credit provided by all the Contracting Parties, exceed all of the outstanding credit exposure, as determined by NGX, for all its unsettled contractual obligations at any point in time.

#### STRATEGY AND OUTLOOK

##### *Fixed Income Initiatives*

On October 25, 2006, we announced two initiatives to expand our presence in the Canadian fixed income market. We agreed to purchase Shorcan Brokers Limited, a fixed income inter-dealer broker. In addition, a wholly-owned subsidiary of TSX Group purchased Scotia Capital's Fixed Income Indices, PC Bond, and related data assets. We also signed a long term data license under which Scotia Capital will provide fixed income pricing data to us. We expect the aggregate cash payments in the fourth quarter of 2006 related to these two initiatives to be approximately \$55 million. TSX Group, or one of its subsidiaries, will make further payments of up to \$37 million related to performance incentives, data licenses and other arrangements over the term of the relevant agreements. The combined revenue for the most recently completed fiscal years was approximately \$22 million.

### Changes to Listing Fees for 2007

There will be changes to the fee structure for issuers listed on Toronto Stock Exchange and TSX Venture Exchange\*\*\* effective January 1, 2007. This decision followed a review of listing fees on other major global exchanges. Based on the level of market activity to date in 2006, it is anticipated that listing fees received\* would have increased by about five to seven percent on an annual basis primarily as a result of adjustments made to the maximum fee for certain listing fees. Details of changes to the Toronto Stock Exchange fee structure will be available on tsx.com.

### Outlook

Our goal is to be a leading Canadian public company that is the best operator of electronic marketplaces on a global standard. We continue to pursue opportunities to enhance and grow our business in Canada and the United States. We remain confident that we can achieve long-term annual earnings per share growth in the ten to twelve percent range although we expect to see variation in growth rates on both a quarterly and annual basis.

### FORWARD-LOOKING STATEMENTS, RISKS AND UNCERTAINTIES

This MD&A, in particular the section under the heading **Strategy and Outlook** includes forward-looking statements, which are not historical facts but are based on certain assumptions and reflect our current expectations. Our business and these forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Some of the risk factors that could cause actual results or events to differ materially from current expectations are: levels of market activity that are outside of our control; competition from other marketplaces, including alternative trading systems; the trend for exchanges to form alliances or consolidate and become for-profit and publicly traded; our cost structure being largely fixed; new technologies; adverse effect of new business activities; failure to implement our strategy; failure to develop or gain acceptance of new products; dependence of the trading and market data operations on a small number of clients and vendors; dependence on the economy of Canada; dependence on information technology; failure to retain and attract qualified personnel; risks of litigation; changes in regulation; and the risks associated with NGX's clearing operations. A description of the above mentioned items and certain additional risk factors are discussed in our materials, including our 2005 Annual MD&A and Annual Information Form, filed with the securities regulatory authorities in Canada from time to time. The risk factors outlined in the previously mentioned documents are specifically incorporated herein by reference. Our business, financial condition or operating results could be materially adversely affected if any of these risks or uncertainties were to materialize. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

### QUARTERLY INFORMATION

(in thousands of dollars except per share amounts)

	Q3/06	Q2/06	Q1/06	Q4/05	Q3/05	Q2/05	Q1/05	Q4/04
Revenue	\$ 81,197	\$ 92,612	\$ 88,013	\$ 76,264	\$ 75,333	\$ 68,621	\$ 69,746	\$ 63,786
Net Income	33,217	28,464	34,727	27,813	28,717	23,748	23,075	18,600
Earnings per share:								
Basic	0.49	0.42	0.51	0.41	0.42	0.35	0.34	0.27
Diluted	0.48	0.41	0.50	0.40	0.42	0.35	0.34	0.27

\*\*\* TSX Venture Exchange listing fee changes are subject to regulatory approval and will be available on tsx.com following completion of the approval process.

\*See discussion under the heading Non-GAAP Financial Measures.

## **2005**

- *Revenue* in Q1/05 improved over *revenue* in Q4/04 due to higher trading, listing and market data revenue related to market activity. This increased *revenue* was the primary driver of the increase in *net income* for Q1/05 compared with *net income* for Q4/04.
- *Revenue* in Q2/05 declined slightly from *revenue* in Q1/05 primarily due to lower trading revenue. *Net income* for Q2/05 improved over *net income* for Q1/05 primarily due to lower compensation and benefits costs.
- *Revenue* in Q3/05 improved over the *revenue* in Q2/05 primarily due to higher trading, listing and market data revenue. *Net income* for Q3/05 improved over *net income* in Q2/05 primarily due to increased *revenue* combined with lower general and administration costs.
- *Revenue* in Q4/05 improved over *revenue* in Q3/05 primarily due to higher listing and market data revenue somewhat offset by lower trading revenue. *Net income* for Q4/05 declined over *net income* from Q3/05 primarily due to higher overall expenses.

## **2006**

- *Revenue* in Q1/06 improved over *revenue* in Q4/05 primarily due to higher trading, listing and market data revenue. *Net income* for Q1/06 increased over *net income* for Q4/05, primarily due to the increased *revenue* partially offset by higher overall expenses.
- *Revenue* in Q2/06 improved over *revenue* in Q1/06 primarily due to higher market data, listing and trading revenue. However, *net income* for Q2/06 decreased over *net income* for Q1/06, primarily due to higher income taxes. In Q2/06, the federal government enacted legislation to reduce corporate tax rates for 2008-2010 and beyond. The future tax asset was revalued, and income taxes increased by \$9.6 million, primarily as a result of these changes in federal corporate tax rates.
- *Revenue* in Q3/06 declined over *revenue* in Q2/06 largely due to lower trading revenue following the introduction of a volume-based fee structure for most issuers listed on Toronto Stock Exchange and TSX Venture Exchange, effective July 1, 2006. *Net income* for Q3/06 increased over Q2/06 primarily due to higher investment income as well as lower income taxes. The increase was partially offset by the decreased revenue and higher expenses.

October 25, 2006

## CONSOLIDATED BALANCE SHEETS

(In thousands of dollars) (Unaudited)

	September 30, 2006	December 31, 2005
<b>Assets</b>		
Current assets:		
Cash	\$ 78,071	\$ 28,485
Marketable securities	282,795	247,747
Accounts receivable	27,027	24,511
Energy contracts receivable	480,465	1,004,320
Prepaid expenses	3,133	2,691
Future tax asset (note 1)	21,252	16,532
	.....	.....
	<b>892,743</b>	<b>1,324,286</b>
Premises and equipment	21,838	25,776
Future tax asset (note 1)	132,693	127,057
Other assets	12,828	13,026
Investment in affiliate	11,320	11,439
Intangible assets	28,963	30,700
Goodwill	24,941	24,941
	.....	.....
	<b>\$ 1,125,326</b>	<b>\$ 1,557,225</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 47,830	\$ 34,116
Energy contracts payable	480,465	1,004,320
Deferred revenue	20,321	3,006
Deferred revenue – initial and additional listing fees	48,110	41,238
Obligation under capital lease	774	833
Income taxes payable	17,097	27,872
	.....	.....
	<b>614,597</b>	<b>1,111,385</b>
Accrued employee benefits liability	9,725	8,524
Obligation under capital lease	347	903
Other liabilities	5,271	21,081
Deferred revenue – initial and additional listing fees	281,773	237,537
	.....	.....
	<b>911,713</b>	<b>1,379,430</b>
Shareholders' equity:		
Share capital	387,336	380,925
Share option plan (note 3)	3,306	2,669
Deficit	(177,029)	(205,799)
	.....	.....
	<b>213,613</b>	<b>177,795</b>
	.....	.....
	<b>\$ 1,125,326</b>	<b>\$ 1,557,225</b>

See accompanying notes to consolidated financial statements

## CONSOLIDATED STATEMENTS OF INCOME

(In thousands of dollars, except per share amounts) (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Revenue:				
Listing	\$ 27,573	\$ 22,258	\$ 80,222	\$ 64,597
Trading and related	28,204	33,571	110,849	92,477
Market data	23,043	17,310	63,015	49,573
Business services	2,141	1,949	6,515	5,954
Other	236	245	1,221	1,099
	<u>81,197</u>	<u>75,333</u>	<u>261,822</u>	<u>213,700</u>
Expenses:				
Compensation and benefits	18,945	18,370	57,676	57,487
Information and trading systems	6,318	3,960	16,289	12,445
General and administration	9,214	7,605	25,734	25,044
Amortization	3,181	3,185	9,311	9,522
	<u>37,658</u>	<u>33,120</u>	<u>109,010</u>	<u>104,498</u>
Income from operations	43,539	42,213	152,812	109,202
Income (loss) from investment in affiliate	86	(254)	(119)	(433)
Investment income	5,084	1,821	9,499	5,587
Income before income taxes	48,709	43,780	162,192	114,356
Income taxes	15,492	15,063	65,784	38,816
Net income	<u>\$ 33,217</u>	<u>\$ 28,717</u>	<u>\$ 96,408</u>	<u>\$ 75,540</u>
Earnings per share (note 4):				
Basic	\$ 0.49	\$ 0.42	\$ 1.41	\$ 1.11
Diluted	<u>0.48</u>	<u>0.42</u>	<u>1.40</u>	<u>1.10</u>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of dollars) (Unaudited)

	Nine months ended September 30,	
	2006	2005
Common shares:		
Balance, beginning of period	\$ 380,925	\$ 375,765
Proceeds on options exercised	5,162	3,805
Cost of exercised options	1,249	936
Balance, end of period	<u>387,336</u>	<u>380,506</u>
Share option plan:		
Balance, beginning of period	2,669	1,662
Cost of exercised options	(1,249)	(936)
Cost of share option plan	1,886	1,497
Balance, end of period	<u>3,306</u>	<u>2,223</u>
Deficit:		
Balance, beginning of period	(205,799)	(247,911)
Net income	96,408	75,540
Dividends on common shares	(67,638)	(44,222)
Balance, end of period	<u>(177,029)</u>	<u>(216,593)</u>
Shareholders' equity, end of period	<u>\$ 213,613</u>	<u>\$ 166,136</u>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars) (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Cash flows from (used in) operating activities:				
Net income	\$ 33,217	\$ 28,717	\$ 96,408	\$ 75,540
Adjustments to determine net cash flows:				
Amortization	3,181	3,185	9,311	9,522
(Income) loss from investment in affiliate	(86)	254	119	433
Cost of share option plan	663	523	1,886	1,497
Loss on disposal of equipment	-	-	-	7
Future tax asset	(4,088)	(5,784)	(10,356)	(15,986)
Energy contracts receivable	62,088	(375,213)	523,855	(242,200)
Accounts receivable and prepaid expenses	993	(5,559)	(2,958)	(14,907)
Other assets	190	479	198	882
Accounts payable and accrued liabilities	11,415	2,758	13,714	(4,627)
Energy contracts payable	(62,088)	376,844	(523,855)	243,046
Long term other liabilities	(4,936)	3,414	(14,609)	7,675
Deferred revenue	(2,407)	1,703	68,423	56,584
Income taxes payable	(149)	9,145	(10,775)	(2,795)
	<u>37,993</u>	<u>40,466</u>	<u>151,361</u>	<u>114,671</u>
Cash flows from (used in) financing activities:				
Obligation under capital lease	(207)	(195)	(631)	(575)
Exercised options	1,473	175	5,162	3,805
Dividends on common shares	(22,564)	(17,014)	(67,638)	(44,222)
	<u>(21,298)</u>	<u>(17,034)</u>	<u>(63,107)</u>	<u>(40,992)</u>
Cash flows from (used in) investing activities:				
Additions to premises and equipment	(2,493)	(1,268)	(3,620)	(3,292)
Proceeds on disposal of equipment	-	-	-	100
Marketable securities	38,355	(14,506)	(35,048)	(65,137)
	<u>35,862</u>	<u>(15,774)</u>	<u>(38,668)</u>	<u>(68,329)</u>
Increase in cash	52,557	7,658	49,586	5,350
Cash, beginning of period	25,514	15,116	28,485	17,424
Cash, end of period	<u>\$ 78,071</u>	<u>\$ 22,774</u>	<u>\$ 78,071</u>	<u>\$ 22,774</u>
Supplemental cash flow information:				
Interest paid	\$ 232	\$ 114	\$ 497	\$ 365
Interest received	3,637	1,786	11,160	5,645
Income taxes paid	20,940	13,601	87,858	60,524

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Nine months ended September 30, 2006 and 2005 (In thousands of dollars, except per share amounts) (Unaudited)

The unaudited interim consolidated financial statements of TSX Group Inc. (the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

These financial statements follow the same accounting policies and their methods of application as the Company’s consolidated financial statements for the year ended December 31, 2005. The Company’s interim consolidated financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and accordingly, should be read in conjunction with the consolidated financial statements for the year ended December 31, 2005 which are included in the 2005 Annual Report.

All references to earnings per common share, net income, common shares reserved for issuance, and options outstanding have been restated to reflect the impact of the two-for-one stock split which was effective May 17, 2005.

### 1. INCOME TAXES:

In June, 2006, the federal government enacted legislation to reduce corporate tax rates for taxation years commencing 2008. As at June 30, 2006, the future tax asset was reduced, and income taxes increased by \$9,586, primarily as a result of these changes in federal corporate tax rates.

### 2. SEGMENTED INFORMATION:

The Company operates in two reportable segments. In the Capital Markets segment, the Company owns and operates Canada’s two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange. The Energy Markets segment is engaged in trading and clearing natural gas and electricity contracts through Natural Gas Exchange Inc.

	Three months ended September 30,		
2006	Capital Markets	Energy Markets	Total
Total Revenue	\$ 76,412	\$ 4,785	\$ 81,197
Net Income	31,804	1,413	33,217
Goodwill	5,963	18,978	24,941
Total Assets	619,359	505,967	1,125,326
<hr/>			
2005			
Total Revenue	\$ 70,815	\$ 4,518	\$ 75,333
Net Income	27,541	1,176	28,717
Goodwill	5,963	18,978	24,941
Total Assets	501,446	871,450	1,372,896

**Nine months ended September 30,**

<b>2006</b>	<b>Capital Markets</b>	<b>Energy Markets</b>	<b>Total</b>
Total Revenue	\$ 247,192	\$ 14,630	\$ 261,822
Net Income	93,064	3,344	96,408
Goodwill	5,963	18,978	24,941
Total Assets	619,359	505,967	1,125,326

<b>2005</b>			
Total Revenue	\$ 200,992	\$ 12,708	\$ 213,700
Net Income	72,500	3,040	75,540
Goodwill	5,963	18,978	24,941
Total Assets	501,446	871,450	1,372,896

**3. SHARE OPTION PLAN:**

The Company established a share option plan in the year of its initial public offering. All employees of the Company and its affiliates are eligible to be granted options under the option plan. The share option plan, together with all of the Company's other share compensation arrangements, cannot result in the number of shares reserved for issuance under share options held by any one person to exceed 5% of the outstanding common shares issued. 4,686,752 common shares of the Company remain reserved for issuance upon exercise of options granted under this plan, representing approximately 7% of the outstanding common shares of the Company.

In February 2006, 180,404 options were granted to eligible employees. In May 2006 an additional 9,670 options were granted. During the first nine months of 2006, 320,412 options were exercised, 17,828 options were forfeited, resulting in 1,100,296 options remaining outstanding under the share option plan. Options granted in 2006 have strike prices in the range of \$47.304 to \$49.635.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2006: dividend yield of 2.5 percent; expected volatility of 25 percent; risk-free interest rate of 3.96 percent and expected life of seven years.

Options granted will expire in 2011, 2012 and 2013.

Share options:

	<b>Three months ended September 30, 2006</b>		<b>Three months ended September 30, 2005</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	1,192,882	\$ 24.400	1,290,168	\$ 18.860
Granted	-	-	-	-
Forfeited	(3,402)	30.850	(3,890)	29.640
Exercised	(89,184)	16.520	(15,050)	11.630
Outstanding, end of period	1,100,296	\$ 25.020	1,271,228	\$ 18.910

During the third quarter, the Company recognized compensation cost of \$663 (third quarter 2005 - \$523) in respect of its share option plan.

	Nine months ended September 30, 2006		Nine months ended September 30, 2005	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,248,462	\$ 18.980	1,331,900	\$ 14.230
Granted	190,074	49.520	384,482	29.646
Forfeited	(17,828)	23.630	(155,484)	16.140
Exercised	(320,412)	16.110	(289,670)	13.140
Outstanding, end of period	1,100,296	\$ 25.020	1,271,228	\$ 18.910

304,022 options were fully vested and exercisable at strike prices in the range of \$10.529 to \$31.113 at September 30, 2006. During the first nine months of 2006, the Company recognized compensation cost of \$1,886 (year to date September 2005 - \$1,497) in respect of its share option plan.

#### 4. EARNINGS PER SHARE:

	Three months ended September 30, 2006		Three months ended September 30, 2005	
Net income	\$ 33,217	\$ 28,717	\$ 96,408	\$ 75,540
Weighted average number of common shares outstanding	68,351,231	68,063,230	68,503,704	67,998,208
Basic earnings per share	\$ 0.49	\$ 0.42	\$ 1.41	\$ 1.11
Diluted weighted average number of common shares outstanding	68,986,758	68,717,674	69,033,302	68,604,790
Diluted earnings per share	\$ 0.48	\$ 0.42	\$ 1.40	\$ 1.10

#### **5. EMPLOYEE FUTURE BENEFITS:**

Total retirement benefit cost for the quarter ended September 30, 2006 was \$1,541 (2005 - \$1,280) and for the year-to-date period in 2006 was \$4,645 (2005 - \$3,663).

#### **6. SUBSEQUENT EVENT:**

On October 25, 2006, the Company announced two initiatives to expand its presence in the Canadian fixed income market. The Company has agreed to purchase Shorcan Brokers Limited, a fixed income inter-dealer broker. In addition, a wholly-owned subsidiary of the Company purchased Scotia Capital's Fixed Income Indices, PC Bond and related data assets. The wholly-owned subsidiary and Scotia Capital also signed a long term data licence under which Scotia Capital will provide fixed income pricing data. The Company expects the aggregate cash payments in the fourth quarter of 2006 related to these two initiatives to be approximately \$55,000. The Company or one of its subsidiaries will make further payments of up to \$37,000 related to performance incentives, data licenses and other arrangements over the term of the relevant agreements.

#### **7. COMPARATIVE FIGURES:**

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current period. Specifically, as at December 31, 2005, Deferred revenue-initial and additional listing fees of \$41,238 have been reclassified as Current liabilities: Deferred revenue-initial and additional listing fees and Future tax asset of \$11,961 have been reclassified as Current assets: Future tax asset.

## MARKET STATISTICS\*

(Unaudited)	Three months ended September 30		Nine months ended September 30,	
	2006	2005	2006	2005
<b>Toronto Stock Exchange:</b>				
Volume (millions)	17,150.9	16,051.8	60,203.9	46,813.3
Value (\$ billions)	339.7	278.0	1,048.3	778.1
Transactions (000s)	19,485.4	14,227.0	61,582.5	38,570.3
Issuers Listed	1,587	1,517	1,587	1,517
New Issuers Listed:				
Number of Initial Public Offerings	19	34	84	102
Number of graduates from TSX Venture/NEX	15	13	47	33
New Equity Financing: (\$ millions)				
Initial Public Offering Financings (\$ millions)	6,985.2	10,980.4	28,779.9	34,725.9
Secondary Offering Financings <sup>1</sup> (\$ millions)	957.9	4,801.7	8,042.1	12,796.0
Supplementary Financings (\$ millions)	3,323.7	3,181.1	13,065.2	9,728.0
Market Cap of Issuers Listed (\$ billions)	2,703.6	2,997.6	7,672.6	12,201.9
S&P/TSX Composite Index <sup>2</sup> Close	1,907.2	1,844.0	1,907.2	1,844.0
	11,761.3	11,011.8	11,761.3	11,011.8
<b>TSX Venture Exchange: <sup>3</sup></b>				
Volume (millions)	6,562.3	5,265.0	28,229.5	15,806.2
Value (\$ millions)	5,609.2	4,012.0	25,309.8	11,655.5
Transactions (000s)	1,163.6	843.6	4,892.0	2,567.9
Issuers Listed	2,233	2,201	2,233	2,201
New Issuers Listed				
	52	39	137	113
New Equity Financing: (\$ millions)				
Initial Public Offering Financings (\$ millions)	1,258.7	1,253.6	5,865.0	3,934.8
Secondary Offering Financings <sup>1</sup> (\$ millions)	123.8	52.4	271.0	172.5
Market Cap of Issuers Listed: (\$ billions)	1,134.9	1,201.2	5,594.0	3,762.3
S&P/TSX Venture Composite Index <sup>2</sup> Close	44.7	32.0	44.7	32.0
	2,479.5	2,159.1	2,479.5	2,159.1
<b>Toronto Stock Exchange and TSX Venture Exchange:</b>				
Professional and Equivalent Real-time Data Subscriptions	134,986	114,597	134,986	114,597

<sup>1</sup> Secondary Offering Financings includes prospectus offerings on both a treasury and secondary basis.

<sup>2</sup> S&P is a trade-mark owned by The McGraw-Hill Companies, Inc. and is used under license.

<sup>3</sup> TSX Venture Exchange market statistics do not include data for debt securities. 'New Issuers Listed' and 'S&P/TSX Venture Composite Index Close' statistics exclude data for issuers on NEX. All other TSX Venture Exchange market statistics include data for issuers on NEX, which is a board that was established on August 18, 2003 for issuers that have fallen below TSX Venture's listing standards (180 issuers at September 30, 2006 and 218 issuers at September 30, 2005).

\* Certain comparative figures have been restated.

## INVESTOR CONTACT INFORMATION

Investor Relations may be contacted at:

Tel: (416) 947-4277 (Toronto Area)

1-888-873-8392 (North America)

Fax: (416) 947-4444

E-mail: [shareholder@tsx.com](mailto:shareholder@tsx.com)

### REGISTERED OFFICE AND HEAD OFFICE OF TSX GROUP

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Le rapport du troisième trimestre est également disponible en français.

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### FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TSX Group's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Please see Forward-Looking Statements, Risks and Uncertainties in the Q3-2006 Management's Discussion and Analysis for some of the risk factors that could cause actual events or results to differ materially from current expectations.



