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Q1

2008 First Quarter Report
to Shareholders

tsx group **TSX**

Letter from the Interim Co-CEOs

We were pleased to report positive financial results for the first quarter of 2008, despite challenging market conditions. Our revenue diversification and cost containment efforts have enabled us to continue to deliver strong results. Revenue was \$112.4 million, an increase of 11% over the first quarter of 2007, driven by solid growth in our core business areas of issuer services and market data. Expenses were \$45.0 million, down 4% over the first quarter of 2007. Earnings per share was 49 cents, down 8% from the first quarter of last year. The decrease was attributable to a \$15.2 million payment, or 23 cents per share, that we made to ISE Ventures, LLC, as we terminated our derivatives joint venture with them. Excluding this charge, our adjusted earnings per share was 72 cents, up 36% over the same quarter of last year.

Business initiatives update

We continue to reap the rewards of our efforts to diversify revenue. For example, trading and related revenue from NGX, our energy market, grew 38% over the first quarter of 2007, reflecting the successful February launch of NGX's arrangement with IntercontinentalExchange for energy trading and clearing. As a result of this arrangement, NGX's product reach has expanded from hundreds to now thousands of customers across North America and around the world.

We are excited about the continued roll-out of the TSX Quantum trading engine. We are already seeing improved performance with lower response times and reduced latency in the symbols trading on the new engine. In April, we announced the migration schedule for the remaining Toronto Stock Exchange symbols.

The domestic and global competition to capture liquidity is intensifying. We have a number of new initiatives underway to attract additional order flow from the United States, including upgrades to the FIX protocol, plans for a consolidated data feed and a smart order router, as well as TSX Infinity, a new parallel, distinct order book that will operate alongside the TSX Quantum central limit order book. We intend to launch TSX Infinity next year, pending regulatory approval, to handle high velocity trading.

In issuer services, our international business development teams are taking our story on the road, communicating the benefits of listing on Canadian markets, particularly in our areas of strength - small to medium sized enterprises and natural resources. In April, our seven-city U.S. Campaign started in Denver and moves to Houston in May. Also in May, our team will head back to China with seminars in Nanjing, Beijing, and Shenzhen.

Most importantly, 2008 will be remembered for completing our landmark combination with the Montréal Exchange to create TMX Group. We look forward to achieving the many benefits of integrating the two organizations, both for customers and shareholders.

We are very excited about TMX Group's potential. By adding new strengths and new expertise, we believe we can take our markets to a new level in Canada and around the world.



Rik Parkhill
Interim Co-CEO
TSX Group Inc.

April 30, 2008



Michael Ptasznik
Interim Co-CEO
TSX Group Inc.

Q1-2008 Management's Discussion and Analysis

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 ended March 31, 2008, compared with the quarter ended March 31, 2007, or the year ended December 31, 2007, as applicable. This MD&A is dated April 30, 2008 and should be read carefully together with our Q1/08 unaudited interim consolidated financial statements and related notes for the corresponding period as well as our 2007 audited annual financial statements, including notes and related MD&A. Each of these documents is filed with Canadian securities regulators and can be accessed through www.sedar.com, or our website at www.tsx.com. All amounts are in Canadian dollars unless otherwise indicated 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 and on our website www.tsx.com. We are not incorporating information contained on the website in this MD&A.

Non-GAAP Financial Measures

In April 2007, TSX Group began to bill Toronto Stock Exchange customers for initial and additional listing fees. Prior to this date, these fees were paid upon the listing or reserving of securities. For TSX Venture Exchange issuers, initial and additional listing fees are paid either prior to or at the time of listing or reserving securities. With the adoption of this system, there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid for Toronto Stock Exchange listed issuers. In order to reflect this change, we have adopted the terms issuer services fees billed, initial listing fees billed and additional listing fees billed. These terms replace "listing fees received", "initial listing fees received" and "additional listing fees received", which have been used in previous financial reporting. The composition of these measures, however, is unchanged.

Certain measures used in this MD&A, specifically issuer services fees billed, initial listing fees billed and additional listing fees billed do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. We present these measures as an indication of how initial and additional listing activity and the fees billed for listing or reserving securities, impact the financial performance and cash flows of our business. Management uses these measures to assess the effectiveness of our strategy to serve our listed issuers and grow the listings portion of our business.

We present adjusted earnings per share prior to loss on termination of joint venture as an indication of operating performance exclusive of the payment made to ISE Ventures, LLC (ISE Ventures), a wholly-owned subsidiary of International Securities Exchange Holdings, Inc. (ISE), related to terminating our previously announced joint venture to operate DEX, a new Canadian derivatives exchange. This measure is unlikely to be comparable to similar measures presented by other issuers. Management believes this measure allows it to assess the operating performance excluding this type of payment.

Quarter Ended March 31, 2008 compared with Quarter Ended March 31, 2007

Net income was \$32.7 million, or 49 cents per common share (on both a basic and diluted basis) for Q1/08, compared with net income of \$36.4 million, or 53 cents per common share on both a basic and diluted basis for the same period in 2007. Net income for Q1/08 decreased by 10% over Q1/07 due to a payment of \$15.2 million to ISE Ventures related to terminating our previously announced joint venture to operate DEX. The impact of this charge, which is not being deducted for income tax purposes, more than offset the positive impact of increased revenue and lower expenses in Q1/08 compared with Q1/07. Adjusted earnings per share prior to loss on termination of joint venture* for Q1/08 was 72 cents (on both a basic and diluted basis).

The following is a reconciliation of earnings per share to adjusted earnings per share prior to loss on termination of joint venture*:

Reconciliation for Q1/08 and Q1/07	Q1/08		Q1/07	
	Basic	Diluted	Basic	Diluted
Earnings per share	\$ 0.49	\$ 0.49	\$ 0.53	\$ 0.53
Adjustment related to loss on termination of joint venture	\$ 0.23	\$ 0.23	-	-
Adjusted earnings per share prior to loss on termination of joint venture*	\$ 0.72	\$ 0.72	\$ 0.53	\$ 0.53

Revenue

Revenue in Q1/08 was \$112.4 million, up \$11.3 million, or 11% as compared with \$101.1 million in Q1/07 primarily reflecting increased issuer services and market data revenue, partially offset by a slight decrease in trading revenue. Revenue in Q1/08 included \$4.0 million from The Equicom Group Inc. (Equicom), acquired in Q2/07.

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

Issuer Services Revenue

The following is a summary of issuer services revenue reported and issuer services fees billed* (reconciled below in this section) in Q1/08 and Q1/07.

(in millions of dollars)	Reported				Billed*			
	Q1/08	Q1/07	\$ increase	% increase	Q1/08	Q1/07	\$ increase/ (decrease)	% increase/ (decrease)
Initial listing fees	\$ 3.9	\$ 3.2	\$ 0.7	22%	\$ 6.4	\$ 6.6	\$ (0.2)	(3%)
Additional listing fees	\$ 12.2	\$ 10.1	\$ 2.1	21%	\$ 19.4	\$ 24.4	\$ (5.0)	(20%)
Sustaining listing fees**	\$ 17.2	\$ 16.8	\$ 0.4	2%	\$ 17.2	\$ 16.8	\$ 0.4	2%
Other issuer services	\$ 4.3	–	\$ 4.3	–	\$ 4.3	–	\$ 4.3	–
Total listing fees	\$ 37.6	\$ 30.1	\$ 7.5	25%	\$ 47.3	\$ 47.8	\$ (0.5)	(1%)

Initial and additional listing fees are non-refundable fees paid by listed issuers for the listing or reserving of securities. These fees 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.

In the case of Toronto Stock Exchange, effective April 2007, customers are billed for initial and additional listing fees. Prior to this date, these fees were paid upon the listing or reserving of securities. With the adoption of this system, there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid for Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, initial and additional listing fees are paid either prior to or at the time of listing or reserving securities. The following is a reconciliation of initial and additional listing fees billed* to initial and additional listing fees reported:

Initial Listing Fees (in millions of dollars)	Q1/08	Q1/07
Initial listing fees billed*	\$ 6.4	\$ 6.6
Initial listing fees billed* and deferred to future periods	\$ (6.3)	\$ (6.5)
Recognition of initial listing fees billed* and previously included in deferred revenue	\$ 3.8	\$ 3.1
Initial listing fee revenue reported	\$ 3.9	\$ 3.2
Additional Listing Fees (in millions of dollars)	Q1/08	Q1/07
Additional listing fees billed*	\$ 19.4	\$ 24.4
Additional listing fees billed* and deferred to future periods	\$ (19.1)	\$ (24.0)
Recognition of additional listing fees billed* and previously included in deferred revenue	\$ 11.9	\$ 9.7
Additional listing fee revenue reported	\$ 12.2	\$ 10.1

- Initial and additional listing fees reported increased due to capital market activity and listing fees increases during the period from April 1, 1998 to March 31, 2008 compared with the period from April 1, 1997 to March 31, 2007. Initial and additional listing fees billed* in Q1/08, as compared with Q1/07, reflect changes in the number and value of securities listed and reserved in the respective quarters, as well as changes to the pricing model for each equity exchange that were effective January 1, 2008.
- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual sustaining listing fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The increase in sustaining listing fees was due to fee increases on TSX Venture Exchange that were effective January 1, 2008, and the overall higher market capitalization of listed issuers at the end of 2007 compared with the end of 2006, partially offset by a decrease in sustaining listing fees from issuers listed on Toronto Stock Exchange.
- Other issuer services includes revenue of \$4.0 million from Equicom, acquired in June 2007. Equicom provides investor relations and related corporate communications services to public issuers in Canada.

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

** Sustaining listing fees billed, 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.

Trading and Related Revenue

(in millions of dollars)

	Q1/08	Q1/07	\$ increase/ (decrease)	% increase/ (decrease)
Capital markets:				
• Toronto Stock Exchange	\$ 24.2	\$ 25.7	\$ (1.5)	(6%)
• TSX Venture Exchange	\$ 8.0	\$ 8.4	\$ (0.4)	(5%)
• Shorcan	\$ 3.2	\$ 3.2	–	–
Capital markets revenue	\$ 35.4	\$ 37.3	\$ (1.9)	(5%)
Energy markets revenue	\$ 6.6	\$ 4.8	\$ 1.8	38%
Total trading and related revenue	\$ 42.0	\$ 42.1	\$ (0.1)	–

Capital Markets

- The decrease in revenue reflects pricing changes on both of our equity exchanges, which were effective November 1, 2007.
- The total volume of securities traded in Q1/08 on Toronto Stock Exchange and TSX Venture Exchange decreased by 1% over Q1/07 (37.0 billion securities in Q1/08 versus 37.2 billion securities in Q1/07). The volume of securities traded in Q1/08 on Toronto Stock Exchange increased by 8% over Q1/07 (25.5 billion securities in Q1/08 versus 23.7 billion securities in Q1/07) and the volume of securities traded in Q1/08 on TSX Venture Exchange decreased by 15% over Q1/07 (11.5 billion securities in Q1/08 versus 13.5 billion securities in Q1/07).

Energy Markets

- In Q1/08, the volumes of natural gas and electricity contracts traded or cleared on Natural Gas Exchange (NGX) increased by 54% over Q1/07 (3.7 million terajoules in Q1/08 versus 2.4 million terajoules in Q1/07). This excludes the Alberta Watt Exchange Limited (Watt-Ex) volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator.
- The increased volumes reflect the launch of our arrangement with IntercontinentalExchange Inc. (ICE) on February 9, 2008 which provided us with access to substantially more customers and included the launch of new products.
- The increase in revenue also reflects a price increase that was effective in January, 2008.
- In Q1/08, on a net basis, NGX deferred \$0.8 million more revenue than in Q1/07, which somewhat offset the increase in revenue.

Market Data Revenue

(in millions of dollars)

	Q1/08	Q1/07	\$ increase	% increase
	\$ 29.1	\$ 26.6	\$ 2.5	9%

- Market data revenue increased due to a 14% increase in the number of professional and equivalent real-time market data subscriptions (over 164,000 at the end of Q1/08 versus over 144,000 at the end of Q1/07). This increase reflects increased sales to both Canadian and U.S. customers.
- The increase was also attributable to fee changes that were effective January 1, 2008 and the inclusion of revenue from PC-Bond, which increased by \$0.4 million in Q1/08 over Q1/07.
- The increase was partially offset by lower revenue from usage-based quotes and by the negative impact of the appreciation of the Canadian dollar against the U.S. dollar since Q1/07.

Business Services and Other Revenue

(in millions of dollars)

	Q1/08	Q1/07	\$ increase	% increase
	\$ 3.6	\$ 2.2	\$ 1.4	64%

- Other revenue increased due to foreign exchange gains on U.S. dollar denominated accounts receivable.
- We billed Market Regulation Services Inc. (RS) \$1.6 million in Q1/08 for technology related services, compared with \$1.7 million Q1/07.

Expenses

Expenses in Q1/08 were \$45.0 million, a decrease of \$2.0 million, or 4%, as compared with \$47.0 million in Q1/07. The decrease was due to lower overall expenses, partially offset by \$3.1 million of expenses related to the business operations of Equicom, acquired in Q2/07.

Compensation and Benefits

(in millions of dollars)

	Q1/08	Q1/07	\$ (decrease)	% (decrease)
	\$ 23.4	\$ 25.5	\$ (2.1)	(8%)

- *Compensation and benefits* costs decreased primarily due to lower expenses associated with the long-term incentive plan and lower organizational transition costs.
- The decrease in Q1/08 compared with Q1/07 was also due to the impact of capitalizing \$1.2 million of internal development costs related to the TSX Quantum trading engine.
- The decrease was somewhat offset by \$1.5 million in costs related to the business operations of Equicom, acquired in Q2/07.
- There were 606 employees at March 31, 2008 versus 554 at March 31, 2007. On June 1, 2007, we acquired Equicom, which had 58 employees. In addition, in Q2/07, 13 employees that perform investigative research, previously employed by Market Regulation Services Inc., were transferred to TSX Inc. The insourcing of the investigative research function has resulted in a reduction of *General and administration* costs. These increases were partially offset by a net reduction of 19 employees in our overall businesses.

Information and Trading Systems

(in millions of dollars)

	Q1/08	Q1/07	\$ increase	% increase
	\$ 7.2	\$ 6.6	\$ 0.6	9%

- *Information and trading systems* costs increased due to ongoing expenses primarily related to our initiative with ICE.
- The increase also included \$0.1 million in costs related to the business operations of Equicom, which was acquired in Q2/07.

General and Administration

(in millions of dollars)

	Q1/08	Q1/07	\$ (decrease)	% (decrease)
	\$ 10.2	\$ 11.1	\$ (0.9)	(8%)

- *General and administration* costs decreased due to lower promotional expenses, a decrease in fees paid to external advisors and reduced costs from insourcing the investigative research function from RS in Q2/07. We paid RS \$0.6 million in Q1/08 compared with \$0.9 million in Q1/07.
- The decrease was partially offset by \$1.2 million in costs associated with the business operations of Equicom, which was acquired in Q2/07.

Amortization

(in millions of dollars)

	Q1/08	Q1/07	\$ increase	% increase
	\$ 4.2	\$ 3.7	\$ 0.5	14%

- *Amortization* costs increased reflecting increased amortization from intangible assets primarily related to TSX Quantum and amortization of \$0.3 million related to Equicom, acquired in Q2/07.

Income from Investment in Affiliate

(in millions of dollars)

	Q1/08	Q1/07	\$ increase
	\$ 0.1	\$ 0.0	\$ 0.1

- *Income from investment in affiliate* represents TSX Group's share of CanDeal.ca Inc.'s (CanDeal) income for Q1/08 based on a 47% interest in CanDeal. The improvement in CanDeal's Q1/08 revenue over Q1/07 was due to the introduction of transaction fees and CanDeal's continued progress in adding buy-side institutional investors. Also, in July 2007, CanDeal's six liquidity providers renewed their commitments to CanDeal, which had a positive impact on revenues in Q1/08.

Investment Income

(in millions of dollars)

	Q1/08	Q1/07	\$ increase	% increase
	\$ 4.4	\$ 4.0	\$ 0.4	10%

- Investment income increased due to higher returns on short-term bond and mortgage investments during Q1/08 versus Q1/07.

Loss on Termination of Joint Venture

(in millions of dollars)

	Q1/08	Q1/07	\$ increase
	\$ 15.2	\$ -	\$ 15.2

- In August, 2007, TSX Group and ISE Ventures announced the execution of a shareholders' agreement for CDEX Inc. (CDEX), which was created to operate DEX™, a new Canadian derivatives exchange scheduled to begin operations in March, 2009.
- In connection with the agreement to combine with Montréal Exchange Inc. (MX), we provided ISE Ventures with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement. If the parties were unable to agree to an alternative business arrangement, originally by January 10, 2008 and subsequently extended to March 31, 2008 we would be required to pay ISE Ventures \$15.2 million. We were unable to conclude an alternative business arrangement by March 31, 2008, and we paid ISE Ventures \$15.2 million on April 1, 2008, which was accrued in Q1/08.

Income Taxes

(in millions of dollars)

	Q1/08	Q1/07	Effective tax rate (%)	
			Q1/08	Q1/07
	\$ 24.0	\$ 21.7	\$ 42%	\$ 37%

- The effective tax rate of 42% in Q1/08 was higher than our effective tax rate of 37% in Q1/07 as a result of making the payment of \$15.2 million to ISE Ventures, which is not being deducted for income tax purposes.
- Excluding the impact of this payment of \$15.2 million, our effective tax rate would have been 33% for Q1/08. This 33% effective tax rate for Q1/08 was lower than the effective tax rate of 37% for Q1/07, partially due to a reduction in federal corporate tax rates. In addition, the effective tax rate in Q1/07 was somewhat higher due to adjustments in the value of the future tax asset.

Liquidity and Capital Resources

Cash and Marketable Securities

(in millions of dollars)

	March 31, 2008	December 31, 2007	\$ increase
	\$ 349.0	\$ 302.8	\$ 46.2

- The increase was primarily due to cash generated from operations of \$67.8 million, offset by a dividend payment of \$0.38 per common share, or \$25.2 million in aggregate.

Total Assets

(in millions of dollars)

	March 31, 2008	December 31, 2007	\$ increase
	\$ 1,701.0	\$ 1,523.9	\$ 177.1

- Total assets increased primarily due to an increase in current assets related to the fair value of open energy contracts (\$160.2 million as at March 31, 2008, compared with \$74.9 million at December 31, 2007). The higher level of receivables reflected higher natural gas prices at the end of March 2008 compared with the end of December 2007. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were \$160.2 million at March 31, 2008 compared with \$74.9 million at December 31, 2007.

- The overall increase was also due to higher energy contracts receivable of \$779.8 million at March 31, 2008 related to the clearing operations of NGX, compared with \$745.4 million at the end of 2007. The higher level of receivables reflected higher natural gas prices at the end of March 2008 compared with the end of December 2007. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were \$779.8 million at March 31, 2008 compared with \$745.4 million at the end of 2007.
- *Total assets* included an increase in cash and marketable securities of \$46.2 million.

Shareholders' Equity

(in millions of dollars)

	March 31, 2008	December 31, 2007	\$ increase
	\$ 185.6	\$ 171.9	\$ 13.7

- *Shareholders' equity* increased primarily due to net income of \$32.7 million in Q1/08, including net income from NGX of \$1.7 million in Q1/08 compared with net income of \$0.6 million in Q1/07, offset by dividend payments totaling \$25.2 million. In addition, proceeds of \$5.7 million were received on the exercise of options in the quarter.
- At March 31, 2008 there were 66,547,166 common shares issued and outstanding. In Q1/08, 268,796 common shares were issued on the exercise of share options. At March 31, 2008, 4,153,154 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At March 31, 2008, there were 808,978 options outstanding.
- We have obtained approval from Toronto Stock Exchange to issue up to 1.5 million common shares in connection with the purchase price payable for NetThruPut Inc. (NTP) if we exercise our right to acquire NTP from Enbridge Inc. and Circuit Technology Ltd. In addition, we have obtained conditional approval from Toronto Stock Exchange to issue up to 15.3 million common shares in connection with the combination with MX.
- At April 29, 2008, there were 66,548,246 common shares issued and outstanding and 806,172 options outstanding under the share option plan.
- In connection with our existing normal course issuer bid (NCIB) announced on August 1, 2007, we intend to enter into a new pre-defined plan with our designated broker to allow for the repurchase of common shares at times when we would not ordinarily be active in the market due to our own internal trading blackout periods, insider trading rules or otherwise.

Cash Flows from Operating Activities

(in millions of dollars)

	Q1/08	Q1/07	(Decrease) in cash
Cash Flows from Operating Activities	\$ 67.8	\$ 69.3	\$ (1.5)

Cash Flows from Operating Activities were \$1.5 million lower in Q1/08 compared with Q1/07 due to:

(in millions of dollars)

	Q1/08	Q1/07	Increase/(decrease) in cash
Net income	\$ 32.7	\$ 36.4	\$ (3.7)
Amortization	\$ 4.2	\$ 3.7	\$ 0.5
(Increase) in future tax asset	\$ (0.4)	\$ (4.1)	\$ 3.7
(Increase) in accounts receivable and prepaid expenses	\$ (9.7)	\$ (10.3)	\$ 0.6
Net (decrease) in accounts payable and accrued liabilities	\$ (13.8)	\$ (10.3)	\$ (3.5)
Increase in deferred revenue primarily related to billing of sustaining listing fees	\$ 67.3	\$ 72.5	\$ (5.2)
(Decrease) in income taxes payable	\$ (11.3)	\$ (20.1)	\$ 8.8
Net increase/(decrease) in other items	\$ (1.2)	\$ 1.5	\$ (2.7)
Cash Flows from Operating Activities	\$ 67.8	\$ 69.3	\$ (1.5)

Cash Flows from (Used in) Financing Activities

(in millions of dollars)

	Q1/08	Q1/07	Increase in cash
Cash Flows from (used in) Financing Activities	\$ (19.6)	\$ (23.2)	\$ 3.6

Cash Flows (used in) Financing Activities were \$3.6 million lower in Q1/08 compared with Q1/07 due to:

(in millions of dollars)

	Q1/08	Q1/07	Increase/(decrease) in cash
(Decrease) in obligation under capital lease	\$ (0.1)	\$ (0.2)	\$ 0.1
Proceeds from exercised options	\$ 5.7	\$ 3.1	\$ 2.6
Dividends paid on common shares	\$ (25.2)	\$ (26.1)	\$ 0.9
Cash Flows from (used in) Financing Activities	\$ (19.6)	\$ (23.2)	\$ 3.6

Cash Flows from (Used in) Investing Activities

(in millions of dollars)

	Q1/08	Q1/07	(Decrease) in cash
Cash Flows from (used in) Investing Activities	\$ (37.9)	\$ (34.3)	\$ (3.6)

Cash Flows (used in) Investing Activities were \$3.6 million higher in Q1/08 compared with Q1/07 due to:

(in millions of dollars)

	Q1/08	Q1/07	(Decrease) in cash
Capital expenditures primarily related to leasehold improvements and technology investments	\$ (1.4)	\$ (1.0)	\$ (0.4)
Additions to intangible assets including TSX Quantum internal development costs	\$ (1.4)	-	\$ (1.4)
Net (purchase) of marketable securities	\$ (35.1)	\$ (33.3)	\$ (1.8)
Cash Flows from (used in) Investing Activities	\$ (37.9)	\$ (34.3)	\$ (3.6)

Financial Instruments

Cash and Marketable Securities

Our financial instruments include cash and investments in marketable securities. This primarily includes units in a money market fund and a short-term bond and mortgage fund. The primary risks related to these marketable securities are variation in interest rates and credit risk. For a description of these risks, please refer to "Credit risk – Financial Instruments" and "Interest rate risk – Financial Instruments".

These investments are recorded at fair value and unrealized gains of \$0.8 million were recorded in investment income in Q1/08, compared with unrealized losses of \$0.5 million in Q1/07.

Derivative Financial Instruments

Total Return Swaps

We have entered into total return swaps which synthetically replicate the economics of TSX Inc. purchasing our shares as a partial fair value hedge to the share appreciation rights of deferred share units (DSUs) and restricted share units (RSUs) that are awarded to our directors and employees. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. These total return swaps are subject to credit risk and market risk. For a description of these risks, please refer to "Credit risk – Derivative Financial Instruments" and "Market risk – Derivative Financial Instruments". We mark to market the value of the hedged units as an adjustment to income, and simultaneously mark to market the liability to unit holders as an adjustment to income. The fair values of the total return swaps were a liability of \$2.1 million at March 31, 2008 and an asset of \$2.2 million at March 31, 2007. During Q1/08, unrealized losses of \$5.6 million were reflected as an increase in compensation and benefits costs and general and administration costs. During Q1/07, unrealized gains of \$1.3 million were reflected as a decrease in compensation and benefits costs and general and administration costs.

NGX – Fair Value of Open Energy Contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction. We record NGX's energy contract receivables and offsetting payables for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not been made. The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled

trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income. The primary risks related to these financial instruments are credit risk and market risk. For a description of these risks, please refer to “Credit risk – NGX” and “Market risk – NGX”.

Combination with Montreal Exchange Inc.

On December 10, 2007, we entered into a combination agreement, as amended on January 10, 2008 and April 10, 2008 (Agreement) with MX to create TMX Group Inc., a leading multi-asset class exchange group. Under the terms of the Agreement, we will indirectly acquire all of MX’s common shares for a total consideration of approximately 15.3 million common shares and \$428.2 million in cash. The total purchase price, based on preliminary estimates, is \$1.25 billion. The combination was approved by MX shareholders on February 13, 2008 and has received the regulatory approvals to permit the transaction to be completed. The effective date of the combination is set for May 1, 2008.

For further information on the combination, please refer to our 2007 Annual MD&A (which is available on SEDAR at www.sedar.com and on our website www.tsx.com) and the MX Management Information Circular filed with Canadian securities regulators on January 14, 2008 (and available at www.sedar.com) including unaudited pro-forma condensed combined financial information of TSX Group, giving effect to the amalgamation as at September 30, 2007, for the year ended December 31, 2006 and the nine month period ended September 30, 2007.

Quarterly Information

(in thousands of dollars except per share amounts)

	Mar. 31 /08	Dec. 31 /07	Sept. 30 /07	June 30 /07	Mar. 31 /07	Dec. 31 /06	Sept. 30 /06	June 30 /06
Revenue	\$ 112,353	\$ 111,191	\$ 106,127	\$ 106,230	\$ 101,102 ⁺	\$ 91,025	\$ 81,197	\$ 92,612
Net Income	32,746	30,439	42,682	39,128	36,448	35,116	33,217	28,464
Earnings per share:								
Basic	0.49	0.46	0.63	0.57	0.53	0.51	0.49	0.42
Diluted	0.49	0.45	0.62	0.57	0.53	0.51	0.48	0.41

2006

- Revenue in Q3/06 declined over revenue in Q2/06 largely due to lower trading revenue, reflecting lower trading volumes and 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 overall expenses.
- Revenue in Q4/06 improved over revenue in Q3/06 primarily due to higher trading, market data and issuer services revenue. Net income for Q4/06 increased over Q3/06 primarily due to the increased revenue partially offset by higher overall expenses.

2007

- Revenue in Q1/07 improved over revenue in Q4/06 primarily due to higher market data and issuer services revenue. Net income for Q1/07 increased over Q4/06 primarily due to the increased revenue partially offset by higher overall expenses.
- Revenue in Q2/07 improved over revenue in Q1/07 primarily due to higher issuer services, trading and market data revenue. Net income for Q2/07 increased over Q1/07 primarily due to the increased revenue and lower overall expenses, somewhat offset by lower investment income.
- Revenue in Q3/07 declined slightly over revenue in Q2/07. Increased revenue from issuer services was more than offset by decreases in other sources of revenue. Net income for Q3/07 increased over Q2/07 primarily due to higher investment income and lower income taxes.
- Revenue in Q4/07 increased over revenue in Q3/07 primarily due to higher issuer services, trading and market data revenue. Net income for Q4/07 decreased over Q3/07 primarily due to increased income taxes as a result of a \$13.3 million reduction in the value of the future tax asset and increased expenses which more than offset the higher revenue.

2008

- Revenue in Q1/08 increased over revenue in Q4/07 primarily due to higher market data and issuer services revenue. Net income for Q1/08 increased over Q4/07 primarily due to a decrease in expenses and higher revenue. Net income for Q1/08 was reduced due to a payment of \$15.2 million to ISE Ventures related to exiting our previously announced joint venture to operate DEX, whereas in Q4/07, net income was reduced due to increased income taxes as a result of a \$13.3 million reduction in the value of the future tax asset.

+ Revenue adjusted to reflect reclassification of interest income from Business Services and Other Revenue to Investment Income.

Initial Adoption of Accounting Policies

Capital Disclosures

On January 1, 2008 we adopted standards set by the Canadian Institute of Chartered Accountants (CICA) in Handbook Section 1535 “Capital Disclosures”, which establishes standards for disclosing an entity’s objectives, policies and processes for managing capital.

Our primary objectives in managing capital include:

- Providing sufficient capital to maintain operations and market confidence. We do this by managing our capital subject to capital maintenance requirements imposed on our subsidiaries:
 - In respect of Toronto Stock Exchange by the Ontario Securities Commission (OSC) to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
 - a current ratio not less than 1.1:1;
 - a debt to cash flow ratio not greater than 4:1; and
 - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders’ equity not greater than 4:1;
 - In respect of TSX Venture by various provincial securities commissions to maintain adequate financial resources;
 - In respect of NGX to:
 - Maintain adequate financial resources by the Alberta Securities Commission; and
 - Maintain a current ratio of no less than 1:1 and a tangible net worth of not less than \$9.0 million by a major Canadian chartered bank;
 - In respect of Shorcan by the Investment Dealers Association of Canada which requires Shorcan to maintain a minimum level of shareholder’s equity of \$0.5 million.

We have complied with these externally imposed capital requirements.

Following the completion of the combination with the MX, MX will be a wholly-owned subsidiary of TSX Group. MX must maintain certain regulatory ratios as defined in the Autorité des marchés financiers (AMF) recognition order as follows: (i) a working capital ratio of not less than 1.5:1; (ii) cash flow to total debt outstanding of not less than 20%; and (iii) a financial leverage ratio not greater than 4.0. If MX fails to meet any of these tests for a period of more than three months, MX will not without the prior approval of the AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months.

- Retaining sufficient capital to invest in, and continue to grow, our business both organically and through acquisitions.
- Increasing total returns to shareholders through methods such as dividends and purchasing shares for cancellation pursuant to normal course issuer bids

In connection with the combination with MX, TSX Group Inc. has established a non-revolving three-year term unsecured credit facility of \$430.0 million with a syndicate of seven financial institutions. In addition, we also established a revolving three year unsecured credit facility of \$50.0 million with the same syndicate. TSX Group may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers’ Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. On April 30, 2008, we drew \$430.0 million in Canadian dollars on the three-year term facility related to financing the cash consideration of the purchase price for MX. For the next 30 days, the drawn cost on this facility will be less than 4% per annum. These credit facilities contain customary covenants, including a requirement that TSX Group maintain: (i) a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, depreciation and amortization, all determined in accordance with GAAP but adjusted to include initial and additional listing fees billed and to exclude initial and additional listing fees reported as revenue; (ii) a minimum consolidated net worth covenant based on a pre-determined formula, and (iii) a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

Financial Instruments Disclosure and Presentation

On January 1, 2008, we adopted standards set by the CICA in Handbook Section 3862 “Financial Instruments – Disclosure” and Section 3863 “Financial Instruments – Presentation”. These sections enhance disclosure requirements on the nature and extent of risks arising from financial instruments and how the entity manages these risks.

Credit risk

Credit risk is the risk of financial loss if a customer or a contracting party to an exchange transaction between participants (“Contracting Party”) to a financial instrument fails to meet its contractual obligations, and arises principally from investments in marketable securities, swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan and NGX.

Credit risk – Financial Instruments

We manage our exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 90% of the investment portfolio and a minimum 10% in money market funds. Corporate bonds must have a minimum credit rating of BBB by DBRS Limited. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. We do not have any investments in non-bank, asset-backed commercial paper. At March 31, 2008 the investment portfolio was comprised of 34% in short-term bond and mortgage funds and 66% in money market funds, compared with 45% in short-term bond and mortgage funds and 55% in money market funds at March 31, 2007.

Credit risk – Derivative Financial Instruments

We have entered into total return swaps which synthetically replicate the economics of TSX Inc. purchasing our shares as a partial economic hedge to the share appreciation rights of deferred share units (DSUs) and restricted share units (RSUs) that are awarded to our directors and employees. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. To manage credit risk, we entered into these total return swaps with a Schedule I Canadian chartered bank.

Credit risk – NGX and Shorcan

Through its clearing operations, NGX becomes the central Contracting Party to each transaction. We are exposed to credit risk in the event that customers or Contracting Parties fail to settle on the contracted settlement date.

NGX requires each Contracting Party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a Contracting Party. NGX measures total potential exposure for both credit and market risk for each Contracting Party on a real-time basis as the aggregate of:

- Outstanding energy contracts receivable;
- “Variation Margin”, comprised of the aggregate “mark-to-market” exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and
- “Initial Margin”, an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of Contracting Party exposure at March 31, 2008, NGX held cash collateral deposits of \$323.0 million and letters of credit of \$2,588.7 million, compared with cash collateral deposits of \$256.0 million and letters of credit of \$1,800.5 million at March 31, 2007.

NGX also maintains an unsecured clearing backstop fund of U.S. \$100.0 million. TSX Group is the guarantor of this fund.

Shorcan’s exposure is limited by the nature of the customers being primarily broker dealers, banks and other financial institutions. Shorcan also has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

Credit risk – Accounts receivable

Our exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of our customers, many of whom are listed issuers or financial institutions. There is no concentration of credit risk attributable to transactions with a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading privileges.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect our income or the value of our holdings of financial instruments.

Market risk – NGX and Shorcan

We are exposed to market price risk from the activities of both Shorcan and NGX if a Contracting Party fails to take or deliver either securities or energy products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan's risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account, the short period of time between trade date and settlement date, the quality of the Contracting Parties and the defaulting Contracting Party's liability for any difference between the amounts received upon sale of the securities and the amount paid to acquire the securities.

NGX's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each Contracting Party. In the event of a default by a Contracting Party, NGX has the right to terminate and liquidate the Contracting Party's open positions, including the netting of all positive and negative exposures associated with the Contracting Party and drawing down their collateral.

Market risk- Derivative Financial Instruments

We are exposed to market risk arising from our utilization of total return swaps to partially hedge the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees. The fair value of the total return swaps is based upon the excess or deficit of the volume weighted average price of our shares for the last five days of the month compared with our share price at the date of entering into the total return swaps. The change in the fair value of the total return swaps is offset by the change in the obligation to DSU and RSU holders.

Interest rate risk – Financial Instruments

We are exposed to interest rate risk on our money market and short-term bond and mortgage fund investments. We have engaged an external investment fund manager to manage the asset mix and the risks associated with these investments. At March 31, 2008, we held \$285.3 million in money market and short-term bond and mortgage fund investments, compared with \$318.6 million at March 31, 2007.

Foreign currency risk – Market data and NGX

We are exposed to foreign currency risk on sales and accounts receivable denominated in U.S. dollars. At March 31, 2008, accounts receivable included \$11.6 million, compared with \$7.7 million at March 31, 2007, which are exposed to changes in the U.S. – Canadian dollar exchange rate.

NGX also has energy contracts receivable and open energy contracts which are denominated in U.S. dollars. This foreign currency exposure is fully mitigated because NGX carries offsetting U.S. dollar denominated liabilities in the form of energy contracts payable and liabilities related to the fair value of open energy contracts.

During Q1/08 approximately 35% of our market data revenue was denominated in U.S. dollars, unchanged from Q1/07. In addition, approximately 52% of NGX's trading revenue in Q1/08 was denominated in U.S. dollars, compared with 27% in Q1/07.

Liquidity risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due.

We manage liquidity risk through the management of our capital and on April 18, 2008, we entered into two credit facilities (*see Capital Disclosures*).

Forward-Looking Information

This MD&A contains “forward looking information” (as defined in applicable Canadian securities legislation) that is based on expectations, estimates and projections as of the date of this MD&A. Often, but not always, such forward looking information can be identified by the use of forward looking words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “targeted”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, or variations or the negatives of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved or not be taken, occur or be achieved. Forward looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of TSX Group to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this MD&A.

Examples of such forward looking information in this MD&A include, but are not limited to factors relating to stock and derivatives exchanges and the business, financial position, operations and prospects of TSX Group and MX, which are subject to significant risks and uncertainties, including competition from other exchanges or marketplaces, including alternative trading systems, new technologies and other sources, on a national or international basis; dependence on the economy of Canada; failure to retain and attract qualified personnel; geopolitical factors which could cause business interruption; dependence on information technology; failure to implement our strategies; changes in regulation; risks of litigation; failure to develop or gain acceptance of new products; adverse effect of new business activities; dependence of trading operations on a small number of clients; the risks associated with NGX’s clearing operations; the risks associated with the credit of customers; cost structures being largely fixed; and dependence on market activity that cannot be controlled. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward looking information contained in this MD&A.

Such forward looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with business and economic conditions generally; exchange rates (including estimates of the U.S. dollar – Canadian dollar exchange rate), the level of trading and activity on markets, and particularly the level of trading in TSX Group’s and MX’s key products; the continued availability of financing on appropriate terms for future projects; productivity at TSX Group or MX, as well as that of TSX Group’s or MX’s competitors; market competition; research & development activities; the successful introduction of new derivatives and equity products; tax benefits/charges; the impact on TSX Group and MX of various regulations and initiatives; TSX Group’s or MX’s ongoing relations with their employees; and the extent of any labour, equipment or other disruptions at any of their operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward looking information, except as required by applicable securities law. This forward looking information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations.

There can be no assurance that forward looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking information. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items and additional risk factors are discussed in TSX Group’s materials, including our 2007 Annual MD&A and Annual Information Form. Please see the risk factors outlined in the previously mentioned documents, which risk factors are specifically incorporated by reference, filed with the securities regulatory authorities in Canada from time to time, and the impact upon them of subsequently reported items.

April 30, 2008

Interim Consolidated Balance Sheets

(In thousands of dollars) (Unaudited)

	March 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash	\$ 63,674	\$ 53,398
Marketable securities (note 6)	285,323	249,399
Accounts receivable	58,343	48,438
Energy contracts receivable (note 6)	779,774	745,378
Fair value of open energy contracts (note 6)	160,166	74,907
Prepaid expenses	6,360	6,561
Income taxes recoverable	1,606	-
Future tax asset	24,469	22,840
	1,379,715	1,200,921
Premises and equipment	20,030	21,324
Future tax asset	130,377	131,613
Other assets	26,671	25,869
Investment in affiliate	11,862	11,731
Intangible assets	66,460	66,578
Goodwill	65,883	65,883
	\$ 1,700,998	\$ 1,523,919
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 42,456	\$ 48,175
Energy contracts payable (note 6)	779,774	745,378
Fair value of open energy contracts (note 6)	160,166	74,907
Deferred revenue	64,047	6,484
Deferred revenue-initial and additional listing fees	63,915	61,820
Obligation under capital lease	48	152
Income taxes payable	-	9,724
	1,110,406	946,640
Accrued employee benefits liabilities	12,294	12,113
Obligation under capital lease	60	71
Other liabilities	22,061	30,331
Deferred revenue-initial and additional listing fees	370,534	362,854
	1,515,355	1,352,009
Shareholders' equity:		
Share capital	386,526	379,370
Share option plan (note 3)	4,079	5,060
Deficit	(204,962)	(212,520)
	185,643	171,910
	\$ 1,700,998	\$ 1,523,919

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Income

<i>(In thousands of dollars, except per share amounts) (Unaudited)</i>	Three months ended	
	March 31,	
	2008	2007
Revenue:		
Issuer services	\$ 37,639	\$ 30,148
Trading and related	42,025	42,115
Market data	29,120	26,591
Business services and other	3,569	2,248
	112,353	101,102
Expenses:		
Compensation and benefits	23,411	25,543
Information and trading systems	7,158	6,601
General and administration	10,243	11,083
Amortization	4,194	3,741
	45,006	46,968
Income from operations	67,347	54,134
Income from investment in affiliate	131	41
Investment income	4,446	3,987
Loss on termination of joint venture (note 9)	(15,152)	-
Income before income taxes	56,772	58,162
Income taxes	24,026	21,714
Net income	\$ 32,746	\$ 36,448
Earnings per share (note 4):		
Basic	\$ 0.49	\$ 0.53
Diluted	\$ 0.49	\$ 0.53

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Changes in Shareholders' Equity

<i>(In thousands of dollars) (Unaudited)</i>	Three months ended	
	March 31,	
	2008	2007
Common shares:		
Balance, beginning of period	\$ 379,370	\$ 387,501
Proceeds on options exercised	5,729	3,071
Cost of exercised options	1,427	850
Balance, end of period	386,526	391,422
Share option plan:		
Balance, beginning of period	5,060	3,942
Cost of exercised options	(1,427)	(850)
Cost of share option plan	446	626
Balance, end of period	4,079	3,718
Deficit:		
Balance, beginning of period	(212,520)	(164,488)
Transitional adjustment	-	621
Net income	32,746	36,448
Dividends on common shares	(25,188)	(26,072)
Balance, end of period	(204,962)	(153,491)
Shareholders' equity, end of period	\$ 185,643	\$ 241,649

See accompanying notes to interim consolidated financial statements.

Interim Consolidated Statements of Cash Flows

<i>(In thousands of dollars) (Unaudited)</i>	Three months ended	
	March 31,	
	2008	2007
Cash flows from (used in) operating activities:		
Net income	\$ 32,746	\$ 36,448
Adjustments to determine net cash flows:		
Amortization	4,194	3,741
Unrealized (gain) loss on marketable securities	(802)	510
Income from investment in affiliate	(131)	(41)
Cost of share option plan	446	626
Future tax asset	(393)	(4,094)
Energy contracts receivable	(34,396)	201,260
Accounts receivable and prepaid expenses	(9,704)	(10,331)
Other assets	(802)	429
Accounts payable and accrued liabilities	(5,719)	(11,709)
Energy contracts payable	34,396	(201,260)
Long-term accrued and other liabilities	(8,089)	1,370
Deferred revenue	67,338	72,453
Income taxes payable, net	(11,330)	(20,148)
	67,754	69,254
Cash flows from (used in) financing activities:		
Reduction in obligation under capital lease	(141)	(227)
Proceeds on exercised options	5,729	3,071
Dividends on common shares	(25,188)	(26,072)
	(19,600)	(23,228)
Cash flows from (used in) investing activities:		
Additions to intangible assets	(1,397)	-
Additions to premises and equipment	(1,359)	(1,014)
Marketable securities	(35,122)	(33,312)
	(37,878)	(34,326)
Increase in cash	10,276	11,700
Cash, beginning of period	53,398	37,018
Cash, end of period	\$ 63,674	\$ 48,718
Supplemental cash flow information:		
Interest paid	\$ 263	\$ 228
Interest received	3,612	4,184
Income taxes paid	35,956	46,527

See accompanying notes to interim consolidated financial statements.

Notes to Interim Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (Unaudited) (In thousands of dollars, except per share amounts)

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, 2007 except as described in note 1 below. 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 and accompanying notes for the year ended December 31, 2007.

1. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company’s wholly-owned subsidiaries, TSX Inc. (“TSX”), Natural Gas Exchange Inc. (“NGX”), Shorcan Brokers Limited (“Shorcan”), The Equicom Group Inc. (“Equicom”), the proportionate consolidation of CDEX Inc. (“CDEX”), and the wholly-owned subsidiaries of TSX, TSX Venture Exchange Inc. (“TSX Venture”) and NGX.

(b) Capital maintenance and financial instruments:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants Handbook Section 1535 “Capital Disclosures” which establishes standards for disclosing an entity’s objectives, policies and processes for managing capital, Section 3862, “Financial Instruments – Disclosure” and Section 3863, “Financial Instruments – Presentation”.

The adoption of these new recommendations had no significant impact on the Company’s financial accounting policies, however additional financial disclosure related to the nature and risks arising from financial instruments have been included in notes 6, 7 and 8.

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, Shorcan, a fixed income inter-dealer broker, and Equicom, an investor relations and corporate communications services provider. The Energy Markets segment is engaged in trading and clearing natural gas and electricity contracts through NGX.

Three months ended March 31, 2008

	Capital Markets	Energy Markets	Total
Total Revenue	\$ 105,706	\$ 6,647	\$ 112,353
Net Income	31,071	1,675	32,746
Goodwill	44,604	21,279	65,883
Total Assets	704,820	996,178	1,700,998

Three months ended March 31, 2007

	Capital Markets	Energy Markets	Total
Total Revenue	\$ 96,152	\$ 4,950	\$ 101,102
Net Income	35,840	608	36,448
Goodwill	38,587	21,279	59,866
Total Assets	690,852	791,997	1,482,849

3. Share option plan:

The Company established a share option plan in 2002, the year of its initial public offering. All employees of the Company and those of its designated subsidiaries at or above the director level are eligible to be granted share options under the share option plan. According to the terms of the plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5% of the outstanding common shares issued of the Company. 4,153,154 common shares of the Company remain reserved for issuance upon exercise of share options granted under this plan, representing approximately 6% of the outstanding common shares of the Company.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2008: dividend yield of 2.9 percent; expected volatility of 23.6 percent; risk-free interest rate of 4.1 percent and expected life of 7 years.

Options granted will expire in 2011, 2012, 2013, 2014 and 2015.

Share options:

	Three months ended March 31, 2008		Three months ended March 31, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	973,522	\$ 31.64	1,096,650	\$ 25.17
Granted	166,693	45.23	207,471	53.04
Forfeited	(62,441)	51.43	(2,628)	38.10
Exercised	(268,796)	21.31	(187,364)	16.39
Outstanding, end of period	808,978	\$ 36.34	1,114,129	\$ 31.80

At March 31, 2008, 486,570 options were fully vested and exercisable at strike prices in the range of \$10.53 to \$53.04.

For the three months ended March 31, 2008, the Company recognized compensation cost of \$446 (three months ended March 31, 2007 – \$626) in respect of its share option plan.

4. Earnings per share:

	Three months ended March 31,	
	2008	2007
Net income	\$ 32,746	\$ 36,448
Weighted average number of common shares outstanding	66,294,636	68,516,276
Basic earnings per share	\$ 0.49	\$ 0.53
Diluted weighted average number of common shares outstanding	66,828,979	69,083,472
Diluted earnings per share	\$ 0.49	\$ 0.53

5. Employee future benefits:

Total retirement benefit cost for the three months ended March 31, 2008 was \$1,387 (three months ended March 31, 2007 – \$1,888).

Notes to Interim Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (Unaudited) (In thousands of dollars, except per share amounts)

6. Financial Instruments:

The Company has classified the significant impacts of its financial instruments as follows:

(a) Marketable securities:

The investment portfolio includes pooled fund investments managed by an external investment fund manager. Market values for securities held by the pooled funds are determined by reference to quoted market prices. There is no contracted maturity date for the investments.

The Company has designated its marketable securities as held-for-trading. At March 31, 2008, these investments have been measured at fair value and unrealized gains of \$802 during the three months ended March 31, 2008 have been reflected in net income in the consolidated financial statements (three months ended March 31, 2007 – unrealized losses of \$510).

(b) Swaps:

TSX has entered into total return swaps (“TRS’s”) which synthetically replicate the economics of TSX purchasing the Company’s shares as a partial fair value hedge to the share appreciation rights of restricted share units and deferred share units that are awarded to directors and employees of the Company and its designated subsidiaries. TSX marks to market the fair value of the TRS’s as an adjustment to income, and simultaneously marks to market the liability to holders of the share units as an adjustment to income. The fair value of the TRS’s is based upon the excess or deficit of the volume weighted average price of the Company’s shares for the last five days of the month compared with the Company’s share price at the date of entering into the TRS’s. The fair value of the TRS’s and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The following tables represent the TRS’s which are outstanding at:

March 31, 2008:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #10	\$ 664	\$ -	\$ 664	\$ -	\$ (98)	\$ (98)
Equity Swap Contract #13	-	854	854	-	(200)	(200)
Equity Swap Contract #14	5,310	-	5,310	-	(968)	(968)
Equity Swap Contract #15	2,453	-	2,453	-	(168)	(168)
Equity Swap Contract #16	10,548	-	10,548	-	(722)	(722)
Equity Swap Contract #17	-	407	407	16	-	16
	\$ 18,975	\$ 1,261	\$ 20,236	\$ 16	\$ (2,156)	\$ (2,140)

March 31, 2007:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	1 to 3 years	Total	Gain	Loss	Net
Equity Swap Contract #5	\$ 695	-	\$ 695	\$ 537	\$ -	\$ 537
Equity Swap Contract #7	12,388	-	12,388	1,645	-	1,645
Equity Swap Contract #8	621	-	621	31	-	31
Equity Swap Contract #10	-	664	664	32	-	32
Equity Swap Contract #11	4,268	-	4,268	-	(61)	(61)
Equity Swap Contract #12	620	-	620	20	-	20
Equity Swap Contract #13	-	854	854	-	(49)	(49)
	\$ 18,592	\$ 1,518	\$ 20,110	\$ 2,265	\$ (110)	\$ 2,155

The unrealized losses reflected in net income during the three month period ended March 31, 2008 were \$5,640 (three month period ended March 31, 2007 – unrealized gains \$1,340).

(c) NGX energy contracts:

NGX energy contracts receivable and payable positions are recognized for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not yet been made.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income.

7. Risk Management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or a contracting party to an exchange transaction between participants ("Contracting Party" or "Counterparty") to a financial instrument fails to meet its contractual obligations, and arises principally from investments in marketable securities, swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan and NGX.

(i) Investments in marketable securities

The Company manages its exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 90% of the investment portfolio and a minimum 10% in money market funds. Corporate bonds must have a minimum credit rating of BBB by Dominion Bond Rating Services. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. The Company does not have any investments in non-bank asset-backed commercial paper. At March 31, 2008 the investment portfolio was comprised of 34% in short-term bond and mortgage funds and 66% in money market funds (March 31, 2007 – 45% : 55%).

(ii) Total Return Swaps

The Company limits its exposure to credit risk on TRS's by contracting with a major Canadian chartered bank.

(iii) Accounts receivable

The Company's exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its customers, many of whom are listed issuers or financial institutions. There is no concentration of credit risk attributable to transactions with a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading privileges.

(iv) Clearing and/or brokerage operations

The Company is exposed to credit risk in the event that customers or Contracting Parties fail to settle on the contracted settlement date.

Shorcan's exposure is limited by the nature of the customers being primarily broker dealers, banks and other financial institutions. Shorcan also has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

NGX requires each Contracting Party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a major Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a Contracting Party. NGX measures total potential exposure for both credit and market risk for each Contracting Party on a real-time basis as the aggregate of:

(a) Outstanding energy contracts receivable;

(b) "Variation Margin", comprised of the aggregate "mark-to-market" exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and

(c) "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of Contracting Party exposure at March 31, 2008, NGX held cash collateral deposits of \$323,017 (March 31, 2007 – \$255,950) and letters of credit of \$2,588,728 (March 31, 2007 – \$1,800,460).

(v) Guarantees

NGX also maintains an unsecured clearing backstop fund of U.S. \$100,000. The Company is the guarantor of this fund.

Notes to Interim Consolidated Financial Statements

Three months ended March 31, 2008 and 2007 (Unaudited) (In thousands of dollars, except per share amounts)

(b) Market risk:

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will effect the Company's income or the value of its holdings of financial instruments.

(i) Foreign currency risk

The Company is exposed to foreign currency risk on sales and accounts receivable denominated in U.S. dollars. At March 31, 2008, accounts receivable include \$11,624 (March 31, 2007 – \$7,651), which are exposed to changes in the U.S. – Canadian dollar exchange rate.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its money market and short-term bond and mortgage fund investments. An external investment fund manager has been engaged by the Company to manage the asset mix and the risks associated with these investments. At March 31, 2008 the Company held \$285,323 in these funds (March 31, 2007 – \$318,611).

(iii) Equity price risk

The Company is exposed to equity price risk arising from its utilization of TRS's. The fair value of the TSR's is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five days of the month compared with the Company's share price at the date of entering into the TRS's. The change in the fair value of the TRS's is offset by the change in the obligation to restricted share units and deferred share units holders.

(iv) Other market price risk

The Company is exposed to other market price risk from the activities of both Shorcan and NGX if a Contracting Party fails to take or deliver either securities or energy products on the contracted settlement date where the contracted price is less favourable than the current market price.

Shorcan's risk is limited by its status as an agent, the fact that it does not purchase or sell securities for its own account, the short period of time between trade date and settlement date, the quality of the Contracting Parties and the defaulting Contracting Party's liability for any difference between the amounts received upon sale of the securities and the amount paid to acquire the securities.

NGX's measure of total potential exposure, as described previously, includes measures of market risk which are factored into the collateral required from each Contracting Party. In the event of a default by a Contracting party, NGX has the right to terminate and liquidate the Contracting Party's open positions, including the netting of all positive and negative exposures associated with the Contracting Party and drawing down their collateral.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital (note 8) and on April 18, 2008, the Company entered into a credit agreement (the "credit facility") to finance the cash consideration of the acquisition of all of the outstanding common shares of the Montreal Exchange with a three year term facility of \$430,000. The Company has also entered into a revolving facility of \$50,000. The credit facility is unsecured and includes covenants that will require the Company to maintain: (i) a maximum debt to adjusted EBITDA ratio of 3.5:1, (ii) a minimum consolidated net worth based on a contracted formula and (iii) a debt incurrence test of not more than 3:1. The credit facility may be drawn on in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. On April 30, 2008, the Company drew down the \$430,000 credit facility.

8. Capital maintenance:

In accordance with Section 1535 “Capital Disclosures”, the Company’s primary objectives in managing capital include:

- (i) Providing sufficient capital to maintain operations and market confidence and to meet capital maintenance requirements imposed on its subsidiaries:
 - (a) In respect of TSX by the Ontario Securities Commission (“OSC”) to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
 - (i) a current ratio not less than 1.1:1;
 - (ii) a debt to cash flow ratio not greater than 4:1; and
 - (iii) a financial leverage ratio consisting of adjusted total assets to adjusted shareholders’ equity not greater than 4:1
 - (b) In respect of TSX Venture by various provincial securities commissions to maintain adequate financial resources;
 - (c) In respect of NGX to:
 - (i) maintain adequate financial resources by the Alberta Securities Commission; and
 - (ii) maintain a current ratio of no less than 1:1 and a tangible net worth of not less than \$9,000 by a major Canadian chartered bank
 - (d) In respect of Shorcan by the Investment Dealers Association of Canada which requires Shorcan to maintain a minimum level of shareholder’s equity of \$500;

The Company has complied with these externally imposed capital requirements;

- (ii) Retaining sufficient capital to invest and continue to grow our business; and
- (iii) Returning capital to shareholders through dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids.

9. Acquisitions:

On December 10, 2007, the Company and Montreal Exchange (“MX”) entered into a combination agreement pursuant to which the Company will indirectly acquire all of MX’s outstanding common shares for a total consideration consisting of up to 15,346,000 common shares of the Company and up to \$428,200 in cash. The total purchase price, based on preliminary estimates, is estimated to be \$1.25 billion. The Company intends to finance the cash consideration with a three year term facility of \$430,000 (note 7). All MX outstanding share options will be cancelled under the terms of the combination agreement and will be exchanged for approximately 175,305 of the Company’s share options. The transaction is expected to close on May 1, 2008. All necessary shareholder and regulatory approvals have been obtained.

In connection with the agreement to combine the Company with MX, the Company provided International Securities Exchange, Inc. (“ISE”) with a notice of a competing transaction as required under the terms of the CDEX shareholders’ agreement, which was created to operate DEX™ a new derivatives exchange. If the parties were unable to agree to an alternative business arrangement, originally by January 10, 2008 and subsequently extended to March 31, 2008 through an amending agreement, the Company would be required to pay ISE \$15,000, plus interest. The Company and ISE did not conclude an alternative business arrangement by March 31, 2008. As a result, the Company acquired 100% ownership of CDEX and paid ISE \$15,000, plus interest, on April 1, 2008. The required payment and interest has been accrued in the Company’s consolidated financial statements.

10. Comparative figures:

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

Market Statistics*

(Unaudited)

	Three months ended	
	March 31,	
	2008	2007
Toronto Stock Exchange:		
Volume (<i>millions</i>)	25,526.8	23,738.1
Value (<i>\$ billions</i>)	473.1	386.2
Transactions (<i>000s</i>)	41,279.9	25,980.2
Issuers Listed	1,612	1,597
New Issuers Listed:		
Number of Initial Public Offerings	21	20
Number of graduates from TSX Venture/NEX	17	16
New Equity Financing: (<i>\$ millions</i>)		
Initial Public Offering Financings (<i>\$ millions</i>)	497.9	1,503.3
Secondary Offering Financings ¹ (<i>\$ millions</i>)	6,649.6	5,411.0
Supplementary Financings (<i>\$ millions</i>)	1,727.8	6,659.3
Market Cap of Issuers Listed (<i>\$ billions</i>)	1,991.1	2,093.8
S&P/TSX Composite Index ² Close	13,350.1	13,165.5
TSX Venture Exchange: ³		
Volume (<i>millions</i>)	11,477.9	13,485.5
Value (<i>\$ millions</i>)	7,780.6	12,663.0
Transactions (<i>000s</i>)	1,732.9	2,381.6
Issuers Listed	2,381	2,271
New Issuers Listed		
New Equity Financing: (<i>\$ millions</i>)	1,510.3	2,417.8
Initial Public Offering Financings (<i>\$ millions</i>)	68.0	115.3
Secondary Offering Financings ¹ (<i>\$ millions</i>)	1,442.3	2,302.5
Market Cap of Issuers Listed: (<i>\$ billions</i>)	51.4	62.9
S&P/TSX Venture Composite Index ² Close	2,517.6	3,186.8
Toronto Stock Exchange and TSX Venture Exchange:		
Professional and Equivalent Real-time Data Subscriptions	164,819	144,043

1 Secondary Offering Financings includes prospectus offerings on both a treasury and secondary basis.

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

3 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 (159 issuers at March 31, 2007 and 165 issuers at March 31, 2008).

* Certain comparative figures have been restated.

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Le rapport du premier trimestre est également disponible en français.

DIVIDEND INFORMATION

The Board of Directors of TSX Group Inc. declared a dividend of \$0.38 on each common share outstanding, payable on May 30, 2008 to shareholders of record at the close of business on May 15, 2008. TSX Group hereby advises that this dividend is an “eligible dividend” in accordance with the Canada Revenue Agency release dated December 20, 2006. For more information regarding the designation of dividends, please refer to their release. Shareholders with questions regarding the tax treatment of dividends should consult with their own tax advisors or contact their local office of the Canada Revenue Agency and where applicable, the provincial taxation authorities.

NON-GAAP MEASURES

Adjusted earnings per share is a non-GAAP measure and is presented as an indication of operating performance exclusive of the payment made related to terminating our joint venture to operate DEX. This measure is unlikely to be comparable to similar measures presented by other issuers. Management believes this measure allows it to assess the operating performance excluding this type of payment. This measure is reconciled in our Q1-2008 Management’s Discussion and Analysis on page 2.

TRADE-MARKS

TSX, TSX Group, Toronto Stock Exchange, TSX Venture Exchange, TSX Quantum, Natural Gas Exchange, NGX, CDEX, DEX, Equicom, Shorcan, PC-Bond, TMX, TMX Group and TSX Infinity are trade-marks of TSX Inc.

MX is a trade-mark of Bourse de Montréal, Inc.

FORWARD-LOOKING INFORMATION

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 Information” in the Q1-2008 Management’s Discussion and Analysis for some of the risk factors that could cause actual events or results to differ materially from current expectations.



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