

TSX GROUP INC.

Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)
Restated (note 1)

	March 31, 2005	December 31, 2004
Assets		
Current assets:		
Cash	\$ 14,912	\$ 17,424
Marketable securities	179,813	154,126
Accounts receivable	34,062	19,751
Energy contracts receivable	558,478	608,383
Prepaid expenses	3,500	2,592
Future tax asset	5,168	5,694
	<u>795,933</u>	<u>807,970</u>
Premises and equipment	30,442	31,484
Future tax asset	117,287	111,873
Other assets	13,757	14,686
Investment in affiliate	12,049	12,132
Intangible assets	32,581	33,208
Goodwill	24,941	24,941
	<u>\$1,026,990</u>	<u>\$1,036,294</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 23,162	\$ 31,852
Energy contracts payable	557,275	607,537
Deferred revenue	40,178	2,828
Current portion of obligation under capital lease	675	533
Income taxes payable	2,846	19,587
	<u>624,136</u>	<u>662,337</u>
Long term liabilities:		
Accrued employee benefits liability	7,432	7,220
Obligation under capital lease	1,615	1,282
Other liabilities	19,214	15,784
	<u>28,261</u>	<u>24,286</u>
Deferred revenue-initial and additional listing fees (note 2)	232,486	220,155
Shareholders' equity:		
Share capital	379,099	375,765
Reserve for share option plan (note 4)	1,441	1,662
Deficit	(238,433)	(247,911)
	<u>142,107</u>	<u>129,516</u>
	<u>\$1,026,990</u>	<u>\$1,036,294</u>

See accompanying notes to consolidated financial statements.

TSX GROUP INC.

Consolidated Statements of Income
(In thousands of dollars, except per share amounts)
(Unaudited)
Restated (note 1)

	Three months ended March 31,	
	2005	2004
Revenue:		
Listing	\$ 20,772	\$ 17,724
Trading and related	30,495	26,224
Market data	15,848	14,435
Business services	2,142	2,198
Other	489	249
	<hr/> 69,746	<hr/> 60,830
Expenses:		
Compensation and benefits	20,815	18,995
Information and trading systems	4,404	3,787
General and administration	8,473	9,593
Amortization	3,130	2,776
	<hr/> 36,822	<hr/> 35,151
Income from operations	32,924	25,679
Loss from investment in affiliate	(83)	(397)
Investment income	1,633	1,964
	<hr/> 34,474	<hr/> 27,246
Income before income taxes	34,474	27,246
Income taxes	11,399	9,130
	<hr/> \$ 23,075	<hr/> \$ 18,116
Net income		
Earnings per share (note 5):		
Basic	0.68	0.54
Diluted	0.67	0.53

See accompanying notes to consolidated financial statements.

TSX GROUP INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of dollars)
(Unaudited)
Restated (note 1)

	Three months ended March 31,	
	2005	2004
Common shares:		
Balance, beginning of period	\$ 375,765	\$ 372,004
Proceeds on options exercised	2,668	1,787
Cost of exercised options	666	470
Balance, end of period	379,099	374,261
Reserve for share option plan:		
Balance, beginning of period	1,662	1,018
Cost of exercised options	(666)	(470)
Cost of share option plan	445	392
Balance, end of period	1,441	940
Deficit:		
Balance, beginning of period, as previously presented	(96,620)	(155,735)
Retroactive impact of change in accounting policy (note 1)	(151,291)	(121,384)
Balance, beginning of period, as restated	(247,911)	(277,119)
Net income	23,075	18,116
Dividends on common shares	(13,597)	(8,459)
Balance, end of period	(238,433)	(267,462)
Shareholders' equity, end of period	\$ 142,107	\$ 107,739

See accompanying notes to consolidated financial statements.

TSX GROUP INC.

Consolidated Statements of Cash Flows
(In thousands of dollars)
(Unaudited)
Restated (note 1)

	Three months ended March 31,	
	2005	2004
Cash flows from (used in) operating activities:		
Net income	\$ 23,075	\$ 18,116
Items not involving cash:		
Amortization	3,130	2,776
Loss from investment in affiliate	83	397
Cost of share option plan	445	392
(Gain) loss on disposal of equipment	(4)	245
Decrease in future tax asset	<u>(4,888)</u>	<u>(5,580)</u>
	21,841	16,346
Change in non-cash working capital:		
Decrease (increase) in energy contracts receivable	49,905	(54,423)
Increase in accounts receivable and prepaid expenses	(14,219)	(9,353)
Increase in other assets	(71)	(3,568)
Decrease in accounts payable and accrued liabilities	(8,478)	(5,033)
(Decrease) increase in energy contracts payable	(50,262)	53,653
Increase in long term other liabilities	3,430	682
Increase in deferred revenue	49,681	46,018
Decrease in income taxes payable	<u>(16,741)</u>	<u>(37)</u>
	35,086	44,285
Cash flows from (used in) financing activities:		
Reduction in obligation under capital lease	(186)	(72)
Exercised options	2,668	1,787
Dividends on common shares	<u>(13,597)</u>	<u>(8,459)</u>
	(11,115)	(6,744)
Cash flows from (used in) investing activities:		
Additions to premises and equipment	(800)	(2,875)
Proceeds on disposal of equipment	4	25
Purchase of NGX Canada Inc., net of cash acquired	-	(27,107)
Increase in marketable securities	<u>(25,687)</u>	<u>(865)</u>
	(26,483)	(30,822)
Increase (decrease) in cash	(2,512)	6,719
Cash, beginning of period	17,424	8,230
Cash, end of period	<u>\$ 14,912</u>	<u>\$ 14,949</u>
Supplemental cash flow information:		
Interest paid	\$ 71	\$ 128
Interest received	1,817	996
Income taxes paid	33,386	14,865

See accompanying notes to consolidated financial statements.

TSX GROUP INC.

Notes to Consolidated Financial Statements
(In thousands of dollars, except per share amounts)

Three months ended March 31, 2005 and 2004
(Unaudited)
Restated (note 1)

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 restated consolidated financial statements for the year ended December 31, 2004. 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 restated consolidated financial statements for the year ended December 31, 2004.

1. Change in accounting policy:

The Company has retroactively changed its accounting policy for initial listing fees and additional listing fees to comply with the evolving interpretation of The Canadian Institute of Chartered Accountants' Emerging Issues Committee Abstract 141-Revenue Recognition. Previously, non-refundable initial and additional listing fees were recognized at the time such fees were received. The Company now recognizes such fees on a straight-line basis over an estimated service period of ten years.

For Toronto Stock Exchange, reported revenue from initial and additional listing fees has been recalculated for the ten years preceding the periods presented in these financial statements. For TSX Venture Exchange, which was acquired on August 1, 2001, reported revenue from initial and additional listing fees has been recalculated from the date of acquisition.

The effect of this change in accounting policy relating to revenue recognition is a decrease in revenue for the three months ended March 31, 2005 of \$12,331 (2004 - \$13,571). Income taxes for the three months ended March 31, 2005 decreased by \$5,257 (2004 - \$5,843) and net income for the three months ended March 31, 2005 decreased by \$7,074 (2004 - \$7,728). The effect of the change on basic earnings per share for the three months ended March 31, 2005 was a decrease of \$0.21 (2004 - \$0.22).

The effect on the consolidated balance sheet at March 31, 2005 and at December 31, 2004 is an increase in the future tax asset of \$74,121 and \$68,864 respectively, and an increase in deferred revenue-initial and additional listing fees of \$232,486 and \$220,155 respectively, with a corresponding increase in deficit of \$158,365 and \$151,291 respectively.

TSX GROUP INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Three months ended March 31, 2005 and 2004
(Unaudited)
Restated (note 1)

2. Deferred revenue-initial and additional listing fees:

Deferred revenue-initial and additional listing fees represents non-refundable fees received from listed issuers. This deferred revenue will be recognized on a straight line basis over an estimated service period of ten years.

3. 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 March 31,		
	Capital Markets restated	Energy Markets*	Total restated
2005			
Total Revenue	\$ 65,863	\$ 3,883	\$ 69,746
Net Income	22,311	764	23,075
Goodwill	5,963	18,978	24,941
Total Assets 1,026,990	452,641	574,349	
2004			
Total Revenue	\$ 59,613	\$ 1,217	\$ 60,830
Net Income	17,985	131	18,116
Goodwill	5,963	18,369	24,332
Total Assets	355,514	470,100	825,614

* Results from date of acquisition (March 1, 2004).

TSX GROUP INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of dollars, except per share amounts)

Three months ended March 31, 2005 and 2004
(Unaudited)
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4. Share option plan:

The Company established a share option plan in the year of its initial public offering. All officers and director level 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 exceeding 5% of the outstanding common shares issued. 2,552,849 common shares of the Company remain reserved for issuance upon exercise of options granted under this plan, representing approximately 8% of the outstanding common shares of the Company.

In February 2005, 188,843 options were granted to eligible employees. In 2005, 106,951 options were exercised, 75,797 options were forfeited, resulting in 672,045 options remaining outstanding under the share option plan. Options granted in 2005 have strike prices of \$59.271.

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 2005: dividend yield of 2.5 percent; expected volatility of 25 percent; risk-free interest rate of 4 percent and expected life of seven years.

Options granted will expire in 2012, 2013 and 2014.

Share options:

	Three months ended March 31, 2005		Three months ended March 31, 2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	665,950	\$ 27.874	703,000	\$ 21.215
Granted	188,843	59.271	225,400	44.812
Forfeited	(75,797)	29.954	(17,250)	21.057
Exercised	(106,951)	24.860	(84,850)	21.057
Outstanding, end of period	672,045	34.117	826,300	27.111

135,449 options were fully vested and exercisable at strike prices in the range of \$21.057 and \$44.806 at March 31, 2005.

TSX GROUP INC.

Notes to Consolidated Financial Statements (continued)
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Three months ended March 31, 2005 and 2004
(Unaudited)
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During the period, the Company recognized compensation cost of \$445 (year to date March 2004 - \$392) in respect of its share option plan.

5. Earnings per share:

	Three months ended March 31,	
	2005	2004
Net income	\$ 23,075	\$ 18,116
Weighted average number of common shares outstanding	33,953,374	33,797,864
Basic earnings per share	\$ 0.68	\$ 0.54
Diluted weighted average number of common shares outstanding	34,244,388	34,190,369
Diluted earnings per share	\$ 0.67	\$ 0.53

6. Employee future benefits:

Total retirement benefit cost for the quarter ended March 31, 2005 was \$1,240 (2004 - \$988).

7. Contingent liability:

From time to time in connection with its operations, the Corporation or its subsidiaries are named as a defendant in actions for damages and costs sustained by plaintiffs. During the first quarter of 2005 TSX Venture Exchange Inc. was named as a defendant in an action for unspecified damages. The Corporation believes the claim is without merit and intends to vigorously defend the action. Accordingly, no provision has been made in the accounts.

8. Comparative figures:

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