

TSX GROUP INC.

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

	June 30, 2005	December 31, 2004
Assets		
Current assets:		
Cash	\$ 15,116	\$ 17,424
Marketable securities	204,757	154,126
Accounts receivable	28,878	19,751
Energy contracts receivable	475,370	608,383
Prepaid expenses	2,813	2,592
Future tax asset	5,823	5,694
	<u>732,757</u>	<u>807,970</u>
Premises and equipment	28,984	31,484
Future tax asset	121,946	111,873
Other assets	14,283	14,686
Investment in affiliate	11,953	12,132
Intangible assets	31,954	33,208
Goodwill	24,941	24,941
	<u>\$ 966,818</u>	<u>\$1,036,294</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,043	\$ 31,852
Energy contracts payable	473,739	607,537
Deferred revenue	28,996	2,828
Current portion of obligation under capital lease	579	533
Income taxes payable	7,647	19,587
	<u>535,004</u>	<u>662,337</u>
Long term liabilities:		
Accrued employee benefits liability	7,644	7,220
Obligation under capital lease	1,522	1,282
Other liabilities	20,045	15,784
	<u>29,211</u>	<u>24,286</u>
Deferred revenue-initial and additional listing fees (note 2)	248,868	220,155
Shareholders' equity:		
Share capital	380,286	375,765
Reserve for share option plan (note 4)	1,745	1,662
Deficit	(228,296)	(247,911)
	<u>153,735</u>	<u>129,516</u>
	<u>\$ 966,818</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 June 30		Six months ended June 30	
	2005	2004	2005	2004
Revenue:				
Listing	\$ 21,567	\$ 18,487	\$ 42,339	\$ 36,211
Trading and related	28,411	23,375	58,906	49,599
Market data	16,415	14,523	32,263	28,958
Business services	1,863	2,063	4,005	4,261
Other	365	894	854	1,143
	<u>68,621</u>	<u>59,342</u>	<u>138,367</u>	<u>120,172</u>
Expenses:				
Compensation and benefits	18,302	18,100	39,117	37,095
Information and trading systems	4,081	3,711	8,485	7,498
General and administration	8,966	9,135	17,439	18,728
Amortization	3,207	3,167	6,337	5,943
	<u>34,556</u>	<u>34,113</u>	<u>71,378</u>	<u>69,264</u>
Income from operations	34,065	25,229	66,989	50,908
Loss from investment in affiliate	(96)	(306)	(179)	(703)
Investment income	2,133	(44)	3,766	1,920
Income before income taxes	36,102	24,879	70,576	52,125
Income taxes	12,354	8,692	23,753	17,822
Net income	<u>\$ 23,748</u>	<u>\$ 16,187</u>	<u>\$ 46,823</u>	<u>\$ 34,303</u>
Earnings per share (note 5):				
Basic	\$ 0.35	\$ 0.24	\$ 0.69	\$ 0.51
Diluted	0.35	0.24	0.68	0.50

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)

	Six months ended June 30	
	2005	2004
Common shares:		
Balance, beginning of period	\$ 375,765	\$ 372,004
Proceeds on options exercised	3,630	2,298
Cost of exercised options	891	603
Balance, end of period	380,286	374,905
Reserve for share option plan:		
Balance, beginning of period	1,662	1,018
Cost of exercised options	(891)	(603)
Cost of share option plan	974	839
Balance, end of period	1,745	1,254
Deficit:		
Balance, beginning of period, as previously presented	(96,620)	(155,735)
Retroactive impact of change in accounting policy (note 1)	<u>(151,291)</u>	<u>(121,384)</u>
Balance, beginning of period, as restated	(247,911)	(277,119)
Net income	46,823	34,303
Dividends on common shares	(27,208)	(16,924)
Balance, end of period	(228,296)	(259,740)
Shareholders' equity, end of period	\$ 153,735	\$ 116,419

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		Six months ended	
	June 30		June 30	
	2005	2004	2005	2004
Cash flows from (used in) operating activities:				
Net income	\$ 23,748	\$ 16,187	\$ 46,823	\$ 34,303
Items not involving cash:				
Amortization	3,207	3,167	6,337	5,943
Loss from investment in affiliate	96	306	179	703
Cost of share option plan	529	447	974	839
(Gain) loss on disposal of equipment	11	(14)	7	231
Decrease (increase) in future tax asset	<u>(5,314)</u>	<u>(6,842)</u>	<u>(10,202)</u>	<u>(12,422)</u>
	22,277	13,251	44,118	29,597
Change in non-cash working capital:				
Decrease (increase) in energy contracts receivable	83,108	(85,382)	133,013	(139,805)
Decrease (increase) in accounts receivable and prepaid expenses	4,871	6,333	(9,348)	(3,020)
Decrease (increase) in other assets	474	432	403	(3,136)
Increase (decrease) in accounts payable and accrued liabilities	1,093	522	(7,385)	(4,511)
(Decrease) increase in energy contracts payable	(83,536)	84,942	(133,798)	138,595
Increase (decrease) in long term other liabilities	831	(115)	4,261	567
(Decrease) increase in deferred revenue	5,200	5,775	54,881	51,793
Increase (decrease) in income taxes payable	4,801	6,451	(11,940)	6,414
	39,119	32,209	74,205	76,494
Cash flows from (used in) financing activities:				
Reduction in obligation under capital lease	(194)	(71)	(380)	(143)
Exercised options	962	511	3,630	2,298
Dividends on common shares	<u>(13,611)</u>	<u>(8,465)</u>	<u>(27,208)</u>	<u>(16,924)</u>
	(12,843)	(8,025)	(23,958)	(14,769)
Cash flows from (used in) investing activities:				
Additions to premises and equipment	(1,224)	(1,684)	(2,024)	(4,559)
Proceeds on disposal of equipment	96	(11)	100	14
Purchase of NGX Canada Inc., net of cash acquired	–	(76)	–	(27,183)
Increase in marketable securities	<u>(24,944)</u>	<u>(18,341)</u>	<u>(50,631)</u>	<u>(19,206)</u>
	(26,072)	(20,112)	(52,555)	(50,934)
Increase (decrease) in cash	204	4,072	(2,308)	10,791
Cash, beginning of period	14,912	14,949	17,424	8,230
Cash, end of period	\$ 15,116	\$ 19,021	\$ 15,116	\$ 19,021
Supplemental cash flow information:				
Interest paid	\$ 180	\$ 118	\$ 251	\$ 246
Interest received	2,042	1,177	3,859	2,173
Income taxes paid	13,537	9,294	46,923	24,160

See accompanying notes to consolidated financial statements.

TSX GROUP INC.

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

Six months ended June 30, 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.

All references to earnings per common share, net income, net income per common share, dividends per common 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.

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 six months ended June 30, 2005 of \$28,713 (2004 - \$28,597) and a decrease in revenue for the three months ended June 30, 2005 of \$16,382 (2004 - \$15,026). Income taxes for the six months ended June 30, 2005 decreased by \$11,928 (2004 - \$12,177) and for the three months ended June 30, 2005 decreased by \$6,671 (2004 - \$6,334). Net income for the six months ended June 30, 2005 decreased \$16,785 (2004 - \$16,420) and for the three months ended June 30, 2005 decreased \$9,711 (2004 - \$8,692) The effect of the change on basic earnings per share for the six months ended June 30, 2005 was a decrease of \$0.25 (2004 - \$0.24) and for the three months ended June 30, 2005 was a decrease of \$0.14 (2004 - \$0.13).

TSX GROUP INC.

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

Six months ended June 30, 2005 and 2004
(Unaudited)
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The effect on the balance sheet at June 30, 2005 and at December 31, 2004 is an increase in the future tax asset of \$80,792 and \$68,864 respectively, and an increase in deferred revenue-initial and additional listing fees of \$248,868 and \$220,155 respectively, with a corresponding increase in deficit of \$168,076 and \$151,291 respectively.

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 June 30,		
	Capital Markets restated	Energy Markets [*]	Total restated
2005			
Total Revenue	\$ 64,314	\$ 4,307	\$ 68,621
Net Income	22,648	1,100	23,748
Goodwill	5,963	18,978	24,941
Total Assets	473,885	492,933	966,818
2004			
Total Revenue	\$ 56,495	\$ 2,847	\$ 59,342
Net Income	15,781	406	16,187
Goodwill	5,963	18,978	24,941
Total Assets	375,352	557,253	932,605

TSX GROUP INC.

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

Six months ended June 30, 2005 and 2004
(Unaudited)
Restated (note 1)

3. Segmented information (continued):

	Six months ended June 30,		
	Capital Markets restated	Energy Markets [*]	Total restated
2005			
Total Revenue	\$ 130,177	\$ 8,190	\$ 138,367
Net Income	44,959	1,864	46,823
Goodwill	5,963	18,978	24,941
Total Assets	473,885	492,933	966,818
2004			
Total Revenue	\$ 116,108	\$ 4,064	\$ 120,172
Net Income	33,766	537	34,303
Goodwill	5,963	18,978	24,941
Total Assets	375,352	557,253	932,605

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

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 to exceed 5% of the outstanding common shares issued. 5,044,980 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 2005, 377,686 options were granted to eligible employees. On May 05, 2005 an additional 6,796 options were granted. During the first half of 2005, 274,620 options were exercised, 151,594 options were forfeited, resulting in 1,290,168 options remaining outstanding under the share option plan. Options granted in 2005 have strike prices in the range of \$29.636 to \$31.113.

TSX GROUP INC.

Notes to Consolidated Financial Statements (continued)
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Six months ended June 30, 2005 and 2004
(Unaudited)
Restated (note 1)

4. Share option plan (continued):

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 June 30, 2005		Three months ended June 30, 2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,344,090	\$ 17.059	1,652,600	\$ 13.555
Granted	6,796	31.113	—	—
Forfeited	—	—	—	—
Exercised	(60,718)	16.133	(48,300)	10.571
Outstanding, end of period	1,290,168	18.754	1,604,300	14.009

During the second quarter, the Company recognized compensation cost of \$529 (second quarter 2004 - \$447) in respect of its share option plan.

	Six months ended June 30, 2005		Six months ended June 30, 2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,331,900	\$ 13.937	1,406,000	\$ 10.608
Granted	384,482	29.646	450,800	22.530
Forfeited	(151,594)	15.567	(34,500)	10.529
Exercised	(274,620)	12.744	(218,000)	10.529
Outstanding, end of period	1,290,168	17.889	1,604,300	13.776

219,247 options were fully vested and exercisable at strike prices in the range of \$10.529 to \$26.447 at June 30, 2005. During the first half of 2005, the Company recognized compensation cost of \$974 (year to date June 2004 - \$839) in respect of its share option plan.

TSX GROUP INC.

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

Six months ended June 30, 2005 and 2004
(Unaudited)
Restated (note 1)

5. Earnings per share:

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	2005	2004
Net income	\$23,748	\$16,187	\$46,823	\$34,303
Weighted average number of common shares outstanding	67,809,025	67,693,644	67,965,158	67,705,914
Basic earnings per share	\$0.35	\$0.24	\$0.69	\$0.51
Diluted weighted average number of common shares outstanding	68,369,930	68,444,940	68,536,111	68,475,136
Diluted earnings per share	\$0.35	\$0.24	\$0.68	\$0.50

6. Employee future benefits:

Total retirement benefit cost for the quarter ended June 30, 2005 was \$1,143 (2004 - \$1,123) and for the year-to-date was \$2,383 (2004 - \$2,110).

7. Contingent liability:

From time to time in connection with its operations, the Company 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 Company 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.