

CHAIR'S LETTER TO SHAREHOLDERS

It is my pleasure to report to you once again about the role TSX Group's Board of Directors played on shareholders' behalf at the company in 2005.

TSX Group's continued evolution as a leading operator of electronic marketplaces has produced another year of strong results for shareholders. The company's shares were split on a two-for-one basis in May, net income increased by 51 per cent and total dividends paid to investors in 2005 rose to 90 cents a share, a 55-per cent increase over 2004. This brings the total increase in the quarterly dividend since the company went public to 340 per cent, not including the special \$2.50 dividend (post-stock split) in 2003.

At the operational level, the company embarked on internal changes designed to promote greater efficiency. Incoming CEO Richard Nesbitt made adjustments to corporate strategy in anticipation of changes in the external competitive environments in Canada and the United States.

Shareholders will notice one of the more visible changes in this document. TSX Group has responded to investors' requests for an annual report that is cost-efficient while providing comprehensive information in plain language.

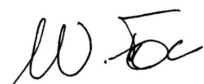
In 2005, TSX Group increased its cross-border activity in the United States, expanding activities there to serve the needs of U.S. investors and companies in the capital market with which TSX Group has its closest connections. As our enhanced U.S. initiative got underway last year, the U.S. exchanges announced plans for significant changes of their own. They began transactions that have accelerated exchange consolidation in the United States. As a consequence they are now addressing many of the structural and governance issues that TSX Group resolved several years ago as it became a public company. These U.S. exchange competitors will present challenges and opportunities for the Canadian capital markets.

In addition to these business initiatives, TSX Group also continued to play a leading role in governance last year. We adopted changes intended to enhance the effectiveness of our governance provisions while attempting to ensure that the benefits shareholders receive from them will exceed their costs.

As I have said previously, a central responsibility of a corporate board of directors is to establish governance policies that will guide the company's operations. In our case, as the operator of Canada's two leading national stock exchanges, our governance can also serve as a practical guide for companies listed on our markets. This year the Board has adopted new governance standards that are outlined in accompanying documents. They have been undertaken after careful consideration and consultation and include enhanced disclosure of executive compensation as well as adoption of majority voting by shareholders for directors. They reflect TSX Group's ongoing capital markets leadership in operating with fairness and transparency.

I would like to extend my thanks to all of TSX Group's Directors for their contributions at the Board's regular and special meetings last year. On behalf of the Board of Directors, I would also like to express appreciation to Ian Brown and Eric Tripp who will step down at our annual and special meeting after serving as Directors during the years when the company, as we know it today, began to emerge. Finally, I would like to express the Board's appreciation to all TSX Group employees whose work continued the company's record as an efficient and effective capital markets leader.

The company has positioned itself to take advantage of new growth opportunities and I am confident its efforts to promote and protect the competitiveness and integrity of the Canadian capital markets will continue.



WAYNE FOX
Chair, Board of Directors
TSX Group Inc.