# TMX Group Inc.

## Q2-2009 Management's Discussion and Analysis

TMX Group Inc. (TMX Group) is providing this Management's Discussion and Analysis (MD&A) of our financial condition and results of operations to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the quarter and six months ended June 30, 2009, compared with the quarter and six months ended June 30, 2008, or the year ended December 31, 2008. This MD&A is dated July 29, 2009 and should be read carefully together with our Q2/09 unaudited interim consolidated financial statements and related notes for the corresponding period, as well as our 2008 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. The financial measures included in this MD&A are based on financial statements prepared in accordance with Canadian generally accepted accounting principles (GAAP), unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

On May 1, 2008, we completed our business combination with Montréal Exchange Inc. (MX or Montréal Exchange) to create TMX Group, a leading, integrated, multi-asset class exchange group. The results of MX and Boston Options Exchange Group, LLC (BOX) are included in TMX Group's Q2/09 results and in our Q2/08 results from May 1, 2008.

On August 29, 2008, MX acquired an additional 21.9% interest in BOX from the Boston Stock Exchange, giving MX a majority ownership interest of 53.3% in, and control of, BOX. Prior to the completion of this transaction, MX's 31.4% investment in BOX was accounted for under the equity method under which MX's 31.4% of the earnings from BOX was reported as income from investment in an affiliate and included in our Q2/08 results from May 1, 2008. From August 29, 2008, the results of BOX have been fully consolidated into TMX Group's consolidated results, with an adjustment made for the non-controlling interests. In October 2008, as a result of a buy back of units by BOX, MX's ownership increased to 53.8%.

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

Additional information about TMX 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

Toronto Stock Exchange customers are billed for initial and additional listing fees, and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities. In order to reflect these activities, we use the terms “issuer services fees billed”, “initial listing fees billed” and “additional listing fees billed”.

Certain measures used in this MD&A, specifically “initial listing fees billed”, “additional listing fees billed” and “issuer services revenue based on initial 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 non-GAAP revenue measures as an indication of how initial and additional listing activity and the fees billed or received in connection with the listing or reserving of 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 to manage 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 on April 1, 2008 to ISE Ventures, LLC (ISE Ventures), a wholly-owned subsidiary of International Securities Exchange Holdings, Inc. (ISE), related to terminating DEX, our proposed derivatives joint venture. This measure does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Management believes this measure allows it to assess operating performance excluding the type of payment made to ISE Ventures.

## Market Conditions and Outlook[1]

Our revenue is impacted by the levels and nature of market activity, such as customer and product mix, on our exchanges, including: volumes/contracts traded in cash equities and fixed income products, as well as derivatives and energy products; the number and market capitalization of listed issuers; the number and value of new and additional listings; as well as the number of subscribers to market data. Current economic and market conditions affected these revenue drivers in the second quarter and the first half of 2009. While it is not possible to quantify the potential decline in some of these measures, future economic and market conditions may continue to result in a decrease in some or all of these revenue drivers, which would negatively impact future revenue and net income since we have limited ability to substantially alter our cost structure, given its fixed nature.

Though we face these challenging economic and market conditions in Canada, the U.S. and internationally in the near term, we believe that over the long term, exchanges and clearing houses will become even more important in providing transparent markets for price discovery, well regulated venues for capital formation and effectively collateralized clearing mechanisms for managing counterparty credit risk.

[1] The “*Market Conditions and Outlook*” section above contains certain forward-looking statements. Please refer to “*Forward-Looking Information*” for a discussion of risks and uncertainties related to such statements.

## Strategy Update[2]

### Equities Trading

We are continuing to invest in our trading enterprise infrastructure to ensure it is capable of meeting the increasing customer demands for capacity, throughput, lower latency and new products. In April 2009, we completed the launch of our smart order routing solution for Toronto Stock Exchange and TSX Venture Exchange Participating Organizations. We recently completed the successful migration of TSX Venture Exchange symbols to TSX Quantum and plan to implement an enhanced TSX Quantum gateway in Q3/09.

### Derivatives Trading and Clearing

#### *Trading - EDX*

In March 2009, MX entered into an agreement with the London Stock Exchange Group plc (LSE) granting LSE a license to use a customized version of SOLA Trading, a leading derivatives trading technology developed by MX, for certain affiliates and partners. In addition, we agreed to acquire a minority position in EDX London Limited (EDX), the equity derivatives business of LSE. On May 7, 2009, we acquired a 19.9 per cent stake in EDX for $7.7 million.

We believe the acquisition of this equity position in EDX provides an avenue for us to participate in the growth and development of the European derivatives market, which adds a new geographic element to our diversification strategy. EDX markets will be migrated to the SOLA Trading platform later this year.

#### *Trading - BOX*

As of July 1, 2009, BOX moved from the make or take pricing structure to standardized pricing on their three most active ETFs: Q's, SPYs and IWM. We expect this pricing model change to encourage greater customer order flow into BOX in these products.

#### *Clearing - SOLA Clearing*

On June 3, 2009, MX and the Canadian Derivatives Clearing Corporation (CDCC) successfully launched the new SOLA Clearing platform. This new clearing platform, which leverages the strength of the SOLA technology, provides both better service to clients as well as the flexibility to enhance CDCC's product offering.

With the implementation of SOLA Clearing complete, MX and CDCC now have the necessary flexibility and capacity to even better service the market's growing need for clearing and settlement of over-the-counter (OTC) products. Specifically, CDCC's OTC product strategy

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[2] The "*Strategy Update*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

includes plans to introduce clearing of fixed income repurchase agreements, which will require regulatory approval.

## Energy Trading – NetThruPut Inc. (NTP) and U.S. Expansion (Natural Gas)

### *NTP (Crude Oil)*

Energy trading and clearing are important and growing aspects of our diversified business. On May 1, 2009, we completed the acquisition of NTP from Enbridge Inc. and Circuit Technology Limited. The aggregate estimated purchase price of $66.4 million was comprised of approximately $22.6 million in cash and the issuance of 878,059 TMX Group common shares, valued at $32.1 million, the book value of the option to acquire NTP in the amount of $9.5 million and estimated direct transaction costs and restructuring costs of $2.2 million. NTP is a leading Canadian electronic trading platform and clearing facility for crude oil products.

On May 1, 2009, the former NTP crude oil products were consolidated with NGX's clearing facility to provide significant capital efficiencies to customers who trade in multiple commodities. As of July, 2009, NGX lists over 40 crude oil grades at 5 trading hubs in Canada and there are 24 active customers. NGX volumes for Q2/09 averaged over 170,000 barrels per day with a peak day of over 1 million barrels.

### *U.S. Expansion (Natural Gas)*

On June 10, 2009, NGX announced another important step in its U.S. expansion strategy, opening four new natural gas clearing points, bringing the total to 17 cleared physical gas hubs in the U.S. The new hubs include Socal CityGate, NNG Ventura, ANR SE pool and Tennessee 800L.

## Market Data – TMX Information Processor

On June 5, 2009, the Canadian Securities Administrators announced that TSX Inc., a wholly-owned subsidiary of TMX Group, will act as an information processor for exchange-traded equity securities for a period of five years commencing July 1, 2009.

The role of an information processor is to provide a central source of consolidated Canadian equity market data that meets standards approved by regulators. We are confident that our solution is best able to serve the interests of all equity market participants, offering high-speed access to Canadian marketplace content for domestic and international clients.

The TMX Information Processor products include the Consolidated Data Feed (CDF), Canadian Best Bid and Offer (CBBO), Consolidated Last Sale (CLS) and a Consolidated Depth of Book (CDB). CDF and CBBO are currently available and provide market participants with low-latency access to consolidated real-time market data from multiple Canadian equity marketplaces. These products use world class third-party technology and are delivered to clients through existing telecommunication links with TSX Inc.

## Quarter Ended June 30, 2009 Compared with Quarter Ended June 30, 2008

Net income was $46.9 million, or $0.63 per common share for Q2/09 (on both a basic and diluted basis), compared with net income of $49.2 million, or $0.65 per common share (on both a basic and diluted basis) for Q2/08, representing a decrease of 5% in net income. Net income in Q2/09 was slightly lower than Q2/08 due to lower cash markets equity trading revenue, lower issuer services revenue, increased expenses partially related to new technology initiatives and lower investment income. The decreases were partially offset by higher energy trading, fixed income trading and market data revenue. In addition, in Q2/09 our financial statements reflected three months of MX's results compared with two months of results in Q2/08. BOX's results were consolidated in our Q2/09 financial statements (with an adjustment made for non-controlling interests) but were not consolidated in our Q2/08 financial statements. In Q2/08, 31.4% of earnings from BOX were included as *Income from investments in affiliates* from May 1, 2008.***

### Revenue

Revenue was $137.6 million for Q2/09, up $7.5 million, or 6% compared with $130.1 million for Q2/08, largely due to the inclusion of $26.2 million of revenue from MX and BOX in Q2/09, compared with $13.9 million in revenue from MX for the period from May 1, 2008 to June 30, 2008. The increase was also due to increased revenue from market data, energy trading and fixed income trading, which was more than offset by lower revenue from cash markets equity trading and issuer services primarily related to lower sustaining listing fees.

### Issuer Services Revenue

The following is a summary of issuer services revenue reported based on initial and additional listing fee revenue reported, and issuer services revenue based on initial and additional listing fees billed* (reconciled below in this section) in Q2/09 and Q2/08.

(in millions of dollars)

| | *Reported* | | | | *Billed** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q2/09** | **Q2/08** | **$ increase/ (decrease)** | **% increase/ (decrease)** | **Q2/09** | **Q2/08** | **$ increase/ (decrease)** | **% increase/ (decrease)** |
| *Initial listing fees* | $ 4.2 | $ 3.9 | $ 0.3 | 8% | $ 2.0 | $ 4.7 | ($ 2.7) | (57%) |
| *Additional listing fees* | $ 14.1 | $ 12.6 | $ 1.5 | 12% | $ 23.1 | $ 24.5 | ($ 1.4) | (6%) |
| *Sustaining listing fees*** | $ 13.6 | $ 17.4 | ($ 3.8) | (22%) | $ 13.6 | $ 17.4 | ($ 3.8) | (22%) |
| *Other issuer services* | $ 3.9 | $ 4.4 | ($ 0.5) | (11%) | $ 3.9 | $ 4.4 | ($ 0.5) | (11%) |
| *Total* | $ 35.8 | $ 38.3 | ($ 2.5) | (7%) | $ 42.6 | $ 51.0 | ($ 8.4) | (16%) |

*** Based on MX's ownership interest in BOX as of June 30, 2008.

* 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.

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, listed issuers are billed for initial and additional listing fees, and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, 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) | **Q2/09** | **Q2/08** |
|---|---|---|
| Initial listing fees billed* | $ 2.0 | $ 4.7 |
| Initial listing fees billed* and deferred to future periods | ($ 2.0) | ($ 4.6) |
| Recognition of initial listing fees billed* and previously included in deferred revenue | $ 4.2 | $ 3.8 |
| Initial listing fee revenue reported | $ 4.2 | $ 3.9 |

| ***Additional Listing Fees*** (in millions of dollars) | **Q2/09** | **Q2/08** |
|---|---|---|
| Additional listing fees billed* | $ 23.1 | $ 24.5 |
| Additional listing fees billed* and deferred to future periods | ($ 22.8) | ($ 24.2) |
| Recognition of additional listing fees billed* and previously included in deferred revenue | $ 13.8 | $ 12.3 |
| Additional listing fee revenue reported | $ 14.1 | $ 12.6 |

- *Initial and additional listing fees reported* increased in Q2/09 compared with Q2/08, reflecting an increase in capital market activity during the period from July 1, 1999 to June 30, 2009 compared with the period from July 1, 1998 to June 30, 2008. *Initial and additional listing fees billed** decreased in Q2/09, as compared with Q2/08, due to a decrease in initial and additional financings on TSX Venture Exchange, somewhat offset by an increase in initial and additional financings on Toronto Stock Exchange. While there was some increase in the value of initial financings on Toronto Stock Exchange in Q2/09 compared with Q2/08, all issues were ETFs or structured products, which pay a discounted listing fee. While the value of additional financings on Toronto Stock Exchange in Q2/09 increased compared with Q2/08, this was driven by a larger proportion of high value transactions, where issuers paid the maximum additional listing fee in Q2/09 compared with Q2/08.

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

- 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 decrease in sustaining listing fees was due to the overall lower market capitalization of listed issuers at the end of 2008 compared with the end of 2007, somewhat offset by price changes on Toronto Stock Exchange that were effective January 1, 2009.

- *Other issuer services* includes revenue of $3.1 million from The Equicom Group Inc. (Equicom) compared with $3.9 million in Q2/08, reflecting lower demand for investor relations services compared with Q2/08.

**Trading, Clearing and Related Revenue**[3]

(in millions of dollars)

| | Q2/09 | Q2/08 | $ increase/ (decrease) | % increase/ (decrease) |
|---|---|---|---|---|
| *Cash markets:* | | | | |
| • *Toronto Stock Exchange* | $ 19.5 | $ 24.2 | ($ 4.7) | (19%) |
| • *TSX Venture Exchange* | $ 6.4 | $ 9.2 | ($ 2.8) | (30%) |
| | $ 25.9 | $ 33.4 | ($ 7.5) | (22%) |
| • *Shorcan* | $ 4.6 | $ 3.0 | $ 1.6 | 53% |
| *Cash markets revenue* | $ 30.5 | $ 36.4 | ($ 5.9) | (16%) |
| *Derivatives markets revenue* | $ 20.3 | $ 9.0 | $ 11.3 | 126% |
| *Energy markets revenue* | $ 10.6 | $ 7.3 | $ 3.3 | 45% |
| *Total* | $ 61.4 | $ 52.7 | $ 8.7 | 17% |

***Cash Markets***

- *Cash markets* equity trading revenue from Toronto Stock Exchange decreased due to the impact of changes to our equity trading fee schedule which were effective January 1, 2009. The changes included increased credits to electronic liquidity providers (ELP), a reduction in the spread between active fees and passive credits, and the elimination of a premium fee on ETF transactions. The ongoing impact of these fee changes on actual cash markets equity trading revenue will depend on trading activity, patterns and product mix. This decrease was partially offset by a 32% increase in the volume of securities traded on Toronto Stock Exchange in Q2/09 over Q2/08 (33.0 billion securities in Q2/09 versus 25.0 billion securities in Q2/08).

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[3] The "*Trading, Clearing and Related Revenue*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

- *Cash markets* equity trading revenue from TSX Venture Exchange decreased due to a 20% decrease in the volume of securities traded in Q2/09 over Q2/08 (11.0 billion securities in Q2/09 versus 13.8 billion securities in Q2/08). The decrease was also due to fee reductions that were effective in 2009.

- In October 2008, we indicated that based on historical trading activity, patterns and product mix, changes to the equity trading fee structure put into place effective January 1, 2009 could reduce trading revenue by approximately $11 to $14 million on an annual basis if offsetting benefits, including increased volumes, were not realized. During Q2/09, there were changes in customer and product mix including a higher proportion of volumes coming from new ELP market participants. These changes, together with the change in fee structure, led to a larger than anticipated reduction in cash markets equity trading revenue.

- The increase in revenue from Shorcan primarily reflects an increase in trading of Government of Canada bonds and swaps in Q2/09 versus Q2/08.

***Derivatives Markets***

- *Derivatives markets* revenue includes $20.3 million in trading and clearing revenue from MX and trading revenue from BOX, versus $9.0 million in trading and clearing revenue from MX from May 1, 2008 to June 30, 2008. Revenue from BOX was not included in our revenue for Q2/08.

- MX volumes decreased by 12% (8.5 million contracts traded in Q2/09 versus 9.7 million contracts traded in Q2/08) reflecting reduced trading in both the BAX and CGB contracts, partially offset by an increase in equity derivatives trading.

- BOX volumes decreased by 11% (39.1 million contracts in Q2/09 versus 44.0 million contracts traded in Q2/08).

***Energy Markets***

- *Energy markets* revenue increased due to the inclusion of revenue from crude oil trading following the acquisition of NTP on May 1, 2009. We traded 9.6 million barrels of crude oil between May 1, 2009 and June 30, 2009.

- The increase was also due to pricing changes on natural gas contracts that were effective January 1, 2009 and the positive impact of the depreciation of the Canadian dollar against the U.S. dollar in Q2/09 compared with Q2/08.

- The increase was somewhat offset by a 3% decrease in the volumes of natural gas and electricity contracts traded or cleared on NGX over Q2/08 (3.7 million terajoules in Q2/09 versus 3.8 million terajoules in Q2/08). This excludes the Alberta Watt Exchange Limited (Watt-Ex) volumes.

### Market Data Revenue

(in millions of dollars)

| Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|
| $ 36.8 | $ 33.1 | $3.7 | 11% |

- *Market data* revenue included $4.3 million in data revenue from MX and BOX, compared with $2.0 million in market data revenue related to MX from May 1, 2008 to June 30, 2008. There were over 25,000 MX market data subscriptions at June 30, 2009 compared with over 28,000 at June 30, 2008.
- The increase was also due to the positive impact of the depreciation of the Canadian dollar against the U.S. dollar in Q2/09 compared with Q2/08, higher revenues from data feeds, index licensing and co-location services as well as pricing changes that were effective January 1, 2009.
- The increase was partially offset by a 10% decrease in the number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (over 150,000 professional and equivalent real-time market data subscriptions at June 30, 2009 versus over 167,000 at June 30, 2008).

### Business Services and Other Revenue

(in millions of dollars)

| Q2/09 | Q2/08 | $ (decrease) | % (decrease) |
|---|---|---|---|
| $ 3.6 | $ 5.9 | ($2.3) | (39%) |

- *Business services* revenue in Q2/08 included two months of revenue from BOX for technology and other services provided by MX, which in Q2/09 has been eliminated on consolidation as BOX is now a subsidiary of MX. The decrease was somewhat offset by the inclusion of revenue from the technology licensing arrangement with LSE.
- The decrease was also due to net foreign exchange losses on U.S. dollar accounts receivable.

## Operating Expenses[4]

Operating expenses in Q2/09 were $67.6 million, an increase of $13.0 million, or 24%, as compared with $54.6 million in Q2/08. The increase was due primarily to the inclusion of $18.3 million of expenses related to MX and BOX, versus $9.7 million related to MX from May 1,

[4] The "*Operating Expenses*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

2008 to June 30, 2008. In addition, we incurred higher expenses related to various technology initiatives in Q2/09 compared with Q2/08.

Our combination with MX is anticipated to create value for our shareholders through the realization of cost synergies. By the fourth quarter of 2009, we expect to achieve $25.0 million of cost synergies on a run rate basis when compared with the business plans of the separate organizations. As part of our integration plan, our offices, data centres and certain corporate support functions are being consolidated, and we will have eliminated 85 corporate support and operational positions, or approximately 10% of our workforce, by the end of 2009. The rationalization of data centres will enable customers to consolidate their connectivity networks and co-locate at one location which should greatly reduce their technology and communication expenditures. While we estimate that cost synergies related to the integration with MX of approximately $1.0 million per month were realized on a run-rate basis in Q2/09, we also continued to invest in new business and product initiatives including our technology initiatives relating to enhancements to our data centres, the TSX Quantum gateway and the smart order router.

### Compensation and Benefits

(in millions of dollars)

| Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|
| $ 31.2 | $ 25.9 | $5.3 | 20% |

- *Compensation and benefits* costs increased primarily due to the inclusion of $6.7 million in costs related to MX and BOX, compared with $4.2 million of costs related to MX from May 1, 2008 to June 30, 2008.
- The increase was also attributable to higher costs associated with technology initiatives, higher overall costs related to certain performance incentives and higher costs associated with salary increases compared with Q2/08.
- There were 861 employees at June 30, 2009, which included 24 BOX employees and 6 NTP employees, versus 817 employees at June 30, 2008.

### Information and Trading Systems

(in millions of dollars)

| Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|
| $ 11.8 | $ 8.7 | $3.1 | 36% |

- *Information and trading systems* costs included $1.7 million in costs related to MX and BOX, compared with $0.9 million from MX from May 1, 2008 to June 30, 2008.

- *Information* and *trading systems* costs also increased due to costs associated with our technology initiatives including enhancements to our data centres, the TSX Quantum gateway and the smart order router. In addition, there were higher expenses related to NGX's initiative with ICE.

**General and Administration**

(in millions of dollars)

| Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|
| $ 17.8 | $ 14.0 | $3.8 | 27% |

- *General and administration* costs included $6.5 million in costs related to MX and BOX, compared with $2.5 million from MX from May 1, 2008 to June 30, 2008.

**Amortization**

(in millions of dollars)

| Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|
| $ 6.8 | $ 6.0 | $0.8 | 13% |

- *Amortization* costs increased reflecting amortization of $3.4 million related to MX and BOX, compared with $2.1 million from MX from May 1, 2008 to June 30, 2008.
- The increase was somewhat offset by reduced amortization relating to assets that were fully depreciated by 2009.

**Income from Investments in Affiliates**

(in millions of dollars)

| Q2/09 | Q2/08 | $ (decrease) |
|---|---|---|
| $ 0.1 | $ 0.4 | ($0.3) |

- *Income from investments in affiliates* of $0.1 million represents TSX Inc.'s share of CanDeal.ca Inc.'s (CanDeal) income for Q2/09 based on its 47% interest in CanDeal, which is unchanged from Q2/08. CanDeal is an electronic trading system for the institutional debt market.
- In Q2/08, *Income from investments in affiliates* included $0.3 million representing MX's share of BOX income, based on its 31.4% interest in BOX from May 1, 2008.

## Investment Income

(in millions of dollars)

| Q2/09 | Q2/08 | $ (decrease) | % (decrease) |
|---|---|---|---|
| $ 1.4 | $ 3.4 | ($2.0) | (59%) |

- *Investment income* decreased due to a reduction in cash available for investment and lower overall returns on investments during Q2/09 compared with Q2/08.
- *Investment income* includes $0.4 million earned by MX in Q2/09, compared with $0.8 million from May 1, 2008 to June 30, 2008.

## Interest Expense

(in millions of dollars)

| Q2/09 | Q2/08 | $ (decrease) | % (decrease) |
|---|---|---|---|
| $ 1.3 | $ 2.8 | ($1.5) | (54%) |

- *Interest expense* decreased as a result of lower interest rates in Q2/09 compared with Q2/08. On April 30, 2008, we borrowed $430.0 million in Canadian funds on a three-year term facility (Term Facility) related to financing the cash consideration of the purchase price for MX (*see* **Long-term Debt**).

## Mark to Market on Interest Rate Swaps – Gain

(in millions of dollars)

| Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|
| $ 0.1 | - | $0.1 | - |

- We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the Term Facility, effective August 28, 2008 (*see* **Long-term Debt**).
- During Q2/09, unrealized gains of $2.5 million and realized losses of $2.4 million were reflected in net income, compared with no unrealized or realized gains/losses in Q2/08.

### Other Acquisition Related Expenses

(in millions of dollars)

| Q2/09 | Q2/08 | $ (decrease) |
|---|---|---|
| - | $ 0.7 | ($ 0.7) |

- When we acquired NGX in 2004, TMX Group entered into an arrangement with MX for $5.0 million. TMX Group amortized this amount over five years, the remaining term of the 1999 Memorandum of Agreement with MX. As a result of the May 1, 2008 business combination, we expensed the unamortized balance of $0.7 million in Q2/08.

### Income Taxes[5]

(in millions of dollars)

| | | Effective tax rate (%) | |
|---|---|---|---|
| Q2/09 | Q2/08 | Q2/09 | Q2/08 |
| $ 22.7 | $ 26.5 | 33% | 35% |

- The effective tax rate for Q2/09 was somewhat lower than the effective tax rate of 35% for Q2/08 due to an increase in income attributable to the Province of Quebec in Q2/09, compared with Q2/08. In our case, this income is taxed at a lower effective tax rate in Quebec. In addition, there was a lower federal income tax rate in Q2/09 compared with Q2/08.

- In the 2009 Ontario budget, the government proposed new tax reforms, which, if enacted, would reduce the general corporate tax rate from 14% in 2009 to 12% by July 1, 2010, with further reductions to 10% by July 1, 2013. Since these reforms were not substantively enacted during Q2/09, there was no impact on *Income Taxes*. If the legislation becomes substantively enacted, based on the future income tax asset as at June 30, 2009, we estimate there will be a net reduction in the value of the future income tax asset of approximately $7.8 million and a corresponding increase in *Income Taxes* of approximately $7.8 million. While this accounting adjustment will have no immediate impact on cash flow, the decline in tax rates will reduce taxes paid in future periods.

## Six Months Ended June 30, 2009 Compared with Six Months Ended June 30, 2008

Net income was $89.8 million, or $1.21 per common share for 1H/09 (on both a basic and diluted basis), compared with net income of $82.0 million, or $1.15 per common share (on both a

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5 The "*Income Taxes*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

basic and diluted basis) for 1H/08, representing an increase of 10% in net income. In 1H/08, net income was reduced by $15.2 million, or 21 cents per common share (on a basic and diluted basis) due to a payment to ISE Ventures with respect to the termination of our derivatives joint venture. 1H/09 EPS was lower than 1H/08 adjusted EPS prior to loss on termination of joint venture* of $1.36 per common share (on both a basic and diluted basis) due to lower cash markets equity trading revenue, lower issuer services revenue, increased expenses, partially related to new technology initiatives and lower investment income. The decreases were partially offset by higher energy trading, fixed income trading and market data revenue. In addition, in 1H/09 our financial statements reflected six months of MX's results compared with two months of results in 1H/08. BOX's results were consolidated in our 1H/09 financial statements (with an adjustment made for non-controlling interests) but were not consolidated in our 1H/08 financial statements. In 1H/08, 31.4% of earnings from BOX were included as *Income from investments in affiliates* from May 1, 2008.***

The following is a reconciliation of earnings per share to adjusted earnings per share prior to a loss on termination of joint venture* in 1H/08:

**Reconciliation for 1H/09 and 1H/08**

| | **1H /09** | | **1H/08** | |
|---|---|---|---|---|
| | **Basic** | **Diluted** | **Basic** | **Diluted** |
| *Earnings per share* | $1.21 | $1.21 | $1.15 | $1.15 |
| *Adjustment related to loss on termination of joint venture* | - | - | $0.21 | $0.21 |
| *Adjusted earnings per share prior to loss on termination of joint venture** | $1.21 | $1.21 | $1.36 | $1.36 |

**Revenue**

Revenue was $273.4 million for 1H/09, up $31.0 million, or 13% compared with $242.4 million for 1H/08, reflecting $53.3 million in revenue related to the business operations of MX and BOX, compared with $13.9 million from MX for two months in 1H/08 following the combination on May 1, 2008. The increase was also due to increased energy and fixed income trading and market data revenue, which was more than offset by lower cash markets equity trading and issuer services revenue, related to sustaining listing fees and other issuer services.

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

*** Based on MX's ownership interest in BOX as of June 30, 2008.

### Issuer Services Revenue

The following is a summary of issuer services revenue reported based on initial and additional listing fee revenue reported, and issuer services revenue based on initial and additional listing fees billed* (reconciled below in this section) in 1H/09 and 1H/08.

(in millions of dollars)

| | *Reported* | | | | *Billed** | | | |
|---|---|---|---|---|---|---|---|---|
| | **1H/09** | **1H/08** | **$ increase/ (decrease)** | **% increase/ (decrease)** | **1H/09** | **1H/08** | **$ increase/ (decrease)** | **% increase/ (decrease)** |
| *Initial listing fees* | $ 8.4 | $ 7.8 | $ 0.6 | 8% | $ 4.0 | $ 11.1 | ($ 7.1) | (64%) |
| *Additional listing fees* | $ 27.8 | $ 24.9 | $ 2.9 | 12% | $ 40.1 | $ 44.0 | ($ 3.9) | (9%) |
| *Sustaining listing fees*** | $ 27.3 | $ 34.6 | ($ 7.3) | (21%) | $ 27.3 | $ 34.6 | ($ 7.3) | (21%) |
| *Other issuer services* | $ 7.2 | $ 8.7 | ($ 1.5) | (17%) | $ 7.2 | $ 8.7 | ($ 1.5) | (17%) |
| *Total* | $ 70.7 | $ 76.0 | ($ 5.3) | (7%) | $ 78.6 | $ 98.4 | ($ 19.8) | (20%) |

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, listed issuers are billed for initial and additional listing fees and there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, 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) | **1H/09** | **1H/08** |
|---|---|---|
| Initial listing fees billed* | $ 4.0 | $ 11.1 |
| Initial listing fees billed* and deferred to future periods | ($ 3.8) | ($ 10.7) |
| Recognition of initial listing fees billed* and previously included in deferred revenue | $ 8.2 | $ 7.4 |
| Initial listing fee revenue reported | $ 8.4 | $ 7.8 |

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* 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.

| ***Additional Listing Fees*** (in millions of dollars) | **1H/09** | **1H/08** |
|---|---|---|
| Additional listing fees billed* | $ 40.1 | $ 44.0 |
| Additional listing fees billed* and deferred to future periods | ($ 39.0) | ($ 42.8) |
| Recognition of additional listing fees billed* and previously included in deferred revenue | $ 26.7 | $ 23.7 |
| Additional listing fee revenue reported | $ 27.8 | $ 24.9 |

- *Initial and additional listing fees reported* increased in 1H/09 compared with 1H/08, reflecting an increase in capital market activity during the period from April 1, 1999 to June 30, 2009 compared with the period from April 1, 1998 to June 30, 2008. *Initial and additional listing fees billed** decreased in 1H/09, as compared with 1H/08, due to a decrease in initial financings on both of our equity exchanges and a decrease in additional financings on TSX Venture Exchange, somewhat offset by an increase in additional financings on Toronto Stock Exchange. While the value of additional financings on Toronto Stock Exchange in 1H/09 increased compared with 1H/08, this was driven by a larger proportion of high value transactions, where issuers paid the maximum additional listing fee in 1H/09 compared with 1H/08.

- 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 decrease in sustaining listing fees was due to the overall lower market capitalization of listed issuers at the end of 2008 compared with the end of 2007, somewhat offset by price changes on Toronto Stock Exchange that were effective January 1, 2009.

- *Other issuer services* includes revenue of $6.1 million from Equicom compared with $7.9 million in 1H/08, reflecting lower demand for investor relations services compared with 1H/08.

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

### Trading, Clearing and Related Revenue[6]

(in millions of dollars)

| | 1H/09 | 1H/08 | $ increase/ (decrease) | % increase/ (decrease) |
|---|---|---|---|---|
| *Cash markets:* | | | | |
| • *Toronto Stock Exchange* | $ 39.6 | $ 48.4 | ($ 8.8) | (18%) |
| • *TSX Venture Exchange* | $ 11.0 | $ 17.2 | ($ 6.2) | (36%) |
| | $ 50.6 | $ 65.6 | ($ 15.0) | (23%) |
| • *Shorcan* | $ 8.6 | $ 6.3 | $ 2.3 | 37% |
| *Cash markets revenue* | $ 59.2 | $ 71.9 | ($ 12.7) | (18%) |
| *Derivatives markets revenue* | $ 42.1 | $ 9.0 | $ 33.1 | 368% |
| *Energy markets revenue* | $ 19.0 | $ 13.9 | $ 5.1 | 37% |
| *Total* | $120.3 | $ 94.8 | $ 25.5 | 27% |

***Cash Markets***

- *Cash markets* equity trading revenue from Toronto Stock Exchange decreased due to the impact of changes to our equity trading fee schedule which were effective January 1, 2009. The changes included increased credits to electronic liquidity providers (ELP), a reduction in the spread between active fees and passive credits, and the elimination of a premium fee on ETF transactions. The ongoing impact of these fee changes on actual cash markets equity trading revenue will depend on trading activity, patterns and product mix. This decrease was partially offset by a 25% increase in the volume of securities traded on Toronto Stock Exchange in 1H/09 over 1H/08 (63.0 billion securities in 1H/09 versus 50.5 billion securities in 1H/08).

- *Cash markets* equity trading revenue from TSX Venture Exchange decreased due to a 25% decrease in the volume of securities traded in 1H/09 over 1H/08 (19.1 billion securities in 1H/09 versus 25.3 billion securities in 1H/08). The decrease was also due to fee reductions that were effective in 2009.

- In October 2008, we indicated that based on historical trading activity, patterns and product mix, changes to the equity trading fee structure put into place effective January 1, 2009 could reduce trading revenue by approximately $11 to $14 million on an annual basis if offsetting benefits, including increased volumes, were not realized. During 1H/09, there were changes in customer and product mix including a higher proportion of volumes coming from new

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6 The "*Trading, Clearing and Related Revenue*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

ELP market participants. These changes, together with the change in fee structure, led to a larger than anticipated reduction in cash markets equity trading revenue.

- The increase in revenue from Shorcan primarily reflects an increase in trading of Government of Canada bonds and swaps in 1H/09 versus 1H/08.

***Derivatives Markets***

- *Derivatives markets* revenue includes $42.1 million in trading and clearing revenue from MX and trading revenue from BOX, compared with $9.0 million from MX in 1H/08 following the combination on May 1, 2008. Revenue from BOX was not included in our revenue for 1H/08.

- MX volumes decreased by 17% (16.6 million contracts traded in 1H/09 versus 19.9 million contracts traded in 1H/08) reflecting reduced trading in both the BAX and CGB contracts, partially offset by an increase in equity derivatives trading.

- BOX volumes decreased by 1% (84.8 million contracts in 1H/09 versus 85.2 million contracts traded in 1H/08).

***Energy Markets***

- *Energy markets* revenue increased due to the inclusion of revenue from crude oil trading following the acquisition of NTP on May 1, 2009. We traded 9.6 million barrels of crude oil between May 1, 2009 and June 30, 2009.

- The increase was also due to pricing changes on natural gas contracts that were effective January 1, 2009 and also as a result of NGX having deferred less revenue in 1H/09, on a net basis, than in 1H/08 due to a reduced level of forward contracts.

- The increased revenue was also due to the positive impact of the depreciation of the Canadian dollar against the U.S. dollar in 1H/09 compared with 1H/08.

- The increase was somewhat offset by a 5% decrease in the volumes of natural gas and electricity contracts traded or cleared on NGX over 1H/08 (7.1 million terajoules in 1H/09 versus 7.5 million terajoules in 1H/08). This excludes Watt-Ex volumes.

## Market Data Revenue

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| $ 74.7 | $ 62.2 | $12.5 | 20% |

- *Market data* revenue included $8.9 million in revenue related to the business operations of MX and BOX, compared with $2.0 million from MX in 1H/08 following the combination on

May 1, 2008. There were over 25,000 MX market data subscriptions at June 30, 2009 compared with over 28,000 at June 30, 2008.

- The increase was also due to the positive impact of the depreciation of the Canadian dollar against the U.S. dollar in 1H/09 compared with 1H/08, higher revenues from data feeds, usage-based quotes and co-location services as well as pricing changes that were effective January 1, 2009.

- The increase was partially offset by a 10% decrease in the number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (over 150,000 professional and equivalent real-time market data subscriptions at June 30, 2009 versus over 167,000 at June 30, 2008).

### Business Services and Other Revenue

(in millions of dollars)

| 1H/09 | 1H/08 | $ (decrease) | % (decrease) |
|---|---|---|---|
| $ 7.6 | $ 9.5 | ($1.9) | (20%) |

- *Business services* revenue in 1H/08 included two months of revenue from BOX for technology and other services provided by MX, which in 1H/09 has been eliminated on consolidation as BOX is now a subsidiary of MX. The decrease was somewhat offset by the inclusion of revenue from the technology licensing arrangement with LSE.

- The decrease was also due to net foreign exchange losses on U.S. dollar accounts receivable.

## Operating Expenses

Operating expenses in 1H/09 were $137.4 million, an increase of $37.8 million, or 38%, as compared with $99.6 million in 1H/08. The increase was due primarily to the inclusion of $39.6 million of expenses related to the business operations of MX and BOX, versus $9.7 million related to MX from May 1, 2008 to June 30, 2008. In addition, we incurred higher expenses related to various technology initiatives in 1H/09 compared with 1H/08.

### Compensation and Benefits

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| $ 64.9 | $ 49.3 | $15.6 | 32% |

- *Compensation and benefits* costs increased primarily due to the inclusion of $16.2 million in costs related to MX and BOX. There were $4.2 million in costs related to MX in 1H/08 following the combination on May 1, 2008.

- The increase was also attributable to higher costs associated with technology initiatives, higher overall costs related to certain performance incentives and higher costs associated with salary increases compared with 1H/08.

- There were 861 employees at June 30, 2009, which included 24 BOX employees and 6 NTP employees, versus 817 employees at June 30, 2008.

### Information and Trading Systems

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| $ 22.9 | $ 15.8 | $7.1 | 45% |

- *Information and trading systems* costs included $3.5 million in costs related to MX and BOX, compared with $0.9 million in costs related to MX in 1H/08 following the combination on May 1, 2008.

- *Information* and *trading systems* costs also increased due to costs associated with our technology initiatives including enhancements to our data centres, the TSX Quantum gateway and the smart order router. In addition, there were higher expenses related to NGX's initiative with ICE.

### General and Administration

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| $ 35.1 | $ 24.2 | $10.9 | 45% |

- *General and administration* costs included $12.2 million in costs related to MX and BOX, compared with $2.5 million in costs related to MX in 1H/08 following the combination on May 1, 2008.

### Amortization

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| $ 14.6 | $ 10.2 | $4.4 | 43% |

- *Amortization* costs increased reflecting amortization of $7.7 million related to MX and BOX, compared with $2.1 million related to MX in 1H/08 following the combination on May 1, 2008.

- The increase was somewhat offset by reduced amortization relating to assets that were fully depreciated by 2009.

**Income from Investments in Affiliates**

(in millions of dollars)

| 1H/09 | 1H/08 | $ (decrease) |
|---|---|---|
| $ 0.2 | $ 0.5 | ($0.3) |

- *Income from investments in affiliates* of $0.2 million represents TSX Inc.'s share of CanDeal's income for 1H/09 based on its 47% interest in CanDeal, which is unchanged from 1H/08. CanDeal is an electronic trading system for the institutional debt market.

- In 1H/08, *Income from investments in affiliates* included $0.3 million representing MX's share of BOX income, based on its 31.4% interest in BOX from May 1, 2008.

**Investment Income**

(in millions of dollars)

| 1H/09 | 1H/08 | $ (decrease) | % (decrease) |
|---|---|---|---|
| $ 3.0 | $ 7.8 | ($4.8) | (62%) |

- *Investment income* decreased due to a reduction in cash available for investment and lower overall returns on investments during 1H/09 compared with 1H/08.

- *Investment income* includes $1.2 million earned by MX in 1H/09 compared with $0.8 million in 1H/08.

**Interest Expense**

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| $ 3.4 | $ 2.8 | $0.6 | 21% |

- *Interest expense* increased as a result of financing a portion of the purchase price of the business combination with MX. On April 30, 2008, we borrowed $430.0 million in Canadian funds on a three-year term facility (Term Facility) related to financing the cash consideration of the purchase price for MX (*see* **Long-term Debt**).

**Mark to Market on Interest Rate Swaps – (Loss)**

(in millions of dollars)

| 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|
| ($ 0.8) | - | ($0.8) | - |

- We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the Term Facility, effective August 28, 2008 (*see* **Long-term Debt**).
- During 1H/09, unrealized gains of $3.5 million and realized losses of $4.3 million were reflected in net income, compared with no unrealized or realized gains/losses in 1H/08.

**Other Acquisition Related Expenses**

(in millions of dollars)

| 1H/09 | 1H/08 | $ (decrease) |
|---|---|---|
| - | $ 15.9 | ($ 15.9) |

- In August 2007, TMX 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 MX, we provided ISE Ventures with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement, and subsequently paid ISE Ventures $15.2 million on April 1, 2008, which was accrued in Q1/08.
- When we acquired NGX in 2004, TMX Group entered into an arrangement with MX for $5.0 million. TMX Group amortized this amount over five years, the remaining term of the 1999 Memorandum of Agreement with MX. As a result of the May 1, 2008 business combination, we expensed the unamortized balance of $0.7 million in Q2/08.

## Income Taxes[7]

(in millions of dollars)

| | | Effective tax rate (%) | |
|---|---|---|---|
| **1H/09** | **1H/08** | **1H/09** | **1H/08** |
| $ 42.8 | $ 50.5 | 32% | 38% |

- The effective tax rate in 1H/09 was lower than the effective tax rate of 38% for 1H/08 primarily due to the impact of paying $15.2 million to ISE Ventures in 2008, which was not deducted for income tax purposes.
- The effective tax rate for 1H/09 was also somewhat lower than that for 1H/08 due to an increase in income attributable to the Province of Quebec in 1H/09, compared with 1H/08. In our case, this income is taxed at a lower effective tax rate in Quebec. In addition, there was a lower federal income tax rate in 1H/09 compared with 1H/08.
- In the 2009 Ontario budget, the government proposed new tax reforms, which, if enacted, would reduce the general corporate tax rate from 14% in 2009 to 12% by July 1, 2010, with further reductions to 10% by July 1, 2013. Since these reforms were not substantively enacted during 1H/09, there was no impact on *Income Taxes*. If the legislation becomes substantively enacted, based on the future income tax asset as at June 30, 2009, we estimate there will be a net reduction in the value of the future income tax asset of approximately $7.8 million and a corresponding increase in Income Taxes of approximately $7.8 million. While this accounting adjustment will have no immediate impact on cash flow, the decline in tax rates will reduce taxes paid in future periods.

## Non-controlling Interests[8]

As a result of the acquisition of control of BOX on August 29, 2008, the results of BOX were fully consolidated into our consolidated statements of income. MX now has a 53.8% ownership interest in BOX. The non-controlling interests represent the other BOX unitholders' share of BOX's income before taxes.

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[7] The "*Income Taxes*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

[8] In October 2008, BOX repurchased some of its units thereby increasing MX's ownership interest from 53.3% to 53.8%.

## Segment Analysis

### Cash Markets –Equities and Fixed Income

(in millions of dollars)

| | Q2/09 | Q2/08 | $ increase/ (decrease) | % increase/ (decrease) |
|---|---|---|---|---|
| Revenue | $101.0 | $108.9 | ($7.9) | (7%) |
| Net Income | $38.0 | $43.9 | ($5.9) | (13%) |

The decrease in revenue primarily reflects lower cash equity trading and issuer services revenue, partially offset by increased market data revenue and fixed income trading revenue. Net income decreased due to the decrease in revenue and an increase in expenses primarily related to various technology initiatives.

| | IH/09 | 1H/08 | $ increase/ (decrease) | % increase/ (decrease) |
|---|---|---|---|---|
| Revenue | $201.1 | $214.6 | ($13.5) | (6%) |
| Net Income | $74.3 | $74.9 | ($0.6) | (1%) |

The decrease in revenue primarily reflects lower cash equity trading and issuer services revenue, partially offset by increased market data revenue and fixed income trading revenue. Net income decreased due to the decreased revenue and an increase in expenses primarily related to various technology initiatives. However, in 1H/08, net income was reduced by $15.2 million due to a payment to ISE Ventures with respect to the termination of our derivatives joint venture.

(in millions of dollars)

| | June 30, 2009 | June 30, 2008 | $ increase/ (decrease) |
|---|---|---|---|
| Goodwill | $115.1 | $46.7 | $68.4 |
| Total Assets | $498.0 | $568.0 | ($70.0) |

The increase in Goodwill was attributable to the allocation of $67.1 million of goodwill in 2H/08 from the acquisition of MX and additional payments related to the acquisition of Equicom. The decrease in Total Assets at June 30, 2009 primarily reflects decreased cash and marketable securities due to the repurchase of common shares under our normal course issuer bid (NCIB). In 2H/08, we repurchased 4,253,473 common shares under our NCIB at a cash cost of $151.0 million. In 1H/09, we repurchased 1,000,000 common shares at a cost of $30.4 million pursuant to private agreements as part of our NCIB.

**Derivatives Markets – MX and BOX**

(in millions of dollars)

| | Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|---|
| Revenue | $26.2 | $13.9 | $12.3 | 88% |
| Net Income | $ 6.0 | $3.9 | $ 2.1 | 54% |

The increase in revenue and net income relates to the inclusion of three months of MX's results in Q2/09 compared with two months of results in Q2/08. BOX's results were consolidated in our Q2/09 financial statements (with an adjustment made for non-controlling interests) but were not consolidated in our Q2/08 financial statements. In Q2/08, 31.4% of earnings from BOX were included as *Income from investments in affiliates* from May 1, 2008.[***]

| | 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|---|
| Revenue | $53.3 | $13.9 | $39.4 | 283% |
| Net Income | $ 9.5 | $3.9 | $ 5.6 | 144% |

The increase in revenue and net income relates to the inclusion of six months of MX's results in 1H/09 compared with two months of results in 1H/08. BOX's results were consolidated in our 1H/09 financial statements (with an adjustment made for non-controlling interests) but were not consolidated in our 1H/08 financial statements;. In 1H/08, 31.4% of earnings from BOX were included as *Income from investments in affiliates* from May 1, 2008.[***]

(in millions of dollars)

| | June 30, 2009 | June 30, 2008 | $ increase |
|---|---|---|---|
| Goodwill | $509.9 | $456.2 | $53.7 |
| Total Assets | $2,011.6 | $1,632.6 | $379.0 |

The increase in Goodwill included $116.9 million in goodwill related to the acquisition of BOX (both on May 1, 2008 and the acquisition of control on August 29, 2008), partially offset by $67.1 million of goodwill from the acquisition of MX which was allocated to the Cash Markets segment in 2H/08.

Total Assets increased primarily due to an increase in Daily Settlements and Cash Deposits of $386.4 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $386.4 million higher at June 30, 2009 compared with June 30, 2008. In addition, the acquisition of control of BOX resulted in a net increase in assets of approximately

[***] Based on MX's ownership interest in BOX as of June 30, 2008.

$37.0 million at June 30, 2009 as compared with June 30, 2008. These increases were partially offset by $67.1 million of goodwill from the acquisition of MX which was allocated to the Cash Markets segment in 2H/08.

**Energy Markets**

(in millions of dollars)

| | Q2/09 | Q2/08 | $ increase | % increase |
|---|---|---|---|---|
| Revenue | $ 10.4 | $ 7.3 | $ 3.1 | 42% |
| Net Income | $ 2.9 | $ 1.5 | $ 1.4 | 93% |

The increase in revenue and net income was largely due to the inclusion of the operations of NTP, following the acquisition on May 1, 2009 and the positive impact of the depreciation of the Canadian dollar against the U.S. dollar in Q2/09 compared with Q2/08. The increase was also due to pricing changes that were effective January 1, 2009, somewhat offset by a decrease in the volumes of natural gas and electricity contracts traded or cleared on NGX over Q2/08.

| | 1H/09 | 1H/08 | $ increase | % increase |
|---|---|---|---|---|
| Revenue | $ 19.0 | $ 14.0 | $ 5.0 | 36% |
| Net Income | $ 6.0 | $ 3.2 | $ 2.8 | 88% |

The increase in revenue and net income was due to the inclusion of the operations of NTP, the positive impact of the depreciation of the Canadian dollar against the U.S. dollar in 1H/09 compared with 1H/08 and pricing changes that were effective January 1, 2009, somewhat offset by a decrease in the volumes of natural gas and electricity contracts traded or cleared on NGX over 1H/08.

(in millions of dollars)

| | June 30, 2009 | June 30, 2008 | $ increase/ (decrease) |
|---|---|---|---|
| Goodwill | $51.3 | $21.3 | $30.0 |
| Total Assets | $888.6 | $1,310.1 | ($421.5) |

Total Assets decreased largely due to a decrease in energy contracts receivable of $459.3 million and a decrease of $48.4 million in the fair value of open energy contracts receivable, which was the result of lower natural gas prices at the end of June 2009 compared with the end of June 2008. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were also $459.3 million lower at the end of June, 2009 compared with the end of June, 2008. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $48.4 million lower at June 30, 2009 compared with

June 30, 2008. This decrease was slightly offset by an increase of $49.6 million in intangible assets and $30.0 million in goodwill from the acquisition of NTP on May 1, 2009.

## Liquidity and Capital Resources

### Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

| June 30, 2009 | December 31, 2008 | $ (decrease) |
|---|---|---|
| $ 172.4 | $ 198.7 | ($ 26.3) |

- The decrease was due to two dividend payments of $0.38 per common share, or $56.5 million in aggregate, as well as to payments totalling $30.4 million relating to the repurchase of 1,000,000 common shares under our NCIB program in 1H/09.
- In addition, we paid $23.4 million in relation to the May 1, 2009 acquisition of NTP, net of cash acquired.
- We also paid $7.7 million for a 19.9% interest in EDX on May 7, 2009.
- The decrease was also due to non-acquisition related additions to intangible assets of $8.5 million and the payment of $5.2 million in dividends to non-controlling interests in BOX.
- The decrease was somewhat offset by cash generated from operating activities of $111.0 million.

### Total Assets

(in millions of dollars)

| June 30, 2009 | December 31, 2008 | $ (decrease) |
|---|---|---|
| $ 3,398.2 | $ 3,688.6 | ($ 290.4) |

- *Total assets* decreased due to lower energy contracts receivable of $566.7 million at June 30, 2009 related to the clearing operations of NGX, compared with $976.4 million at the end of 2008. The lower level of receivables reflected lower natural gas prices at the end of June 2009 compared with the end of December 2008. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $566.7 million at June 30, 2009 compared with $976.4 million at the end of 2008.
- The overall decrease was partially offset by higher MX daily settlements and cash deposits of $539.7 million as at June 30, 2009 related to MX's clearing operations, compared with $497.3 million at the end of 2008. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $539.7 million at June 30, 2009 compared with

$497.3 million at the end of 2008. Daily settlements due from/to clearing members consist of amounts due from/to clearing members as a result of marking open futures positions to market and settling options transactions each day that are required to be collected from/paid to clearing members prior to the commencement of the next trading day.

- The decrease was also partially offset by an increase in current assets related to the fair value of open energy contracts ($176.5 million as at June 30, 2009, compared with $155.3 million at December 31, 2008). NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $176.5 million at June 30, 2009 compared with $155.3 million at December 31, 2008.

- In addition, the overall decrease in *total assets* was partially offset due to recording $49.6 million in intangible assets and $30.0 million in goodwill related to the purchase of NTP on May 1, 2009, less cash paid of $23.4 million related to the acquisition.

## Credit Facilities and Guarantee

### *Long-term Debt*

(in millions of dollars)

| June 30, 2009 | December 31, 2008 | $ increase |
|---|---|---|
| $428.6 | $428.3 | $ 0.3 |

- In connection with the combination with MX, we established the Term Facility 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. We 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. Currently, TMX Group's acceptance fee or spread on the loan is 0.45%. On April 30, 2008, we borrowed $430.0 million in Canadian funds on the Term Facility to satisfy the cash consideration of the purchase price for MX.

These credit facilities contain customary covenants, including a requirement that TMX Group maintain:

  - 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;

  - a minimum consolidated net worth covenant based on a pre-determined formula; and

  - a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

At June 30, 2009, all covenants were met.

We entered into a series of interest rate swap agreements which took effect on August 28, 2008 in order to partially manage our exposure to interest rate fluctuations.

***Other Credit Facilities and Guarantee***

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian chartered bank which includes a US$100.0 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million.

CDCC has also arranged a total of $30.0 million in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member.

These facilities have not been drawn upon at June 30, 2009.

## Shareholders' Equity

(in millions of dollars)

| June 30, 2009 | December 31, 2008 | $ increase |
|---|---|---|
| $ 824.0 | $ 794.6 | $ 29.4 |

- *Shareholders' equity* increased due to an increase of $32.1 million in share capital following the issuance of 878,059 TMX Group common shares in satisfaction of a portion of the purchase price for NTP on May 1, 2009.

- On August 14, 2008, we received approval from Toronto Stock Exchange to repurchase up to 7,595,585 of our common shares pursuant to an NCIB. *Shareholders' equity* decreased partially due to the repurchase of shares in connection with our NCIB. In 1H/09, we repurchased for cancellation 1,000,000 shares for $30.4 million pursuant to two private agreements between TMX Group and an arm's length third-party seller. These common shares were cancelled and are included in calculating the number of common shares we may repurchase under our NCIB. As of June 30, 2009, 3,513,525 common shares remain available for repurchase under the NCIB until August 17, 2009.

- We earned $89.8 million of net income and paid $56.5 million in dividends during 1H/09.

- At June 30, 2009, there were 74,290,113 common shares issued and outstanding. In 1H/09, 8,477 common shares were issued on the exercise of share options. At June 30, 2009, 4,243,819 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At June 30, 2009, there were 1,454,466 options outstanding.

- At July 28, 2009, there were 74,295,113 common shares issued and outstanding and 1,449,466 options outstanding under the share option plan.

**Cash Flows from Operating Activities**

(in millions of dollars)

| | Q2/09 | Q2/08 | (Decrease) in cash |
|---|---|---|---|
| *Cash Flows from Operating Activities* | $ 50.3 | $ 61.1 | ($ 10.8) |

*Cash Flows from Operating Activities* were $10.8 million lower in Q2/09 compared with Q2/08 due to:

(in millions of dollars)

| | Q2/09 | Q2/08 | Increase/ (decrease) in cash |
|---|---|---|---|
| Net income | $ 46.9 | $ 49.2 | ($ 2.3) |
| Amortization | $ 6.8 | $ 6.0 | $ 0.8 |
| Unrealized (gain)/loss on marketable securities | ($ 0.3) | - | ($ 0.3) |
| Net increase/(decrease) in future income taxes | $ 0.9 | ($ 3.5) | $ 4.4 |
| Unrealized (gain) on interest rate swaps | ($ 2.5) | - | ($ 2.5) |
| Decrease in accounts receivable and prepaid expenses | $ 12.0 | $ 1.1 | $ 10.9 |
| (Increase)/decrease in other assets | ($ 7.2) | $ 4.6 | ($ 11.8) |
| Net (decrease) in accounts payable and accrued liabilities | ($ 7.0) | ($ 4.2) | ($ 2.8) |
| Increase (decrease) in deferred revenue | $ 0.8 | ($ 2.1) | $ 2.9 |
| Net increase/(decrease) in income taxes | ($ 1.5) | $ 9.6 | ($ 11.1) |
| Net increase in other items | $ 1.4 | $ 0.4 | $ 1.0 |
| *Cash Flows from Operating Activities* | $ 50.3 | $ 61.1 | ($ 10.8) |

| | 1H/09 | 1H/08 | (Decrease) in cash |
|---|---|---|---|
| *Cash Flows from Operating Activities* | $ 111.0 | $ 128.7 | ($ 17.7) |

*Cash Flows from Operating Activities* were $17.7 million lower in 1H/09 compared with 1H/08 due to:

(in millions of dollars)

| | 1H/09 | 1H/08 | Increase/ (decrease) in cash |
|---|---|---|---|
| Net income | $ 89.8 | $ 82.0 | $ 7.8 |
| Amortization | $ 14.6 | $ 10.2 | $ 4.4 |
| Unrealized (gain)/loss on marketable securities | $ 0.3 | ($ 0.8) | $ 1.1 |
| Payment to ISE Ventures related to termination of joint venture | - | $ 15.2 | ($ 15.2) |
| Net (decrease) in future income taxes | - | ($ 3.9) | $ 3.9 |
| Unrealized (gain) on interest rate swaps | ($ 3.5) | - | ($ 3.5) |
| (Increase) in accounts receivable and prepaid expenses | ($ 3.8) | ($ 8.6) | $ 4.8 |
| (Increase)/decrease in other assets | ($ 6.9) | $ 3.8 | ($ 10.7) |
| Net (decrease) in accounts payable and accrued liabilities | ($ 14.6) | ($ 33.3) | $ 18.7 |
| Increase in deferred revenue | $ 47.2 | $ 65.3 | ($ 18.1) |
| Net (decrease) in income taxes | ($ 16.2) | ($ 1.7) | ($ 14.5) |
| Net increase in other items | $ 4.1 | $ 0.5 | $ 3.6 |
| *Cash Flows from Operating Activities* | $ 111.0 | $ 128.7 | ($ 17.7) |

### Cash Flows from (used in) Financing Activities

(in millions of dollars)

| | Q2/09 | Q2/08 | (Decrease) in cash |
|---|---|---|---|
| *Cash Flows from (used in) Financing Activities* | ($ 30.0) | $ 263.1 | ($ 293.1) |

*Cash Flows (used in) Financing Activities* were $293.1 million higher in Q2/09 compared with Q2/08 due to:

(in millions of dollars)

| | Q2/09 | Q2/08 | Increase/ (decrease) in cash |
|---|---|---|---|
| Dividends paid on common shares | ($ 28.2) | ($ 31.0) | $ 2.8 |
| Repurchase of common shares under NCIB | - | ($ 134.4) | $ 134.4 |
| Dividend paid to BOX non-controlling interests | ($ 2.0) | - | ($ 2.0) |
| Proceeds on term loan | - | $ 428.0 | ($ 428.0) |
| Proceeds from exercised options | $ 0.1 | $ 0.5 | ($ 0.4) |
| Net increase in other items | $ 0.1 | - | $ 0.1 |
| *Cash Flows from (used in) Financing Activities* | ($ 30.0) | $ 263.1 | ($ 293.1) |

(in millions of dollars)

| | 1H/09 | 1H/08 | (Decrease) in cash |
|---|---|---|---|
| *Cash Flows from (used in) Financing Activities* | ($ 91.6) | $ 243.7 | ($335.3) |

*Cash Flows (used in) Financing Activities* were $335.3 million higher in 1H/09 compared with 1H/08 due to:

(in millions of dollars)

| | 1H/09 | 1H/08 | Increase/ (decrease) in cash |
|---|---|---|---|
| Dividends paid on common shares | ($ 56.5) | ($ 56.2) | ($ 0.3) |
| Repurchase of common shares under NCIB | ($ 30.4) | ($ 134.4) | $ 104.0 |
| Dividends paid to BOX non-controlling interests | ($ 5.2) | - | ($ 5.2) |
| Proceeds on term loan | - | $ 428.0 | ($ 428.0) |
| Proceeds from exercised options | $ 0.1 | $ 6.3 | ($ 6.2) |
| Net increase in other items | $ 0.4 | - | $ 0.4 |
| *Cash Flows from (used in) Financing Activities* | ($ 91.6) | $ 243.7 | ($335.3) |

**Cash Flows from (used in) Investing Activities**

(in millions of dollars)

| | Q2/09 | Q2/08 | Increase in cash |
|---|---|---|---|
| *Cash Flows from (used in) Investing Activities* | ($ 13.9) | ($ 269.2) | $ 255.3 |

*Cash Flows (used in) Investing Activities* were $255.3 million lower in Q2/09 compared with Q2/08 due to:

(in millions of dollars)

| | Q2/09 | Q2/08 | Increase/ (decrease) in cash |
|---|---|---|---|
| Additional payments related to the 2007 acquisition of Equicom and the acquisition of MX, net of cash acquired | ($ 2.1) | ($ 357.1) | $ 355.0 |
| Acquisition of NTP, net of cash acquired | ($ 23.4) | - | ($ 23.4) |
| Investment in EDX | ($ 7.7) | - | ($ 7.7) |
| Payment to ISE Ventures related to termination of joint venture | - | ($ 15.2) | $ 15.2 |
| Capital expenditures primarily related to technology investments and leasehold improvements | ($ 1.7) | ($ 1.9) | $ 0.2 |
| Additions to intangible assets including TSX Quantum and SOLA internal development costs | ($ 5.1) | ($ 2.6) | ($ 2.5) |
| Net sale of marketable securities | $ 26.1 | $ 107.6 | ($ 81.5) |
| *Cash Flows from (used in) Investing Activities* | ($ 13.9) | ($ 269.2) | $ 255.3 |

| | 1H/09 | 1H/08 | Increase in cash |
|---|---|---|---|
| *Cash Flows from (used in) Investing Activities* | ($ 37.1) | ($ 307.1) | $ 270.0 |

*Cash Flows (used in) Investing Activities* were $270.0 million lower in 1H/09 compared with 1H/08 due to:

(in millions of dollars)

| | 1H/09 | 1H/08 | Increase/ (decrease) in cash |
|---|---|---|---|
| Additional payments related to the 2007 acquisition of Equicom and the acquisition of MX, net of cash acquired | ($ 2.7) | ($ 357.1) | $ 354.4 |
| Acquisition of NTP, net of cash acquired | ($ 23.4) | - | ($ 23.4) |
| Investment in EDX | ($ 7.7) | - | ($ 7.7) |
| Payment to ISE Ventures related to termination of joint venture | - | ($ 15.2) | $ 15.2 |
| Capital expenditures primarily related to technology investments and leasehold improvements | ($ 2.1) | ($ 3.3) | $ 1.2 |
| Additions to intangible assets including TSX Quantum and SOLA internal development costs | ($ 8.5) | ($ 4.0) | ($ 4.5) |
| Net sale of marketable securities | $ 7.3 | $ 72.5 | ($ 65.2) |
| *Cash Flows from (used in) Investing Activities* | ($ 37.1) | ($ 307.1) | $ 270.0 |

**Summary of Cash Position**[9]

We had $172.4 million of cash and cash equivalents and marketable securities at June 30, 2009 and have a three-year, $50.0 million revolving credit facility which is undrawn. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business. During 1H/09, with revenues of $273.4 million, we incurred operating expenses of $137.4 million. We had $430.0 million of debt outstanding under the Term Facility, which is due in April 2011. It is expected that this Term Facility will either be refinanced in whole or in part, or repaid, prior to that date. Based on current levels of cash flow from operations, we believe that this Term Facility could be repaid with a combination of existing

[9] The "*Summary of Cash Position and Other Matters*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

cash, future cash flow from operations and refinancing, as required. Cash flow from operations was $111.0 million in 1H/09. In addition, while there are no plans to reduce the existing dividend paid on common shares, we do have the flexibility to change our dividend policy if market conditions were to deteriorate to the point where we felt it necessary to maintain more cash to support operations. We paid $56.5 million in dividends on common shares in 1H/09. We repurchased 1.0 million common shares under our current NCIB during 1H/09 at a cost of $30.4 million.

Future investment opportunities that may require debt financing could be limited by current and future economic conditions, the covenants on TMX Group's existing credit facilities and by our financial viability ratios imposed by securities regulators (see Capital Disclosures in our Annual MD&A for more information on the financial resources requirements imposed by securities regulators).

### Defined Benefit Pension Plans[10]

Based on the most recent actuarial valuation for funding purposes as at December 31, 2008, we estimate a funding deficit of approximately $15.5 million on a solvency basis, of which $6.4 million was funded in 1H/09 and reflected as an increase in *Other assets*.

## Financial Instruments

### Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities. This includes units in a money market fund and a short-term bond and mortgage fund, managed by an external advisor. Marketable securities also include the investment portfolio of MX, which is managed by an external advisor; this portfolio includes federal, provincial and corporate bonds as well as bank-backed asset-backed debt securities.

These investments are recorded at fair value and unrealized gains of $0.3 million and unrealized losses of $0.3 million were recorded in investment income in Q2/09 and 1H/09 respectively, compared with unrealized gains of nil and $0.8 million in Q2/08 and 1H/08 respectively.

### CDCC - Daily Settlements and Cash Deposits

Amounts due from and to clearing members as a result of marking to market open futures positions and settling options transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits.  There is no impact on the consolidated statement of income.

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10 The "*Defined Benefit Pension Plans*" section above contains certain forward-looking statements. Please refer to "*Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

### Long-term Debt

We established the Term Facility in connection with the combination with MX. In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate (see **Credit Facilities and Guarantee - Long-term Debt**).

### 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.

### Interest Rate Swaps

Effective August 28, 2008, we entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on our Term Facility. We mark to market the value of these interest rate swaps, including a credit valuation adjustment as required under the CICA's Emerging Issues Committee (EIC) Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", as an adjustment to income. During Q2/09, unrealized gains of $2.5 million and realized losses of $2.4 million were reflected in net income, compared with no unrealized or realized gains/losses in Q2/08. Both amounts have been included within mark to market on interest rate swaps on the income statement. During 1H/09, unrealized gains of $3.5 million and realized losses of $4.2 million were reflected in net income, compared with no unrealized or realized gains/losses in 1H/08. Both amounts have been included within mark to market on interest rate swaps on the income statement.

The notes to our December 31, 2008 audited annual financial statements (specifically note 21) and our 2008 Annual MD&A (under the headings "**Financial Instruments**" and **"Derivative Financial Instruments**") contain a discussion of our financial instruments, and derivative financial instruments. Please refer to these documents to review that discussion. The primary risks associated with financial instruments and derivative financial instruments and a description of these risks is contained in our 2008 Annual MD&A under the headings "**Financial Instruments**" and "**Derivative Financial Instruments**" and "**Financial Instruments Disclosure and Presentation**".

### Update to Risks and Uncertainties

In addition to the risks and uncertainties outlined in our 2008 MD&A, we face, among others, the following risks and uncertainties with respect to NTP's operations.

We are exposed to credit risk in the event that NTP's contracting parties who entered into transactions prior to TMX Group's acquisition of NTP on May 1, 2009 that clear and settle after May 1, 2009, fail to settle on the contracted settlement date (Legacy Transactions). Legacy Transactions are guaranteed by the previous owners, for which a fee is paid. Crude oil contracts, entered into on or after May 1, 2009, transact through NGX and follow NGX's collateral model, where each contracting party is required to provide sufficient collateral, in the form of cash or letters of credit, exceeding its outstanding credit exposure as determined by NGX in accordance with its margining methodology.

## Quarterly Information

(in thousands of dollars except per share amounts)

| | June 30/09 | Mar. 31 /09 | Dec. 31 /08 | Sept. 30 /08 | June 30/08 | Mar. 31 /08 | Dec. 31 /07 | Sept. 30 /07 |
|---|---|---|---|---|---|---|---|---|
| *Revenue* | $137,582 | $135,809 | $151,395 | $139,364 | $130,077 | $112,353 | $111,191 | $105,930+ |
| *Net Income* | 46,871 | 42,918 | 49,035 | 50,944 | 49,227 | 32,746 | 30,439 | 42,682 |
| *Earnings per share:* | | | | | | | | |
| *Basic* | 0.63 | 0.58 | 0.65 | 0.66 | 0.65 | 0.49 | 0.46 | 0.63 |
| *Diluted* | 0.63 | 0.58 | 0.65 | 0.66 | 0.65 | 0.49 | 0.45 | 0.62 |

***2007***

- 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 and expenses which more than offset the higher revenue.

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

*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 an expense 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 to the value of the future income tax asset.

- Revenue in Q2/08 improved over revenue in Q1/08 primarily due to revenue associated with the combination with MX on May 1, 2008 and increased issuer services and market data revenue. Net income for Q2/08 increased over Q1/08 primarily due to the increase in revenue, somewhat offset by an increase in expenses, including interest expense, and a decrease in investment income.

- Revenue in Q3/08 improved over revenue in Q2/08 primarily due to a full quarter of revenue from the combination with MX. In addition, 100% of BOX's revenue is consolidated from acquisition of control on August 29, 2008, with an adjustment made for non-controlling interests. Net income for Q3/08 increased over Q2/08 primarily due to the increase in revenue, somewhat offset by an increase in expenses related to MX and BOX, interest expense, and a decrease in investment income.

- Revenue in Q4/08 increased over revenue in Q3/08 primarily due to higher revenue from cash equity trading, derivatives trading and energy trading and higher market data revenue. Net income for Q4/08 decreased over Q3/08 primarily due to higher operating expenses and a $13.3 million mark to market adjustment on our interest rate swaps, partially offset by higher revenue and investment income.

*2009*

- Revenue in Q1/09 decreased over revenue in Q4/08 primarily due to lower cash equity trading and issuer services revenue. Net income for Q1/09 decreased over Q4/08 primarily due to the reduced revenue and an increase in compensation and benefits expenses.

- Revenue in Q2/09 increased over revenue in Q1/09 largely due to higher revenue from TSX Venture Exchange cash equities trading and energy trading, including revenue from NTP, effective May 1, 2009. Net income for Q2/09 increased over Q1/09 primarily due to the increased revenue and a decrease in compensation and benefits expenses.

## Adoption of Accounting Policies Change in Accounting Policy Goodwill and Intangible Assets

Effective January 1, 2009, we adopted CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets" as well as CICA Handbook Section 3450, "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets, and has been applied retrospectively. Implementation of this new standard had no significant impact on our financial statements and disclosures.

## Future Changes in Accounting Policy

### *International Financial Reporting Standards (IFRS)*

In March 2009, the Canadian Accounting Standards Board reconfirmed in its second omnibus Exposure Draft that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year, including for the first quarter of 2011.

We commenced our IFRS conversion project in 2008. Our IFRS project consists of three phases – (i) scoping, (ii) evaluation and design, and (iii) implementation and review.

The scoping phase of the project consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. An external advisor has been engaged to assist with the conversion, a project team has been put in place and a detailed project plan has been developed.

We have completed a high level scoping exercise and a business impact study, which, at this stage of the transition project, identified the following IFRS's as being likely to have the most impact on our financial statements and/or operations: IFRS 1 - First Time Adoption of IFRS, IAS 18 - Revenue Recognition, IAS 19 - Employee Benefits, IFRS 3 - Business Combinations and IAS 12 - Income Taxes. Technical workshops have been scheduled, addressing these priority standards and others expected to impact us, and we will monitor changes in IFRS and will change the project plan accordingly as necessary. Potential impacts identified as part of the workshops and some preliminary accounting policy decisions will be brought forward to the Finance & Audit Committee for their review as each standard is addressed. However, we will not be in a position to make final accounting policy decisions on standards in effect as at the end of 2009, and to estimate potential impacts on the financial statements, until 2010.

The evaluation and design phase of the project has commenced. Some of the workshops discussed above took place during the quarter, and we started to examine each IFRS and its specific impact on us.

A training plan has been developed whereby the core project team will receive detailed training on relevant IFRS during the technical workshops discussed above, and separate training sessions have been scheduled for accounting staff and other relevant employees to attend later in the year. The Finance & Audit Committee of the Board receive updates on the conversion project each quarter, and will receive further training in early 2010.

The financial position and performance as disclosed in our Canadian GAAP financial statements may be significantly different when such financial information is presented in accordance with IFRS.

***Business Combinations, Consolidated Financial Statements and Non-Controlling Interests***

In January 2009, the CICA issued CICA HB 1582 – Business Combinations, which will replace CICA HB 1581 – Business Combinations. The CICA also issued CICA HB 1601 – Consolidated Financial Statements and CICA HB 1602 – Non-Controlling Interests, which will replace CICA HB 1600 – Consolidated Financial Statements. The new standards are effective for fiscal years beginning on or after January 1, 2011, with early adoption permitted. The objective of the new standards is to harmonize Canadian GAAP for business combinations and consolidated financial statements with the International and U.S. accounting standards. The new standards are to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. Assets and liabilities that arose from business combinations whose acquisition dates preceded the application of the new standards will not be adjusted upon application of these new standards. We will determine the impact these changes will have on our consolidated financial statements.

## Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter ended June 30, 2009 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## 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 TMX 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, derivatives, energy exchanges and clearing houses and the business, financial position, operations and prospects of TMX Group, including the creation (through the combination with MX) of opportunities to create cost and revenue synergies, which are subject to significant risks and uncertainties, including competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; failure to implement our strategies; regulatory constraints; risks of litigation; dependence on adequate numbers of customers; failure to develop or gain acceptance of new products; adverse effect of new business activities; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence and restrictions imposed by licenses and other arrangements; dependence of trading operations on a small number of clients; new technologies making it easier to disseminate our information; risks associated with NGX's (including NTP) and CDCC's clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group shares; inability to protect our intellectual property; dependence on third party suppliers; adverse effect of a systemic market event on our derivatives business; risks associated with the credit of customers; cost structures being largely fixed; risks associated with integrating the operations, systems, and personnel of MX within TMX Group; dependence on market activity that cannot be controlled; and the risk that the cost savings, anticipated revenues from new product development; growth prospects and any other synergies expected to result from the combination with MX may not be fully realized or may take longer to materialize than expected. 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 the ability of TMX Group to successfully compete against global exchanges; the accuracy, timing and ability to realize the projected synergies in respect of expected cash flows, cost savings and profitability, which will be dependent on, but not limited to, such factors as optimizing technology and data centres, reducing corporate costs and rationalizing premises (cost synergies are presented in this MD&A to provide one strategic rationale to support the benefits of the combination with MX and these estimated cost synergies should not be relied on for any other purpose); 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 TMX Group's key products; the continued availability of financing on appropriate terms for future projects; productivity at TMX Group, as well as that of TMX Group's competitors; market competition; research & development activities; the successful introduction of new derivatives and equity products; tax benefits/changes; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its 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 is contained in our 2008 Annual MD&A under the heading **Risks and Uncertainties**; which risk factors are specifically incorporated by reference.

July 29, 2009