

# TMX Group Inc.

## Q1-2010 Management's Discussion and Analysis

April 27, 2010

This Management's Discussion and Analysis (MD&A) of TMX Group Inc.'s (TMX Group) financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the quarter ended March 31, 2010, compared with the quarter ended March 31, 2009 or the year ended December 31, 2009. This MD&A is dated April 27, 2010 and should be read carefully together with our Q1/10 unaudited interim financial statements, including notes, for the corresponding period, as well as our 2009 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](http://www.sedar.com) or our website at [www.tmx.com](http://www.tmx.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, 2009, we completed the acquisition of NetThruPut Inc. (NTP), a leading Canadian electronic trading platform and clearing facility for crude oil products. We have included its results in our consolidated financial statements from that date.

Certain comparative figures have been reclassified in order to conform with the financial presentation adopted in the current year. In particular, commencing in 2010, provisions for doubtful accounts receivable are included in *General and Administration* expense whereas, in 2009, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 and 2008 have been reclassified to conform with the financial presentation adopted in 2010. The impact of the reclassification is not material.

Additional information about TMX Group, including our most recent Annual Information Form, is available through [www.sedar.com](http://www.sedar.com) and on our website, [www.tmx.com](http://www.tmx.com). We are not incorporating information contained on the website in this MD&A.

### Non-GAAP Financial Measures

Certain measures used in this MD&A do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other Canadian issuers.

## **“Initial listing fees billed” and “additional listing fees billed”**

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 “initial listing fees billed” and “additional listing fees billed”.

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. This is how our international peers, who currently report using International Financial Reporting Standards (IFRS), account for these fees. These non-GAAP revenue measures provide investors with 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.

## **Market Conditions and Outlook<sup>1</sup>**

Our revenue is impacted by the levels and nature of market activity on our exchanges. This activity is influenced by customer and product mix, 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. While it is not possible to quantify the potential changes in some of these measures, future economic and market conditions will continue to affect these revenue drivers and impact future revenue and net income given our largely fixed cost structure.

We operate in the highly competitive exchange industry. New Canadian equity trading venues have entered the market and while combined volumes on our exchanges grew in Q1/10 over Q1/09, we have lost market share to these new entrants and we continue to face significant pricing pressure as we compete for order flow. Another trading venue recently announced that it is seeking regulatory approval allowing it to become a recognized stock exchange that lists securities. The hyper-competitive U.S. options market environment continues to have a negative effect on Boston Options Exchange Group, LLC’s, or BOX’s, market share and revenue.

From a macro perspective, a continued recovery in the global and Canadian economies should have an overall positive impact on our key revenue drivers, as a growing economy typically leads to new public offerings and higher financing activity, while the growth of capital may drive more investing and trading activity across all asset classes and venues.

Our belief is that over the long term, well-regulated neutral exchanges and clearing houses with ownership structures that are free of conflict will play a key role in the success of capital markets. We provide transparent markets for capital formation and price discovery along with

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

effectively collateralized clearing mechanisms for managing counterparty credit risk. We believe we are strategically positioned domestically and internationally to continue to succeed in this environment.

## **2010 Strategic Initiatives**

### **Cash Equities Trading<sup>2</sup>**

In Q1/10, we implemented a number of changes and initiatives for our customers, including:

- In February 2010, we announced a reduction in trading fees for securities trading under \$1.00 on TSX Venture Exchange and Toronto Stock Exchange which took effect March 1, 2010. The changes represent on average a reduction of approximately 50% in trading fees for these securities. The new fee structure includes the elimination of the tiered pricing model that saw fees adjusted based on trader volumes and its replacement by a new, lower single fee schedule for securities trading under \$1.00. This benefits both active and passive traders in organizations of all sizes. Based on recent historical trading activity, patterns, product and customer mix, changes to the trading fee structure could reduce revenue by approximately \$15.0 to \$18.0 million on an annual basis if offsetting benefits, including increased volumes, are not realized. For these reductions in trading fees, actual trading revenue will depend on future activity, patterns, product and customer mix.
- In March 2010, we announced a reduction in trading fees for securities trading at \$1.00 and higher on Toronto Stock Exchange and TSX Venture Exchange. These changes took effect April 1, 2010 and were designed to encourage higher volume and liquidity levels and further enhance our competitive position. The changes included replacing the previous three-tiered, volume based fee structure with a simpler two-tier structure and reducing the active fee paid by customers trading in the lower tier. The overall fee reduction benefits both active and passive traders in participating organizations (POs) of all sizes and decreases the average fee spread. In addition, we introduced a separate program to reward qualifying high-volume POs. Based on recent historical trading activity, patterns, product and customer mix, reductions to the trading fees for securities valued at \$1 and higher could reduce revenue by approximately \$11.0 to \$15.0 million on an annual basis if offsetting benefits, including increased volumes, are not realized. For these reductions in trading fees, actual trading revenue will depend on future activity, patterns, product and customer mix.
- By the end of Q1/10, we had successfully completed the first phase of our equity enterprise expansion project. The multi-phased initiative, which was first announced in October 2009, is designed to upgrade the infrastructure across our trading enterprise,

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<sup>2</sup> The “Cash Equities Trading” section above contains certain forward-looking statements. Please refer to “*Caution Regarding Forward-Looking Information*” for a discussion of risks and uncertainties related to such statements.

providing decreased latency, increased throughput capability and enhanced performance. The first phase involved the migration of the Toronto Stock Exchange and TSX Venture Exchange trading engines onto the new infrastructure. With this first phase complete, we have cut latency in half.

## Quarter Ended March 31, 2010 Compared with Quarter Ended March 31, 2009

Net income was \$49.1 million or \$0.66 per common share for Q1/10 on a basic and diluted basis, compared with net income of \$42.9 million or \$0.58 per common share on a basic and diluted basis for Q1/09, representing an increase in net income of 14%. The increase in net income was largely due to higher revenue from issuer services and cash markets equity and fixed income trading as well as lower interest expense and a lower net mark-to-market adjustment on interest rate swaps, partially offset by lower revenue from our U.S. derivatives market trading and market data as well as lower investment income.

### Revenue

Revenue was \$139.7 million in Q1/10, up \$2.9 million, or 2% compared with \$136.8 million for Q1/09, reflecting increased revenue from issuer services, cash markets fixed income and cash markets equities trading, partially offset by lower revenue from our U.S. derivatives market trading and market data.

### 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 Q1/10 and Q1/09.

(in millions of dollars)

	Reported				Billed*			
	Q1/10	Q1/09	\$ increase	% increase	Q1/10	Q1/09	\$ increase	% increase
<i>Initial listing fees</i>	\$ 4.5	\$ 4.2	\$ 0.3	7%	\$ 6.2	\$ 2.0	\$ 4.2	210%
<i>Additional listing fees</i>	\$ 15.7	\$ 13.7	\$ 2.0	15%	\$ 23.6	\$ 17.0	\$ 6.6	39%
<i>Sustaining listing fees</i>	\$ 16.0	\$ 13.8	\$ 2.2	16%	\$ 16.0	\$ 13.8	\$ 2.2	16%
<i>Other issuer services</i>	\$ 3.5	\$ 3.3	\$ 0.2	6%	\$ 3.5	\$ 3.3	\$ 0.2	6%
<i>Total</i>	\$ 39.7	\$ 35.0	\$ 4.7	13%	\$ 49.3	\$ 36.1	\$ 13.2	37%

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.

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

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:

<b><i>Initial Listing Fees</i></b> (in millions of dollars)	<b>Q1/10</b>	<b>Q1/09</b>
Initial listing fees billed*	\$ 6.2	\$ 2.0
Initial listing fees billed* and deferred to future periods	(\$ 6.1)	(\$ 1.9)
Recognition of initial listing fees billed* and previously included in deferred revenue	<u>\$ 4.4</u>	<u>\$ 4.1</u>
Initial listing fee revenue reported	<u>\$ 4.5</u>	<u>\$ 4.2</u>
<b><i>Additional Listing Fees</i></b> (in millions of dollars)	<b>Q1/10</b>	<b>Q1/09</b>
Additional listing fees billed*	\$ 23.6	\$ 17.0
Additional listing fees billed* and deferred to future periods	(\$ 23.2)	(\$ 16.7)
Recognition of additional listing fees billed* and previously included in deferred revenue	<u>\$ 15.3</u>	<u>\$ 13.4</u>
Additional listing fee revenue reported	<u>\$ 15.7</u>	<u>\$ 13.7</u>

- *Initial and additional listing fees reported* increased in Q1/10 compared with Q1/09, reflecting an increase in capital market activity during the period from April 1, 2000 to March 31, 2010 compared with the period from April 1, 1999 to March 31, 2009. *Initial listing fees billed\** and *Additional listing fees billed\** in Q1/10 increased over Q1/09 due to an increase in initial financings on Toronto Stock Exchange and TSX Venture Exchange. The increase was also due to an increase in the value of additional financings on TSX Venture Exchange. While the value of additional financings on Toronto Stock Exchange decreased in Q1/10 compared with Q1/09, there was an increase in *Additional listing fees billed\**. This was a result of more transactions in Q1/10 compared with Q1/09 and to fee changes that were effective January 1, 2010.
- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual sustaining listing fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The increase in sustaining listing fees was due to the overall higher market capitalization of listed issuers on both exchanges at the end of 2009 compared with the end of 2008.

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

- *Other issuer services* revenue of \$3.5 million increased from \$3.3 million in Q1/09, reflecting higher demand for investor relations services.

## Trading, Clearing and Related Revenue

(in millions of dollars)

	Q1/10	Q1/09	\$ increase/ (decrease)	% increase/ (decrease)
<i>Cash markets revenue</i>	\$ 31.3	\$ 28.7	\$ 2.6	9%
<i>Derivatives markets revenue</i>	\$ 18.4	\$ 21.8	(\$ 3.4)	(16%)
<i>Energy markets revenue</i>	<u>\$ 9.3</u>	<u>\$ 8.5</u>	<u>\$ 0.8</u>	9%
<i>Total</i>	<u>\$ 59.0</u>	<u>\$ 59.0</u>	=	-

### *Cash Markets*

- *Cash markets* equity trading revenue increased due to a 90% increase in the volume of securities traded on TSX Venture Exchange in Q1/10 over Q1/09 (15.4 billion securities in Q1/10 versus 8.1 billion securities in Q1/09). From a revenue perspective, we also had a favourable change in the mix of customer and product trading activity on Toronto Stock Exchange in Q1/10 compared with Q1/09.
- The increase was largely offset by the impact of a 16% decrease in the volume of securities traded on Toronto Stock Exchange in Q1/10 over Q1/09 (25.3 billion securities in Q1/10 versus 30.0 billion securities in Q1/09) and the impact of changes to our equity trading fee schedule, effective October 1, 2009 and March 1, 2010, which included a reduction in active trading fees on stocks trading at less than \$1.00 in the post-open continuous market.
- Shorcan Brokers Limited (Shorcan) fixed income trading revenue increased due to a favourable product mix in Q1/10 compared with Q1/09.

### *Derivatives Markets*

- The decrease in revenue reflects a 61% decrease in BOX volumes (17.68 million contracts in Q1/10 versus 45.70 million contracts traded in Q1/09) due to increased competition in the U.S. equity options trading market in Q1/10 compared with Q1/09. The decrease was somewhat offset by option regulatory fees charged in Q1/10.
- The decrease was also somewhat offset by an increase in trading and clearing revenue from Montréal Exchange Inc. (MX). MX volumes increased by 24% (9.97 million contracts traded in Q1/10 versus 8.06 million contracts traded in Q1/09) reflecting increased trading in the BAX<sup>®</sup> and CGB<sup>®</sup> contracts, as well as ETF options.

## ***Energy Markets***

- *Energy markets* revenue increased due to the inclusion of revenue from crude oil trading and clearing following the acquisition of NTP on May 1, 2009. Natural Gas Exchange Inc. (NGX) traded or cleared 14.16 million barrels of crude oil in Q1/10.
- In addition, Shorcan Energy Brokers Inc. (Shorcan Energy Brokers), a wholly-owned subsidiary of Shorcan, recently launched trading in energy products which resulted in an increase in revenue during Q1/10.
- The increased revenue was also a result of NGX having deferred less revenue in Q1/10, on a net basis, than in Q1/09 due to a reduced level of forward contracts.
- The increases were somewhat offset by a decrease in revenue from natural gas trading and clearing due to a 5% decrease in the volumes of natural gas traded or cleared on NGX over Q1/09 (3.07 million terajoules in Q1/10 compared to 3.23 million terajoules in Q1/09). There was also a decrease in revenue due to the negative impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/10 compared with Q1/09.

## **Market Data Revenue**

(in millions of dollars)

<b>Q1/10</b>	<b>Q1/09</b>	<b>\$ (decrease)</b>	<b>% (decrease)</b>
\$ 37.5	\$ 38.8	(\$1.3)	(3%)

- The negative impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/10 compared with Q1/09 was a significant factor in the decrease in revenue.
- The decrease also reflects lower revenue from MX and BOX derivatives market data. There was a 16% decrease in the number of MX market data subscriptions (22,898 MX market data subscriptions at March 31, 2010 compared with 27,237 at March 31, 2009).
- The decreases were partially offset by higher revenue from indices, data licensing, co-location services and price increases that were effective January 1, 2010. There were also higher revenue recoveries related to under-reported usage of real-time quotes in Q1/10 compared with Q1/09.
- Overall, there was a 1% decrease in the number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (151,744 professional and equivalent real-time market data subscriptions at March 31, 2010 compared with 153,515 at March 31, 2009).

## Business Services and Other Revenue

(in millions of dollars)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
\$ 3.6	\$ 4.1	(\$0.5)	(12%)

- *Business services* revenue decreased primarily due to net foreign exchange losses on U.S. dollar accounts receivable, partially offset by revenue from development work related to licensing our SOLA<sup>®</sup> technology.

## Operating Expenses

Operating expenses in Q1/10 were \$69.6 million, down \$1.2 million, or 2%, from \$70.8 million in Q1/09 due to lower organizational transition costs, reduced headcount and lower general and administration expenses somewhat offset by higher costs related to technology initiatives.

## Compensation and Benefits

(in millions of dollars)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
\$ 32.2	\$ 33.7	(\$1.5)	(4%)

- *Compensation and benefits* costs decreased primarily due to lower organizational transition costs, as well as an overall reduction in salary costs relating to reduced headcount, partially offset by higher costs associated with short term performance incentives compared with Q1/09.
- There were 836 employees at March 31, 2010, which included 10 NTP and Shorcan Energy Brokers employees, versus 851 employees at March 31, 2009.

## Information and Trading Systems

(in millions of dollars)

Q1/10	Q1/09	\$ increase	% increase
\$ 12.1	\$ 11.1	\$1.0	9%

- *Information and trading systems* costs increased due to higher costs related to technology initiatives.

## General and Administration

(in millions of dollars)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
\$ 16.9	\$ 18.3	(\$1.4)	(8%)

- *General and administration* costs decreased as a result of lower capital tax expense and lower directors' fees.

## Amortization

(in millions of dollars)

Q1/10	Q1/09	\$ increase	% increase
\$ 8.4	\$ 7.7	\$0.7	9%

- *Amortization* costs increased due to higher obligations under capital leases for which the related assets are amortized.
- The increase was also due to higher amortization of the intangible assets related to the TMX Smart Order Router, TSX Quantum™ Order Entry Gateway and SOLA Clearing. The increases were somewhat offset by reduced amortization relating to assets that were fully depreciated by Q1/10.

## Income from Investment in Affiliate

(in millions of dollars)

Q1/10	Q1/09	\$ increase
\$ 0.3	\$ 0.1	\$ 0.2

- *Income from investment in affiliate* represents TSX Inc.'s share of CanDeal.ca Inc. (CanDeal) income for Q1/10 based on its 47% interest in CanDeal, an electronic trading system for the institutional debt market.

## Investment Income

(in millions of dollars)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
\$ 0.8	\$ 1.6	(\$0.8)	(50%)

- *Investment income* decreased due to lower overall returns on short-term bond and mortgage fund investments during Q1/10 compared with Q1/09.

## Interest Expense

(in millions of dollars)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
\$ 1.2	\$ 2.1	(\$0.9)	(43%)

- *Interest expense* decreased as a result of lower interest rates on the debt outstanding. On April 30, 2008, we borrowed \$430.0 million in Canadian funds 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)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
\$0.1	\$0.9	(\$0.8)	(89%)

- We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on our long-term debt, effective August 28, 2008 (*see Long-term Debt*).
- During Q1/10, unrealized gains of \$1.6 million and realized losses of \$1.7 million were reflected in net income, compared with unrealized gains of \$0.9 million and realized losses of \$1.8 million recognized in Q1/09.

## Income Taxes

(in millions of dollars)

Q1/10	Q1/09	Effective tax rate (%)	
		Q1/10	Q1/09
\$ 21.1	\$ 20.1	30%	32%

- The effective tax rate for Q1/10 was lower than that for Q1/09 due to changes in federal income and Ontario corporate tax rates.

## Non-Controlling Interests

(in millions of dollars)

Q1/10	Q1/09	\$ (decrease)	% (decrease)
(\$0.4)	\$1.6	(\$2.0)	(125%)

- MX holds a 53.8% ownership interest in BOX. BOX results are consolidated into our consolidated statements of income. The non-controlling interests represent the other BOX unitholders' share of BOX's loss or profit in the period. The decrease in Q1/10 was due to declining profitability resulting from lower volumes somewhat offset by option regulatory fees charged in Q1/10.

## Comprehensive Income

Comprehensive Income was \$46.4 million for Q1/10 and is comprised of Net Income of \$49.1 million net of Other Comprehensive Losses of \$2.7 million.

Other comprehensive losses include the unrealized loss on the foreign currency translation of BOX and other related self-sustaining foreign operations, which amounted to \$2.7 million for Q1/10.

Accumulated Other Comprehensive Income of \$0.6 million as at March 31, 2010 is included as a component of **Shareholders' Equity**.

Comprehensive Income was \$48.5 million for Q1/09 which was comprised of Net Income of \$42.9 million and Other Comprehensive Income of \$5.6 million.

Other comprehensive income includes the unrealized gain on the foreign currency translation of BOX and other related self-sustaining foreign operations, which amounted to \$5.6 million for Q1/09.

Our Accumulated Other Comprehensive Income of \$29.7 million as at March 31, 2009 is included as a component of **Shareholders' Equity**.

## Segment Analysis

### *Cash Markets –Equities and Fixed Income*

(in millions of dollars)

	<b>Q1/10</b>	<b>Q1/09</b>	<b>\$ increase</b>	<b>% increase</b>
Revenue	\$107.5	\$101.1	\$6.4	6%
Net Income	\$41.5	\$36.3	\$5.2	14%

The increase in revenue primarily reflects higher issuer services revenue related to sustaining and additional listing fees as well as higher fixed income and equities trading revenue, partially offset by a decrease in market data revenue. Net income increased due to the increased revenue and a reduction in interest expense.

(in millions of dollars)

	<b>March 31, 2010</b>	<b>March 31, 2009</b>	<b>\$ increase</b>
Goodwill	\$116.9	\$113.8	\$3.1
Total Assets	\$585.8	\$528.0	\$57.8

The amount of goodwill remained relatively constant in Q1/10 compared with Q1/09. Total assets increased due to an increase in cash and marketable securities and accounts receivable in Q1/10 compared with Q1/09.

### *Derivative Markets – MX and BOX*

(in millions of dollars)

	<b>Q1/10</b>	<b>Q1/09</b>	<b>\$ increase / (decrease)</b>	<b>% increase / (decrease)</b>
Revenue	\$22.8	\$27.1	(\$4.3)	(16%)
Net Income	\$5.5	\$3.5	\$2.0	57%

The decrease in revenue largely reflects lower revenue and volumes on BOX, which is fully consolidated in revenue for this segment. The decrease in BOX's revenue was somewhat offset by option regulatory fees charged in Q1/10. Net income for Q1/10 increased due to an increase in trading and clearing revenue from MX, a decrease in income taxes and lower *Compensation and Benefits* and *General and Administration* expenses compared with Q1/09. In Q1/09, net income was reduced by \$1.6 million reflecting the non-controlling interests share of BOX's income. However in Q1/10, net income was increased by \$0.4 million reflecting the non-controlling interests share of BOX's loss.

(in millions of dollars)

	<b>March 31, 2010</b>	<b>March 31, 2009</b>	<b>\$ (decrease)</b>
Goodwill	\$414.3	\$519.8	(\$105.5)
Total Assets	\$1,700.7	\$1,841.7	(\$141.0)

The decrease in Goodwill related mainly to the non-cash goodwill impairment charge of \$77.3 million related to BOX in Q4/09.

Total Assets decreased primarily due to a reduction in Daily Settlements and Cash Deposits of \$45.8 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were \$45.8 million lower at March 31, 2010 compared with March 31, 2009. The decrease in assets also reflected the non-cash goodwill impairment charge of \$77.3 million related to BOX, which was taken in Q4/09.

### ***Energy Markets – NGX and Shorcan Energy Brokers***

(in millions of dollars)

	<b>Q1/10</b>	<b>Q1/09</b>	<b>\$ increase / (decrease)</b>	<b>% increase / (decrease)</b>
Revenue	\$9.4	\$8.6	\$0.8	9%
Net Income	\$2.1	\$3.1	(\$1.0)	(32%)

The increase in revenue in Q1/10 compared with Q1/09 was due to the addition of revenue from NGX's crude oil operations and Shorcan Energy Brokers, slightly offset by a decline in revenue from natural gas and electricity trading and clearing as a result of a decrease in volumes and the negative impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/10 compared with Q1/09. The increased revenue was also a result of NGX having deferred less revenue in Q1/10, on a net basis, than in Q1/09 due to a reduced level of forward contracts. The decrease in net income reflected an increase in income taxes and *Compensation and Benefits* expense.

(in millions of dollars)

	<b>March 31, 2010</b>	<b>March 31, 2009</b>	<b>\$ increase</b>
Goodwill	\$51.9	\$21.3	\$30.6
Total Assets	\$1,266.1	\$899.1	\$367.0

Total Assets increased due to an increase of \$155.0 million in the fair value of open energy contracts receivable compared with the end of March 2009. The increased level of open energy contracts largely reflected the impact of higher volatility in natural gas prices for the relevant measuring period during March 2010 compared with the corresponding period in March 2009. As the clearing counterparty to every trade, NGX also carries offsetting liabilities related to the fair value of open energy contracts which were also \$155.0 million higher at March 31, 2010 compared with March 31, 2009. The increase in Total Assets was also due to an increase in

energy contracts receivable of \$125.1 million compared with the end of March 2009. The increase in receivables was largely attributable to crude oil receivables relating to NTP, which was acquired on May 1, 2009. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were \$125.1 million higher at the end of March 2010. In addition, the overall increase in total assets was also due to recording \$49.6 million in intangible assets and \$30.6 million in goodwill on the purchase of NTP on May 1, 2009.

## Liquidity and Capital Resources

### Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>\$ increase</b>
\$ 226.0	\$ 191.1	\$ 34.9

- The increase was largely due to cash generated from operating activities of \$71.6 million, partially offset by dividend payments of \$28.0 million and capital expenditures of \$4.9 million.

### Total Assets

(in millions of dollars)

<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>\$ increase</b>
\$ 3,552.5	\$ 3,524.5	\$ 28.0

- *Total assets* increased due to higher energy contracts receivable of \$794.1 million at March 31, 2010 related to the clearing operations of NGX, compared with \$714.5 million at the end of 2009. The higher level of receivables reflected both higher delivered volumes of crude oil and natural gas as well as higher crude oil and electricity prices at the end of March 2010 compared with the end of December 2009. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were \$794.1 million at March 31, 2010 compared with \$714.5 million at the end of 2009.
- The increase was also due to an increase in current assets related to the fair value of open energy contracts (\$329.8 million as at March 31, 2010, compared with \$202.8 million at December 31, 2009). The increased level of open energy contracts largely reflected the impact of higher volatility in natural gas prices for the relevant measuring period during March 2010 compared with the corresponding period in December 2009. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were \$329.8 million at March 31, 2010 compared with \$202.8 million at December 31, 2009.

- The overall increase was largely offset by lower MX daily settlements and cash deposits of \$321.7 million as at March 31, 2010 related to MX's clearing operations, compared with \$565.4 million at the end of 2009. MX also carried offsetting liabilities related to daily settlements and cash deposits which were \$321.7 million at March 31, 2010 compared with \$565.4 million at the end of 2009. 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.
- *Total assets* also included an increase in cash and marketable securities of \$34.9 million as well as an increase in accounts receivable of \$20.4 million.

## Credit Facilities and Guarantee

### Long-term Debt

(in millions of dollars)

<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>\$ increase</b>
\$429.2	\$429.0	\$ 0.2

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of \$430.0 million, the Term Facility. 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.
- 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 on our \$430.0 million non-revolving three-year term facility. The interest rate swaps in place at March 31, 2010 are as follows:

<b>Notional value</b> (in millions of dollars)	<b>Interest rate we will pay</b> <b>under swap</b> (excludes 0.45% fee)	<b>Maturity date</b> <b>of swap</b>
Swap #2 - \$100.0	3.749%	August 31, 2010
Swap #3 - \$100.0	3.829%	April 18, 2011

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, extraordinary, unusual or non-recurring items, depreciation and amortization, all determined in accordance with Canadian 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 March 31, 2010, all covenants were met.

### ***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 had not been drawn upon at March 31, 2010.

NGX also has an Electronic Funds Transfer (EFT) Daylight facility of \$300.0 million in place with a Canadian chartered bank.

### **Shareholders' Equity**

(in millions of dollars)

<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>\$ increase</b>
\$ 789.7	\$ 770.6	\$ 19.1

- We earned \$49.1 million of net income during Q1/10 and paid \$28.0 million in dividends.
- We also recorded an unrealized foreign exchange loss of \$2.7 million on the foreign currency translation of BOX and other related self-sustaining foreign operations.
- At March 31, 2010, there were 74,313,041 common shares issued and outstanding. In Q1/10, 6,000 common shares were issued on the exercise of share options. At March 31, 2010, 4,127,110 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At March 31, 2010, there were 1,774,518 options outstanding.

- At April 26, 2010, there were 74,315,547 common shares issued and outstanding and 1,763,050 options outstanding under the share option plan.

### Cash Flows from Operating Activities

(in millions of dollars)

	Q1/10	Q1/09	Increase in cash
<i>Cash Flows from Operating Activities</i>	\$ 71.6	\$ 60.7	\$ 10.9

*Cash Flows from Operating Activities* were \$10.9 million higher in Q1/10 compared with Q1/09 due to:

(in millions of dollars)

	Q1/10	Q1/09	Increase/ (decrease) in cash
Net income	\$ 49.1	\$ 42.9	\$ 6.2
Amortization	\$ 8.4	\$ 7.7	\$ 0.7
Net (increase) in future income taxes	(\$ 1.6)	(\$ 0.9)	(\$ 0.7)
Unrealized (gain) on interest rate swaps	(\$ 1.6)	(\$ 0.9)	(\$ 0.7)
Unrealized loss on marketable securities	\$ 0.4	\$ 0.6	(\$ 0.2)
(Increase) in accounts receivable and prepaid expenses	(\$ 23.1)	(\$ 15.8)	(\$ 7.3)
(Increase)/decrease in other assets	(\$ 0.4)	\$ 0.4	(\$ 0.8)
Net (decrease) in accounts payable, accrued liabilities and long-term liabilities	(\$ 13.1)	(\$ 7.6)	(\$ 5.5)
Increase in deferred revenue	\$ 61.3	\$ 46.4	\$ 14.9
Net (decrease) in income taxes payable	(\$ 8.0)	(\$ 14.7)	\$ 6.7
Net increase in other items	<u>\$ 0.2</u>	<u>\$ 2.6</u>	<u>(\$ 2.4)</u>
<i>Cash Flows from Operating Activities</i>	<u>\$ 71.6</u>	<u>\$ 60.7</u>	<u>\$ 10.9</u>

## Cash Flows from (used in) Financing Activities

(in millions of dollars)

	<b>Q1/10</b>	<b>Q1/09</b>	<b>Increase in cash</b>
<i>Cash Flows from (used in) Financing Activities</i>	(\$ 28.9)	(\$ 61.6)	\$ 32.7

*Cash Flows (used in) Financing Activities* were \$32.7 million lower in Q1/10 compared with Q1/09 due to:

(in millions of dollars)

	<b>Q1/10</b>	<b>Q1/09</b>	<b>Increase/ (decrease) in cash</b>
Dividends paid on common shares	(\$ 28.0)	(\$ 28.3)	\$ 0.3
Repurchase of common shares under NCIB	-	(\$ 30.4)	\$ 30.4
Dividends paid to BOX non-controlling interests	-	(\$ 3.2)	\$ 3.2
Net (decrease) in other items	<u>(\$ 0.9)</u>	<u>\$ 0.3</u>	<u>(\$ 1.2)</u>
<i>Cash Flows from (used in) Financing Activities</i>	<u>(\$ 28.9)</u>	<u>(\$ 61.6)</u>	<u>\$ 32.7</u>

## Cash Flows from (used in) Investing Activities

(in millions of dollars)

	Q1/10	Q1/09	(Decrease) in cash
<i>Cash Flows from (used in) Investing Activities</i>	(\$ 63.8)	(\$ 23.2)	(\$ 40.6)

*Cash Flows (used in) Investing Activities* were \$40.6 million higher in Q1/10 compared with Q1/09 due to:

(in millions of dollars)

	Q1/10	Q1/09	Increase/ (decrease) in cash
Cost of acquisitions and investments, net of cash acquired	-	(\$ 0.7)	\$ 0.7
Capital expenditures primarily related to technology investments and leasehold improvements	(\$ 4.9)	(\$ 0.4)	(\$ 4.5)
Additions to intangible assets including TSX Quantum Gateway, TMX Smart Order Router (2009) and SOLA internal development costs	(\$ 2.1)	(\$ 3.4)	\$ 1.3
Net (purchases) of marketable securities	<u>(\$ 56.8)</u>	<u>(\$ 18.7)</u>	<u>(\$ 38.1)</u>
<i>Cash Flows from (used in) Investing Activities</i>	<u>(\$ 63.8)</u>	<u>(\$ 23.2)</u>	<u>(\$ 40.6)</u>

## Summary of Cash Position and Other Matters<sup>3</sup>

We had \$226.0 million of cash and cash equivalents and marketable securities at March 31, 2010 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 Q1/10, with revenues of \$139.7 million, we incurred operating expenses of \$69.6 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 the Term Facility could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required. We are currently considering a range of refinancing options, which include renewing the bank facilities as well as private or public debt issues. Cash flows from operations were \$71.6 million in Q1/10. We paid \$28.0 million in dividends on common shares in Q1/10.

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<sup>3</sup> The "Summary of Cash Position and Other Matters" section above contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

In Q3/09, we announced a major expansion of our co-location services and facilities in response to significant international demand. The new facility is designed to accommodate up to 200 co-location spaces, which will meet current and medium-term demand for the services. The capital expenditures associated with the expansion project are being incurred from Q1/10 and we anticipate the next phase, which will provide space for 100 cabinets, will be completed by Q2/10 at a cost of approximately \$10.0 million, which we plan to amortize over ten years. We expect to realize incremental revenue beginning in the 2H/10.

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in and are planning a multi-phased initiative to upgrade the infrastructure across our trading and data enterprise. In order to increase throughput capability, we are upgrading our internal networks, storage and application servers. The first expansion phase was completed in Q1/10. We expect to incur annual operating expenses, including amortization, of approximately \$8.0 million to support this initiative. However, we estimate these costs will be largely offset by the decommissioning of legacy hardware beginning in 2H/10. The upgrade of the trading and data enterprise is designed to improve our overall infrastructure to better serve our existing customers and to attract additional customers and order flow to our marketplace.

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.

The recognition order of TMX Group and TSX Inc. contains certain financial viability tests that must be met. If TSX Inc. fails to meet any of these tests for a period of more than three months, TSX Inc. will not, without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. TSX Venture Exchange is required by various provincial securities commissions to maintain adequate financial resources for the performance of its functions in a manner that is consistent with the public interest and the terms of its recognition orders. Under its recognition order, MX is also subject to certain financial viability tests that must be met. If MX fails to meet any of these tests for a period of more than three months, MX will not, without the prior approval of the AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months. NGX is required by the Alberta Securities Commission to maintain adequate financial resources to operate its trading system and support its trade execution functions (*see* TMX Group 2009 Annual MD&A under **Managing Capital** for more information on the financial resources requirements imposed by securities regulators).

### **Changes in Internal Control over Financial Reporting**

There were no changes to internal control over financial reporting during the quarter beginning January 1, 2010 and ended March 31, 2010 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

## Future Changes in Accounting Policies

### *International Financial Reporting Standards (IFRS)*<sup>4</sup>

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 year, starting in the first quarter of 2011.

TMX Group commenced its IFRS conversion project in 2008. A more detailed discussion of our transition to IFRS is contained in our 2009 Annual MD&A under the heading **Future Changes in Accounting Policies**.

The following table summarizes certain key activities and milestones associated with our IFRS conversion plan and their current status. Certain project activities and timelines could change as we proceed through the transition plan. For example, among other things, changes in IFRS or regulatory requirements from now until IFRS transition could result in changes to our conversion project and to the summary information provided below.

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<sup>4</sup> The “*Future Changes in Accounting Policy - IFRS*” section above contains certain forward-looking statements. Please refer to “*Caution Regarding Forward-Looking Information*” for a discussion of risks and uncertainties related to such statements.

KEY ACTIVITY	MILESTONES	STATUS
<b>Financial statement preparation:</b>		
<ul style="list-style-type: none"> <li>• Identify accounting differences between Canadian GAAP and IFRS accounting policies, and any associated accounting policy choices available</li> <li>• Select TMX Group's ongoing IFRS policies</li> <li>• Select the TMX Group's IFRS 1 policy choices</li> <li>• Develop IFRS-compliant financial statement format</li> <li>• Quantify the effects of these changes on the financial statements</li> </ul>	<p>Key differences identified and tentative accounting policy decisions made and presented to the Finance &amp; Audit (F&amp;A) Committee by the end of 2009.</p> <p>Final senior management sign-off and F&amp;A Committee review of all items in advance of transition (by Q3/10)</p>	<p>Scoping phase completed and high-level differences identified.</p> <p>Currently in the evaluation and design phase, that includes an in-depth analysis and quantification of the significant differences identified and an assessment of the accounting policy choices available.</p> <p>Tentative accounting policy choices, including IFRS 1 elections, were reviewed with F&amp;A during Q4 2009.</p> <p>Opening balance sheet reconciliation in progress, and development of financial statement format scheduled for Q2 2010.</p>
<b>Training:</b>		
<p>Define and introduce the appropriate level of IFRS expertise for the following:</p> <ul style="list-style-type: none"> <li>• Core IFRS team</li> <li>• Other affected finance staff</li> <li>• Senior executives, Disclosure Committee and the Board of Directors, including F&amp;A Committee members</li> </ul>	<p>Appropriate level of expertise in place throughout TMX Group by mid 2010.</p>	<p>Training plan completed.</p> <p>Detailed training underway for core team since 2008, and ongoing throughout conversion.</p> <p>Training of other affected finance staff has taken place. Refresher to be provided later in 2010.</p> <p>F&amp;A Committee receive quarterly IFRS updates.</p>

KEY ACTIVITY	MILESTONES	STATUS
<b>IT infrastructure:</b>		
<p>Confirm that business processes and systems are IFRS compliant, including:</p> <ul style="list-style-type: none"> <li>• IT system upgrades and changes</li> <li>• Gathering data for additional disclosure purposes</li> <li>• Budget and forecasting under IFRS</li> </ul>	<p>Confirm that systems can support dual reporting requirements by Q4 2009.</p> <p>Business processes and systems required for additional disclosure and for budgeting to be in place by transition.</p>	<p>Review of dual reporting options is complete and relevant changes to the accounting and reporting systems completed in Q1 2010 to enable dual reporting.</p> <p>IT and business processes impact analysis included as part of the evaluation and design work. No major IT issues identified to date.</p>
<b>Control environment:</b>		
<ul style="list-style-type: none"> <li>• For all accounting policy changes identified, assess the control design and effectiveness implications (both internal control over financial reporting, or ICFR, and disclosure controls and procedures, or DC&amp;P)</li> <li>• Implement appropriate changes</li> </ul>	<p>Key controls and design effectiveness implications to be assessed as part of the evaluation and design phase.</p>	<p>Impact on ICFR and DC&amp;P considered as part of the evaluation and design phase; further analysis required during 2010.</p>

KEY ACTIVITY	MILESTONES	STATUS
<b>External reporting:</b>		
<p>Assess the effects of key IFRS-related accounting policy and financial statement changes on external reporting, including:</p> <ul style="list-style-type: none"> <li>Identify the impact on financial covenants and regulatory capital adequacy requirements, and complete any required renegotiations/discussions</li> <li>Consider expected MD&amp;A communications up to and following transition</li> <li>Consider the investor relations process for responding to IFRS-related queries, and confirm that 2011 investor relations communications are IFRS compliant</li> </ul>	<p>Publish regular updates on the status of the IFRS transition in the 2009 and 2010 annual and quarterly MD&amp;A.</p> <p>Publish 2011 quarterly and annual financial statements and MD&amp;A in accordance with IFRS, including 2010 comparatives and IFRS 1 required disclosures.</p> <p>Covenants and regulatory requirements to be reviewed and addressed as necessary by Q3 2010.</p>	<p>IFRS disclosure in the MD&amp;A will be updated throughout the project.</p> <p>Identification of covenants and regulatory ratios that may be affected by the transition is complete. We continue to analyze the potential impact on the various covenants under agreements as well as on ratios for regulatory purposes.</p> <p>Investor communication plan prepared during Q4 2009.</p> <p>We have begun to address the impact of transitioning to IFRS in our communications with shareholders and potential investors.</p>

## Quarterly Information

(in thousands of dollars except per share amounts)

	Mar. 31 /10	Dec. 31 /09	Sept. 30 /09	June 30/09	Mar. 31 /09	Dec. 31 /08	Sept. 30 /08	June 30/08
<i>Revenue</i>	\$139,706	\$153,555 <sup>†</sup>	\$131,627 <sup>†</sup>	\$138,132 <sup>†</sup>	\$136,818 <sup>†</sup>	\$152,001 <sup>†</sup>	\$139,908 <sup>†</sup>	\$130,213 <sup>†</sup>
<i>Net Income/(loss)</i>	49,082	(26,837)	41,749	46,871	42,918	49,035	50,944	49,227
<i>Earnings/(loss) per share:</i>								
<i>Basic</i>	0.66	(0.36)	0.56	0.63	0.58	0.65	0.66	0.65
<i>Diluted</i>	0.66	(0.36)	0.56	0.63	0.58	0.65	0.66	0.65

<sup>†</sup>For 2010, provisions for doubtful accounts receivable are included in *General and Administration* expense whereas in 2009 and 2008, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 and 2008 have been reclassified to conform with the financial presentation adopted in 2010.

## 2008

- 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 primarily related to lower sustaining listing fees. 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.
- Revenue in Q3/09 decreased over revenue from Q2/09 largely due to lower revenue from Toronto Stock Exchange cash equities trading and market data. Net income for Q3/09 decreased over Q2/09 primarily due to the decreased revenue and an increase in compensation and benefits costs, information and trading systems expenses as well as amortization.
- Revenue in Q4/09 increased over revenue from Q3/09 primarily due to increased business services revenue, which included a one-time license fee of \$13.5 million from the London Stock exchange Group plc (LSE), as well as higher revenue from issuer services, cash markets trading and market data. This was partially offset by lower revenue from derivatives and energy trading. There was a net loss in Q4/09 largely due to the non-cash goodwill impairment charge of \$77.3 million related to BOX and an increase in income taxes due to a write-down in the value of future tax assets and

liabilities of \$10.4 million, partially offset by the increased revenue and lower overall expenses compared with Q3/09.

## **2010**

- Revenue in Q1/10 decreased over revenue in Q4/09 primarily due to the higher business services revenue in Q4/09 from the one-time license fee of \$13.5 million from the LSE, as well as lower revenue from cash markets equity trading and energy trading. This was somewhat offset by increased revenue from issuer services, cash markets fixed income trading and market data. Net income for Q1/10 increased over the net loss reported in Q4/09 largely as a result of the non-cash goodwill impairment charge of \$77.3 million related to BOX and the write-down in the value of future tax assets and liabilities of \$10.4 million.

## **Caution Regarding Forward-Looking Information**

This MD&A contains “forward-looking information” (as defined in applicable Canadian securities legislation) that is based on expectations, assumptions, estimates, projections and other factors that management believes to be relevant 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, by its nature, requires us to make assumptions and is subject to significant risks and uncertainties which may give rise to the possibility that our expectations or conclusions will not prove to be accurate and that our assumptions may not be correct.

Examples of such forward-looking information in this MD&A include, but are not limited to, factors relating to stock, derivatives and energy exchanges and clearing houses and the business, strategic goals and priorities, market condition, pricing, proposed technology and other initiatives, financial condition, operations and prospects of TMX Group, which are subject to significant risks and uncertainties. These risks include: 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; currency risk; 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 our 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 new acquisitions; and dependence on market activity that cannot be controlled.

The forward looking information contained in this MD&A is presented for the purpose of assisting readers of this document in understanding our financial condition and results of operations and our strategies, priorities and objectives and may not be appropriate for other purposes. Actual results, events, performances, achievements 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 and regional marketplaces; 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 2009 Annual MD&A under the heading **Risks and Uncertainties**.