

TMX Group Inc.

Q2-2010 Management's Discussion and Analysis

July 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 six months and quarter ended June 30, 2010, compared with the six months and quarter ended June 30, 2009 or the year ended December 31, 2009. This MD&A is dated July 27, 2010 and should be read carefully together with our Q2/10 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 or our website at 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 and on our website, 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 report using International Financial Reporting Standards (IFRS), currently 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 Outlook¹

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 equity trading venues have entered the Canadian market, causing some erosion in our share of trading volumes compared with last year. We expect to continue to face significant pricing pressure as we compete for order flow in the multi-marketplace environment. One equity trading venue announced that it is seeking regulatory approval allowing it to become a recognized stock exchange that lists securities. The competitive U.S. options market environment continues to have a somewhat negative effect on Boston Options Exchange Group, LLC's, or BOX's revenue.

In 2010, there has been renewed corporate development activity in the exchange sector. In June, U.S. options exchange CBOE Holdings Inc. completed an initial public offering and in July, IntercontinentalExchange (ICE) entered the global carbon market by acquiring London-based Climate Exchange plc, which operates the European Climate Exchange, the Chicago Climate Exchange and the Chicago Climate Futures Exchange. As part of our strategic planning process, we regularly assess different strategic alternatives available to us, which would enable us to further enhance our competitive position in Canada and the global capital markets. We remain committed to exploring opportunities for growth, whether organically, or in other ways such as acquisitions, investments, partnerships or business combinations, that both fit our strategic plan and provide shareholder value.

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

¹ 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.

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 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

Issuer Services

- In 1H/10, we continued to realize the benefits of our international expansion efforts. We added a record 25 new international issuers to Toronto Stock Exchange and TSX Venture Exchange, compared with 13 new international issuers in 1H/09.

Energy Trading²

- On April 19, 2010, Natural Gas Exchange (NGX) launched clearing services at three new hubs in the U.S., specifically Natural Gas Pipeline Co. of America's STX hub and Texas Gas Transmission Corp's Zone 1 and Zone SL hubs. The three new clearing points were launched successfully and are now active. NGX currently clears at 26 U.S. locations.
- On June 1, 2010, NGX and Alliance Pipeline (APC) launched a new cleared trading point on NGX, offering natural gas clearing and trading at the APC-CREC market center. The addition brings the total number of NGX's Canadian clearing locations to 18. NGX offers fixed and indexed physical instruments available for daily, weekend, monthly and term durations.
- On July 12, 2010, NGX announced the addition of a new natural gas clearing point in the United States at Michigan Consolidated Gas Company (MichCon), an intrastate natural gas pipeline in Michigan that is a wholly-owned subsidiary of DTE Energy Company. The addition by MichCon features a new NGX pool for physical clearing, designed to enhance trading liquidity, streamline procedures and reduce administrative expenses for all clients. The intrastate market in Michigan is one of North America's most actively traded natural gas markets and serves as a natural bridge between U.S. and Canadian market participants. NGX also added two other U.S. hubs: Gas Transmission Northwest Stanfield in Oregon and Northern Border Pipeline Ventura Transfer Point in Iowa, and will bring the total number of U.S. locations to 29.

² The "Energy 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.

Derivatives Trading and Clearing³

- On June 18, 2010, Montréal Exchange Inc. (MX) launched trading of a new futures contract designed to enable market participants to better manage the risk associated with the fluctuation of the price differential between heavy crude oil and light crude oil. The new Canadian heavy crude oil futures contract is based on the price of NGX Western Canadian Select (WCS), the benchmark for heavy crude oil in Canada. Trades will be cleared by the Canadian Derivatives Clearing Corporation (CDCC), which is wholly owned by MX. This product demonstrates the key strategic linkages among the TMX Group business areas.

Equity Trading⁴

- 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 implementing 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 1H/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.
- We continue to work to develop and deliver innovative products that meet customer needs. In the multiple marketplace environment, trading customers are seeking price improvement and to trade with minimal market impact on a variety of marketplaces, including dark trading venues. We received regulatory approval for our Dark Order Types, targeted for release in Q4/10.
- Effective March 1, 2010, we reduced trading fees for securities trading under \$1.00 on TSX Venture Exchange and Toronto Stock Exchange. The new fee structure, designed to benefit both active and passive traders of all sizes 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.
- Effective April 1, 2010, we reduced trading fees for securities trading at \$1.00 and higher on Toronto Stock Exchange and TSX Venture Exchange. These changes 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, and increasing the liquidity providing rebate to both the low and mid tier customer. In addition, we introduced a separate program to reward qualifying high-volume Participating Organizations.

³ The “Derivatives 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.

⁴ The “Equity 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.

Market Data

- On June 17, 2010, we announced that we had completed the construction of our new co-location facility. Clients began installing their trading applications in the TMX data centre on June 30, 2010. Our co-location facility provides our trading and data clients with a single point of direct high-speed access to the Toronto Stock Exchange, TSX Venture Exchange and MX trading engines and market data feeds.

Quarter Ended June 30, 2010 Compared with Quarter Ended June 30, 2009

Net income was \$47.6 million or \$0.64 per common share for Q2/10 on a basic and diluted basis, compared with net income of \$46.9 million or \$0.63 per common share on a basic and diluted basis for Q2/09, representing an increase in net income of 2%. The increase in net income was largely due to higher revenue. Expenses also increased as we continue to invest in various technology initiatives, corporate development and marketing. We also had increased costs related to short-term performance incentives and commission-based compensation.

Revenue

Revenue was \$142.7 million in Q2/10, up \$4.6 million, or 3% compared with \$138.1 million for Q2/09, reflecting increased revenue from issuer services, Canadian derivatives markets trading and clearing and cash markets fixed income trading and market data, partially offset by lower revenue from our U.S. derivatives markets trading and cash markets equity trading.

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 Q2/10 and Q2/09.

(in millions of dollars)

	<i>Reported</i>		\$ Increase/ (decrease)	% Increase/ (decrease)	<i>Billed*</i>		\$ Increase/ (decrease)	% Increase/ (decrease)
	Q2/10	Q2/09			Q2/10	Q2/09		
<i>Initial listing fees</i>	\$ 4.6	\$ 4.2	\$ 0.4	10%	\$ 6.8	\$ 2.0	\$ 4.8	240%
<i>Additional listing fees</i>	\$ 16.2	\$ 14.1	\$ 2.1	15%	\$ 27.4	\$ 23.1	\$ 4.3	19%
<i>Sustaining listing fees</i>	\$ 16.1	\$ 13.6	\$ 2.5	18%	\$ 16.1	\$ 13.6	\$ 2.5	18%
<i>Other issuer services</i>	<u>\$ 3.7</u>	<u>\$ 3.9</u>	<u>(\$ 0.2)</u>	(5%)	<u>\$ 3.7</u>	<u>\$ 3.9</u>	<u>(\$ 0.2)</u>	(5%)
<i>Total</i>	<u>\$ 40.6</u>	<u>\$ 35.8</u>	<u>\$ 4.8</u>	13%	<u>\$ 54.0</u>	<u>\$ 42.6</u>	<u>\$ 11.4</u>	27%

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

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

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)	Q2/10	Q2/09
Initial listing fees billed*	\$ 6.8	\$ 2.0
Initial listing fees billed* and deferred to future periods	(\$ 6.7)	(\$ 2.0)
Recognition of initial listing fees billed* and previously included in deferred revenue	<u>\$ 4.5</u>	<u>\$ 4.2</u>
Initial listing fee revenue reported	<u>\$ 4.6</u>	<u>\$ 4.2</u>
Additional Listing Fees (in millions of dollars)	Q2/10	Q2/09
Additional listing fees billed*	\$ 27.4	\$ 23.1
Additional listing fees billed* and deferred to future periods	(\$ 27.0)	(\$ 22.8)
Recognition of additional listing fees billed* and previously included in deferred revenue	<u>\$ 15.8</u>	<u>\$ 13.8</u>
Additional listing fee revenue reported	<u>\$ 16.2</u>	<u>\$ 14.1</u>

- *Initial and additional listing fees reported* increased in Q2/10 compared with Q2/09, reflecting an increase in capital market activity during the period from July 1, 2000 to June 30, 2010 compared with the period from July 1, 1999 to June 30, 2009. *Initial listing fees billed** and *Additional listing fees billed** in Q2/10 increased over Q2/09 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 Q2/10 compared with Q2/09, there was an increase in *Additional listing fees billed**. This was a result of more transactions in Q2/10 compared with Q2/09 and 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.

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

Trading, Clearing and Related Revenue

(in millions of dollars)

	Q2/10	Q2/09	\$ increase/ (decrease)	% increase/ (decrease)
<i>Cash markets revenue</i>	\$ 26.0	\$ 30.4	(\$ 4.4)	(14%)
<i>Derivatives markets revenue</i>	\$ 21.3	\$ 20.2	\$ 1.1	5%
<i>Energy markets revenue</i>	<u>\$ 11.2</u>	<u>\$ 10.6</u>	<u>\$ 0.6</u>	6%
<i>Total</i>	<u>\$ 58.5</u>	<u>\$ 61.2</u>	<u>(\$ 2.7)</u>	(4%)

Cash Markets

- *Cash markets* equity trading revenue decreased due to a 21% decrease in the volume of securities traded on Toronto Stock Exchange in Q2/10 over Q2/09 (26.14 billion securities in Q2/10 versus 33.00 billion securities in Q2/09).
- The decrease was somewhat offset by the impact of a 33% increase in the volume of securities traded on TSX Venture Exchange in Q2/10 over Q2/09 (14.72 billion securities in Q2/10 versus 11.05 billion securities in Q2/09).
- The decrease was also the result of changes to our equity trading fee schedule on October 1, 2009 and March 1, 2010, which included reductions in active trading fees on stocks trading at less than \$1.00 in the post-open continuous market and on April 1, 2010, which included a reduction in trading fees for securities trading at \$1.00 and higher. The fee reductions were somewhat offset by fee changes under the ELP Program. Effective October 1, 2009, we moved to a single tier model which reduced the passive credit paid to ELP Program participants.
- The decrease was partially offset by an increase in fixed income trading revenue from Shorcan Brokers Limited (Shorcan) due to a favourable product mix in Q2/10 compared with Q2/09.

Derivatives Markets

- The increase in revenue reflects an increase in trading and clearing revenue from MX. MX volumes increased by 40% (11.97 million contracts traded in Q2/10 versus 8.53 million contracts traded in Q2/09) reflecting increased trading in the BAX® and CGB® contracts, as well as index derivatives and ETF options. The growth in volumes in Q2/10 partially reflected increased volatility in future interest rate expectations compared with Q2/09. Open interest was up 26% at June 30, 2010 compared with June 30, 2009. The increase was partially offset by fee changes that were effective May 1, 2010.
- The increase in derivatives markets revenue was partially offset by a reduction in BOX revenues. There was a 39% decrease in BOX volumes (23.81 million contracts in Q2/10 versus 39.11 million contracts traded in Q2/09) due to increased competition in the U.S. equity options trading market in Q2/10 compared with Q2/09. The decrease was

somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX in Q2/10.

Energy Markets

- The increase in revenue reflects the inclusion of revenue from Shorcan Energy Brokers Inc. (Shorcan Energy Brokers) which launched trading in energy products in Q1/10.
- The higher revenue also reflected an 18% increase in the volumes of natural gas traded or cleared on NGX over Q2/09 (4.01 million terajoules in Q2/10 compared to 3.41 million terajoules in Q2/09).
- The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q2/10 compared with Q2/09.
- The increased revenue was also somewhat offset by NGX having deferred more revenue in Q2/10, on a net basis, than in Q2/09 due to an increased level of forward contracts.
- In addition, the increased revenue was somewhat offset by a decline in crude oil trading revenue in Q2/10 versus Q2/09. In Q2/09, we earned revenue of \$1.2 million related to legacy contracts which settled after we acquired NTP on May 1, 2009.

Market Data Revenue

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 38.8	\$ 37.3	\$1.5	4%

- The increase reflects higher revenue from indices, data licensing, feeds, usage-based quotes, co-location services, higher revenue recoveries related to under-reported usage of real-time quotes in Q2/10 compared with Q2/09 and price increases that were effective January 1, 2010.
- The increase was partly offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q2/10 compared with Q2/09.
- The increase was also partially offset by lower revenue from BOX and MX derivatives market data. There was a 9% decrease in the average number of MX market data subscriptions (23,180 MX market data subscriptions for the three months ended June 30, 2010 compared with 25,524 for the three months ended June 30, 2009).
- Overall, there was a 1% increase in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (153,814 professional and equivalent real-time market data subscriptions for the three months ended June 30, 2010 compared with 151,738 for three months ended June 30, 2009).

Business Services and Other Revenue

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 4.7	\$ 3.8	\$0.9	24%

- *Business services* revenue increased primarily due to net foreign exchange gains on U.S. dollar accounts receivable in Q2/10, compared with net foreign exchange losses on U.S. dollar accounts receivable in Q2/09.

Operating Expenses

Operating expenses in Q2/10 were \$73.8 million, up \$5.6 million, or 8%, from \$68.2 million in Q2/09 primarily due to higher costs related to technology initiatives, corporate development and marketing costs as well as increased costs related to short-term performance incentives and commission-based compensation.

Compensation and Benefits

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 32.4	\$ 31.2	\$1.2	4%

- *Compensation and benefits* costs increased primarily due to higher costs associated with short term performance incentives and commission-based compensation compared with Q2/09, partially offset by lower organizational transition costs as well as an overall reduction in salary costs relating to reduced headcount.
- There were 844 employees at June 30, 2010, which included 5 Shorcan Energy Brokers employees, versus 861 employees at June 30, 2009.

Information and Trading Systems

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 14.0	\$ 11.7	\$2.3	20%

- *Information and trading systems* costs increased due to higher costs related to technology initiatives including enterprise expansion and the one-time cost of decommissioning legacy hardware of \$0.6 million.
- During Q4/09, we reclassified some leases as capital leases versus operating leases. As a result, *Information and Trading Systems* costs were reduced in Q2/10 and amortization of the related costs was higher (see **Amortization**) when compared with Q2/09.

General and Administration

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 19.3	\$ 18.4	\$0.9	5%

- *General and administration* costs increased as a result of increased corporate development and marketing costs as well as higher bad debt expenses. These were partially offset by lower insurance and occupancy costs.

Amortization

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 8.0	\$ 6.8	\$1.2	18%

- During Q4/09, we reclassified some leases as capital leases versus operating leases. As a result, *Amortization* costs were higher in Q2/10 and *Information and Trading Systems* costs were reduced (see **Information and Trading Systems**) when compared with Q2/09.
- The increase was also due to higher amortization of the intangible assets related to the TMX Smart Order Router and TSX Quantum® Order Entry Gateway. The increases were somewhat offset by reduced amortization relating to assets that were fully depreciated by Q2/10.

Investment Income

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 1.9	\$ 1.4	\$0.5	36%

- *Investment income* increased primarily due to an increase in the amount of cash available for investment in Q2/10 compared with Q2/09.

Interest Expense

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$ 1.3	\$ 1.3	-	-

- *Interest expense* was unchanged. 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 **Term Loan**).

Mark-to-market on Interest Rate Swaps – (Gain) / Loss

(in millions of dollars)

Q2/10	Q2/09	\$ increase	% increase
\$0.2	(\$0.1)	\$0.3	300%

- 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 **Term Loan**).
- During Q2/10, unrealized gains of \$1.4 million and realized losses of \$1.6 million were reflected in net income, compared with unrealized gains of \$2.5 million and realized losses of \$2.4 million recognized in Q2/09.

Income Taxes

(in millions of dollars)

Q2/10	Q2/09	Effective tax rate (%)	
		Q2/10	Q2/09
\$ 22.4	\$ 22.7	32%	33%

- The effective tax rate for Q2/10 was lower than that for Q2/09 partially due to a decrease in federal and Ontario corporate income tax rates.

Non-Controlling Interests

(in millions of dollars)

Q2/10	Q2/09	\$ (decrease)	% (decrease)
(\$0.4)	\$0.7	(\$1.1)	(157%)

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated into our statements of income. The non-controlling interests represent the other BOX unitholders' share of BOX's loss or profit in the period. The loss in Q2/10 resulted from lower volumes somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX.

Six Months Ended June 30, 2010 Compared with Six Months Ended June 30, 2009

Net income was \$96.7 million or \$1.30 per common share for 1H/10 on a basic and diluted basis, compared with net income of \$89.8 million or \$1.21 per common share on a basic and diluted basis for 1H/09, representing an increase in net income of 8%. The increase in net income was largely due to higher revenue. Expenses also increased as we continue to invest in

various technology initiatives, corporate development and marketing. We also had increased costs related to short-term performance incentives and commission-based compensation.

Revenue

Revenue was \$282.4 million in 1H/10, up \$7.4 million, or 3% compared with \$275.0 million for 1H/09, reflecting increased revenue from issuer services, Canadian derivatives markets trading and clearing, cash markets fixed income trading, energy trading and market data, partially offset by lower revenue from cash markets equity trading and U.S. derivatives markets trading.

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/10 and 1H/09.

(in millions of dollars)

	Reported				Billed*			
	1H/10	1H/09	\$ increase	% increase	1H/10	1H/09	\$ increase	% increase
Initial listing fees	\$ 9.1	\$ 8.3	\$ 0.8	10%	\$ 13.1	\$ 4.0	\$ 9.1	228%
Additional listing fees	\$ 32.0	\$ 27.8	\$ 4.2	15%	\$ 51.1	\$ 40.1	\$ 11.0	27%
Sustaining listing fees	\$ 32.0	\$ 27.5	\$ 4.5	16%	\$ 32.0	\$ 27.5	\$ 4.5	16%
Other issuer services	<u>\$ 7.2</u>	<u>\$ 7.2</u>	-	-	<u>\$ 7.2</u>	<u>\$ 7.2</u>	-	-
Total	<u>\$ 80.3</u>	<u>\$ 70.8</u>	<u>\$ 9.5</u>	13%	<u>\$ 103.4</u>	<u>\$ 78.8</u>	<u>\$ 24.6</u>	31%

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/10	1H/09
Initial listing fees billed*	\$ 13.1	\$ 4.0
Initial listing fees billed* and deferred to future periods	(\$ 12.7)	(\$ 3.9)
Recognition of initial listing fees billed* and previously included in deferred revenue	<u>\$ 8.7</u>	<u>\$ 8.2</u>
Initial listing fee revenue reported	<u>\$ 9.1</u>	<u>\$ 8.3</u>

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

Additional Listing Fees (in millions of dollars)	1H/10	1H/09
Additional listing fees billed*	\$ 51.1	\$ 40.1
Additional listing fees billed* and deferred to future periods	(\$ 49.6)	(\$ 39.0)
Recognition of additional listing fees billed* and previously included in deferred revenue	<u>\$ 30.5</u>	<u>\$ 26.7</u>
Additional listing fee revenue reported	<u>\$ 32.0</u>	<u>\$ 27.8</u>

- *Initial and additional listing fees reported* increased in 1H/10 compared with 1H/09, reflecting an increase in capital market activity during the period from April 1, 2000 to June 30, 2010 compared with the period from April 1, 1999 to June 30, 2009. *Initial listing fees billed** and *Additional listing fees billed** in 1H/10 increased over 1H/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 1H/10 compared with 1H/09, there was an increase in *Additional listing fees billed**. This was a result of more transactions in 1H/10 compared with 1H/09 and 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.

Trading, Clearing and Related Revenue

(in millions of dollars)

	1H/10	1H/09	\$ increase/ (decrease)	% increase/ (decrease)
<i>Cash markets revenue</i>	\$ 57.4	\$ 59.2	(\$ 1.8)	(3%)
<i>Derivatives markets revenue</i>	\$ 39.6	\$ 42.0	(\$ 2.4)	(6%)
<i>Energy markets revenue</i>	<u>\$ 20.5</u>	<u>\$ 19.0</u>	<u>\$ 1.5</u>	8%
<i>Total</i>	<u>\$ 117.5</u>	<u>\$ 120.2</u>	<u>(\$ 2.7)</u>	(2%)

Cash Markets

- *Cash markets* equity trading revenue decreased due to an 18% decrease in the volume of securities traded on Toronto Stock Exchange in 1H/10 over 1H/09 (51.48 billion securities in 1H/10 versus 63.03 billion securities in 1H/09).

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

- The decrease was somewhat offset by a 57% increase in the volume of securities traded on TSX Venture Exchange in 1H/10 over 1H/09 (30.09 billion securities in 1H/10 versus 19.12 billion securities in 1H/09).
- The decrease was also the result of changes to our equity trading fee schedule on October 1, 2009 and March 1, 2010, which included reductions in active trading fees on stocks trading at less than \$1.00 in the post-open continuous market and on April 1, 2010, which included a reduction in trading fees for securities trading at \$1.00 and higher. The fee reductions were somewhat offset by fee changes under the ELP Program. Effective October 1, 2009, we moved to a single tier model which reduced the passive credit paid to ELP Program participants.
- The decrease was partially offset by an increase in fixed income trading revenue from Shorcan due to a favourable product mix in 1H/10 compared with 1H/09.

Derivatives Markets

- The decrease in revenue reflects a 51% decrease in BOX volumes (41.48 million contracts in 1H/10 versus 84.81 million contracts traded in 1H/09) due to increased competition in the U.S. equity options trading market in 1H/10 compared with 1H/09. The decrease was somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX in 1H/10.
- The decrease in derivatives markets revenue was somewhat offset by an increase in trading and clearing revenue from MX. MX volumes increased by 32% (21.94 million contracts traded in 1H/10 versus 16.59 million contracts traded in 1H/09) reflecting increased trading in the BAX[®] and CGB[®] contracts, as well as index derivatives and ETF options. The increase in MX revenue was partially offset by fee changes that were effective May 1, 2010.
- The growth in volumes in 1H/10 partially reflected increased volatility in future interest rate expectations compared with 1H/09. Open interest was up 26% at June 30, 2010 compared with June 30, 2009.

Energy Markets

- The increase in revenue reflects the inclusion of revenue from Shorcan Energy Brokers which launched trading in energy products in Q1/10.
- *Energy markets* revenue also increased due to the inclusion of crude oil trading and clearing on NGX, following the acquisition of NTP on May 1, 2009. NGX traded or cleared 33.70 million barrels of crude oil in 1H/10 compared with 10.03 million barrels of crude oil in May and June, 2009.
- There was also higher revenue from natural gas trading and clearing due to a 7% increase in the volumes of natural gas traded or cleared on NGX over 1H/09 (7.08 million terajoules in 1H/10 compared to 6.64 million terajoules in 1H/09).
- The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 1H/10 compared with 1H/09.

- The increased revenue was also a result of NGX deferring less revenue in 1H/10, on a net basis, than in 1H/09 due to a reduced level of forward contracts.

Market Data Revenue

(in millions of dollars)

1H/10	1H/09	\$ increase	% increase
\$ 76.3	\$ 76.1	\$0.2	-

- The increase was due to higher revenue from indices, data licensing, feeds, co-location services, higher revenue recoveries related to under-reported usage of real-time quotes in 1H/10 compared with 1H/09 and price increases that were effective January 1, 2010.
- The increase was partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 1H/10 compared with 1H/09.
- The increase was also offset by lower revenue from BOX and MX derivatives market data. There was a 14% decrease in the average number of MX market data subscriptions (22,915 MX market data subscriptions for the six months ended June 30, 2010 compared with 26,614 for the six months ended June 30, 2009).
- Overall, there was a 1% decrease in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (152,927 professional and equivalent real-time market data subscriptions for the six months ended June 30, 2010 compared with 154,522 for the six months ended June 30, 2009).

Business Services and Other Revenue

(in millions of dollars)

1H/10	1H/09	\$ increase	% increase
\$ 8.3	\$ 7.8	\$0.5	6%

- *Business services* revenue increased primarily due to net foreign exchange gains on U.S. dollar accounts receivable in 1H/10, compared with net foreign exchange losses on U.S. dollar accounts receivable in 1H/09.

Operating Expenses

Operating expenses in 1H/10 were \$143.4 million, up \$4.4 million, or 3%, from \$139.0 million in 1H/09 primarily due to higher costs related to technology initiatives, corporate development and marketing costs as well as increased costs related to short-term performance incentives and commission-based compensation.

Compensation and Benefits

(in millions of dollars)

1H/10	1H/09	\$ (decrease)	% (decrease)
\$ 64.7	\$ 65.0	(\$0.3)	-

- *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 and commission-based compensation compared with 1H/09.
- There were 844 employees at June 30, 2010, which included 5 Shorcan Energy Brokers employees, versus 861 employees at June 30, 2009.

Information and Trading Systems

(in millions of dollars)

1H/10	1H/09	\$ increase	% increase
\$ 26.2	\$ 22.8	\$3.4	15%

- *Information and trading systems* costs increased due to higher costs related to technology initiatives including enterprise expansion and the one-time cost of decommissioning legacy hardware of \$0.6 million.
- During Q4/09, we reclassified some leases as capital leases versus operating leases. As a result, *Information and Trading Systems* costs were reduced in 1H/10 and amortization of the related costs was higher (see **Amortization**) when compared with 1H/09.

General and Administration

(in millions of dollars)

1H/10	1H/09	\$ (decrease)	% (decrease)
\$ 36.2	\$ 36.6	(\$0.4)	(1%)

- *General and administration* costs decreased as a result of lower capital tax expense, occupancy and insurance costs.
- The lower expenses were somewhat offset by increased corporate development and marketing costs as well as higher bad debt expenses.

Amortization

(in millions of dollars)

1H/10	1H/09	\$ increase	% increase
\$ 16.4	\$ 14.6	\$1.8	12%

- During Q4/09, we reclassified some leases as capital leases versus operating leases. As a result, *Amortization* costs were higher in 1H/10 and *Information and Trading Systems* costs were reduced (see **Information and Trading Systems**) when compared with 1H/09.
- The increase was also due to higher amortization of the intangible assets related to the TMX Smart Order Router and TSX Quantum Order Entry Gateway and SOLA® Clearing. The increases were somewhat offset by reduced amortization relating to assets that were fully depreciated by 1H/10.

Investment Income

(in millions of dollars)

1H/10	1H/09	\$ (decrease)	% (decrease)
\$ 2.6	\$ 3.0	(\$0.4)	(13%)

- *Investment income* decreased due to lower overall returns during 1H/10 compared with 1H/09. The impact was somewhat offset by an increase in the amount of cash available for investment in 1H/10 compared with 1H/09.

Interest Expense

(in millions of dollars)

1H/10	1H/09	\$ (decrease)	% (decrease)
\$ 2.5	\$ 3.4	(\$0.9)	(26%)

- *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 **Term Loan**).

Mark-to-market on Interest Rate Swaps – Loss

(in millions of dollars)

1H/10	1H/09	\$ (decrease)	% (decrease)
\$0.3	\$0.8	(\$0.5)	(63%)

- 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 **Term Loan**).
- During 1H/10, unrealized gains of \$3.0 million and realized losses of \$3.3 million were reflected in net income, compared with unrealized gains of \$3.5 million and realized losses of \$4.3 million recognized in 1H/09.

Income Taxes

(in millions of dollars)

1H/10	1H/09	Effective tax rate (%)	
		1H/10	1H/09
\$ 43.5	\$ 42.8	31%	32%

- The effective tax rate for 1H/10 was lower than that for 1H/09 partially due to a decrease in federal and Ontario corporate income tax rates.

Non-Controlling Interests

(in millions of dollars)

1H/10	1H/09	\$ (decrease)	% (decrease)
(\$0.8)	\$2.3	(\$3.1)	(135%)

- 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 loss in 1H/10 resulted from lower volumes somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX.

Comprehensive Income

Comprehensive Income was \$50.2 million for Q2/10 and is comprised of Net Income of \$47.6 million net of Other Comprehensive Gains of \$2.6 million.

Other comprehensive gains include the unrealized gain on the foreign currency translation of BOX and other related self-sustaining foreign operations, which amounted to \$2.6 million for Q2/10.

Comprehensive Income was \$34.1 million for Q2/09 which was comprised of Net Income of \$46.9 million and Other Comprehensive Losses of \$12.8 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 \$12.8 million for Q2/09.

Comprehensive Income was \$96.6 million for 1H/10 and is comprised of Net Income of \$96.7 million net of Other Comprehensive Losses of \$0.1 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 \$0.1 million for 1H/10.

Accumulated Other Comprehensive Income of \$3.1 million as at June 30, 2010 is included as a component of **Shareholders' Equity**.

Comprehensive Income was \$82.6 million for 1H/09 which was comprised of Net Income of \$89.8 million and Other Comprehensive Losses of \$7.2 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 \$7.2 million for 1H/09.

Accumulated Other Comprehensive Income of \$16.9 million as at June 30, 2009 is included as a component of **Shareholders' Equity**.

Segment Analysis

Cash Markets –Equities and Fixed Income

(in millions of dollars)

	Q2/10	Q2/09	\$ increase / (decrease)	% increase / (decrease)
Revenue	\$104.3	\$101.5	\$2.8	3%
Net Income	\$37.8	\$38.0	(\$0.2)	(1%)

The increase in revenue primarily reflects higher issuer services revenue related to sustaining and additional listing fees as well as higher fixed income trading and market data revenue, partially offset by a decrease in equity trading revenue. Net income decreased slightly due to increased expenses partially attributable to technology initiatives, corporate development and marketing that were largely offset by the higher revenue.

(in millions of dollars)

	1H/10	1H/09	\$ increase	% increase
Revenue	\$211.8	\$202.6	\$9.2	5%
Net Income	\$79.3	\$74.3	\$5.0	7%

The increase in revenue primarily reflects higher issuer services revenue related to sustaining and additional listing fees as well as higher fixed income trading and market data revenue partially offset by a decrease in equity trading revenue. The increase in net income reflected the higher revenue somewhat offset by increased expenses partially attributable to technology initiatives, corporate development and marketing.

(in millions of dollars)

	June 30, 2010	June 30, 2009	\$ increase
Goodwill	\$116.9	\$115.1	\$1.8
Total Assets	\$593.3	\$498.0	\$95.3

The amount of goodwill remained relatively constant in Q2/10 compared with Q2/09. Total assets increased primarily due to an increase in cash and marketable securities at the end of Q2/10 compared with the end of Q2/09.

Derivative Markets – MX and BOX

(in millions of dollars)

	Q2/10	Q2/09	\$ increase	% increase
Revenue	\$26.8	\$26.2	\$0.6	2%
Net Income	\$6.5	\$6.0	\$0.5	8%

The increase in revenue reflects an increase in trading and clearing revenue from MX, largely offset by lower revenue and volumes on BOX. The decrease in BOX's revenue was somewhat offset by revenue from option regulatory fees charged in the U.S. in respect of BOX in Q2/10. Net income for Q2/10 increased over Q2/09 due to a number of factors:

- There was an increase in revenue as well as lower *Compensation and Benefits* and *General and Administration* expenses.
- This was more than offset by increased *Information and Trading Systems* costs and income taxes and a higher allocation of corporate costs.
- In Q2/09, net income was reduced by \$0.7 million reflecting the non-controlling interests' share of BOX's income. However, in Q2/10, net income increased by \$0.4 million reflecting the non-controlling interests' share of BOX's loss.

(in millions of dollars)

	1H/10	1H/09	\$ increase / (decrease)	% increase / (decrease)
Revenue	\$49.6	\$53.3	(\$3.7)	(7%)
Net Income	\$12.0	\$9.5	\$2.5	26%

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 revenue from option regulatory fees charged in the U.S. in respect of BOX in 1H/10. In addition, there was an increase in trading and clearing revenue from MX. Net income for 1H/10 increased over 1H/09 due to a number of factors:

- There was a decrease in *Compensation and Benefits* and *General and Administration* expenses and lower *Amortization* costs.
- This was more than offset by increased *Information and Trading Systems* expenses and a higher allocation of corporate costs as well as lower revenues.
- In 1H/09, net income was reduced by \$2.3 million reflecting the non-controlling interests' share of BOX's income. However, in 1H/10, net income increased by \$0.8 million reflecting the non-controlling interests' share of BOX's loss.

(in millions of dollars)

	June 30, 2010	June 30, 2009	\$ (decrease)
Goodwill	\$415.3	\$509.9	(\$94.6)
Total Assets	\$1,598.8	\$2,011.6	(\$412.8)

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 \$328.9 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were \$328.9 million lower at June 30, 2010 compared with June 30, 2009. Total fund requirements have declined as a result of reduced equity market volatility. In addition, there has been a trend towards clearing members pledging securities rather than cash as collateral. 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)

	Q2/10	Q2/09	\$ increase	% increase
Revenue	\$11.5	\$10.4	\$1.1	11%
Net Income	\$3.3	\$2.9	\$0.4	14%

The increase in revenue in Q2/10 compared with Q2/09 was due to the addition of revenue from Shorcan Energy Brokers. The higher revenue also reflected an increase in natural gas volumes

traded or cleared on NGX in Q2/10 compared with Q2/09. The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q2/10 compared with Q2/09. NGX also deferred more revenue in Q2/10, on a net basis, than in Q2/09 due to an increased level of forward contracts. In addition, the increased revenue was somewhat offset by a decline in crude oil trading revenue in Q2/10 versus Q2/09. In Q2/09, we earned revenue of \$1.2 million related to legacy contracts which settled after we acquired NTP on May 1, 2009. The increase in net income reflected the increase in revenue somewhat offset by an increase in commission-based compensation and a higher allocation of corporate costs.

(in millions of dollars)

	1H/10	1H/09	\$ increase / (decrease)	% increase / (decrease)
Revenue	\$21.0	\$19.0	\$2.0	11%
Net Income	\$5.4	\$6.0	(\$0.6)	(10%)

The increase in revenue in 1H/10 compared with 1H/09 was due to the addition of revenue from Shorcan Energy Brokers and NGX's crude oil operations, and due to the inclusion of crude oil trading and clearing on NGX, following the acquisition of NTP on May 1, 2009. The higher revenue also reflected an increase in natural gas volumes traded or cleared on NGX in 1H/10 compared with 1H/09. The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 1H/10 compared with 1H/09. The decrease in net income reflected the increase in revenue which was more than offset by an increase in commission-based compensation, increased amortization and income taxes and a higher allocation of corporate costs.

(in millions of dollars)

	June 30, 2010	June 30, 2009	\$ increase
Goodwill	\$51.9	\$51.3	\$0.6
Total Assets	\$1,026.6	\$888.6	\$138.0

The increase in Total Assets was largely due to an increase in energy contracts receivable of \$137.8 million compared with the end of June 2009. The increase in receivables was largely attributable to a higher volume of contracts delivered in June 2010 as well as higher gas prices. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable which were also \$137.8 million higher at the end of June 2010 compared with the end of June 2009.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

June 30, 2010	December 31, 2009	\$ increase
\$ 264.9	\$ 191.1	\$ 73.8

- The increase was largely due to cash generated from operating activities of \$145.5 million, partially offset by dividend payments of \$56.3 million, capital expenditures of \$9.8 million and additions to intangible assets of \$3.9 million.

Total Assets

(in millions of dollars)

June 30, 2010	December 31, 2009	\$ (decrease)
\$ 3,218.8	\$ 3,524.5	(\$ 305.7)

- *Total assets* decreased largely due to lower MX daily settlements and cash deposits of \$210.8 million as at June 30, 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 \$210.8 million at June 30, 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 fund requirements have declined as a result of reduced equity market volatility. In addition, there has been a trend towards clearing members pledging securities rather than cash as collateral.
- The decrease was also due to a decrease in current assets related to the fair value of open energy contracts (\$173.2 million as at June 30, 2010, compared with \$202.8 million at December 31, 2009). The reduced level of open energy contracts largely reflected the impact of lower volatility in natural gas prices for the relevant measuring period during June 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 \$173.2 million at June 30, 2010 compared with \$202.8 million at December 31, 2009.
- The overall decrease was somewhat offset by an increase in cash and marketable securities of \$73.8 million.

Credit Facilities and Guarantee

Term Loan⁵

(in millions of dollars)

June 30, 2010	December 31, 2009	\$ increase
\$429.4	\$429.0	\$0.4

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of \$430.0 million, the Term Loan. 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 Loan to satisfy the cash consideration of the purchase price for MX. This amount is included in Current liabilities and is due in April, 2011. Based on current levels of cash flow from operations, we believe that the Term Loan could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required.
- 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 June 30, 2010 are as follows:

Notional value (in millions of dollars)	Interest rate we will pay under swap (excludes 0.45% fee)	Maturity date of swap
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.

⁵ The "Term Loan" 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.

At June 30, 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 June 30, 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)

June 30, 2010	December 31, 2009	\$ increase
\$ 812.7	\$ 770.6	\$ 42.1

- We earned \$96.7 million of net income during 1H/10 and paid \$56.3 million in dividends.
- At June 30, 2010, there were 74,337,607 common shares issued and outstanding. In Q2/10, 24,566 common shares were issued on the exercise of share options. At June 30, 2010, 4,100,302 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At June 30, 2010, there were 1,732,281 options outstanding.
- At July 26, 2010, there were 74,337,607 common shares issued and outstanding and 1,732,281 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

	Q2/10	Q2/09	Increase in cash
<i>Cash Flows from Operating Activities</i>	\$ 73.8	\$ 50.3	\$ 23.5

Cash Flows from Operating Activities were \$23.5 million higher in Q2/10 compared with Q2/09 due to:

(in millions of dollars)

	Q2/10	Q2/09	Increase/ (decrease) in cash
Net income	\$ 47.6	\$ 46.9	\$ 0.7
Amortization	\$ 8.0	\$ 6.8	\$ 1.2
Increase (decrease) in future income tax liabilities, net of future income tax assets	(\$ 1.9)	\$ 0.9	(\$ 2.8)
Unrealized (gain) on interest rate swaps	(\$ 1.4)	(\$ 2.5)	\$ 1.1
Unrealized (gain) on marketable securities	(\$ 0.5)	(\$ 0.3)	(\$ 0.2)
Decrease in accounts receivable and prepaid expenses	\$ 23.1	\$ 12.0	\$ 11.1
(Increase) in other assets	(\$ 2.2)	(\$ 7.2)	\$ 5.0
Net increase/(decrease) in accounts payable, accrued liabilities and long-term liabilities	\$ 2.8	(\$ 7.0)	\$ 9.8
Increase/(decrease) in deferred revenue	(\$ 1.9)	\$ 0.8	(\$ 2.7)
(Increase) decrease in income taxes recoverable, net of income taxes payable	\$ 0.2	(\$ 1.5)	\$ 1.7
Net increase in other items	-	<u>\$ 1.4</u>	<u>(\$ 1.4)</u>
<i>Cash Flows from Operating Activities</i>	\$ 73.8	\$ 50.3	\$ 23.5

Cash Flows from Operating Activities

(in millions of dollars)

	1H/10	1H/09	Increase in cash
Cash Flows from Operating Activities	\$ 145.5	\$ 111.0	\$ 34.5

Cash Flows from Operating Activities were \$34.5 million higher in 1H/10 compared with 1H/09 due to:

(in millions of dollars)

	1H/10	1H/09	Increase/ (decrease) in cash
Net income	\$ 96.7	\$ 89.8	\$ 6.9
Amortization	\$ 16.4	\$ 14.6	\$ 1.8
Increase (decrease) in future income tax liabilities, net of future income tax assets	(\$ 3.4)	-	(\$ 3.4)
Unrealized (gain) on interest rate swaps	(\$ 3.0)	(\$ 3.5)	\$ 0.5
Unrealized (gain) loss on marketable securities	(\$ 0.1)	\$ 0.3	(\$ 0.4)
(Increase) in accounts receivable and prepaid expenses	-	(\$ 3.8)	\$ 3.8
(Increase) in other assets	(\$ 2.6)	(\$ 6.9)	\$ 4.3
Net (decrease) in accounts payable, accrued liabilities and long-term liabilities	(\$ 10.4)	(\$ 14.6)	\$ 4.2
Increase in deferred revenue	\$ 59.4	\$ 47.2	\$ 12.2
(Increase) decrease in income taxes recoverable, net of income taxes payable	(\$ 7.8)	(\$ 16.2)	\$ 8.4
Net increase in other items	<u>\$ 0.3</u>	<u>\$ 4.1</u>	<u>(\$ 3.8)</u>
<i>Cash Flows from Operating Activities</i>	\$145.5	\$111.0	\$ 34.5

Cash Flows from (used in) Financing Activities

(in millions of dollars)

	Q2/10	Q2/09	Increase in cash
<i>Cash Flows from (used in) Financing Activities</i>	(\$ 29.4)	(\$ 30.0)	\$ 0.6

Cash Flows (used in) Financing Activities were \$0.6 million lower in Q2/10 compared with Q2/09 due to:

	Q2/10	Q2/09	Increase/ (decrease) in cash
Dividends paid on common shares	(\$ 28.2)	(\$ 28.2)	-
Dividends paid to BOX non-controlling interests	-	(\$ 2.0)	\$ 2.0
Net increase/(decrease) in other items	<u>(\$ 1.2)</u>	<u>\$ 0.2</u>	<u>(\$ 1.4)</u>
<i>Cash Flows from (used in) Financing Activities</i>	<u>(\$ 29.4)</u>	<u>(\$ 30.0)</u>	<u>\$ 0.6</u>

Cash Flows from (used in) Financing Activities

(in millions of dollars)

	1H/10	1H/09	Increase in cash
<i>Cash Flows from (used in) Financing Activities</i>	(\$ 58.3)	(\$ 91.6)	\$ 33.3

Cash Flows (used in) Financing Activities were \$33.3 million lower in 1H/10 compared with 1H/09 due to:

	1H/10	1H/09	Increase/ (decrease) in cash
Dividends paid on common shares	(\$ 56.3)	(\$ 56.5)	\$ 0.2
Repurchase of common shares under NCIB	-	(\$ 30.4)	\$ 30.4
Dividends paid to BOX non-controlling interests	-	(\$ 5.2)	\$ 5.2
Net increase/(decrease) in other items	<u>(\$ 2.0)</u>	<u>\$ 0.5</u>	<u>(\$ 2.5)</u>
<i>Cash Flows from (used in) Financing Activities</i>	<u>(\$ 58.3)</u>	<u>(\$ 91.6)</u>	<u>\$ 33.3</u>

Cash Flows from (used in) Investing Activities

(in millions of dollars)

	Q2/10	Q2/09	(Decrease) in cash
<i>Cash Flows from (used in) Investing Activities</i>	(\$ 56.1)	(\$ 13.9)	(\$ 42.2)

Cash Flows (used in) Investing Activities were \$42.2 million higher in Q2/10 compared with Q2/09 due to:

(in millions of dollars)

	Q2/10	Q2/09	Increase/ (decrease) in cash
Cost of acquisitions and investments, net of cash acquired	-	(\$ 33.2)	\$ 33.2
Capital expenditures primarily related to technology investments and leasehold improvements	(\$ 4.9)	(\$ 1.7)	(\$ 3.2)
Additions to intangible assets including TSX Quantum Gateway, TMX Smart Order Router (2009) and SOLA internal development costs	(\$ 1.8)	(\$ 5.1)	\$ 3.3
Net (purchases)/sales of marketable securities	<u>(\$ 49.4)</u>	<u>\$ 26.1</u>	<u>(\$ 75.5)</u>
<i>Cash Flows from (used in) Investing Activities</i>	<u>(\$ 56.1)</u>	<u>(\$ 13.9)</u>	<u>(\$ 42.2)</u>

Cash Flows from (used in) Investing Activities

(in millions of dollars)

	1H/10	1H/09	(Decrease) in cash
<i>Cash Flows from (used in) Investing Activities</i>	(\$ 119.9)	(\$ 37.1)	(\$ 82.8)

Cash Flows (used in) Investing Activities were \$82.8 million higher in 1H/10 compared with 1H/09 due to:

(in millions of dollars)

	1H/10	1H/09	Increase/ (decrease) in cash
Cost of acquisitions and investments, net of cash acquired	-	(\$ 33.8)	\$ 33.8
Capital expenditures primarily related to technology investments and leasehold improvements	(\$ 9.8)	(\$ 2.1)	(\$ 7.7)
Additions to intangible assets including TSX Quantum Gateway, TMX Smart Order Router (2009) and SOLA internal development costs	(\$ 3.9)	(\$ 8.5)	\$ 4.6
Net (purchases)/sales of marketable securities	<u>(\$ 106.2)</u>	<u>\$ 7.3</u>	<u>(\$ 113.5)</u>
<i>Cash Flows from (used in) Investing Activities</i>	<u>(\$ 119.9)</u>	<u>(\$ 37.1)</u>	<u>(\$ 82.8)</u>

Summary of Cash Position and Other Matters⁶

We had \$264.9 million of cash and cash equivalents and marketable securities at June 30, 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 1H/10, with revenues of \$282.4 million, we incurred operating expenses of \$143.4 million. We had \$430.0 million of debt outstanding under the Term Loan, which is due in April 2011. It is expected that this debt 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 Loan could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required. In June 2010, we filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. This will enable us to offer and issue up to \$1.0 billion of debt, equity or other securities over a 25-month period ending in July, 2012. The net proceeds of any

⁶ 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.

such offerings will be used for general corporate purposes, including repaying outstanding indebtedness from time to time, and funding future acquisitions or investments. We have no immediate intention to raise funds, other than potentially replacing, in whole or in part, the Term Loan.

Cash flows from operations were \$145.5 million in 1H/10. We paid \$56.3 million in dividends on common shares in 1H/10.

In Q3/09, we announced phase 3 and 4 of our 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. Capital expenditures of approximately \$7.0 million associated with the third phase of the expansion project were incurred in 1H/10. We expect to incur approximately \$3.0 million of additional capital expenditures associated with this phase. The new facility now provides space for 100 cabinets. In June 2010, we announced that construction of the new co-location facility was complete and on June 30, 2010, clients began installing their trading applications in the TMX data centre and receiving the benefits of direct high-speed access to the Toronto Stock Exchange, TSX Venture Exchange and MX trading engines and market data feeds. We expect to realize incremental revenue beginning in 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 implementing 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 are incurring 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, which was completed by the end of 1H/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 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 Ontario Securities Commission (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).

As at June 30, 2010, we met all of the requirements above.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter beginning April 1, 2010 and ended June 30, 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)⁷

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. We will adopt IFRS effective January 1, 2011, and as such our financial statements for the first quarter of 2011 will be prepared in accordance with IFRS. We will also prepare comparative information for the quarter ended March 31, 2010 or the year ended December 31, 2010, as applicable, on an IFRS basis. We must also present an opening IFRS statement of financial position as at January 1, 2010, our date of transition to IFRS, which will form part of the interim financial report for the quarter ending March 31, 2011.

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

Significant Impacts of the Changeover to IFRS

In our assessments to date and based on IFRS currently in effect, we believe that the two areas of significant impact to TMX Group both in terms of ongoing accounting policy changes and transitional adjustments are revenue recognition and business combinations.

Revenue recognition – We anticipate that the most significant area of impact will be around the recognition of *Issuer Services Revenue* related to initial and additional listing fees, along with the associated impact on future income tax assets. Under Canadian GAAP, Issuer Services Revenue from initial and additional listing fees is currently recognized on a straight line basis over a ten-year period. This deferral of revenue requires us to record a future tax asset under Canadian GAAP. Under IFRS, we expect that this revenue will be recognized as it is billed to our listed issuers. If this is the case, we will no longer need to defer the revenue, and a future tax asset will not need to be recorded, as the revenue for accounting purposes will be recorded in the same period as the revenue reported for income tax purposes.

In the January 1, 2010 IFRS opening statement of financial position, Canadian GAAP deferred revenue balances of \$483.1 million, along with their associated future income tax assets of \$128.4 million, will be removed, with the offset to retained earnings.

⁷ 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.

The following is a five-year history and the first half of 2010 of total issuer services revenue reported under Canadian GAAP and total issuer services revenue billed to Toronto Stock Exchange and TSX Venture Exchange issuers, which shows the impact this accounting policy change would have had on historical issuer services revenue, had IFRS been in effect during the periods identified.

(in millions of dollars)

	2005	2006	2007	2008	2009	1H/10
Total issuer services revenue under IFRS ⁺	\$146.3	\$175.9	\$212.5	\$181.2	\$173.3	\$103.4
Total issuer services revenue under current Canadian GAAP ⁺	<u>\$87.7</u>	<u>\$108.5</u>	<u>\$133.9</u>	<u>\$153.0</u>	<u>\$143.0</u>	<u>\$80.3</u>
Incremental revenue that would have been reported under IFRS	<u>\$58.6</u>	<u>\$67.4</u>	<u>\$78.6</u>	<u>\$28.2</u>	<u>\$30.3</u>	<u>\$23.1</u>

In June 2010, the International Accounting Standards Board issued an Exposure Draft on Revenue from Contracts from Customers ("ED") and requested comments by October 2010. The ED does not specify an effective date for the new standard; however, it proposes that the amendments be applied retrospectively. We are currently assessing the impact that this ED will have on Issuer Services Revenue.

Business combinations - There are numerous differences between the accounting for business combinations historically required under Canadian GAAP and that required under IFRS 3, *Business Combinations* (2008). Under an optional election available on first time adoption of IFRS, IFRS 3 (2008) need only be applied prospectively, either from the date of transition to IFRS or from any earlier date as selected by the first time adopter. We have tentatively decided to apply IFRS 3 (2008) to all acquisitions occurring after 1 January, 2008, and as a result, it is our current intention to restate the purchase price accounting for our acquisitions of MX, BOX and NTP under IFRS.

As mentioned, there are a number of differences expected in this area, but some of the key differences expected to impact the purchase price accounting for one or more of the above acquisitions are as follows:

- Measurement of purchase price – Under Canadian GAAP, shares issued as consideration are measured at their market price a few days before and after the date the parties reach an agreement on the purchase price and the proposed transaction is announced. Under IFRS, shares issued as consideration will be measured at their closing market value on the acquisition date.

⁺ For 2008, 2009 and 2010, provisions for doubtful accounts receivable are included in *General and Administration* expense whereas in previous years, these provisions were reflected as a reduction in various sources of revenue.

- Acquisition costs – Direct and incremental costs of business combinations are capitalized as part of the purchase cost under Canadian GAAP, whereas they are accounted for separately under IFRS, and generally expensed as incurred.
- Restructuring provisions – These provisions can be included as part of the purchase price under Canadian GAAP, provided certain conditions are met. The conditions are different under IFRS, and as a result, less restructuring costs are likely to be included within the purchase accounting.
- Non-controlling interests – Under Canadian GAAP, non-controlling interests are recorded at their share of the existing carrying values of the net assets acquired, whereas they will be measured at either their fair value or their share of the fair value of the acquiree's net assets under IFRS.

The overall impact of restating these acquisitions under IFRS is expected to be a \$127.5 million decrease in goodwill, a \$111.4 million decrease in share capital, an increase of \$14.3 million in intangible assets, an increase of \$16.0 million in non-controlling interests, and a decrease of \$17.8 million in retained earnings.

These estimated impacts have not been tax effected where applicable.

Other impacts – The transition to IFRS is expected to have an impact on a variety of additional TMX Group balances either on transition and/or going forward, but these other impacts are expected to be much less significant than the impact on revenue recognition of listing fees and the accounting for business combinations. Other areas that will be impacted by differences between current Canadian GAAP and IFRS include pension and other post-employment benefits, impairment of assets, leases, share-based payments, cumulative translation differences, financial instruments and taxes, along with presentational differences. We plan to provide additional details and quantification of these less significant areas in our Q3/10 MD&A. We currently estimate that these less significant areas will reduce our opening Shareholders' Equity at January 1, 2010 by less than \$25.0 million. On a go forward basis, we do not foresee a significant impact on our net income; however, the accounting for the impairment of assets under current IFRS compared with Canadian GAAP may produce increased volatility in our net income.

The following is an update on the status of the various milestones identified as part of our transition plan, and discussed in the 2009 Annual MD&A.

KEY ACTIVITY	MILESTONES	STATUS
Financial statement preparation:		
<ul style="list-style-type: none"> • Identify accounting differences between Canadian GAAP and IFRS accounting policies, and any associated accounting policy choices available • Select TMX Group's ongoing IFRS policies • Select TMX Group's IFRS 1 policy choices • Develop IFRS-compliant financial statement format • Quantify the effects of these changes on the financial statements 	<p>Key differences identified and tentative accounting policy decisions made and presented to the F&A Committee by the end of 2009.</p> <p>Final senior management sign-off and F&A review of all items in advance of transition (by Q3/10)</p>	<p>Scoping phase completed and high-level differences identified.</p> <p>Currently finalizing the evaluation and design phase, that includes an in-depth analysis and quantification of the 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&A during Q4/09.</p> <p>Opening balance sheet reconciliation is progressing well. Development of financial statement format and the initial IFRS 1 disclosure is in progress.</p>
Training:		
<p>Define and introduce the appropriate level of IFRS expertise for the following:</p> <ul style="list-style-type: none"> • Core IFRS team • Other affected finance staff • Senior executives and the Board of Directors, including F&A and Disclosure Committee members 	<p>Appropriate level of expertise in place throughout TMX Group by mid 2010.</p>	<p>Training plan completed.</p> <p>A detailed training session for members of the Board of Directors will take place in Q3/10.</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 for both finance staff and other TMX Group management.</p> <p>F&A Committee receive quarterly IFRS updates.</p>

KEY ACTIVITY	MILESTONES	STATUS
IT infrastructure:		
<p>Confirm that business processes and systems are IFRS compliant, including:</p> <ul style="list-style-type: none"> • IT system upgrades and changes • Gathering data for additional disclosure purposes • Budget and forecasting under IFRS 	<p>Confirm that systems can support dual reporting requirements by Q4/09.</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 Q1/10 to enable dual reporting, which has also commenced.</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>
Control environment:		
<ul style="list-style-type: none"> • For all accounting policy changes identified, assess the control design and effectiveness implications (both ICFR and DC&P) • Implement appropriate changes 	<p>Key controls and design effectiveness implications to be assessed as part of the evaluation and design phase.</p>	<p>Internal Audit is currently assessing the impact to ICFR and DC&P relating to the transition to IFRS and is in the preliminary stages of its review of the impact of the identified proposed IFRS accounting policy changes on processes and controls relevant to ICFR and DC&P.</p>

KEY ACTIVITY	MILESTONES	STATUS
External reporting:		
<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"> Identify the impact on financial covenants and regulatory capital adequacy requirements, and complete any required renegotiations/ discussions Consider expected MD&A communications up to and following transition Consider the investor relations process for responding to IFRS-related queries, and confirm that 2011 investor relations communications are IFRS compliant 	<p>Publish regular updates on the status of the IFRS transition in the 2009 and 2010 annual and quarterly MD&A.</p> <p>Publish 2011 quarterly and annual financial statements and MD&A in accordance with IFRS, including 2010 comparatives and IFRS 1 required disclosures.</p> <p>Complete review, and address covenants and regulatory requirements as necessary by the end of Q3/10.</p>	<p>IFRS disclosure in the MD&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 Q4/09.</p> <p>We have begun to address the impact of transferring to IFRS in our communications with shareholders and potential investors.</p>

Quarterly Information

(in thousands of dollars except per share amounts)

	June 30/10	Mar. 31 /10	Dec. 31 /09	Sept. 30 /09	June 30/09	Mar. 31 /09	Dec. 31 /08	Sept. 30 /08
<i>Revenue</i>	\$142,674	\$139,706	\$153,555 ⁺	\$131,627 ⁺	\$138,132 ⁺	\$136,818 ⁺	\$152,001 ⁺	\$139,908 ⁺
<i>Net Income/(loss)</i>	47,598	49,082	(26,837)	41,749	46,871	42,918	49,035	50,944
<i>Earnings/(loss) per share:</i>								
<i>Basic</i>	0.64	0.66	(0.36)	0.56	0.63	0.58	0.65	0.66
<i>Diluted</i>	0.64	0.66	(0.36)	0.56	0.63	0.58	0.65	0.66

⁺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 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 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.

- Revenue in Q2/10 increased over revenue in Q1/10 due to higher revenue from market data, issuer services, energy trading and Canadian derivatives trading, somewhat offset by lower revenue from cash equities trading and U.S. derivatives trading. Net income for Q2/10 decreased over net income in Q1/10 largely due to higher expenses as we continue to invest in technology initiatives, corporate development and marketing. The increased expenses were partially offset by the higher revenue.

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**.