

TMX Group Inc.

Q1-2011 Management's Discussion and Analysis

May 12, 2011

This 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, 2011, compared with the quarter ended March 31, 2010 or the year ended December 31, 2010. This MD&A is dated May 12, 2011 and should be read carefully together with our Q1/11 unaudited interim financial statements, including notes, for the corresponding period which are prepared in accordance with International Financial Reporting Standards (IFRS). 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 IFRS, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board requires publicly accountable enterprises such as us to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the TMX Group consolidated interim financial statements for the quarter ending March 31, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in 2011, we will also present comparative information for 2010, both for interim and annual financial statements, as applicable, on an IFRS basis. Our consolidated financial statements for the year ending December 31, 2011, will be our first annual financial statements that comply with IFRS. As this will be our first year of reporting under IFRS, First-time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian GAAP (for detailed information see ***Changes in Accounting Policies***).

Merger with London Stock Exchange Group plc¹

On February 9, 2011 we entered into an agreement to combine with LSEG in an all-share merger of equals to create an international, multi-asset class exchange group. The merger will

¹ The "Merger With London Stock Exchange Group plc" 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.

be implemented by means of a Canadian plan of arrangement under which TMX Group shareholders will receive 2.9963 LSEG shares (each, a Mergeco Share) for each TMX Group share they hold. TMX Group shareholders who are residents of Canada for tax purposes (and not exempt from paying tax) will be entitled to elect to receive exchangeable shares (each, an Exchangeable Share) in a indirect Canadian subsidiary of the new LSEG-TMX Group combined group (Merged Group) LSEG in place of each TMX Group share that they hold. TMX Group shareholders electing to receive Exchangeable Shares will receive the same number of Exchangeable Shares as the number of Mergeco Shares which they would otherwise have been entitled to receive under the terms of the merger. TMX Group shareholders will therefore own approximately 45% and LSEG shareholders will own approximately 55% of the Merged Group immediately after closing. The Mergeco Shares will be listed on London Stock Exchange, trading in Sterling. In addition, LSEG will apply for listing of the Mergeco Shares and the Exchangeable Shares on Toronto Stock Exchange, each of which will trade in Canadian Dollars.

The Merged Group will be jointly headquartered in Toronto and London. In addition, the merger agreement recognises the existing centres of excellence within the Merged Group and reinforces these strengths by assigning global responsibility across its geographic footprint, including in key Canadian cities.

We believe that the merger is strategically compelling and will accelerate our ability to create a more diversified business with greater scale, scope, reach and efficiencies, generating substantial benefits for all stakeholders. TMX Group directors, officers, and executives will have a balanced presence in the leadership of this new merged group, including the positions of Board Chair, President and global CFO.

The benefits of the transaction are as follows:

- Revenue benefits – The Merged Group is targeting \$56.0 million in year three growing to \$160.0 million annual run-rate revenue benefits in year five following completion of the transaction. Revenue benefits are targeted to arise across the Merged Group's diversified lines of business and activities, such as primary markets (listings and other issuer services), derivatives, post-trade (clearing), information services and technology.
- Cost synergies – The Merged Group is targeting annual run-rate cost synergies and other transaction-related cost savings of \$56.0 million by end of year two following completion of the merger. Associated one-time implementation costs, which are expected to be incurred over two years, are estimated at approximately \$64.0 million, primarily driven by transitioning to a common technology infrastructure.
- Value creation – The transaction is expected to be accretive to adjusted earnings per share post cost synergies for both TMX Group and LSEG shareholders in the first full year following completion.

Completion of the merger is subject to regulatory, shareholder and other approvals as well as certain other conditions. The following provides an overview of certain approvals and conditions that must be met:

- a) Approval by at least 66 $\frac{2}{3}$ % of the votes cast by shareholders of TMX Group at a special meeting of TMX Group shareholders;

- b) Approval by a majority of votes cast by LSEG shareholders at a general meeting of LSEG shareholders;
- c) Ontario court approval of the Plan of Arrangement;
- d) Certain regulatory approvals, including under the Investment Canada Act, Competition Act (Canada), as well as from the Ontario Securities Commission, Autorité des marchés financiers (Québec), Alberta Securities Commission, British Columbia Securities Commission, U.S. Securities and Exchange Commission, Financial Services Authority (UK), Office of Fair Trading (UK), Bank of Italy and Commissione Nazionale per le Società e la Borsa; and
- e) Listing of the Mergeco Shares and the Exchangeable Shares on Toronto Stock Exchange and listing of the Mergeco Shares issuable pursuant to the Plan of Arrangement on London Stock Exchange.

The merger agreement, which provides for an outside implementation date of November 9, 2011 (with up to a 30-day extension by either party in certain circumstances), contains customary provisions for a transaction of this nature, including representations and warranties, covenants, undertakings and conditions. In the merger agreement, each of TMX Group and LSEG has agreed not to solicit other offers. The merger agreement provides that the Boards of Directors of each of TMX Group and LSEG may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of \$39 million, and subject to a right by each party to match the superior proposal in question.

Following the announcement, management and representatives of TMX Group and LSEG have met and held discussions with shareholders, customers, government and regulatory authorities and other stakeholders in Canada, the UK and Italy. In March, TMX Group CEO Tom Kloet and LSEG CEO Xavier Rolet presented the transaction details and rationale to the Ontario Select Committee of the Ontario Legislature studying the proposed transaction of the two exchange companies.

TMX Group and LSEG have initiated the regulatory approval process with Canadian federal and provincial authorities regarding the proposed merger. Application for review under the Investment Canada Act was made on April 29, 2011. In addition, applications have been submitted to provincial securities regulators in Ontario, Québec, Alberta and British Columbia. The provincial securities regulators will publish these applications according to their individual processes. All applications will be based on the terms of the merger agreement made public on February 9, 2011.

Feedback received through the regulatory review process, as well as the report of the Ontario Select Committee, will receive full consideration during the course of the approval process with the various authorities.

Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the fall of 2011.

Market Conditions²

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. Since entering the Canadian equities market, ATSS have fragmented trading volumes. In 2010, Toronto Stock Exchange and TSX Venture Exchange combined held an average 73% share of equities volume traded in Canada. Our combined share of volume declined in Q1/11 to an average of 69%. We expect to continue to face significant competitive pressure in this multi-marketplace environment. We compete for listings both in North America and internationally, particularly for small to medium sized enterprises (SMEs) and resource companies. In Canada, there is currently one competing listings venue and another entity pursuing exchange status with regulators.

Natural Gas Exchange Inc.'s (NGX) business of trading and clearing physical natural gas, electricity and crude oil contracts faces primary competition in energy markets in Canada and the United States from OTC bilateral markets (supported by voice brokers) and competing exchanges listing and clearing energy derivative products. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete directly with the NGX contracts. Our alliance with IntercontinentalExchange, Inc. positions NGX to compete for trading with other venues while providing the tools to deliver clearing for OTC bilateral contracts.

In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, Montréal Exchange (MX) faces domestic competition from OTC derivatives trading that occurs bilaterally between institutions. We may in the future also face competition from other Canadian marketplaces. In the United States, MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada.

Our subsidiary, Boston Options Exchange Group, LLC, or BOX, continues to face intense competition in the U.S. equity options market.

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; the growth of capital may in turn drive more investing and trading activity across all asset classes and venues. We saw some of that in 2010 with an increase in IPO activity, commodity speculation and a marked increase in fixed income cash and futures trading that accompanied a rising short-term interest rate environment.

² The "Market Conditions" 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.

Our belief is that over the long term, well-regulated neutral exchanges and clearing houses with ownership structures that are free of conflict will continue to 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.

2011 Initiatives and Accomplishments³

Cash Equities Trading

Products

On April 4, 2011, our new ATS, TMX Select, was made available for customer and industry testing and we are in the process of obtaining all necessary regulatory approvals. The fee schedule and more information about functionality will be communicated to market participants prior to the launch in June 2011, which is subject to regulatory approval.

On March 16, 2011, in keeping with our efforts to offer our customers additional trade execution choices, we launched trading on new on-book Dark Order types that will be supported on both Toronto Stock Exchange and TSX Venture Exchange. The new non-displayed order types called Dark Mid-Point and Dark Limit Orders are now available and integrated into the existing order books. The introduction of these new order types provides opportunity for all market participants to significantly reduce execution costs, receive price improvement, and benefit from efficiencies in accessing both dark and visible liquidity through a single destination and transaction, while maintaining the integrity of the visible market.

These Dark Order types are initially being offered on a few Toronto Stock Exchange and TSX Venture Exchange symbols, and will be gradually introduced for all symbols in a phased approach.

Pricing

Effective March 1, 2011, we reduced the fees for significant usage for our Market on Open (MOO) facility. This change introduced a fee cap for top MOO volume firms. We also introduced residual credit pay outs, or rebates, for trading in our continuous limit order book.

On March 16, 2011, we announced adjustments to our Equity Trading Fee Schedule, effective April 1, 2011. These changes have been made following consultation with market participants and provide cost savings to participants that trade equities where the trade price per-share is lower than \$1.00 (Low Priced Equities). With these changes, TMX Group offers the lowest active fee on Low Priced equities in the Canadian market, representing up to a 50% reduction in fees charged to active traders.

³ The "2011 Initiatives and Accomplishments" 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 Clearing

MX established a new monthly record for total volume in March 2011 with 5.71 million contracts traded, surpassing the previous record of 4.59 million contracts traded set in February 2011.

Consecutive record setting months led to a quarterly volume record of 14.55 million contracts traded in Q1/11, which exceeded the previous record of 12.00 million contracts set in Q1/07.

On May 10, 2011, BOX announced the receipt of a patent specifically related to price improvement auctions for electronic trading of financial instruments. BOX launched its innovative price improvement auction, the Price Improvement Period (PIP), designed to provide customers with the best possible price in the electronic marketplace when it commenced trading in 2004.

Clearing

Canadian Derivatives Clearing Corporation (CDCC) continues to work with the dealer and user community to develop the infrastructure for central-counterparty services for the Canadian fixed income market to meet Canada's G20 commitment of clearing OTC derivatives by December 31, 2012. On April 5, 2011, CDCC and New York Portfolio Clearing (NYPC) announced the signing of a Memorandum of Understanding to explore the development of a clearing link for the Canadian swap market.

Energy Trading

On February 14, 2011, NGX expanded its U.S. clearing operation to offer physical clearing at two additional hubs in Texas: Houston Ship Channel – Houston Pipeline Pool, located east of Houston, and Oasis – Waha Pool, a broad region in west Texas. As of March 31, 2011, NGX offers physical clearing of natural gas at 32 U.S. locations.

Quarter Ended March 31, 2011 Compared with Quarter Ended March 31, 2010

Net income was \$64.3 million (\$63.1 million attributable to TMX Group shareholders), or \$0.85 per common share[∇] (\$0.84 cents on a diluted basis) for Q1/11, compared with net income of \$56.7 million (\$57.1 attributable to TMX Group shareholders), or \$0.77 per common share on a basic and diluted basis for Q1/10, representing an increase in net income of 13%. The increase in net income was largely due to higher revenue across the major components of our business, partially offset by increased expenses due to costs associated with the proposed merger with LSEG, a commodity tax adjustment* and higher costs associated with short and long-term employee incentive plans.

[∇] Earnings per share information is based on net income attributable to TMX Group shareholders.

* See "General and Administration" section.

Adjusted Earnings per Share Reconciliation for Q1/11 and Q1/10**

The following is a reconciliation of earnings per share to adjusted earnings per share** prior to the adjustment related to costs associated with the proposed merger with LSEG and the commodity tax adjustment*:

	Q1/11		Q1/10	
	Basic	Diluted	Basic	Diluted
<i>Earnings per share</i>	\$0.85	\$0.84	\$0.77	\$0.77
<i>Adjustments:</i>				
<i>Adjustment related to costs associated with the proposed merger with LSEG, net of tax</i>	\$0.08	\$0.08	-	-
<i>Adjustment related to commodity tax adjustment*, net of tax</i>	<u>\$0.05</u>	<u>\$0.05</u>	=	=
<i>Adjusted earnings per share**</i>	<u>\$0.98</u>	<u>\$0.97</u>	<u>\$0.77</u>	<u>\$0.77</u>

Adjusted earnings per share** of \$0.98 per common share (\$0.97 on a diluted basis), was higher than earnings per share of \$0.77 per common share on a basic and diluted basis for Q1/10. The increase in adjusted earnings per share** was largely due to higher revenue across the major components of our business, partially offset by the impact of higher costs associated with short and long-term employee incentive plans.

Revenue

Revenue was \$174.7 million in Q1/11, up \$25.3 million, or 17% compared with \$149.4 million for Q1/10, reflecting increased revenue from across our business with the exception of a decrease in technology services and other revenue due to higher net foreign exchange losses in Q1/11 when compared with Q1/10.

** The terms Adjusted earnings per share and Adjusted diluted earnings per share do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. We present Adjusted earnings per share and Adjusted diluted earnings per share to indicate operating performance exclusive of expenses we incurred in Q1/11 due to costs related to our proposed merger with LSEG and a commodity tax adjustment. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

* See "General and Administration" section.

Issuer Services Revenue

The following is a summary of issuer services revenue in Q1/11 and Q1/10.

(in millions of dollars)

	Q1/11	Q1/10	\$ increase/ (decrease)	% increase/ (decrease)
<i>Initial listing fees</i>	\$ 8.3	\$ 6.3	\$ 2.0	32%
<i>Additional listing fees</i>	\$ 31.7	\$ 23.6	\$ 8.1	34%
<i>Sustaining listing fees</i>	\$ 18.9	\$ 16.0	\$ 2.9	18%
<i>Other issuer services</i>	<u>\$ 3.1</u>	<u>\$ 3.5</u>	<u>(\$ 0.4)</u>	(11%)
<i>Total</i>	<u>\$ 62.0</u>	<u>\$ 49.4</u>	<u>\$ 12.6</u>	26%

- *Initial listing fees* in Q1/11 increased over Q1/10 primarily due to an increase in the number of issuers who converted from income trusts to corporate entities, and fee changes on TSX Venture Exchange which were effective January 1, 2011. There was also an increase in the value and number of initial financings on TSX Venture Exchange.
- The increase was partially offset by the impact of a decrease in the value and number of initial financings on Toronto Stock Exchange in Q1/11 compared with Q1/10.
- *Additional listing fees* in Q1/11 increased over Q1/10 due to an increase in the value and number of additional financings on Toronto Stock Exchange and TSX Venture Exchange, and fee changes which were effective January 1, 2011.
- 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 2010 compared with the end of 2009, and fee changes on TSX Venture Exchange which were effective January 1, 2011.
- *Other issuer services* revenue decreased due to lower fees in Q1/11 compared with Q1/10 related to providing investor relations services. This was somewhat offset by revenue from new products.

Trading, Clearing and Related Revenue

(in millions of dollars)

	Q1/11	Q1/10	\$ increase	% increase
<i>Cash markets revenue</i>	\$ 33.6	\$ 31.3	\$ 2.3	7%
<i>Derivatives markets revenue</i>	\$ 26.3	\$ 18.4	\$ 7.9	43%
<i>Energy markets revenue</i>	<u>\$ 11.4</u>	<u>\$ 9.3</u>	<u>\$ 2.1</u>	23%
<i>Total</i>	<u>\$ 71.3</u>	<u>\$ 59.0</u>	<u>\$ 12.3</u>	21%

Cash Markets

- The increase in *cash markets* equity trading revenue was due to a 64% increase in the volume of securities traded on TSX Venture Exchange in Q1/11 over Q1/10 (25.23 billion securities in Q1/11 versus 15.37 billion securities in Q1/10). There was also a 20% increase in the volume of securities traded on Toronto Stock Exchange in Q1/11 over Q1/10 (30.32 billion securities in Q4/10 versus 25.34 billion securities in Q1/10).
- The increase was somewhat offset by changes to our equity trading fee schedule on March 1, 2010, which included reductions in active trading fees on securities 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 increased revenue was also somewhat offset by fee changes effective March 1, 2011, which reduced the fees for significant usage for our MOO facility and introduced rebates for trading in our continuous limit order book.
- In addition, Shorcan Brokers Limited (Shorcan) fixed income trading revenue increased in Q1/11 compared with Q1/10 due to a favourable product mix, somewhat offset by lower volumes.

Derivatives Markets

- The increase in *derivatives markets* revenue reflects an increase in BOX revenues. There was a 79% increase in BOX volumes (31.67 million contracts in Q1/11 versus 17.67 million contracts traded in Q1/10). The increase in revenue was also due to price increases which were effective in Q3/10, partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10.
- The increase in derivatives markets revenue also reflects an increase in trading and clearing revenue from MX and CDCC. MX volumes increased by 46% (14.55 million contracts traded in Q1/11 versus 9.97 million contracts traded in Q1/10) reflecting increased trading in the BAX and CGB contracts, as well as ETF and equity options. The increase in revenue was partially offset by unfavourable product and client mix. Open interest was up 36% at March 31, 2011 compared with March 31, 2010.

Energy Markets

- The increase in *energy markets* revenue reflects a 24% increase in total energy volume[#] on NGX over Q1/10 (4.11 million terajoules in Q1/11 compared to 3.32 million terajoules in Q1/10).
- The increase also reflects higher revenue from Shorcan Energy Brokers Inc. (Shorcan Energy Brokers), a wholly-owned subsidiary of Shorcan, due to higher volumes in Q1/11 compared with Q1/10. Shorcan Energy Brokers launched inter-participant brokerage in energy products in Q1/10 and its revenue was included in Q1/10 from February 1, 2010.

[#] NGX total energy volume includes trading and clearing in natural gas, crude oil and electricity.

- The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10.

Information Services Revenue

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$ 40.0	\$ 37.4	\$2.6	7%

- The increase reflects higher revenue from co-location services, index data licensing, fixed income indices and usage based quotes.
- Overall, there was a 5% increase in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (159,072⁺ professional and equivalent real-time market data subscriptions in Q1/11 compared with 152,039 in Q1/10). There was also a 5% increase in the average number of MX market data subscriptions (23,748⁺ MX market data subscriptions in Q1/11 compared with 22,649 in Q1/10).
- The increases were partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10 and the effect of customer enterprise agreements.

Technology Services and Other Revenue

(in millions of dollars)

Q1/11	Q1/10	\$ (decrease)	% (decrease)
\$ 1.4	\$ 3.6	(\$2.2)	(61%)

- *Technology services and other* revenue decreased primarily due to higher net foreign exchange losses on U.S. dollar accounts receivable, which included adjustments for prior periods.

Operating Expenses

Operating expenses in Q1/11 were \$77.1 million, up \$7.5 million, or 11%, from \$69.6 million in Q1/10 primarily due to a commodity tax adjustment and higher costs associated with short and long-term employee incentive plans. This increase was somewhat offset by lower costs following the decommissioning of legacy hardware and lower depreciation and amortization costs.

⁺ Includes a base number of subscriptions for customers that have entered into enterprise agreements.

Compensation and Benefits

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$ 36.8	\$ 32.3	\$4.5	14%

- *Compensation and benefits* costs increased primarily due to higher costs associated with long-term employee performance incentive plans that are tied to share price appreciation.
- The increases were also due to higher costs related to short-term employee performance incentive plans as well as an overall increase in salary and benefits costs relating to increased headcount and merit increases, as well as the loss of certain exemptions related to the Québec tax holiday which ended on December 31, 2010 (see **Income Taxes**). There were 857 employees at March 31, 2011 versus 836 employees at March 31, 2010.
- The increases were partially offset by lower organizational transition costs and lower costs associated with technology initiatives in Q1/11 compared with Q1/10.

Information and Trading Systems

(in millions of dollars)

Q1/11	Q1/10	\$ (decrease)	% (decrease)
\$ 10.6	\$ 12.8	(\$2.2)	(17%)

- *Information and trading systems* expenses decreased due to reductions following the decommissioning of legacy hardware in Q2/10 and lower costs related to technology initiatives in Q1/11 compared with Q1/10.

General and Administration⁴

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$ 23.1	\$ 16.9	\$6.2	37%

- *General and administration* costs increased largely due to recording a \$5.5 million provision related to a commodity tax adjustment as well as higher marketing expenses.

⁴ The "General and Administration" 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.

- We are in the process of submitting a ruling request to the Canada Revenue Agency (CRA) relating to the application of taxes (Harmonized Sales Tax or HST) imposed under section 165 of the *Excise Tax Act* on our trade execution fees on equities and derivatives. Effective February, 2011, we stopped charging HST on these trade execution fees for Toronto Stock Exchange and TSX Venture Exchange. We are confident that the ruling request will be approved, and as such, have not provided for HST not charged to customers. If the ruling request is approved, we may be required to repay to the CRA the input tax credits (ITCs) claimed in recent years against the trading businesses. We firmly believe that the liability related to these ITCs should be \$0; however, a repayment of up to four years of ITCs previously claimed may be required. As a result, we have estimated the range of possible outcomes to be between \$0 and \$11.0 million. A provision of \$5.5 million related to the commodity tax adjustment (\$4.8 million relating to prior years) has been recorded in Q1/11. Future estimates may be different and a change in the provision may be required. If the ruling request is approved, we will not be able to claim these ITCs against these trading businesses going forward.

Depreciation and Amortization

(in millions of dollars)

Q1/11	Q1/10	\$ (decrease)	% (decrease)
\$ 6.6	\$ 7.6	(\$1.0)	(13%)

- *Depreciation and Amortization* costs decreased due to reduced amortization relating to assets that were fully depreciated by Q1/11.
- The decrease also reflected lower amortization of the intangible assets related to the TMX Smart Order Router and MX trading participants.

Merger-Related Costs

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$ 8.3	-	\$8.3	-

- *Merger-Related Costs* includes legal, advisory and other costs incurred during Q1/11 related to our proposed merger with LSEG.
- We are also liable for the payment of success fees of \$16.8 million which are contingent upon the successful completion of the merger. These fees have not been accrued.

Finance Income (formerly Investment Income)

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$ 1.2	\$ 0.8	\$0.4	50%

- *Finance income* increased primarily due to increased cash available for investment in Q1/11 compared with Q1/10.

Finance Costs (formerly Interest Expense)

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$ 2.0	\$ 1.2	\$0.8	67%

- *Finance costs* increased as a result of higher 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)

Q1/11	Q1/10	\$ increase	% increase
\$ 0.1	\$ 0.1	-	-

- We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on our long-term debt, effective August 28, 2008 (see **Term Loan**).
- During Q1/11, unrealized gains of \$0.6 million and realized losses of \$0.7 million were reflected in net income, compared with unrealized gains of \$1.5 million and realized losses of \$1.6 million recognized in Q1/10.

Income Taxes

(in millions of dollars)

Q1/11	Q1/10	Effective tax rate (%)	
		Q1/11	Q1/10
\$ 24.7	\$ 22.9	28%	29%

- The effective tax rate for Q1/11 was lower than that for Q1/10 due to a decrease in federal and Ontario corporate income tax rates, somewhat offset by a higher Québec corporate tax rate that resulted from the expiry on December 31, 2010 of a provincial tax holiday related to the financial sector.

- From October 1, 2000 to December 31, 2010, MX and CDCC benefited from certain income tax, capital tax and other exemptions which were intended to support the financial sector in the Province of Québec.

Net Income/(Loss) Attributable to Non-Controlling Interests

(in millions of dollars)

Q1/11	Q1/10	\$ increase	% increase
\$1.2	(\$0.4)	\$1.6	400%

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Income Statement.
- Net income/(loss) attributable to non-controlling interests represents the other BOX unitholders' share of BOX's income or loss, before income taxes in the period. In Q1/11, net income of \$1.2 million reflected higher BOX trading volumes. In Q1/10, the net loss of \$0.4 million reflected increased competition and a significant decline in BOX's market share.

Segment Analysis

Cash Markets – Equities and Fixed Income (includes merger related costs)

(in millions of dollars)

	Q1/11	Q1/10	\$ increase	% increase
Revenue	\$131.9	\$117.2	\$14.7	13%
Net income attributable to TMX Group shareholders	\$51.8	\$49.5	\$2.3	5%

The increase in revenue primarily reflects higher issuer services revenue related to the increase in the number of issuers who converted from income trusts to corporate entities and increased revenue from additional and sustaining listing fees as well as higher fixed income, information services and equities trading revenue in Q1/11 compared with Q1/10. Net income attributable to TMX Group shareholders increased due to the increased revenue, partially offset by increased expenses due to legal, advisory and other costs associated with the proposed merger with LSEG, higher general and administration expenses, which included a commodity tax adjustment, and higher compensation and benefits costs. Information and trading systems costs were lower in Q1/11 compared with Q1/10 following the decommissioning of legacy hardware.

(in millions of dollars)

	March 31, 2011	March 31, 2010	\$ increase
Total Assets	\$565.5	\$443.7	\$121.8
Total Liabilities	\$586.8	\$564.1	\$22.7

Total assets increased primarily due to an increase in cash and marketable securities in Q1/11 compared with Q1/10. Total Liabilities increased in Q1/11 compared with Q1/10 due to an increase in deferred revenue, trade and payables largely due to the proposed merger with LSEG and a commodity tax adjustment.

Derivative Markets – MX and BOX

(in millions of dollars)

	Q1/11	Q1/10	\$ increase	% increase
Revenue	\$31.4	\$22.8	\$8.6	38%
Net income attributable to TMX Group shareholders	\$8.2	\$5.5	\$2.7	49%

The increase in revenue largely reflects higher revenue and volumes on MX and BOX. Net income for Q1/11 increased due to the increased revenue, partially offset by higher general and administration expenses, which included a commodity tax adjustment, and higher compensation and benefits costs compared with Q1/10. In Q1/11, net income attributable to TMX Group shareholders was somewhat reduced by higher income taxes compared with Q1/10, partially due to the expiration of the Québec tax holiday on December 31, 2010.

(in millions of dollars)

	March 31, 2011	March 31, 2010	\$ (decrease)
Total Assets	\$1,434.5	\$1,548.1	(\$113.6)
Total Liabilities	\$402.2	\$543.6	(\$141.4)

Total Assets decreased primarily due to a reduction in Daily Settlements and Cash Deposits of \$140.4 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were \$140.4 million lower at March 31, 2011 compared with March 31, 2010. There has been a trend towards clearing members pledging securities rather than cash as collateral. The decrease was somewhat offset by an increase in cash and marketable securities of \$33.8 million at March 31, 2011 compared with March 31, 2010.

Energy Markets – NGX and Shorcan Energy Brokers

(in millions of dollars)

	Q1/11	Q1/10	\$ increase	% increase
Revenue	\$11.4	\$9.4	\$2.0	21%
Net income attributable to TMX Group shareholders	\$3.1	\$2.1	\$1.0	48%

The increase in revenue in Q1/11 compared with Q1/10 was due to higher revenue from natural gas and electricity trading and clearing as a result of an increase in volumes, slightly offset by the negative impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10. The increase also reflects higher revenue from Shorcan Energy Brokers, due to higher volumes in Q1/11 compared with Q1/10. Shorcan Energy Brokers' revenue was included in Q1/10 from February 1, 2010. The increase in net income reflected the higher revenue partially offset by an increase in all operating expenses.

(in millions of dollars)

	March 31, 2011	March 31, 2010	\$ (decrease)
Total Assets	\$976.2	\$1,261.7	(\$285.5)
Total Liabilities	\$857.8	\$1,148.7	(\$290.9)

Total Assets decreased due to a decrease of \$203.0 million in the fair value of open energy contracts receivable compared with the end of March 2010. This is largely attributable to the daily mark to market margin on power contracts being settled daily effective November 1, 2010. As the clearing counterparty to every trade, NGX also carries offsetting liabilities related to the fair value of open energy contracts which were also \$203.0 million lower at March 31, 2011 compared with March 31, 2010. The decrease in Total Assets was also due to a decrease in energy contracts receivable of \$91.0 million due to lower gas prices compared with the end of March 2010. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were \$91.0 million lower at the end of March 2011.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

March 31, 2011	December 31, 2010	\$ increase
\$ 377.6	\$ 331.5	\$ 46.1

- The increase was largely due to cash generated from operating activities of \$72.1 million, partially offset by dividend payments of \$29.8 million.

Total Assets

(in millions of dollars)

March 31, 2011	December 31, 2010	\$ increase
\$ 2,976.2	\$ 2,965.8	\$ 10.4

- *Total assets* increased due to an increase in trade and other receivables of \$48.4 million as well as an increase in cash and marketable securities of \$46.1 million.
- The overall increase was partially offset by a decrease in energy contracts receivable of \$51.8 million related to the clearing operations of NGX and a \$15.1 million decrease in current assets related to the fair value of open energy contracts at March 31, 2011 compared with December 31, 2010.
- The increase in *Total assets* was also partially offset by a decrease in MX daily settlements and cash deposits of \$11.8 million at March 31, 2011 related to MX's clearing operations, compared with the end of 2010.

Credit Facilities and Guarantee

Term Loan

(in millions of dollars)

March 31, 2011	December 31, 2010	\$ (decrease)
\$429.3	\$429.8	(\$ 0.5)

- 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). On April 30, 2008, we borrowed \$430.0 million in Canadian funds under the Term Loan to satisfy the cash consideration of the purchase price for MX. On March 31, 2011, we extended and amended this facility that was due to expire on April 18, 2011. The revised credit facility remains at \$430.0 and will expire on March 31, 2012, or 180 days after the completion or cancellation of the merger with the LSEG, if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Until April 18, 2011, the credit facility attracted interest at Bankers' Acceptance (BA) plus 45 basis points. After that date, interest is charged at BAs plus 85 basis points. The facility remains unsecured and continues to include certain covenants that TMX Group must maintain.
- This credit facility contains 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 IFRS;

- 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, 2011, 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. This facility had not been drawn upon at March 31, 2011.

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

CDCC has a \$50.0 million revolving standby credit facility with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. This facility had not been drawn upon at March 31, 2011.

In addition, in January, 2011, CDCC arranged additional credit facilities. A \$100.0 daylight liquidity facility and a \$50.0 call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

Total Equity attributable to Shareholders of the Company

(in millions of dollars)

March 31, 2011	December 31, 2010	\$ increase
\$ 1,109.9	\$ 1,070.6	\$ 39.3

- We earned \$63.1 million of net income attributable to TMX Group shareholders during Q1/11 and paid \$29.8 million in dividends. In addition, we received \$6.1 million in proceeds from share options exercised.
- At March 31, 2011, there were 74,587,992 common shares issued and outstanding. In Q1/11, 217,530 common shares were issued on the exercise of share options. At March 31, 2011, 3,846,696 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At March 31, 2011, there were 1,919,801 options outstanding.
- At May 11, 2011, there were 74,594,400 common shares issued and outstanding and 1,906,661 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

	Q1/11	Q1/10	Increase in cash
<i>Cash Flows from Operating Activities</i>	\$ 72.1	\$ 70.8	\$ 1.3

Cash Flows from Operating Activities were \$1.3 million higher in Q1/11 compared with Q1/10 due to:

(in millions of dollars)

	Q1/11	Q1/10	Increase/ (decrease) in cash
Net income	\$ 64.3	\$ 56.7	\$ 7.6
Depreciation and Amortization	\$ 6.6	\$ 7.6	(\$ 1.0)
Unrealized (gain) on interest rate swaps	(\$ 0.6)	(\$ 1.5)	\$ 0.9
Unrealized loss on marketable securities	\$ 0.5	\$ 0.4	\$ 0.1
(Increase) in trade and other receivables and prepaid expenses	(\$ 46.7)	(\$ 23.1)	(\$ 23.6)
(Increase)/decrease in deferred taxes	(\$ 4.8)	\$ 0.2	(\$ 5.0)
Net (decrease) in trade and other payables, long-term accrued and other non-current liabilities	(\$ 11.9)	(\$ 12.9)	\$ 1.0
Increase in deferred revenue	\$ 58.3	\$ 51.6	\$ 6.7
Net increase/(decrease) in current income taxes	\$ 0.3	(\$ 8.0)	\$ 8.3
Provisions, including commodity tax adjustment (2011)	\$ 5.4	(\$ 0.1)	\$ 5.5
Net increase/(decrease) in other items	<u>\$ 0.7</u>	<u>(\$ 0.1)</u>	<u>\$ 0.8</u>
<i>Cash Flows from Operating Activities</i>	<u>\$ 72.1</u>	<u>\$ 70.8</u>	<u>\$ 1.3</u>

Cash Flows from (used in) Financing Activities

(in millions of dollars)

	Q1/11	Q1/10	Increase in cash
<i>Cash Flows from (used in) Financing Activities</i>	(\$ 24.6)	(\$ 28.1)	\$ 3.5

Cash Flows (used in) Financing Activities were \$3.5 million lower in Q1/11 compared with Q1/10 due to:

(in millions of dollars)

	Q1/11	Q1/10	Increase/ (decrease) in cash
Dividends paid on common shares	(\$ 29.8)	(\$ 28.0)	(\$ 1.8)
Proceeds from exercised options	\$ 6.1	\$ 0.1	\$ 6.0
Net (decrease) in other items	<u>(\$ 0.9)</u>	<u>(\$ 0.2)</u>	<u>(\$ 0.7)</u>
<i>Cash Flows from (used in) Financing Activities</i>	<u>(\$ 24.6)</u>	<u>(\$ 28.1)</u>	<u>\$ 3.5</u>

Cash Flows from (used in) Investing Activities

(in millions of dollars)

	Q1/11	Q1/10	Increase in cash
<i>Cash Flows from (used in) Investing Activities</i>	(\$ 33.0)	(\$ 63.8)	\$ 30.8

Cash Flows (used in) Investing Activities were \$30.8 million lower in Q1/11 compared with Q1/10 due to:

(in millions of dollars)

	Q1/11	Q1/10	Increase/ (decrease) in cash
Capital expenditures primarily related to technology investments and leasehold improvements	(\$ 0.3)	(\$ 4.9)	\$ 4.6
Additions to intangible assets including TSX Quantum Feeds (2011 and 2010), development costs related to repo clearing (2011 and 2010), on-book non-displayed order types (2011) and SOLA internal development costs (2010)	(\$ 2.5)	(\$ 2.1)	(\$ 0.4)
Cost of acquisition of PCF MinesOnline.com Pty Ltd.	(\$ 1.0)	-	(\$ 1.0)
Proceeds on disposal of EDX investment	\$ 3.2	-	\$ 3.2
Net (purchases) of marketable securities	<u>(\$ 32.4)</u>	<u>(\$ 56.8)</u>	<u>\$ 24.4</u>
<i>Cash Flows from (used in) Investing Activities</i>	<u>(\$ 33.0)</u>	<u>(\$ 63.8)</u>	<u>\$ 30.8</u>

Summary of Cash Position and Other Matters⁵

We had \$377.6 million of cash and cash equivalents and marketable securities at March 31, 2011. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business. During Q1/11, with revenues of \$174.7 million, we incurred operating expenses of \$77.1 million. We had \$429.3 million of debt outstanding under the Term Loan. On March 31, 2011, we extended and amended our \$430.0 credit facility that was due to expire on April 18, 2011. The revised credit facility remains at \$430.0 and will expire on March 31, 2012, or 180 days after the completion or cancellation of the merger with the LSEG, if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. 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.

⁵ 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 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 such offerings would be used for general corporate purposes, including repaying outstanding indebtedness from time to time, and funding future acquisitions or investments. Under the merger agreement with LSEG, we are currently restricted from raising funds without their consent.

Cash flows from operations were \$72.1 million in Q1/11. We paid \$29.8 million (40 cents per common share) in dividends in Q1/11.

In Q3/09, we announced phases 3 and 4 of our major expansion of our co-location services and facilities in response to significant demand. The new facility has been designed to accommodate up to 190 co-location spaces, which will meet current and medium-term demand for the services. Capital expenditures of approximately \$0.1 million associated with the third phase of the expansion project were incurred in Q1/11. We expect to incur approximately \$2.2 million of additional capital expenditures associated with phase 3. On June 30, 2010, clients began installing their trading applications in the TMX data centre. We began to realize incremental revenue in Q3/10.

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 expand the infrastructure across our trading and data enterprise. In order to increase throughput capability, we are expanding our internal networks, storage and application servers. The first expansion phase was completed in Q1/10. The second phase is well underway. We are incurring annual operating expenses, including amortization, of approximately \$10.0 million to support this initiative.

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants on TMX Group's existing credit facilities, restrictions contained in the merger agreement with LSEG and by our financial viability ratios imposed by securities regulators.

The recognition order of TSX Inc. by the OSC 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. cannot, 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 set by the Autorité des marchés financiers (AMF) that must be met. If MX fails to meet any of these tests for a period of more than three months, MX cannot, 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 ASC to maintain adequate financial resources to operate its trading system and support its trade execution functions.

As at March 31, 2011, we met all of the above requirements.

Managing Capital

Our primary objectives in managing capital, which we define to include our share capital and various credit facilities, include:

- Maintaining sufficient capital for operations to ensure market confidence. Currently, we target to retain a minimum of \$100.0 million in cash and marketable securities. This amount is subject to change.
- We do this by managing our capital subject to capital maintenance requirements imposed on us and our subsidiaries as follows:
 - In respect of TSX Inc., as required by the OSC to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
 - a current ratio not less than 1.1:1;
 - a debt to cash flow ratio not greater than 4:1; and
 - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1.

We have complied with these externally imposed capital requirements.

- In respect of TSX Venture Exchange Inc., as required by various provincial securities commissions to maintain adequate financial resources.

We have complied with these externally imposed capital requirements.

- In respect of NGX, to:
 - maintain adequate financial resources, as required by the ASC; and
 - maintain a current ratio of no less than 1:1 and a tangible net worth of not less than \$9.0 million, as required by a Schedule I Canadian chartered bank.

We have complied with these externally imposed capital requirements.

- In respect of Shorcan, by IIROC which requires Shorcan to maintain a minimum level of shareholder's equity of \$0.5 million.

We have complied with this externally imposed capital requirement.

- In respect of MX, as required by the AMF to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:
 - a working capital ratio of not less than 1.5:1;
 - a cash flow to total debt ratio of more than 20%; and

- a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1.

We have complied with these externally imposed capital requirements.

- Maintaining sufficient capital to meet the covenants imposed in connection with our term loan (see **Term Loan**).

We have complied with these externally imposed capital requirements.

- Retaining sufficient capital to invest in, and continue to grow, our business both organically and through acquisitions.
- Increasing total returns to shareholders through methods such as dividends and purchasing shares for cancellation pursuant to normal course issuer bids.

Our objectives, policies and processes for managing capital have not changed in the current economic environment.

Changes in Internal Control over Financial Reporting

Notwithstanding our conversion to IFRS, there were no changes to internal control over financial reporting during the quarter beginning January 1, 2011 and ending March 31, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Quarterly Information

The following table presents a summary of quarterly consolidated operating results for TMX Group. Because our IFRS adoption is effective as of January 1, 2010, our 2009 quarterly information is presented on a Canadian GAAP basis. Accordingly, our quarterly information for 2011 and 2010 will not be comparable to that for 2009 (see **Impact of Adoption of IFRS – Reconciliations for 2010**).

(in millions of dollars, except per share amounts)

	IFRS					Canadian GAAP		
	Mar. 31/11	Dec. 31/10	Sept. 30/10	June 30/10	Mar. 31/10	Dec. 31/09	Sept. 30/09	June 30/09
<i>Revenue</i>	\$174.7	\$174.1	\$146.0	\$156.1	\$149.4	\$153.6 ⁺	\$131.6 ⁺	\$138.1 ⁺
<i>Net Income/(loss)</i>	64.3	67.5	55.5	57.9	56.7	(26.8)	41.7	46.9
<i>Earnings per share:</i>								
<i>Basic</i>	0.85	0.90	0.74	0.79	0.77	(0.36)	0.56	0.63
<i>Diluted</i>	0.84	0.90	0.74	0.79	0.77	(0.36)	0.56	0.63

2011

IFRS

- Revenue in Q1/11 increased over revenue in Q4/10 due to higher derivatives trading and clearing revenue and cash equity trading revenue largely offset by lower issuer services, energy trading as well as technology services and other revenue. Net income for Q1/11 decreased over Q4/10 primarily due to costs associated with the proposed merger with LSEG and an increase in general and administration expenses related to a commodity tax adjustment.

2010

IFRS

- It is not possible to compare revenue for Q1/10 (IFRS basis) with revenue for Q4/09 (Canadian GAAP basis) as issuer services revenue was recognized on a different basis. However, excluding issuer services revenue, in Q1/10 revenue decreased compared with Q4/09 due to the higher technology services revenue in Q4/09 from the one-time license fee of \$13.5 million from the LSEG, lower cash markets equity trading and energy trading revenue. This was somewhat offset by increased revenue

⁺For 2010 and 2011, 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 have been reclassified to conform with the financial presentation adopted in 2010.

from cash markets fixed income trading and information services. Also excluding the impact of recognizing issuer services revenue on a different basis, 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 issuer services, information 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 increased over net income in Q1/10 largely due to higher revenue partially offset by higher expenses as we continue to invest in technology initiatives, corporate development and marketing.
- Revenue in Q3/10 decreased over revenue in Q2/10 primarily due to lower revenue from issuer services. The decrease was also as a result of lower cash markets trading revenue and technology services revenue, partially offset by higher energy trading revenue. Net income for Q3/10 decreased over Q2/10 due to lower revenue. The impact was partially offset by lower information and trading systems costs as well as reduced general and administration expenses.
- Revenue in Q4/10 increased over revenue in Q3/10 primarily due to significantly higher issuer services and cash markets trading revenue as well as higher derivatives trading and clearing revenue, partially offset by lower technology services revenue. Net income was higher in Q4/10 compared with Q3/10. The increase in revenue was partially offset by higher compensation and benefits costs, information and trading systems costs and general and administration costs and lower finance income (formerly investment income). In addition, there was a write-down to estimated fair value of \$1.7 million on our 19.9% interest in EDX in Q4/10.

2009

Canadian GAAP

- 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 NetThruPut Inc. (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 information services. 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 technology 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 information services. 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.

Changes in Accounting Policies - International Financial Reporting Standards (IFRS)

Initial Adoption – Impacts of the Conversion to IFRS

IFRS are premised on a conceptual framework similar to pre-conversion Canadian GAAP, although significant differences exist in certain matters of recognition, measurement and disclosure. The areas affected on our transition from pre-conversion Canadian GAAP to IFRS are set out below in order of significance. Revenue recognition of initial and additional listing fees and the resulting tax effect had the most significant impact on our financial statements upon transition to IFRS. For each affected area identified, any applicable IFRS1 exemptions and accounting policy differences between pre-conversion Canadian GAAP and IFRS standards are discussed. The dollar impacts of adoption on TMX Group's financial position and financial performance outlined below are unaudited financial information.

Revenue Recognition

The most significant area of impact is in the recognition of Issuer Services Revenue related to initial and additional listing fees, along with the associated impact on future income tax assets. Initial and additional listing fees for both Toronto Stock Exchange and TSX Venture Exchange were impacted. No other sources of revenue were impacted by the conversion to IFRS.

- *Accounting policy difference between Canadian GAAP and IFRS:*

Canadian GAAP - Initial and additional listing fees were 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 accordance with EIC 141, Revenue Recognition.	IFRS – Initial and additional listing fees are recognized in full in the period when the listings occur.
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- *Impact of Adoption on TMX Group:*

On the Transition Date, short-term deferred revenue – initial and additional listing fees and long-term deferred revenue – initial and additional listing fees have been reduced by \$78.0 million and \$405.1 million respectively, with the offset to retained earnings. The tax effect on the above transition adjustment is a reduction of \$128.4 million in deferred income tax assets with the offset to retained earnings. For the three months ended March 31, 2010, and the year ended December 31, 2010, issuer services revenue was increased by \$9.7 million and \$50.1 million respectively, and income tax expense was increased by \$1.6 million and \$8.9 million respectively, as a result of this change in accounting policy.

The following is a six-year history of total issuer services revenue reported under pre-conversion 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	2010
Total issuer services revenue under IFRS ⁺	\$146.3	\$175.9	\$212.5	\$181.2	\$173.3	\$213.1
Total issuer services revenue under previous Canadian GAAP ⁺	<u>\$87.7</u>	<u>\$108.5</u>	<u>\$133.9</u>	<u>\$153.0</u>	<u>\$143.0</u>	<u>\$163.0</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>\$50.1</u>

In June 2010, the IASB issued an Exposure Draft on Revenue from Contracts from Customers (ED) and requested comments by October 22, 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 considering the impact that this ED will have on Issuer Services Revenue. It is possible that it could result in a deferral of initial and additional listing fees.

Business Combinations

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply IFRS 3 (revised) - Business Combinations (IFRS 3), prospectively from the Transition Date or retrospectively only to acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date.

Election - We elected not to apply IFRS 3 retrospectively to business combinations that occurred before 2008, the year of our most significant acquisition (MX). The acquisitions of MX, BOX and NTP have been restated to reflect the requirements of IFRS 3 upon adoption of IFRS.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Measurement of purchase price:

Canadian GAAP – Shares issued as consideration were measured at their estimated fair value on the date the parties to the business combination reached an agreement on the purchase price and the proposed transaction was announced.

IFRS - Shares issued as consideration are measured at their fair 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. These amounts are unaudited.

- Acquisition costs:

Canadian GAAP – Direct and incremental costs of business combinations were recognized as part of the purchase cost.

IFRS – Acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

- Restructuring provisions:

Canadian GAAP – If certain conditions were met, the costs of restructuring activities were included as part of the purchase price even if a present obligation did not exist as of the date of acquisition.

IFRS – Restructuring provisions are included as part of the business combination only if they represent a present obligation as of the date of acquisition.

- Non-controlling interests:

Canadian GAAP – Non-controlling interests were recorded at their share of the existing carrying values of the net assets acquired.

IFRS – Non-controlling interests are recorded at either their fair value or their proportionate share of the fair value of the acquiree's net assets. TMX Group opted for the latter method with regards to BOX.

- Increase in ownership of a subsidiary:

Canadian GAAP – Increase in ownership interests of a subsidiary were accounted for using the purchase method.

IFRS – When an entity increases its ownership in an investment that results in the acquisition of control, the previously held equity interests are re-measured to fair value through net earnings. When an entity increases its ownership in a previously controlled subsidiary, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

- Contingent liabilities:

Canadian GAAP – Contingent liabilities assumed in a business combination were recognized when it was probable that a liability had been incurred on the date of acquisition and when the amount could be reasonably estimated.

IFRS – A contingent liability is recognized at fair value on the date of acquisition if it is a present obligation that arises from past events and its fair value can be measured reliably.

- *Impact of Adoption on TMX Group:*

The acquisitions of MX, BOX and NTP were restated under IFRS 3, and as a result of this, the acquisition accounting was amended. The goodwill associated with the MX acquisition decreased by \$155.5 million, share capital decreased by \$141.1 million, and retained earnings decreased by \$14.4 million. Intangible assets related to the acquisition of BOX increased by

\$14.3 million, non-controlling interests increased by \$16.0 million, and were reclassified to equity, and retained earnings decreased by \$1.7 million. The goodwill related to the acquisition of NTP decreased by \$5.3 million, share capital decreased by \$3.6 million, and retained earnings decreased by \$1.7 million. The tax effect on the above transition adjustments is a reduction of \$0.5 million in goodwill with the offset to retained earnings.

Impairment of Assets:

- *Accounting policy differences between Canadian GAAP and IFRS:*

Canadian GAAP – An impairment loss was recognized when a long lived asset's carrying amount exceeded its recoverable amount, which was estimated, by TMX Group, as the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss was measured as the excess of the asset's carrying value over its fair value.

IFRS – An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell and its value-in-use.

- *Impact of Adoption on TMX Group:*

An impairment charge of \$14.8 million was recognized on the Transition Date in respect of the BOX trading participants' intangible asset, \$6.8 million of which related to the non-controlling interests' share, with the remaining \$8.0 million relating to the Group's share and therefore charged to retained earnings on transition. Value-in-use was the recoverable amount of the asset, using a discount rate of 15%. The impairment primarily resulted from increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues, during 2009. A goodwill impairment charge was recognized at the time under Canadian GAAP, and the trading participant intangible was also tested, but was found not to be impaired in accordance with pre-conversion Canadian GAAP.

Employee Benefits:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to recognize all cumulative unamortized actuarial gains and losses directly to retained earnings on the Transition Date, thus resetting unamortized actuarial gains and losses to zero. Not taking this exemption would require retrospective application of IAS 19 - Employee Benefits (IAS 19), from the inception of all benefit plans.

Election – We elected to apply this exemption, and recognize all unamortized actuarial gains and losses under previous Canadian GAAP to retained earnings on the Transition Date. We elected to apply this exemption rather than revalue and restate all benefit plans, including pensions, from the beginning of each plan under IAS 19. In taking this exemption, we applied IAS 19 prospectively from the Transition Date.

- *Accounting policy differences between Canadian GAAP and IFRS:*
 - Actuarial gains and losses:

Canadian GAAP – We amortized actuarial gains (losses) arising from employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain (loss) was in excess of 10% of the greater of the accrued benefit obligations and the fair value of plan assets at the beginning of the fiscal year.

IFRS – As permitted under IAS 19, we recognize all actuarial gains and losses on pension and other post retirement plans immediately in other comprehensive income without flowing through to the income statement in subsequent periods.

- Measurement date:

Canadian GAAP – We measured the defined benefit obligation and plan assets for certain plans as of September 30.

IFRS - We are required to determine the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date. As a result, on the Transition Date, we changed the measurement date of our plans to December 31.

- Recognition of past service costs:

Canadian GAAP – Past service costs arising from plan amendments or initiation were amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

IFRS - Past service costs arising from plan amendments or initiation are amortized on a straight-line basis over the expected average period remaining to vest. Any benefits already vested are recognized immediately in earnings.

- Limit on accrued benefit asset:

Canadian GAAP – When a defined benefit plan gave rise to an accrued benefit asset, a valuation allowance was recognized for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset was presented net of any valuation allowance in the balance sheet. Any change in the valuation allowance was recognized in net earnings.

IFRS – IFRS also sets a limit on the accrued benefit asset that can be recognized in the balance sheet, although this is calculated differently than under pre-conversion Canadian GAAP. Any change in the recoverable amount will be recognized immediately in other comprehensive income.

- *Impact of Adoption on TMX Group:*

Pension benefit assets and accrued employee benefits payable were reduced by \$8.1 million and \$3.5 million respectively, with the offset of \$4.6 million to retained earnings. The tax effect on the above transition adjustment was a decrease of \$0.7 million and a decrease of \$1.9

million in deferred tax assets and deferred tax liabilities respectively, with the offset to retained earnings.

Leases:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply IFRIC 4 - Determining whether an Arrangement contains a Lease (“IFRIC 4”), only to arrangements existing at the Transition Date. An additional exemption also exists, allowing a first-time adopter to opt out of reassessing its arrangements under IFRIC 4 if it has already assessed whether an arrangement contains a lease in accordance with pre-conversion Canadian GAAP EIC-150 – Determining Whether an Arrangement Contains a Lease (“EIC 150”).

Election - We elected to apply both exemptions thus limiting our reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC 150 under previous Canadian GAAP. We elected to apply these exemptions rather than review all current and prior arrangements to determine if IFRIC 4 applied and amend our accounting accordingly as applicable.

- *Accounting policy differences between Canadian GAAP and IFRS:*

- Classification:

Canadian GAAP – The criteria used to determine whether a lease was to be classified as an operating or a finance lease (previously capital lease) includes “bright-line” thresholds such as whether the lease term was greater than 75% of the economic life of the leased asset, or the present value of the minimum lease payments was above 90% of the fair value of the lease.

IFRS – The criteria for lease classification rely heavily on the substance of the agreement and do not include any “bright-line” thresholds.

- Present value of minimum lease payments:

Canadian GAAP – The present value of minimum lease payments was calculated using the lower of (i) the interest rate implicit in the lease; and (ii) the lessee’s incremental borrowing rate.

IFRS – The present value of minimum lease payments should be determined using the interest rate implicit in the lease. The lessee’s incremental borrowing rate should only be used when the interest rate implicit in the lease cannot be determined.

- *Impact of Adoption on TMX Group:*

A number of leases were reclassified on the Transition Date from finance leases (capital leases under previous Canadian GAAP) to operating leases. As a result, obligations under finance leases, and the associated equipment assets, decreased by \$7.1 million on the balance sheet.

Share Based Payments:

- *IFRS 1 Exemption:*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 - Share-based Payments (IFRS 2), to equity instruments granted on or before November 7, 2002, or to equity instruments granted after that date but which have vested by the Transition Date. In addition, it encourages, but again does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the Transition Date.

Election - We elected to only apply IFRS 2 to equity instruments granted after November 7, 2002, and remaining unvested at the Transition Date as well as to liabilities remaining unsettled as at the Transition Date. We elected to apply both exemptions rather than apply IFRS 2 to all equity and cash settled awards granted historically.

- *Accounting policy differences between Canadian GAAP and IFRS:*

- Recognition of expense:

Canadian GAAP - For share-based awards with graded vesting we recognized the total fair value of the award on a straight-line basis over the vesting period.

IFRS – Each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each tranche is accounted for on that basis.

- Forfeitures:

Canadian GAAP - Forfeitures of awards were recognized as they occurred.

IFRS – Compensation cost is recognized based on an estimate of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures differ from the estimate.

- Cash-settled share based payments:

Canadian GAAP – A liability for Restricted Share Units and Deferred Share Units was accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognized in the income statement.

IFRS – We are required to measure the liability at fair value on the date of grant and at each subsequent reporting date by applying an option pricing model. Changes in fair value are recognized in the income statement.

- *Impact of Adoption on TMX Group:*

The share option plan component of equity was increased by \$0.9 million as a result of the changes in the accounting treatment of share options, and accounts payable and other liabilities were decreased by \$0.6 million in respect of the cash-settled share based payments, the offset to which decreased retained earnings by \$0.3 million. The tax effect on the above transition adjustment is a decrease of \$0.1 million in deferred tax assets with the offset to retained earnings.

Cumulative translation differences:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to recognize all cumulative translation differences relating to foreign operations directly to retained earnings on the Transition Date, thus resetting the cumulative translation adjustment account to zero. Not taking this election would require retrospective application of IAS 21 - The Effect of Changes in Foreign Exchange Rates (IAS 21), from the date the foreign operations were formed or acquired.

Election - We elected to apply this exemption, and reset all of our cumulative translation differences to zero through retained earnings on the Transition Date. We made this election rather than restating other comprehensive income on the premise that IFRS had always applied.

- *Impact of Adoption on TMX Group:*

The Cumulative Translation Adjustment (CTA) balance of \$3.2 million as at the Transition Date was recognized as an adjustment to retained earnings on transition to IFRS. The application of the exemption had no impact on net equity.

Decommissioning liabilities included in the cost of premises and equipment:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply the guidance in IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities (IFRIC 1), prospectively from the Transition Date, as opposed to retrospectively. IFRIC 1 requires that changes in these liability estimates be added to, or deducted from, the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

Election - We elected to apply this exemption, therefore applying the requirements of IFRIC 1 prospectively to decommissioning liabilities that existed as at the Transition Date. We elected to apply this exemption to limit our review to current and future liabilities, rather than reassessing historical estimates. We recognized such liabilities as at the Transition Date in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, and adjusted the cost of the related assets accordingly.

- *Impact of Adoption on TMX Group:*

No impact arose on transition.

Income Taxes:

- *Accounting policy differences between Canadian GAAP and IFRS:*

Canadian GAAP – The recognition of deferred taxes relating to temporary differences arising from intercompany transactions was prohibited.

IFRS – There is no such prohibition under IFRS.

- *Impact of Adoption on TMX Group:*

Deferred tax assets were reduced by \$0.3 million on transition, with the offset to retained earnings.

Income tax effect of the other adjustments between pre-conversion Canadian GAAP and IFRS:

Income tax adjustments related to the IFRS transition include the effect of recording, where applicable, the deferred tax effect of the other differences between pre-conversion Canadian GAAP and IFRS discussed above. These tax impacts have been included in the notes above.

Impact of Adoption of IFRS – Reconciliations for 2010

The following is a reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q1/10.

(Unaudited, in millions of dollars except per share amounts)

	Canadian GAAP Three Months Ended March 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended March 31, 2010
Revenue:				
Issuer services	\$ 39.7	\$ 9.7		\$ 49.4
Trading, clearing and related	59.0			59.0
Information services	37.4			37.4
Technology services and other	3.6			3.6
	139.7	9.7		149.4
Expenses:				
Compensation and benefits	32.2		0.1	32.3
Information and trading systems	12.1		0.7	12.8
General and administration	16.9			16.9
Depreciation and Amortization	8.4		(0.8)	7.6
	69.6			69.6
Income from operations	70.1	9.7		79.8
Share of net income of equity accounted investees	0.3			0.3
Finance Income (formerly Investment Income)	0.8			0.8
Finance Costs (formerly Interest Expense)	(1.3)		0.1	(1.2)

^o Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

	Canadian GAAP Three Months Ended March 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended March 31, 2010
Mark to market on interest rate swaps	(0.1)			(0.1)
Income before income taxes	69.8	9.7	0.1	79.6
Income tax expense	21.1	1.6	0.2	22.9
Net Income before non controlling interests	48.7	8.1	(0.1)	56.7
Non-controlling interests	(0.4)			(0.4)
Net Income attributable to TMX Group shareholders	\$ 49.1	\$ 8.1	\$ (0.1)	\$ 57.1

The following is a supplementary reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q2/10.

(Unaudited and preliminary estimates, in millions of dollars except per share amounts)

	Canadian GAAP Three Months Ended June 30, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended June 30, 2010
Revenue:				
Issuer services	\$ 40.6	\$ 13.4		\$ 54.0
Trading, clearing and related	58.5			58.5
Information services	38.8			38.8
Technology services and other	<u>4.7</u>			<u>4.7</u>
	142.6	13.4		156.0
Expenses:				
Compensation and benefits	32.4		0.1	32.5
Information and trading systems	14.0		0.9	14.9
General and administration	19.3			19.3
Depreciation and Amortization	<u>8.0</u>		<u>(0.9)</u>	<u>7.1</u>
	73.7		0.1	73.8
Income from operations	68.9	13.4	(0.1)	82.2
Share of net income of equity accounted investees	0.3			0.3
Finance Income (formerly Investment Income)	1.9			1.9

^o Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

	Canadian GAAP Three Months Ended June 30, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended June 30, 2010
Finance Costs (formerly Interest Expense)	(1.3)			(1.3)
Mark to market on interest rate swaps	(0.2)			(0.2)
Income before income taxes	69.6	13.4	(0.1)	82.9
Income tax expense	22.4	2.4	0.2	25.0
Net Income before non controlling interests	47.2	11.0	(0.3)	57.9
Non-controlling interests	(0.4)		(0.1)	(0.5)
Net Income attributable to TMX Group shareholders	\$ 47.6	\$ 11.0	\$ (0.2)	\$ 58.4

The following is a supplementary reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q3/10.

(Unaudited and preliminary estimates, in millions of dollars except per share amounts)

	Canadian GAAP Three Months Ended Sept. 30, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended Sept. 30, 2010
Revenue:				
Issuer services	\$ 40.5	\$ 4.4		\$ 44.9
Trading, clearing and related	58.0			58.0
Information services	38.8			38.8
Technology services and other	4.3			4.3
	141.6	4.4		146.0
Expenses:				
Compensation and benefits	32.3			32.3
Information and trading systems	10.6		0.7	11.3
General and administration	17.3			17.3
Depreciation and Amortization	8.0		(0.7)	7.3
	68.2		0.0	68.2
Income from operations	73.4	4.4		77.8
Share of net income of equity accounted investees	0.3			0.3

^o Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

	Canadian GAAP Three Months Ended Sept. 30, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended Sept. 30, 2010
Finance Income (formerly Investment Income)	2.1			2.1
Finance Costs (formerly Interest Expense)	(1.7)		0.1	(1.6)
Mark to market on interest rate swaps	0.1			0.1
Income before income taxes	74.2	4.4	0.1	78.7
Income tax expense	23.1	0.1		23.2
Net Income before non controlling interests	51.1	4.3	0.1	55.5
Non-controlling interests	0.3			0.3
Net Income attributable to TMX Group shareholders	\$ 50.8	\$ 4.3	\$ 0.1	\$ 55.2

The following is a supplementary reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q4/10.

(Unaudited and preliminary estimates, in millions of dollars except per share amounts)

	Canadian GAAP Three Months Ended Dec. 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended Dec. 31, 2010
Revenue:				
Issuer services	\$ 42.1	\$ 22.6		\$ 64.7
Trading, clearing and related	66.7			66.7
Information services	39.4			39.4
Technology services and other	3.3			3.3
	151.5	22.6		174.1
Expenses:				
Compensation and benefits	36.5		(0.1)	36.4
Information and trading systems	11.1		0.5	11.6
General and administration	19.5			19.5
Depreciation and Amortization	7.9		(0.6)	7.3
	75.0		(0.2)	74.8
Income from operations	76.5	22.6	0.2	99.3

^o Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

	Canadian GAAP Three Months Ended Dec. 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts ^o	IFRS Three Months Ended Dec. 31, 2010
Share of net income of equity accounted investees	0.4			0.4
Loss from investments carried at cost	(1.7)			(1.7)
Finance Income (formerly Investment Income)	0.5			0.5
Finance Costs (formerly Interest Expense)	(1.9)		(0.1)	(2.0)
Mark to market on interest rate swaps				
Income before income taxes	73.8	22.6	0.1	96.5
Income tax expense	24.1	4.7	0.2	29.0
Net Income before non controlling interests	49.7	17.9	(0.1)	67.5
Non-controlling interests	0.6		(0.1)	0.5
Net Income attributable to TMX Group shareholders	\$ 49.1	\$ 17.9	\$ -	\$ 67.0

The following summarizes the impact (net of tax) of the above mentioned changes on shareholders' equity as of January 1, 2010 on transition to IFRS.

(in millions of dollars) (Unaudited)

	January 1, 2010
Shareholders' Equity under Canadian GAAP	\$ 770.6
IFRS adjustments increasing (decreasing) reported equity:	
Revenue recognition	354.7
Business combinations	(163.0)
Other items	<u>8.8</u>
Total Equity under IFRS	\$ <u>971.1</u>

Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2012:

- Annual improvements 2011

- *IFRS 7, Financial instruments – disclosure* - Amendments regarding transfers of financial assets
- *IFRS 9, Financial instruments*
- *IAS 12, Income taxes*: Amendments regarding deferred tax - Recovery of underlying assets

The implementation of the above new standards and interpretations is not currently expected to have a significant effect on our financial statements.

Caution Regarding Forward-Looking Information

This Management’s discussion and analysis (MD&A) of TMX Group 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 and revenue benefits, cost synergies, and value creation expected to be realized as a result of the merger with LSEG, 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 including information with respect to revenue increases, cost synergies and value creation, 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 and upon completion of the merger, the Merged 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 and upon completion of the merger, the Merged Group's key products, business development and marketing and sales activity; the continued availability of financing on appropriate terms for future projects; productivity at TMX Group and upon completion of the merger, the Merged Group, as well as that of TMX Group's and upon completion of the merger, the Merged Group's competitors; market competition; research & development activities; the successful introduction and client acceptance of new products; successful introduction of various technology assets and capabilities; the ability to successfully integrate corporate functions; the possibility that the merger with LSEG is not completed when expected or at all because required regulatory, shareholder or other approvals and conditions to closing are not received or satisfied on a timely basis or at all; the anticipated benefits from the merger with LSEG are not realized in the time frame anticipated or at all as a result of changes in general economic and market conditions; tax benefits/changes; the impact on TMX Group and upon completion of the merger, the Merged 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 2010 Annual MD&A under the heading **Risks and Uncertainties**.