

TMX Group Limited

Q1/16 MANAGEMENT'S DISCUSSION AND ANALYSIS

May 9, 2016

This management's discussion and analysis (MD&A) of TMX Group Limited's (TMX Group) financial condition and financial performance is provided to enable a reader to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for the quarter ended and as at March 31, 2016 (Q1/16) compared with the quarter ended March 31, 2015 (Q1/15) and as at December 31, 2015. This MD&A should be read together with our Q1/16 unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2016 (financial statements) and the 2015 Annual MD&A.

Our financial statements and this MD&A for the quarter ended March 31, 2016 are 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 International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

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

Additional information about TMX Group, including the Annual Information Form, is available through www.sedar.com and on our website, www.tmx.com. We are not incorporating information contained on our website in this MD&A.

UPDATE ON INITIATIVES AND REGULATORY CHANGES

Initiatives

Market insights

In February 2016 we introduced TMX Insights, an integrated set of capabilities that provide financial content, tools and applications, as well as capital markets analytics. A number of existing capabilities have been grouped together under TMX Insights, including the suite of S&P/TSX indices¹ and risk management tools such as Razor Risk. TMX Insights also features a new product offering, TMX Analytics, a cloud-based application that offers extensive real-time and historical information and insight into the Canadian and U.S. capital markets.

Capital Formation

In early 2016, the TSX Venture Exchange (TSXV) leadership team embarked on a cross-Canada series of town hall meetings to discuss the actions to help support, revitalize and grow Canada's public venture marketplace. Over 1,000 clients and key stakeholders took part in the meetings. In March 2016, we provided a progress report on our detailed plans to enhance Canada's public venture market, which were published in a white paper in December 2015. TSXV is making progress in executing against these plans and remains committed to making a positive, tangible impact in three important areas:

- Reduce our clients' administrative and compliance costs, in a meaningful way, without compromising investor confidence.

¹ The S&P/TSX indices are a product of S&P Dow Jones Indices LLC ("SPDJI") and TSX Inc. ("TSX"). Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC and TSX® is a registered trademark of TSX.

- Expand the base of investors financing companies and generally enhance liquidity.
- Diversify and grow the stock list to increase the attractiveness of the marketplace.

Derivatives

In March 2016, Montréal Exchange (MX) announced that it would expand its interest rate derivatives offering with the launch of Canadian Dollar Interest Rate Swap Futures based on the Eris Methodology. These new swap futures contracts will be cleared at the Canadian Derivatives Clearing Corporation (CDCC) and will be available for trading on MX in September 2016.

Efficient Markets

In April 2016, Toronto Stock Exchange (TSX) announced that its new centralized mutual fund solution, TSX NAVex, has entered the client testing phase. Participating Organizations of TSX can connect to the TSX NAVex platform in a test environment in preparation for full launch, which is scheduled for June 2016, subject to industry readiness.

Regulatory Changes

Efficient Markets and Market Insights

In April 2016, the Canadian Securities Administrators (CSA) published final amendments to National Instrument 23-101 Trading Rules and its Companion Policy. The amendments adjust the order protection rule (OPR) framework to address perceived inefficiencies and respond to market developments. The amendments include:

- a market share threshold set at 2.5 per cent market share of the adjusted volume and value traded, below which a marketplace's orders will not be protected;
- clarification related to marketplaces that impose intentional order processing delays (or speed bumps), confirming that orders on these marketplaces will not be protected;
- a transparent methodology to be used by the CSA when reviewing professional market data fees charged by a marketplace; and
- the introduction of a cap on active trading fees charged by marketplaces, with a proposal to further reduce the cap for non-interlisted securities.

The changes are based on proposed amendments first published in May 2014, following a CSA review of OPR, as well as June 2015 proposed amendments to the Companion Policy to National Instrument 23-101 Trading Rules, which address circumstances where a marketplace has introduced an intentional order processing delay.

The amendments are expected to come into force on July 6, 2016, except for the market share threshold which is planned to come into force on October 1, 2016.

The trading amendments are generally consistent with the views expressed by TMX Group through the public commentary process and are expected to provide support for our Equities Trading business. The amendments introduce an environment where dealers will no longer have a best price obligation to access those marketplaces that fall under the threshold or have introduced intentional speed bumps. As TSX Alpha Exchange (Alpha) is already an unprotected marketplace by nature of its speed bump and TSX and TSXV exceed the threshold, the trading related amendments do not impact the status of any TMX marketplace. In addition, exchanges such as TSX and TSXV that operate as listing venues are considered to be protected in respect of those securities they list, regardless of their market share. In the short term, we do not anticipate smaller marketplaces to be materially impacted given investments already made by the community in connecting to them. However, we do believe the amendments set necessary thresholds for new entrants and over time will ensure only those marketplaces with a valued offering will be subject to the OPR. As active trading fees on TSX, TSXV, and Alpha are currently

below the cap being introduced, there is no expected impact to TMX Group. The proposed reduced fee cap for non-interlisted securities is not unexpected and is directionally aligned with what TMX Group had initiated through its maker taker reduction program in June 2015.

The final details² of the market data fee methodology remain unclear. The CSA is taking a more formulaic approach to attributing value for market data, which was not the approach recommended by TMX Group. While this does recognize the value of TMX Group's exchanges' offerings and market share relative to our domestic competitors, it introduces a stricter regulatory regime for market data fees. Without further details, it is not possible to quantify the financial impact.

MARKET CONDITIONS

With higher volatility during Q1/16, market conditions globally, and within North America, were generally not conducive to initial public offerings (IPOs) or significant secondary financing activity for many corporations. According to the World Federation of Exchanges there was a 37% decrease in IPOs from Q1/15 to Q1/16.² While Canadian equities indices did increase during Q1/16, the value of financings on TSX declined by about 25% during the same period. However, within Q1/16, the slowdown primarily occurred in January and February and there was a significant increase in both the number of financings as well as in the total value of financing raised in March. Energy industry companies, including those listed on TSXV, continue to be negatively impacted by the lower price for crude oil. The downturn in the oil and gas sector has had a significant impact on the number of financings, equity capital raised and overall trading activity, as well as on revenues from listing and trading activities.

Overall, higher trading volumes in March 2016 drove Canadian equities trading volumes up 8%³ in Q1/16 compared with Q1/15. The average CBOE Volatility Index (VIX) was 20.5 during Q1/16 compared with 16.6 during Q1/15. Derivative trading in Canada was positively impacted by the increase in volatility and MX experienced a significant increase in volumes during Q1/16 compared with the same period last year. MX set an overall monthly volume record in February 2016 with 8,470,741 contracts traded.

On April 13, 2016, the Bank of Canada announced that it is maintaining its target for the overnight rate at 0.5 per cent⁴. It said growth in the global economy is expected to strengthen gradually from about 3 per cent in 2016 to 3.5 per cent in 2017-18, a weaker outlook than projected in January 2016. The Bank also said that after a slow start to 2016, the U.S. economy is expected to regain momentum, but with a lower profile and a composition that is less favourable for Canadian exports. It was also noted that prices of oil and other commodities are off their earlier lows and slightly above levels assumed by the Bank in January, but remain well below historical averages. Nonetheless, the Bank expects deeper cuts to investment in Canada's energy sector than were forecast in January. If this occurs, it may not be positive for financing activity in the energy sector.

Natural gas volumes at NGX in Q1/16 were essentially flat compared to Q1/15 as market participants moved to term activity which offset the effects of a warmer than normal winter. Power volumes in Q1/16 increased substantially over Q1/15 as a result of the impact of a marketing program implemented in U.S. markets and greater activity in term contracts due to market events.

² Based on data from the World Federation of Exchanges (WFE) there were 311 IPOs in Q1/15 and 195 IPOs in Q1/16 (WFE statistics exclude data for London Stock Exchange/AIM)

³ source: IIROC (excluding intentional crosses)

⁴ source: Bank of Canada press release, April 13, 2016

RESULTS OF OPERATIONS

Three Months Ended March 31, 2016 Compared with Three Months Ended March 31, 2015

The information below reflects the financial statements of TMX Group for the quarter ended March 31, 2016 compared with the quarter ended March 31, 2015.

(in millions of dollars, except per share amounts)	Q1/16	Q1/15	\$ increase/ (decrease)	% increase/ (decrease)
Revenue	\$177.7	\$185.3	\$(7.6)	(4)%
Operating expenses before strategic re-alignment expenses	106.7	111.3	(4.6)	(4)%
Income from operations before strategic re-alignment expenses ⁵	71.0	74.0	(3.0)	(4)%
Strategic re-alignment expenses	1.3	6.7	(5.4)	(81)%
Income from operations	69.7	67.3	2.4	4%
Net income attributable to TMX Group shareholders	46.3	42.6	3.7	9%
Earnings per share ⁶				
Basic	0.85	0.78	0.07	9%
Diluted	0.85	0.78	0.07	9%
Adjusted Earnings per share ⁷				
Basic	1.00	0.99	0.01	1%
Diluted	1.00	0.99	0.01	1%
Cash flows from operating activities	56.0	49.7	6.3	13%

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in Q1/16 was \$46.3 million, or 85 cents per common share on a basic and diluted basis, compared with net income of \$42.6 million, or 78 cents per common share on a basic and diluted basis, for Q1/15. The increase in net income in Q1/16 reflected lower operating expenses, including lower strategic re-alignment expenses. The increase was partially offset by foreign exchange gains on translating net monetary assets denominated in non-Canadian currencies in Q1/15.

Non-IFRS Financial Measures

Adjusted earnings per share and adjusted diluted earnings per share provided for the quarters ended March 31, 2016 and March 31, 2015 are non-IFRS measures and 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 ongoing financial performance from period to period, exclusive of a number of adjustments. These adjustments include amortization of intangible assets related to acquisitions and strategic re-alignment expenses. Management uses these measures, and excludes certain items, because it believes doing so results in a more effective analysis of underlying operating and financial performance, including, in some cases, our ability to generate cash. Excluding these items also enables comparability across periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

⁵ See discussion under the heading *Additional IFRS Financial Measures*.

⁶ Earnings per share information is based on net income attributable to TMX Group shareholders.

⁷ See discussion under the heading *Non-IFRS Financial Measures*.

Additional IFRS Measures

Income from operations before strategic re-alignment expenses and income from operations are important indicators of TMX Group's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debts, and fund future capital expenditures. The intent of these performance measures is to provide additional useful information to investors and analysts; however, these measures should not be considered in isolation.

Adjusted Earnings per Share⁸ Reconciliation for Q1/16 and Q1/15

The following is a reconciliation of earnings per share⁹ to adjusted earnings per share¹⁰:

	Q1/16		Q1/15 ¹¹	
(unaudited)	Basic	Diluted	Basic	Diluted
Earnings per share ¹²	\$0.85	\$0.85	\$0.78	\$0.78
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.13	0.13	0.13	0.13
Strategic re-alignment expenses	0.02	0.02	0.08	0.08
Adjusted earnings per share ¹³	\$1.00	\$1.00	\$0.99	\$0.99
Weighted average number of common shares outstanding	54,392,393	54,398,442	54,322,626	54,365,437

Adjusted earnings per share¹⁴ increased by 1% from \$0.99 in 2015 to \$1.00 in 2016. The increase reflected lower operating expenses, excluding strategic re-alignment expenses in Q1/16 compared with Q1/15. The increase was largely offset by foreign exchange gains on translating net monetary assets denominated in non-Canadian dollars in Q1/15.

⁸ See discussion under the heading Non-IFRS Financial Measures.

⁹ Earnings per share information is based on net income attributable to TMX Group shareholders.

¹⁰ See discussion under the heading Non-IFRS Financial Measures.

¹¹ Strategic re-alignment expenses were not excluded from adjusted earnings per share until Q2/15. These expenses of \$0.08 for Q1/15 have now been excluded from adjusted earnings per share to enable comparison with Q1/16 (see *Adjusted Earnings per Share Reconciliation for Q1/16 and Q1/15*).

¹² Earnings per share information is based on net income attributable to TMX Group shareholders.

¹³ See discussion under the heading Non-IFRS Financial Measures.

¹⁴ See discussion under the heading Non-IFRS Financial Measures.

After announcing the re-alignment of the organization around strategic pillars in Q2/15, TMX Group began to report *strategic re-alignment expenses* incurred to align the business with our new strategy. We also started to adjust for these costs in our presentation of adjusted earnings per share in Q2/15. The *strategic re-alignment expenses* reported for the six months ended June 30, 2015 included expenses incurred in Q1/15 (and reported in *Compensation and benefits* and *Selling, general and administration* expenses in our Q1/15 MD&A and Q1/15 unaudited condensed consolidated interim financial statements). As a result, the presentation of Q1/15 adjusted earnings per share has been updated to be consistent with our presentation of adjusted earnings per share since Q2/15.

Q1/15 Adjusted Earnings per Share¹⁵ Reconciliation

(unaudited)	Current Presentation		Previously Reported	
	Basic	Diluted	Basic	Diluted
Earnings per share ¹⁶	\$0.78	\$0.78	\$0.78	\$0.78
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.13	0.13	0.13	0.13
Strategic re-alignment expenses	0.08	0.08	—	—
Adjusted earnings per share ¹⁷	\$0.99	\$0.99	\$0.91	\$0.91
Weighted average number of common shares outstanding	54,322,626	54,365,437	54,322,526	54,365,437

Revenue

(in millions of dollars)	Q1/16	Q1/15	\$ increase/ (decrease)	% increase/ (decrease)
Market Insights	\$51.3	\$53.1	\$(1.8)	(3)%
Capital Formation	38.6	43.4	(4.8)	(11)%
Derivatives	31.5	27.0	4.5	17%
Efficient Markets and Market Solutions	58.0	56.0	2.0	4%
Other	(1.7)	5.8	(7.5)	(129)%
	\$177.7	\$185.3	\$(7.6)	(4)%

Revenue was \$177.7 million in Q1/16, down \$7.6 million or 4% compared with \$185.3 million in Q1/15. There were increases in *Derivatives* and *Efficient Markets* revenue, which were more than offset by declines in *Capital Formation*, *Market Insights*, largely driven by Razor Risk and *Other* revenue. The overall decline in *Other* revenue was driven by foreign exchange losses on translating net monetary assets in non-Canadian currencies in Q1/16 compared with foreign exchange gains in Q1/15. Partially offsetting the revenue declines was a favourable impact from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in Q1/16 versus Q1/15. The net unfavourable impact of these two foreign exchange items was approximately \$3 million.

¹⁵ See discussion under the heading Non-IFRS Financial Measures.

¹⁶ Earnings per share information is based on net income attributable to TMX Group shareholders.

¹⁷ See discussion under the heading Non-IFRS Financial Measures.

Market Insights

(in millions of dollars)	Q1/16	Q1/15	\$ decrease	% decrease
	\$51.3	\$53.1	\$(1.8)	(3)%

- The decrease in *Market Insights* revenue reflected a decline of \$4.2 million in revenue from Razor Risk in Q1/16 compared with Q1/15. The average number of professional market data subscriptions for TSX and TSXV products decreased by 7% from Q1/15 to Q1/16 (108,049 professional market data subscriptions in Q1/16 compared with 115,790 in Q1/15). In addition, there was a \$1.1 million increase in the amount of deferred revenue related to subscriptions in Q1/16 compared with Q1/15.
- Offsetting the decreases in *Market Insights* revenue, there was an increase in revenue from TMX Atrium Wireless, including the launch of our New Jersey to Toronto microwave service in July 2015, and higher revenue from other TMX Atrium services as well as higher revenue recoveries related to under-reported usage of real-time quotes in prior periods. There was also a positive impact on *Market Insights* revenue from a weaker Canadian dollar relative to the U.S. dollar in Q1/16 compared with Q1/15.
- The average number of MX professional market data subscriptions was essentially unchanged from Q1/15 to Q1/16 (19,362 MX professional market data subscriptions in Q1/16 compared with 19,316 in Q1/15).

Capital Formation

(in millions of dollars)	Q1/16	Q1/15	\$ increase/ (decrease)	% increase/ (decrease)
Initial listing fees	\$1.6	\$1.5	\$0.1	7%
Additional listing fees	16.9	18.0	(1.1)	(6)%
Sustaining listing fees	16.1	17.6	(1.5)	(9)%
Other issuer services	4.0	6.3	(2.3)	(37)%
	\$38.6	\$43.4	\$(4.8)	(11)%

- Initial listing fees* on TSX for Q1/16 were higher than in Q1/15 reflecting an increase in the number of new corporate issuers on TSX, including graduates from TSXV to TSX. The impact was largely offset by a decrease in *initial listing fees* on TSXV reflecting a reduction in the number of new issuers listed and a decrease in the amount of initial public offering financings raised.
- Additional listing fees* in Q1/16 decreased from Q1/15 reflecting a significant decline in the amount of total financings raised. A significant portion of the companies listed on TSXV are natural resource based companies that continue to be negatively impacted by lower commodity prices, particularly crude oil. This resulted in a decline in the number of financings on TSXV. The decrease in *additional listing fee* revenue was somewhat offset by the favourable impact from an increase in the maximum *additional listing fee* on TSX effective February 1, 2016.
- Issuers listed on TSX and TSXV 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. There was a decrease in *sustaining listing fees* on both TSX and TSXV due to a decrease in the number and market capitalization of issuers at December 31, 2015 compared with December 31, 2014.
- Other issuer services* revenue in Q1/16 was lower compared to Q1/15 reflecting the loss of revenue from the Equicom Group Inc. (Equicom), which was sold in July 2015.

Derivatives

(in millions of dollars)	Q1/16	Q1/15	\$ increase	% increase
	\$31.5	\$27.0	\$4.5	17%

- The increase in *Derivatives* revenue reflects higher revenue from MX where the impact of increased volumes was somewhat offset by a lower average fee. Volumes increased by 27% on MX (24.2 million contracts traded in Q1/16 versus 19.0 million contracts traded in Q1/15).
- Revenue from BOX Market LLC (BOX) also increased reflecting a 19% increase in BOX trading volumes (30.4 million contracts in Q1/16 versus 25.5 million contracts traded in Q1/15). In addition, there was higher revenue from BOX market data in Q1/16 compared with Q1/15. There was also a positive impact from a weaker Canadian dollar relative to the U.S. dollar in Q1/16 compared with Q1/15.

Efficient Markets and Market Solutions

(in millions of dollars)	Q1/16	Q1/15	\$ increase	% increase
Equity and fixed income trading	\$25.6	\$24.6	\$1.0	4%
Equity and Fixed Income - clearing, settlement, depository and other services (CDS)	17.5	17.5	—	—%
Energy trading and clearing	14.9	13.9	1.0	7%
	\$58.0	\$56.0	\$2.0	4%

- There was an increase in both *equity and fixed income trading revenue* in Q1/16 compared with Q1/15. The overall volume of securities traded on our equities marketplaces declined by 3% (36.7 billion securities in Q1/16 versus 37.8 billion securities in Q1/15). Volumes on TSX increased by 17% in Q1/16 compared with Q1/15 which resulted in an increase in revenue. However, the decrease in volumes of 17% on TSXV and the shutdown of TMX Select partially offset the positive impact from higher volumes on TSX. There were price changes on Alpha effective Q4/15 which offset the decline in volume of 46% on Alpha from Q1/15 to Q1/16. For Q1/16, our combined domestic equities trading market share including intentional crosses was 66% compared with 74% in Q1/15. Excluding intentional crosses, our combined domestic equities trading market share was 70% in Q1/16, down from 76% in Q1/15¹⁸. The decline in market share is attributable to the shutdown of TMX Select and the re-launch of Alpha as an unprotected marketplace in Q3/15.
- The Canadian Depository for Securities Limited (CDS) *revenue* was essentially unchanged from Q1/15 to Q1/16 reflecting higher clearing revenue largely offset by lower depository revenue.
- The increase in *energy trading and clearing revenue* reflected higher revenue from Shorcan Energy Brokers Inc. (Shorcan Energy Brokers). NGX revenue increased slightly from Q1/15 to Q1/16. Total energy volumes were 5% higher compared to Q1/15 at NGX (3.7 million terajoules in Q1/16 compared with 3.5 million terajoules in Q1/15). Natural gas volumes in Q1/16 were essentially flat compared to Q1/15 as market participants moved to term activity which offset the effects of a warmer than normal winter. Power volumes in Q1/16 increased 158% over Q1/15 as a result of the impact of a marketing program implemented in U.S. markets and greater activity in term contracts due to market events. Largely offsetting the positive impact from increased total energy volumes for NGX, there was a significant increase in deferred revenue from Q1/15 to Q1/16 reflecting a shift in buying behavior towards longer-term contracts. Overall, there was a positive impact from a weaker Canadian dollar relative to the U.S. dollar in Q1/16 compared with Q1/15 on the revenues of NGX and Shorcan Energy Brokers.

Other

(in millions of dollars)	Q1/16	Q1/15	\$ decrease	% decrease
	\$(1.7)	\$5.8	\$(7.5)	(129)%

- The decrease in *Other revenue* was primarily due to recognizing net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q1/16 compared with net foreign exchange gains in Q1/15. The impact of the losses on *Other* revenue was \$2.5 million in Q1/16 and the net impact of the gains was \$4.8 million in Q1/15.

¹⁸ source: IIROC

Operating expenses before strategic re-alignment expenses

(in millions of dollars)	Q1/16	Q1/15	\$ increase/ (decrease)	% increase/ (decrease)
Compensation and benefits	\$52.5	\$57.9	\$(5.4)	(9)%
Information and trading systems	18.1	16.7	1.4	8%
Selling, general and administration	20.5	19.2	1.3	7%
Depreciation and amortization	15.6	17.5	(1.9)	(11)%
	\$106.7	\$111.3	\$(4.6)	(4)%

Operating expenses before strategic re-alignment expenses in Q1/16 were \$106.7 million, down \$4.6 million or 4%, from \$111.3 million in Q1/15. During Q1/16, there was a reduction in costs of \$2.9 million related to Razor Risk, lower headcount, long-term employee incentive plan costs and the sale of Equicom (in July 2015). The decreases in costs were partially offset by higher *Information and trading systems* costs related to TMX Atrium Wireless, lower capitalization of labour costs in Q1/16 compared with Q1/15 and a non-recurring reduction in costs relating to BOX in Q1/15. There was also an unfavourable impact from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in Q1/16 versus Q1/15. The impact was approximately \$2 million.

Compensation and benefits

(in millions of dollars)	Q1/16	Q1/15	\$ decrease	% decrease
	\$52.5	\$57.9	\$(5.4)	(9)%

- *Compensation and benefits* costs decreased in Q1/16 reflecting the lower overall headcount compared with Q1/15, reduced costs related to Razor Risk, lower long-term employee incentive plan costs and a reduction in Equicom costs (sold in July 2015).
- These decreases were partially offset by a lower capitalization of labour costs in Q1/16 compared with Q1/15.
- There were 1,183 TMX Group employees at March 31, 2016 versus 1,297 employees at March 31, 2015.

Information and trading systems

(in millions of dollars)	Q1/16	Q1/15	\$ increase	% increase
	\$18.1	\$16.7	\$1.4	8%

- *Information and trading systems* expenses increased in Q1/16 compared with Q1/15 primarily due to increased costs related to *Market Insights* including circuits and towers associated with TMX Atrium Wireless. The increases were somewhat offset by lower infrastructure costs and reduced costs related to Razor Risk.

Selling, general and administration

(in millions of dollars)	Q1/16	Q1/15	\$ increase	% increase
	\$20.5	\$19.2	\$1.3	7%

- *Selling, general and administration* expenses increased in Q1/16 compared with Q1/15. During Q1/15, there was a non-recurring reduction in costs of approximately \$2.4 million related to BOX. There were also higher professional fees and increased marketing costs in Q1/16 compared with Q1/15.
- The increase in expenses was somewhat offset by a decrease in costs related to Equicom (sold July 2015) and lower bad debt expense.

Depreciation and amortization

(in millions of dollars)	Q1/16	Q1/15	\$ (decrease)	% (decrease)
	\$15.6	\$17.5	\$(1.9)	(11)%

- *Depreciation and amortization* costs reflect a reduction in amortization relating to intangible assets.
- The *depreciation and amortization* costs of \$15.6 million included \$9.0 million (\$8.8 million, net of non-controlling interests, NCI) related to amortization of intangibles related to acquisitions (13 cents per basic and diluted share).

Strategic re-alignment expenses¹⁹

	Q1/16		Q1/15 ²⁰	
(in millions of dollars, except per share amounts) (unaudited)	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ²¹	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ²²
Severance and related costs	\$0.9	\$0.01	\$4.9	\$0.06
Professional and consulting fees and other charges	0.4	0.01	1.8	0.02
Strategic re-alignment expenses	\$1.3	\$0.02	\$6.7	\$0.08

We are continuing to build an integrated set of client solutions that will create unique and differentiated advantages for clients and drive profitable growth. We will continue to work to reduce costs through re-aligning, simplifying and integrating relevant systems, processes, operations and organizational structures. We expect to incur additional strategic re-alignment expenses through 2016 as we execute on our strategic plan, and there may be incremental operating expenses compared with Q1/16 as we continue to implement our strategy.

¹⁹ The "Strategic re-alignment expenses" 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.

²⁰ Strategic re-alignment expenses were not excluded from adjusted earnings per share until Q2/15. These expenses of \$0.08 for Q1/15 have now been excluded from adjusted earnings per share to enable comparison with Q1/16 (see Q1/15 Adjusted Earnings per Share Reconciliation).

²¹ Earnings per share information is based on net income attributable to TMX Group shareholders.

²² Earnings per share information is based on net income attributable to TMX Group shareholders.

Net finance costs

(in millions of dollars)	Q1/16	Q1/15	\$ (decrease)	% (decrease)
	\$7.4	\$9.9	\$(2.5)	(25)%

- The decrease in net finance costs from Q1/15 to Q1/16 is largely attributable to \$1.3 million of net foreign exchange gains on U.S dollar Commercial Paper loans in Q1/16 compared with \$1.5 million of net foreign exchange losses on this debt in Q1/15. The reduction in net finance costs in Q1/16 compared with Q1/15 was also due to lower interest rates and lower average debt outstanding compared with Q1/15. The reductions in net finance costs in Q1/16 compared with Q1/15 were somewhat offset by a decrease in income earned on our investments reflecting a change in asset mix.

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Q1/16	Q1/15	Q1/16	Q1/15
\$17.1	\$15.4	27%	27%

- The effective income tax rate for Q1/16 and Q1/15 was essentially unchanged.

Net loss attributable to non-controlling interests

(in millions of dollars)	Q1/16	Q1/15	\$ increase
	\$0.6	\$0.3	\$0.3

- In January 2015, BOX launched a program to incent subscribers to provide liquidity. In exchange for providing this liquidity, subscribers will receive volume performance rights (VPRs), which are comprised of Class C units of BOX Holdings Group LLC (BOX Holdings, which holds all the membership units of BOX) and an order flow commitment. As a result, MX's ownership interest in BOX Holdings decreased from 56.2% in Q1/15 to below 50.0%.
- The results for BOX are consolidated in our Condensed Consolidated Interim Income Statements as TMX Group continues to hold majority voting power on the board of directors. *Net loss attributable to non-controlling interests* represents the other BOX members' share of BOX's loss for the period.
- The *net loss attributable to non-controlling interests* in Q1/16 was higher than that of Q1/15 reflecting higher losses from BOX due to a non-recurring reduction in costs in Q1/15, partially offset by higher revenue in Q1/16 compared with Q1/15.

Total equity attributable to shareholders of TMX Group

(in millions of dollars)	As at March 31, 2016	As at December 31, 2015	\$ increase
Total equity attributable to shareholders of TMX Group	\$2,808.8	\$2,788.0	\$20.8

- At March 31, 2016, there were 54,393,000 common shares issued and outstanding and 2,579,417 options outstanding under the share option plan.

- At May 6, 2016, there were 54,398,191 common shares issued and outstanding and 2,553,441 options outstanding under the share option plan.
- The increase in *Total equity attributable to shareholders of TMX Group* is primarily attributable to the inclusion of net income of \$46.3 million less dividend payments to shareholders of TMX Group of \$21.8 million.

Segments²³

The following information reflects TMX Group's financial statements for the three months ended March 31, 2016 compared with the three months ended March 31, 2015.

Q1/16

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	\$51.3	\$38.6	\$31.5	\$58.0	\$(1.7)	\$177.7
Inter-segment revenue	0.4	0.0	0.0	0.2	(0.6)	0.0
Total revenue	51.7	38.6	31.5	58.2	(2.3)	177.7
Income (loss) from operations before strategic re-alignment expenses ²⁴	24.8	21.3	12.5	20.5	(8.1)	71.0

Q1/15

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	\$53.1	\$43.4	\$27.0	\$56.0	\$5.8	\$185.3
Inter-segment revenue	0.4	0.0	0.1	0.5	(1.0)	0.0
Total revenue	53.5	43.4	27.1	56.5	4.8	185.3
Income (loss) from operations before strategic re-alignment expenses ²⁵	27.0	22.2	9.3	19.1	(3.6)	74.0

Income (loss) from operations before strategic re-alignment expenses²⁶

The decrease in *income from operations before strategic re-alignment expenses* from *Market Insights* largely reflects a reduction in income from operations from Razor Risk.

The decrease in *income from operations before strategic re-alignment expenses* from *Capital Formation* was mainly driven by lower sustaining and additional listing fee revenue on TSX and TSXV, partially offset by lower expenses.

Income from operations before strategic re-alignment expenses from *Derivatives* increased reflecting higher revenue from MX and BOX, largely due to higher volumes in Q1/16 versus Q1/15, partially offset by non-recurring reduction in costs of approximately \$2.4 million related to BOX in Q1/15.

The increase in *income from operations before strategic re-alignment expenses* from *Efficient Markets* was mainly driven by an increase in equity trading and energy trading and clearing revenue.

²³ Market Solutions operating segment has been aggregated with Efficient Markets.

²⁴ See discussion under the heading Additional IFRS Financial Measures.

²⁵ See discussion under the heading Additional IFRS Financial Measures.

²⁶ See discussion under the heading Additional IFRS Financial Measures.

Other includes certain revenue and corporate costs not allocated to the operating segments. Revenue related to foreign exchange gains and losses and other services are presented in *Other*. Costs and expenses related to the amortization of purchased intangibles, along with certain consolidation and elimination adjustments, are also presented in *Other*. Higher *loss from operations before strategic re-alignment expenses* from *Other* is largely due to the significant decline in revenue from Q1/15 to Q1/16 reflecting net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q1/16 compared with net foreign exchange gains in Q1/15.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

The following tables provide the summary of cash flows for TMX Group for Q1/16 compared with Q1/15.

(in millions of dollars)	Q1/16	Q1/15	\$ increase/ (decrease) in cash
Cash flows from operating activities	\$56.0	\$49.7	\$6.3
Cash flows (used in) financing activities	(49.2)	(58.4)	9.2
Cash flows from investing activities	0.1	5.3	(5.2)

- The increase in *Cash flows from operating activities* in Q1/16 compared with Q1/15 was primarily due to a decrease in income taxes paid.
- In Q1/16, *Cash flows used in financing activities* were lower than in Q1/15 primarily due to an increase in drawings on liquidity facilities.
- In Q1/16, *Cash flows from investing activities* were lower than in Q1/15. Net proceeds from the sale of marketable securities were lower in Q1/16 compared with Q1/15. The impact was somewhat offset by a reduction in cash outlays for additions to premises and equipment and intangible assets in Q1/16 compared with Q1/15.

Summary of Cash Position and Other Matters²⁷

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	As at March 31, 2016	As at December 31, 2015	\$ increase
	\$227.3	\$225.3	\$2.0

We had \$227.3 million of cash and cash equivalents and marketable securities at March 31, 2016. There was a slight increase in cash, cash equivalents and marketable securities primarily reflecting cash flows from operating activities of \$56.0 million which were offset by net debt repayments of approximately \$31.1 million and dividends to TMX Group shareholders of \$21.8 million. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business, make interest payments, and meet our covenants under the trust indentures governing our debentures and Credit Facility and the terms of the Amended and Restated Credit Agreement and commercial paper program (Commercial Paper Program) (see **LIQUIDITY AND CAPITAL RESOURCES - Commercial Paper, Debentures, Credit and Liquidity Facilities**) and the capital maintenance requirements imposed by regulators.

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants in the Amended and Restated Credit Agreement and the Debentures, and by capital maintenance requirements imposed by regulators (see **MANAGING CAPITAL** in the 2015 annual MD&A). Our Series C Debentures are due on October 3, 2016. Our current plan is to repay the full amount owing of \$350.0 million with proceeds from our expanded Commercial

²⁷ 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.

Paper program (see **Commercial Paper** and **Debentures**). At March 31, 2016, there was \$42.0 million of Commercial Paper outstanding, and the authorized limit under the program was increased to \$500.0 million from \$400.0 million on May 4, 2016.

Total Assets

(in millions of dollars)	As at March 31, 2016	As at December 31, 2015	\$ increase
	\$30,119.0	\$17,017.4	\$13,101.6

- Our consolidated balance sheet as at March 31, 2016 includes outstanding balances on open REPO agreements within *Balances with Clearing Members and Participants*. These balances have equal amounts included within *Total Liabilities*. The increase in *Total Assets* of \$13,101.6 million from December 31, 2015 to March 31, 2016 was largely attributable to the significant increase in clearing of REPO agreements by CDCC in Q1/16 compared with Q4/15. *Balances with Clearing Members and Participants* relating to CDCC were \$24,290.9 million at March 31, 2016 compared with \$11,117.8 million at December 31, 2015.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	As at March 31, 2016	As at December 31, 2015	\$ (decrease)
	\$42.0	\$74.3	\$(32.3)

There was \$42.0 million outstanding under the Commercial Paper Program at March 31, 2016 reflecting net repayments in Q1/16 of approximately \$31.1 million. We repaid the Commercial Paper using cash flow from operations.

In connection with the Amended and Restated Credit Agreement (see **Credit Facility** below), we also increased the authorized limit of the Commercial Paper program from \$400.0 million to \$500.0 million.

Debentures

(in millions of dollars)	As at March 31, 2016	As at December 31, 2015	\$ increase
Current Debentures	\$349.8	\$349.7	\$0.1
Non-current Debentures	648.3	648.2	0.1
	\$998.1	\$997.9	\$0.2

- For additional information on the Debentures, see **Debentures** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2015 Annual MD&A.
- Our Series C Debentures in the amount of \$350.0 million are due on October 3, 2016. Our current plan is to repay these debentures with proceeds from our Commercial Paper program.

Credit Facility

In 2014, TMX Group entered into a Credit Agreement with a syndicate of lenders establishing a Credit Facility to provide 100% backstop to the Commercial Paper Program. It is also available for general corporate purposes. The original amount available

under the TMX Group credit facility was \$400.0 million, or USD equivalent, less the amount of: (i) Commercial Paper outstanding and (ii) inter-company notes payable outstanding to NGX, CDS and CDCC. As at March 31, 2016, all covenants were met under this Credit Agreement.

On May 2, 2016, we entered into an Amended and Restated Credit Agreement which has a maturity date of May 2, 2019. The new facility for \$500.0 million, or USD equivalent, replaces the \$400.0 million Credit Agreement described above, which had a maturity date of August 1, 2016. In addition to extending the maturity date of the facility and increasing the size, certain terms of the credit agreement were also amended including less restrictive financial covenants as described below:

- a Total Leverage Ratio of not more than:
 - 4.0:1 from May 2, 2016 until December 31, 2016;
 - 3.75:1 on and after January 1, 2017 until December 31, 2017;
 - 3.5:1 on January 1, 2018 and thereafter

Total Leverage Ratio at any time is the ratio of consolidated debt as at such time to adjusted EBITDA for the period comprised of the four most recently completed financial quarters. Adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization, as well as non-cash items.

The following table summarizes the Applicable Rates and Fee Rates and corresponding Total Leverage Ratios under the Amended and Restated Credit Agreement. The Standby Fee is charged on the unutilized portion of the revolving facility. The Applicable Rate represents the corporate spread that is included in the interest rate that is applied to the drawn portion of the facility.

Applicable Margin Pricing Matrix			
Total Leverage Ratio (x)	Standby	Prime Rate Loans and US Base Rate Loans	BA/ Libor / LC
≤ 2.0	21.5 bps	7.5 bps	107.50 bps
> 2.0 and ≤ 2.5	24.5 bps	22.5 bps	122.5 bps
> 2.5 and ≤ 3.0	27.5 bps	37.5 bps	137.5 bps
> 3.0 and ≤ 3.5	32.5 bps	62.5 bps	162.5 bps
> 3.5	37.5 bps	87.5 bps	187.5 bps

Interest Rate Swaps (IRS)

As at March 31, 2016 we have the following IRS in place:

Interest Rate	Maturity Date	Principal (in millions)
1.499%	July 31, 2016	\$350.0

On May 2, 2016, we executed on an additional \$100.0 million (principal) of interest rate swaps at an interest rate of approximately 1.10%. The effective date for these swaps is July 31, 2016, and they will mature on May 2, 2019. These swaps will be used to hedge a portion of the interest rate exposure related to refinancing our Series C Debentures due on October 3, 2016 (see **Managing Capital**). As we will not obtain hedge accounting treatment on these IRSs, it is possible that there will be fluctuations in net income as we mark to market the fair value of these IRSs each quarter until maturity.

Effective Interest Rates

The effective interest rates as at March 31, 2016 for the Debentures and Commercial Paper are shown below:

Debentures and Commercial Paper	Principal (\$ millions)	Maturity	Reference Rate	Spread	Swap Rate	All-in Rate
Series A Debentures	\$400.0	Oct. 3, 2018				3.253%
Series B Debentures	250.0	Oct. 3, 2023				4.461%
Series C Debentures	350.0	Oct. 3, 2016	3-mo CDOR ²⁸	0.70%	1.499%	2.199%
Commercial Paper	22.5	Apr. 14, 2016 to Apr. 19, 2016				0.89% ²⁹
Commercial Paper, USD - Unhedged	15.0 USD	Apr. 19, 2016 to May 4, 2016				0.55% - 0.56% ³⁰

Other Credit and Liquidity Facilities

For additional information, see **Other Credit and Liquidity Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2015 Annual MD&A.

MANAGING CAPITAL

Our primary objectives in managing capital are described in our 2015 Annual MD&A.

Our Series C Debentures are due on October 3, 2016. Our current plan is to repay the full amount owing of \$350.0 million with proceeds from our expanded Commercial Paper Program (see **Commercial Paper** and **Debentures**). At March 31, 2016, there was \$42.0 million of Commercial Paper outstanding, and the authorized limit under the program was increased to \$500.0 million from \$400.0 million on May 4, 2016. In addition, the size of the credit facility, which backstops this Commercial Paper Program was also increased from \$400.0 million to \$500.0 million or USD equivalent (see **Credit Facility**). We will hedge a portion of the interest rate exposure related to refinancing the \$350.0 million of debt with a forward interest rate swap with a principal amount of \$100.0 million commencing July 31, 2016 (see **Interest Rate Swaps (IRS)**). Since we will not obtain hedge accounting treatment on these IRSs, it is possible that there will be fluctuations in net income as we mark to market the fair value of these IRSs each quarter until maturity.

As of March 31, 2016, to the best of our knowledge we were in compliance with all of the externally imposed capital requirements. See **Credit Facility** in this MD&A and **MANAGING CAPITAL** in our 2015 Annual MD&A for a description of the financial covenants imposed on us.

²⁸ Canadian Dealer Offered Rate.

²⁹ Rate denoted in CAD.

³⁰ Rate denoted in USD.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	Mar 31 2016	Dec 31 2015	Sept 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014	Jun 30 2014
Market insights	\$ 51.3	\$ 58.0	\$ 50.3	\$ 49.1	\$ 53.1	\$ 53.1	\$ 47.0	\$ 48.7
Capital formation	38.6	38.8	44.7	52.9	43.4	44.8	46.4	57.6
Derivatives	31.5	25.8	27.5	24.2	27.0	26.9	25.3	25.1
Efficient markets and Market solutions	58.0	52.4	50.8	52.0	56.0	55.4	48.1	51.0
Other	(1.7)	2.1	2.6	0.5	5.8	2.5	3.4	(0.1)
Revenue	177.7	177.1	175.9	178.7	185.3	182.7	170.2	182.3
Operating expenses before strategic re-alignment expenses	106.7	116.6	109.6	112.1	111.3	115.7	107.1	111.0
Income from operations before strategic re-alignment expenses ³¹	71.0	60.5	66.3	66.6	74.0	67.0	63.1	71.3
Strategic re-alignment expenses	1.3	8.2	4.4	3.4	6.7	—	—	—
Income from operations	69.7	52.3	61.9	63.2	67.3	67.0	63.1	71.3
Net Income (loss) attributable to TMX Group shareholders	46.3	(159.0)	36.5	27.6	42.6	41.1	39.4	(26.4)
Earnings (loss) per share: ³²								
Basic	0.85	(2.92)	0.67	0.51	0.78	0.76	0.73	(0.49)
Diluted	0.85	(2.92)	0.67	0.51	0.78	0.76	0.73	(0.49)

Q1/16 compared with Q4/15

- *Revenue* in Q1/16 was essentially unchanged from Q4/15 reflecting an increase in *Efficient Markets* and *Derivatives* revenue, offset by declines in *Market Insights*, largely driven by *Razor Risk*, and *Other* revenue. The decline in *Other* revenue was primarily due to recognizing significant net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q1/16 compared with net foreign exchange gains in Q4/15.
- *Operating expenses before strategic re-alignment expenses* decreased by 8% compared with Q4/15 reflecting a decrease of \$6.7 million in costs related to *Razor Risk* and lower *information and trading systems* costs.
- *Income from operations before strategic re-alignment expenses*³³ increased from Q4/15 to Q1/16 reflecting the lower operating expenses before strategic re-alignment costs.
- *Income from operations* increased from Q4/15 to Q1/16 reflecting lower *operating expenses before strategic re-alignment expenses* and lower strategic re-alignment expenses.
- *Net loss attributable to TMX Group shareholders* for Q4/15 was \$159.0 million, or \$2.92 per common share on a basic and diluted basis, compared with net income of \$46.3 million, or 85 cents per common share on a basic and diluted basis, for Q1/16. The net loss in Q4/15 was driven by non-cash impairment charges related to *Capital Formation* (Listings), *Efficient Markets* (Equities trading), *Derivatives* (BOX) and other assets of \$215.8 million, of which our share was \$200.0 million after tax, net of NCI. While revenue was essentially unchanged, *operating expenses before strategic re-alignment expenses* and *strategic re-alignment expenses* decreased from Q4/15 to Q1/16.

For additional information on the seven previous quarters please see **Select Annual and Quarterly Financial Information** in our 2015 Annual MD&A.

³¹ See discussion under the heading Additional IFRS Financial Measures.

³² Earnings per share information is based on net income attributable to TMX Group shareholders.

³³ See discussion under the heading Additional IFRS Financial Measures.

ACCOUNTING AND CONTROL MATTERS

Changes in accounting policies

The following new amendments and interpretation were effective from January 1, 2016:

- Annual Improvements to IFRSs 2012-2014 Cycle – Amendments to IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7, *Financial Instruments: Disclosures*, IAS 19, *Employee Benefits* and IAS 34, *Interim Financial Reporting*;
- Clarification of acceptable methods of depreciation and amortization - Amendments to IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets*); and
- Business combination accounting for interest in a joint operation - Amendments to IFRS 11, *Joint Arrangements*.

There was no impact on the interim financial statements as a result of their adoption.

We intend to adopt the disclosure initiative amendments to IAS 1, *Presentation of Financial Statements*, for the annual consolidated financial statements for the year ended December 31, 2016. At this time, we do not expect any material impact on its annual consolidated financial statements as a result of the adoption of the amendments to IAS 1.

Future changes in accounting policies

A number of other new standards and amendments to standards are not yet effective and have not been applied in preparing the financial statements. These amended and new standards are required to be implemented for our financial year beginning on or after January 1, 2017, unless otherwise noted:

- Disclosure initiative (Amendments to IAS 7, *Statement of Cash Flows*) - As a part of the IASB's major initiative to improve presentation and disclosures in financial reports, the amendments require disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.
- Recognition of deferred tax assets for unrealized losses (Amendments to IAS 12, *Income Taxes*) - The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*) - The amendments require full gain recognition when the transfer of assets involving an associate or joint venture meet the definition of a business under IFRS 3, *Business Combinations*. The amendments also introduce new accounting that involves neither a cost nor full step-up of certain retained assets that are not businesses. The amendments are effective for annual periods beginning on or after a date to be determined by the IASB with earlier application permitted.
- IFRS 9, *Financial Instruments* - IFRS 9 replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, for the classification and measurement of financial assets and financial liabilities and new standards for hedge accounting. Financial assets will be classified into one of two categories on initial recognition: amortized cost or fair value. For financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive income, with the remainder of the change recognized in profit or loss. IFRS 9 will provide for more hedging strategies to qualify for hedge accounting, introduce more judgment in assessing the effectiveness of a hedging relationship, and include a single, forward-looking "expected loss" impairment model. The mandatory date for IFRS 9 is for annual periods beginning on or after January 1, 2018, with early application permitted.

- IFRS 15, *Revenue from Contracts with Customers* - The IASB and the U.S. Financial Accounting Standards Board (“FASB”) jointly issued converged accounting standards on the recognition of revenue from contracts with customers; the IASB’s standard is IFRS 15, *Revenue from Contracts with Customers*. The previous requirements of both IFRS and U.S. GAAP were different and often resulted in different accounting for transactions that were economically similar. IFRS 15 and its U.S. GAAP equivalent, contain a single revenue model that applies to contracts with customers with the exception of contracts for insurance, financial instruments and leases. Under the model, there are two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The mandatory effective date for IFRS 15 is for annual periods beginning on or after January 1, 2018 with either full retrospective application, retrospective with optional practical expedients or a modified prospective approach with disclosure requirements. Early application is permitted.
- IFRS 16, *Leases* - The IASB issued a new standard on leases which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. IFRS 16 supersedes IAS 17, *Leases* and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, differentiating between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Among other significant changes, the distinction between operating and finance leases is removed and assets and liabilities are recognized in respect of all leases. Further, IFRS 16 requires a front-loaded pattern for the recognition of lease expense over the life of the lease. The mandatory effective date for IFRS 16 is for annual periods beginning on or after January 1, 2019 with earlier application permitted for entities that have also adopted IFRS 15.

We intend to adopt each of the above amendments and standards, as applicable, in the year in which they are effective. We are reviewing these new amendments and standard to determine the potential impact, if any, on our financial statements once they are adopted. At this time, we have not been able to estimate reasonably the impact on our financial statements.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter beginning January 1, 2016 and ended on March 31, 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

This 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 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 results or financial condition, operations and prospects of TMX Group which are subject to significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties including changes in business cycles that impact our sector; 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; constraints imposed by our level of indebtedness, risks of litigation or other proceedings; dependence on adequate numbers of customers; failure to develop, market 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 on third-party suppliers and service providers; dependence of trading operations on a small number of clients; risks associated with our clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group common shares; inability to protect our intellectual property; adverse effect of a systemic market event on certain of our businesses; risks associated with the credit of customers; cost structures being largely fixed; dependence on market activity that cannot be controlled; the regulatory constraints that apply to the business of TMX Group and its regulated subsidiaries, costs of on exchange clearing and depository services, trading volumes (which could be higher or lower than estimated) and revenues; future levels of revenues being lower than expected or costs being higher than expected.

Forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the ability of TMX Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar-Canadian dollar exchange rate), commodities prices, the level of trading and activity on markets, and particularly the level of trading in TMX 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, as well as that of TMX Group's competitors; market competition; research and development activities; the successful introduction and client acceptance of new products; successful introduction of various technology assets and capabilities; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items is contained under the heading **RISKS AND UNCERTAINTIES** in the 2015 Annual MD&A.