TMX Group Limited

Q2/16 MANAGEMENT'S DISCUSSION AND ANALYSIS

August 3, 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 (Q2/16) and six months (1H/16) ended June 30, 2016, compared with the quarter (Q2/15) and six months (1H/15) ended June 30, 2015 and as at December 31, 2015. This MD&A should be read together with our Q2/16 unaudited condensed consolidated interim financial statements as at and for the quarter and six months ended June 30, 2016 (financial statements) and the 2015 Annual MD&A.

Our financial statements and this MD&A for the quarter ended June 30, 2016 are filed with Canadian securities regulators and can be accessed at www.tmx.com and www.sedar.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 at www.tmx.com and www.sedar.com. We are not incorporating information contained on our website in this MD&A.

UPDATE ON INITIATIVES AND REGULATORY CHANGES

Pillar 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 indices[1] and risk management tools such as Razor Risk Technologies Limited (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:

[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.

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

Efficient Markets

In June 2016, Toronto Stock Exchange (TSX) launched its new centralized mutual fund solution, TSX NAVex. It enables existing TSX participants to purchase and redeem eligible mutual funds directly from fund manufacturers in the same manner they access TSX-listed equities and Exchange Traded Funds.

In July 2016, The Canadian Depository for Securities Limited (CDS) announced that it had withdrawn the proposed Issuer Services Program fees which was submitted to our regulators in November, 2014. Following extensive consultation with clients and stakeholders across the Canadian capital markets, we have now submitted two new, distinct, proposals to amend CDS's Fee Schedule: the first proposal addresses Issuance Services and the second addresses Entitlement & Corporate Action Event Management Services. The two new proposals include the following key elements:

- Sovereign debt securities already on deposit with CDS will be exempt; only when an issuer creates a new security will the new fee model apply,
- A portion of the fee will be waived for serial debentures, which is a preferred funding vehicle for municipalities,
- The event fees for fixed term securities may be prepaid with a 20% discount. This allows the issuer cost certainty and the ability to negotiate these charges with their agent or underwriter,
- We have committed an additional 60-day notice period after approval and that in the first 6 months of the program the fees will be reduced by 50% to help manage any budgetary impacts. No fees will be levied prior to November 1, 2016.

Business Integration Initiative[2]

In August 2016, we announced a business integration initiative designed to advance our evolution as a client-driven solutions provider to the Canadian and global capital markets. The objective of the initiative is to align, simplify and integrate relevant systems and operations to both lower the cost base and make TMX Group more nimble and adaptive.

The first phase of our integration initiative addresses the technology and operations of our cash and derivatives clearing businesses, CDS and CDCC, subject to regulatory approval where required. Glenn Goucher, President and Chief Clearing Officer, CDCC, has also been named President of CDS. Bringing together CDS and CDCC under one leader will harmonize the companies' integration efforts across risk, operations, systems and business development. Both CDS and CDCC will continue to maintain the strong and focused approach to risk management for which they are known.

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[2] The "*Business Integration Initiative*" 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.

Corporate

In June 2016, we announced the appointment of John McKenzie as Chief Financial Officer (CFO). Mr. McKenzie has been with the company for 16 years, most recently serving as President of CDS. After joining TMX Group in 2000, Mr. McKenzie held increasingly senior executive positions in Corporate Strategy and Development and Finance. In these roles, he led TMX financial and strategic planning and managed various acquisitions, including the Maple transaction, MX and Shorcan, as well as the resulting integration initiatives.

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 came 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 details 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 any financial impact.

MARKET CONDITIONS

Overall, Canadian equities trading volumes were up 20% in 1H/16 compared with 1H/15[3] driven, in part, by higher market volatility. The average CBOE Volatility Index (VIX) was 18.0 during 1H/16 compared with 15.1 during 1H/15. Derivative trading in Canada was positively impacted by the increase in volatility and MX experienced a 28% increase in volumes during 1H/16 compared with the same period last year.

With higher volatility during 1H/16, market conditions globally, and within North America, were generally not conducive to initial public offerings (IPOs). According to the World Federation of Exchanges there was a 37% decrease in IPOs from 1H/15 to 1H/16.[4] In Canada, we performed better than the global average with a 15% decline in IPOs on TSX. While Canadian equities indices did increase during 1H/16, the value of financings on TSX declined by about 15% during the same period. However, within 1H/16, the slowdown primarily occurred in Q1/16. Energy industry companies continue to be somewhat negatively impacted by a lower price for crude oil. The downturn in the oil and gas sector continued to have some impact on equity capital raised as well as on revenues from listing activities.

On July 13, 2016, the Bank of Canada announced that it is maintaining its target for the overnight rate at 0.5%[5]. The Bank said that the forecast for the global economy has been marked down slightly from the Bank's April Monetary Policy Report. Global GDP growth is projected to be 2.9% in 2016, 3.3% in 2017, and 3.5% in 2018. For Canada, the forecast was also revised downward, and the Bank indicated that Real GDP is expected to grow by 1.3 per cent in 2016, 2.2 per cent in 2017, and 2.1 per cent in 2018.

Energy volumes at NGX in 1H/16 were 9% higher compared to the same period in 2015 as supply and demand fundamentals and increased price volatility drove market participants' behavior towards longer-term contracts, which offset the impacts of a warmer than normal winter. Power volumes in 1H/16 increased substantially over 1H/15 as a result of the impact of a marketing program implemented in U.S. markets and greater term activity due to market conditions.

RESULTS OF OPERATIONS

Non-IFRS Financial Measures

Adjusted earnings per share and adjusted diluted earnings per share provided for the quarters and six months ended June 30, 2016 and June 30, 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, strategic re-alignment expenses, increase in deferred income tax liabilities resulting from the change in Alberta corporate income tax rate effective July 1, 2015 and non-cash impairment charges. 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.

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 measure should not be considered in isolation.

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[3] Source: IIROC (excluding intentional crosses)

[4] Based on data from the World Federation of Exchanges (WFE) there were 815 IPOs in 1H/15 and 511 IPOs in 1H/16

[5] Source: Bank of Canada press release, July 13, 2016

Three Months Ended June 30, 2016 Compared with Three Months Ended June 30, 2015

The information below reflects the financial statements of TMX Group for the quarter ended June 30, 2016 compared with the quarter ended June 30, 2015.

(in millions of dollars, except per share amounts)	**Q2/16**	Q2/15	**$ increase/ (decrease)**	**% increase/ (decrease)**
Revenue	**$194.6**	$178.7	$15.9	9%
Operating expenses before strategic re-alignment expenses	**106.9**	112.1	(5.2)	(5)%
Income from operations before strategic re-alignment expenses[6]	**87.7**	66.6	21.1	32%
Strategic re-alignment expenses	**2.0**	3.4	(1.4)	(41)%
Income from operations	**85.7**	63.2	22.5	36%
Net income attributable to TMX Group shareholders	**58.3**	27.6	30.7	111%
Earnings per share[7]				
Basic	**1.07**	0.51	0.56	110%
Diluted	**1.07**	0.51	0.56	110%
Adjusted Earnings per share[8]				
Basic	**1.23**	0.93	0.30	32%
Diluted	**1.23**	0.93	0.30	32%
Cash flows from operating activities	**97.8**	83.8	14.0	17%

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in Q2/16 was $58.3 million, or $1.07 per common share on a basic and diluted basis, compared with net income of $27.6 million, or 51 cents per common share on a basic and diluted basis, for Q2/15. The increase in net income in Q2/16 over Q2/15 reflected higher revenue and lower operating expenses, including lower strategic re-alignment expenses.

During Q2/15, the Alberta corporate income tax rate increased from 10% to 12%, effective July 1, 2015. As a result of this change, there was a net increase in the value of deferred income tax liabilities and a corresponding non-cash net increase in deferred income tax expense of $7.1 million for Q2/15, which reduced net income by $7.1 million, or 13 cents per common share on a basic and diluted basis. In Q2/15, we also recognized non-cash impairment charges related to Equicom and ir2020 of $5.9 million, or 10 cents per common share on a basic and diluted basis.

[6] See discussion under the heading *Additional IFRS Financial Measures*.

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

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

Adjusted Earnings per Share[9] Reconciliation for Q2/16 and Q2/15

The following is a reconciliation of earnings per share[10] to adjusted earnings per share[11]:

	Q2/16		Q2/15	
(unaudited)	**Basic**	**Diluted**	Basic	Diluted
Earnings per share[12]	**$1.07**	**$1.07**	$0.51	$0.51
Adjustments related to:				
Amortization of intangibles related to acquisitions	**0.13**	**0.13**	0.14	0.14
Strategic re-alignment expenses	**0.03**	**0.03**	0.05	0.05
Increase in deferred income tax liabilities resulting from the change in Alberta corporate income tax rate	**—**	**—**	0.13	0.13
Non-cash impairment charges	**—**	**—**	0.10	0.10
Adjusted earnings per share[13]	**$1.23**	**$1.23**	$0.93	$0.93
Weighted average number of common shares outstanding	**54,417,173**	**54,425,043**	54,334,302	54,360,059

Adjusted earnings per share[14] increased by 32% from 93 cents in 2015 to $1.23 in 2016. The increase in adjusted earnings per share[15] in Q2/16 over Q2/15 reflected higher revenue and lower operating expenses, before strategic re-alignment expenses, excluding amortization of intangibles related to acquisitions.

[9] See discussion under the heading *Non-IFRS Financial Measures*.

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

[11] See discussion under the heading *Non-IFRS Financial Measures*.

[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*.

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

Revenue

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase/ (decrease)**	**% increase/ (decrease)**
Market Insights	**$52.3**	$49.1	$3.2	7%
Capital Formation	**51.8**	52.9	(1.1)	(2)%
Derivatives	**30.4**	24.2	6.2	26%
Efficient Markets and Market Solutions	**59.3**	52.0	7.3	14%
Other	**0.8**	0.5	0.3	60%
	$194.6	$178.7	$15.9	9%

Revenue was $194.6 million in Q2/16, up $15.9 million or 9% compared with $178.7 million in Q2/15. There were increases in *Efficient Markets,* largely driven by equity and energy trading, *Derivatives* and *Market Insights* revenue, which were somewhat offset by a decline in *Capital Formation* revenue. There was a favourable impact of approximately $2 million from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in Q2/16 versus Q2/15.

Market Insights

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase**	**% increase**
	$52.3	$49.1	$3.2	7%

- The increase in *Market Insights* revenue reflected higher revenue from TMX Atrium Wireless, including the launch of our New Jersey to Toronto microwave service in July 2015, as well as higher revenue recoveries related to under-reported usage of real-time quotes in prior periods and increased revenue from indices. There was also a positive impact on *Market Insights* revenue from a weaker Canadian dollar relative to the U.S. dollar in Q2/16 compared with Q2/15.
- Offsetting the increases in *Market Insights* revenue, there was a decline of $1.4 million in revenue from Razor Risk in Q2/16 compared with Q2/15.
- In addition, the average number of professional market data subscriptions for TSX and TSXV products decreased by 6% from Q2/15 to Q2/16 (105,972 professional market data subscriptions in Q2/16 compared with 112,767 in Q2/15).
- The average number of MX professional market data subscriptions was down 1% from Q2/15 to Q2/16 (18,775 MX professional market data subscriptions in Q2/16 compared with 19,014 in Q2/15).

Capital Formation

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	**$1.7**	$3.2	$(1.5)	(47)%
Additional listing fees	**28.3**	24.5	3.8	16%
Sustaining listing fees	**16.6**	17.2	(0.6)	(3)%
Other issuer services	**5.2**	8.0	(2.8)	(35)%
	$51.8	$52.9	$(1.1)	(2)%

- *Initial listing fees* on TSX and TSXV for Q2/16 were lower than in Q2/15 reflecting a decrease in the amount of IPO financing dollars raised.
- *Additional listing fees* in Q2/16 increased from Q2/15 reflecting a 19% increase in the number of transactions billed on TSX. In addition, there was an increase in *additional listing fees* on TSXV reflecting a significant increase in the number of financings and the amount of financing dollars raised in Q2/16 compared with Q2/15. The increase in a*dditional listing fee* revenue was also attributable to the favourable impact from an increase in the maximum *additional listing fee* on TSX effective February 1, 2016.
- Issuers listed on TSX 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 TSX 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 Q2/16 was lower compared to Q2/15 reflecting the loss of revenue from the Equicom Group Inc. (Equicom), which was sold in July 2015, and lower revenue from TSX Trust (formerly TMX Equity Transfer Services Inc.).

Derivatives

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase**	**% increase**
	$30.4	$24.2	$6.2	26%

- The increase in *Derivatives* revenue reflects higher revenue from MX due to increased volumes. Volumes increased by 29% on MX (22.5 million contracts traded in Q2/16 versus 17.4 million contracts traded in Q2/15).
- Revenue from BOX Market LLC (BOX) increased reflecting a 19% increase in BOX trading volumes (25.5 million contracts in Q2/16 versus 21.5 million contracts traded in Q2/15). In addition, there was higher revenue from BOX market data. In addition there was a lower cost associated with volume performance rights (VPRs), which is recorded as a reduction in revenue. There was also a positive impact from a weaker Canadian dollar relative to the U.S. dollar in Q2/16 compared with Q2/15. These increases were somewhat offset by the impact from a lower average trading fee.

Efficient Markets and Market Solutions

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase**	**% increase**
Equity and fixed income trading	**$26.5**	$20.9	$5.6	27%
Equity and fixed Income - clearing, settlement, depository and other services (CDS)	**18.0**	17.7	0.3	2%
Energy trading and clearing	**14.8**	13.4	1.4	10%
	$59.3	$52.0	$7.3	14%

- There was an increase in both *equity and fixed income trading* revenue in Q2/16 compared with Q2/15. The overall volume of securities traded on our equities marketplaces increased by 23% (40.8 billion securities in Q2/16 versus 33.2 billion securities in Q2/15). Volumes on TSX increased by 36% in Q2/16 compared with Q2/15 and volumes on TSXV increased by 29% over the same period. The shutdown of TMX Select and loss of revenue partially offset the positive impact from higher volumes on TSX and TSXV. The increase in equity trading revenue on Alpha was driven by price changes effective Q4/15, partially offset by the impact from a decline in volume of 22% on Alpha from Q2/15 to Q2/16. Excluding intentional crosses, our combined domestic equities trading market share was 71% in Q2/16, down from 76% in Q2/15[16]. 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.

- CDS revenue increased slightly from Q2/15 to Q2/16 reflecting an increase in exchange trades and a new participant fee somewhat offset by the impact from higher rebates.

- The increase in *energy trading and clearing* revenue reflected higher revenue from Shorcan Energy Brokers Inc. (Shorcan Energy Brokers) and Natural Gas Exchange (NGX). Total energy volumes were 13% higher compared to Q2/15 at NGX (3.3 million terajoules in Q2/16 compared with 2.93 million terajoules in Q2/15). Natural gas volumes increased from Q2/15 compared to Q2/16 as market participants took advantage of volatile prices and moved to term activity. Power volumes in Q2/16 increased over Q2/15 as a result of the impact of a marketing program implemented in U.S. markets and greater activity in term contracts due to market conditions. Largely offsetting the positive impact from increased total energy volumes for NGX, there was a significant increase in deferred revenue from Q2/15 to Q2/16 reflecting market conditions that drove participants' behavior towards longer-term contracts. Overall, there was a positive impact from a weaker Canadian dollar relative to the U.S. dollar in Q2/16 compared with Q2/15 on the revenues of NGX and Shorcan Energy Brokers.

Other

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase**	**% increase**
	$0.8	$0.5	$0.3	60%

- The increase in *Other* revenue was primarily due to recognizing lower net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q2/16 compared with Q2/15.

[16] source: IIROC

Operating expenses before strategic re-alignment expenses

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase/ (decrease)**	**% increase/ (decrease)**
Compensation and benefits	**$49.8**	$52.9	$(3.1)	(6)%
Information and trading systems	**18.5**	19.6	(1.1)	(6)%
Selling, general and administration	**23.1**	22.2	0.9	4%
Depreciation and amortization	**15.5**	17.4	(1.9)	(11)%
	$106.9	$112.1	$(5.2)	(5)%

Operating expenses before strategic re-alignment expenses in Q2/16 were $106.9 million, down $5.2 million or 5%, from $112.1 million in Q2/15. During Q2/16, there was a reduction in costs related to Razor Risk of $3.1 million, overall lower headcount and the sale of Equicom (in July 2015). There was also a decrease in *Information and trading systems* costs related to infrastructure and projects as well as in *Depreciation and amortization.* The decreases in costs were partially offset by higher employee performance incentive costs and increased *Selling, general and administration* costs in Q2/16 compared with Q2/15. There was also an unfavourable impact from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in Q2/16 versus Q2/15. The impact was approximately $1 million.

Compensation and benefits

(in millions of dollars)	**Q2/16**	Q2/15	**$ (decrease)**	**% (decrease)**
	$49.8	$52.9	$(3.1)	(6)%

- *Compensation and benefits* costs decreased in Q2/16 reflecting reduced costs related to Razor Risk, lower overall headcount compared with Q2/15, a higher capitalization of labour costs, and a reduction in Equicom costs (sold in July 2015).
- These decreases were partially offset by higher employee performance incentive plan costs in Q2/16 compared with Q2/15.
- There were 1,173 TMX Group employees at June 30, 2016 versus 1,297 employees at June 30, 2015.

Information and trading systems

(in millions of dollars)	**Q2/16**	Q2/15	**$ (decrease)**	**% (decrease)**
	$18.5	$19.6	$(1.1)	(6)%

- *Information and trading systems* expenses decreased in Q2/16 compared with Q2/15 primarily due to lower infrastructure and project costs.

Selling, general and administration

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase**	**% increase**
	$23.1	$22.2	$0.9	4%

- *Selling, general and administration* expenses increased in Q2/16 compared with Q2/15. In Q2/15, there was a non-recurring reduction in costs related to BOX. In Q2/16 there were higher marketing costs. These increases were somewhat offset by a reduction in Equicom costs (sold in July 2015).

Depreciation and amortization

(in millions of dollars)	**Q2/16**	Q2/15	**$ (decrease)**	**% (decrease)**
	$15.5	$17.4	$(1.9)	(11)%

- *Depreciation and amortization* costs reflect a reduction in amortization relating to intangible assets that were fully amortized.
- The *depreciation and amortization* costs of $15.5 million included $8.7 million ($8.6 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 expenses[17]

	Q2/16		Q2/15	
(in millions of dollars, except per share amounts) (unaudited)	**Pre-tax Amount**	**Basic and Diluted Earnings per Share Impact[18]**	Pre-tax Amount	Basic and Diluted Earnings per Share Impact[19]
Severance and related costs	**$0.9**	**$0.01**	$2.1	$0.03
Professional and consulting fees and other charges	**1.1**	**0.02**	1.3	0.02
Strategic re-alignment expenses	**$2.0**	**$0.03**	$3.4	$0.05

The reduction in strategic re-alignment expenses from Q2/15 to Q2/16 reflected lower severance costs and a decrease in amounts paid to consultants.

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, though we anticipate that the majority of our strategic re-alignment costs will have been recorded by the end of 2016.

[17] 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.

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

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

Impairment charges

(in millions of dollars)	**Q2/16**	Q2/15	**$ (decrease)**	**% (decrease)**
	$0.0	$5.9	$(5.9)	(100)%

- In accounting for the Maple Transaction[20], all of our assets, including Equicom and ir2020, were recorded based on their estimated fair value in Q3/12, resulting in a significant amount of goodwill and intangible assets being recognized at the time.

- In Q2/15, we determined that Equicom and ir2020 had recoverable amounts that were less than their carrying amounts. As a result, we recognized a non-cash impairment charge of $5.9 million (10 cent per basic and diluted share) related to goodwill for those assets.

Net finance costs

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase**	**% increase**
	$8.8	$8.5	$0.3	4%

- The increase in net finance costs from Q2/15 to Q2/16 is largely attributable to a $0.6 million mark-to-market loss on interest rate swaps (see **Interest Rate Swaps** in **LIQUIDITY AND CAPITAL RESOURCES**) recorded in Q2/16, partially offset by lower interest expense resulting from lower interest rates and lower average debt outstanding in Q2/16 compared with Q2/15.

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		**Effective Tax Rate** (%)	
Q2/16	Q2/15	**Q2/16**	Q2/15
$20.6	$22.5	**26%**	45%

- In Q2/15, the Alberta corporate income tax rate increased from 10% to 12%, effective July 1, 2015. As a result of this change, there was a net increase in the value of deferred income tax liabilities and a corresponding non-cash net increase in deferred income tax expense of $7.1 million for Q2/15.

- Excluding certain items, primarily the tax impact of the increase in the Alberta corporate income tax rate in Q2/15 and the impact of the non-cash impairment charges in Q2/15, the effective tax rate would have been approximately 27% for Q2/15 compared with 26% in Q2/16.

Net loss attributable to non-controlling interests

(in millions of dollars)	**Q2/16**	Q2/15	**$ (decrease)**
	$0.1	$0.3	$(0.2)

- At December 31, 2014, TMX indirectly held a 56.2% controlling ownership interest in BOX Holdings Group LLC (BOX Holdings), which provides a market for the trading of U.S. equity options through its wholly-owned subsidiary, BOX.

[20] TMX Group Limited (formerly Maple Group Acquisition corporation of Maple) completed the acquisition of TMX Group Inc. on September 14, 2012 and the acquisition of CDS and Alpha Trading Systems Inc. and Alpha Trading System Limited Partnership (collectively, Alpha) on August 1, 2012 (collectively, the Maple Transaction).

- In January 2015, BOX launched a program to incent subscribers to provide liquidity. In exchange for providing this liquidity and a nominal cash payment, subscribers received volume performance rights (VPRs), which are comprised of Class C units of BOX Holdings and an order flow commitment. The VPRs vest over 20 quarters of the 5-year order flow commitment period if minimum volume targets are achieved. As a result, TMX's economic interest in BOX Holdings decreased to 40% with corresponding 60% in non-controlling interest.

- As at June 30, 2016, TMX continued to consolidate BOX Holdings as it held majority voting power on the board of directors. However, TMX's voting power on the board of directors of BOX Holdings may decrease to below 50% under the VPR program. *Net loss attributable to non-controlling interests* represents the other BOX members' share of BOX's loss for the period.

- There was a lower *net loss attributable to non-controlling interests* in Q2/16 compared with Q2/15. This reflected somewhat higher BOX revenue in Q2/16 attributable to increased volumes, higher market data revenue and lower cost associated with VPRs compared with Q2/15. There was also a positive impact from a weaker Canadian dollar relative to the U.S. dollar in Q2/16 compared with Q2/15.

Six Months Ended June 30, 2016 Compared with Six Months Ended June 30, 2015

The information below reflects the financial statements of TMX Group for the six months ended June 30, 2016 compared with the six months ended June 30, 2015.

(in millions of dollars, except per share amounts)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase/ (decrease)**	**% increase/ (decrease)**
Revenue	**$372.3**	$364.0	$8.3	2%
Operating expenses before strategic re-alignment expenses	**213.6**	223.4	(9.8)	(4)%
Income from operations before strategic re-alignment expenses	**158.7**	140.6	18.1	13%
Strategic re-alignment expenses	**3.3**	10.1	(6.8)	(67)%
Income from operations	**155.4**	130.5	24.9	19%
Net income attributable to TMX Group shareholders	**104.6**	70.2	34.4	49%
Earnings per share[21]				
Basic	**1.92**	1.29	0.63	49%
Diluted	**1.92**	1.29	0.63	49%
Adjusted Earnings per share[22]				
Basic	**2.22**	1.92	0.30	16%
Diluted	**2.22**	1.92	0.30	16%
Cash flows from operating activities	**153.8**	133.5	20.3	15%

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in 1H/16 was $104.6 million, or $1.92 per common share on a basic and diluted basis, compared with net income of $70.2 million, or $1.29 per common share on a basic and diluted basis,

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

[22] See discussion under the heading Non-IFRS Financial Measures.

for 1H/15. The increase in net income in 1H/16 over 1H/15 reflected higher revenue and lower operating expenses, including lower strategic re-alignment expenses.

During 1H/15, the Alberta corporate income tax rate increased from 10% to 12%, effective July 1, 2015. As a result of this change, there was a net increase in the value of deferred income tax liabilities and a corresponding non-cash net increase in deferred income tax expense of $7.1 million for Q2/15, which reduced net income by $7.1 million, or 13 cents per common share on a basic and diluted basis. Also, in 1H/15, we recognized non-cash impairment charges related to Equicom and ir2020 of $5.9 million, or 10 cents per common share on a basic and diluted basis.

Adjusted Earnings per Share[23] Reconciliation for the Six Months ended June 30, 2016 and Six Months ended June 30, 2015

The following is a reconciliation of earnings per share[24] to adjusted earnings per share[25]:

	Six Months ended June 30, 2016		Six Months ended June 30, 2015	
(unaudited)	**Basic**	**Diluted**	Basic	Diluted
Earnings per share[26]	**$1.92**	**$1.92**	$1.29	$1.29
Adjustments related to:				
Amortization of intangibles related to acquisitions	**0.26**	**0.26**	0.27	0.27
Strategic re-alignment expenses	**0.04**	**0.04**	0.13	0.13
Increase in deferred income tax liabilities resulting from the change in Alberta corporate income tax rate	**—**	**—**	0.13	0.13
Non-cash impairment charges	**—**	**—**	0.10	0.10
Adjusted earnings per share[27]	**$2.22**	**$2.22**	$1.92	$1.92
Weighted average number of common shares outstanding	**54,404,783**	**54,420,522**	54,328,496	54,379,727

Adjusted earnings per share[28] increased by 16% from $1.92 in 2015 to $2.22 in 2016. The increase in adjusted earnings per share[29] in 1H/16 over 1H/15 reflected higher revenue and lower operating expenses, before strategic re-alignment expenses, excluding amortization of intangibles related to acquisitions.

[23] See discussion under the heading Non-IFRS Financial Measures.

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

[25] See discussion under the heading Non-IFRS Financial Measures.

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

[27] See discussion under the heading Non-IFRS Financial Measures.

[28] See discussion under the heading Non-IFRS Financial Measures.

[29] See discussion under the heading Non-IFRS Financial Measures.

Revenue

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase/ (decrease)**	**% increase/ (decrease)**
Market Insights	**$103.6**	$102.2	$1.4	1%
Capital Formation	**90.4**	96.3	(5.9)	(6)%
Derivatives	**61.9**	51.2	10.7	21%
Efficient Markets and Market Solutions	**117.3**	108.0	9.3	9%
Other	**(0.9)**	6.3	(7.2)	(114)%
	$372.3	$364.0	$8.3	2%

Revenue was $372.3 million in 1H/16, up $8.3 million or 2% compared with $364.0 million in 1H/15. There were increases in *Derivatives, Efficient Markets,* largely driven by equity and energy trading, and *Market Insights* revenue, which were somewhat offset by a decline in *Capital Formation* and *Other* revenue. The overall decline in *Other* revenue of approximately $7 million was driven by foreign exchange losses on translating net monetary assets in non-Canadian currencies in 1H/16 compared with foreign exchange gains in 1H/15. There was a favourable impact from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in 1H/16 versus 1H/15. The net unfavourable impact of these two foreign exchange items was approximately $2 million.

Market Insights

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase**	**% increase**
	$103.6	$102.2	$1.4	1%

- The increase in *Market Insights* revenue reflected an increase in revenue from TMX Atrium Wireless, including the launch of our New Jersey to Toronto microwave service in July 2015, as well as higher revenue recoveries related to under-reported usage of real-time quotes in prior periods and increased revenue from indices. There was also a positive impact on *Market Insights* revenue from a weaker Canadian dollar relative to the U.S. dollar in 1H/16 compared with 1H/15.
- Offsetting the increases in *Market Insights* revenue, there was a decline of $5.6 million in revenue from Razor Risk in 1H/16 compared with 1H/15.
- In addition, the average number of professional market data subscriptions for TSX and TSXV products decreased by 6% from 1H/15 to 1H/16 (107,011 professional market data subscriptions in 1H/16 compared with 114,278 in 1H/15).
- The average number of MX professional market data subscriptions was essentially unchanged from 1H/15 to 1H/16 (19,069 MX professional market data subscriptions in 1H/16 compared with 19,165 in 1H/15).

Capital Formation

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	**$3.4**	$4.7	$(1.3)	(28)%
Additional listing fees	**45.2**	42.5	2.7	6%
Sustaining listing fees	**32.6**	34.8	(2.2)	(6)%
Other issuer services	**9.2**	14.3	(5.1)	(36)%
	$90.4	$96.3	$(5.9)	(6)%

- *Initial listing fees* on TSX and TSXV for 1H/16 were lower than in 1H/15 reflecting a decrease in the amount of IPO financing dollars raised.
- *Additional listing fees* in 1H/16 increased from 1H/15 reflecting an 11% increase in the number of transactions billed on TSX. In addition, there was an increase in *additional listing fees* on TSXV reflecting a significant increase in the number of financings and the amount of financing dollars raised in 1H/16 compared with 1H/15. The increase in a*dditional listing fee* revenue was also attributable to 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 1H/16 was lower compared to 1H/15 reflecting the loss of revenue from Equicom, which was sold in July 2015, and lower revenue from TSX Trust (formerly TMX Equity Transfer Services Inc.).

Derivatives

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase**	**% increase**
	$61.9	$51.2	$10.7	21%

- The increase in *Derivatives* revenue reflects higher revenue from MX where the impact of increased volumes was somewhat offset by the impact of a lower average fee. Volumes increased by 28% on MX (46.8 million contracts traded in 1H/16 versus 36.5 million contracts traded in 1H/15).
- Revenue from BOX also increased reflecting a 19% increase in BOX trading volumes (56.0 million contracts in 1H/16 versus 47.0 million contracts traded in 1H/15). In addition, there was higher revenue from BOX market data in 1H/16 compared with 1H/15. There was also a lower cost associated with volume performance rights (VPRs), which is recorded as a reduction in revenue. There was also a positive impact from a weaker Canadian dollar relative to the U.S. dollar in 1H/16 compared with 1H/15. These increases were somewhat offset by the impact from a lower average trading fee.

Efficient Markets and Market Solutions

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase**	**% increase**
Equity and fixed income trading	**$52.1**	$45.5	$6.6	15%
Equity and fixed Income - clearing, settlement, depository and other services (CDS)	**35.6**	35.3	0.3	1%
Energy trading and clearing	**29.6**	27.2	2.4	9%
	$117.3	$108.0	$9.3	9%

- There was an increase in both *equity and fixed income trading* revenue in 1H/16 compared with 1H/15. The overall volume of securities traded on our equities marketplaces increased by 9% (77.5 billion securities in 1H/16 versus 71.0 billion securities in 1H/15). Volumes on TSX increased by 25% in 1H/16 compared with 1H/15 and volumes on TSXV increased by 6% over the same period. The shutdown of TMX Select and loss of revenue partially offset the positive impact from higher volumes on TSX and TSXV. The increase in equity trading revenue on Alpha was driven by price changes effective Q4/15, partially offset by the impact from a decline in volume of 35% on Alpha from 1H/15 to 1H/16. Excluding intentional crosses, our combined domestic equities trading market share was 70% in 1H/16, down from 76% in 1H/15 . 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.

- CDS revenue increased slightly from 1H/15 to 1H/16 reflecting an increase in exchange trades, a fee for certain international services, as well as a new participant fee somewhat offset by the impact from higher rebates.

- The increase in *energy trading and clearing* revenue reflected higher revenue from Shorcan Energy Brokers and NGX. Total energy volumes were 9% higher compared to 1H/15 at NGX (7.0 million terajoules in 1H/16 compared with 6.4 million terajoules in 1H/15). Natural gas volumes increased in 1H/16 compared to 1H/15 as market participants took advantage of volatile prices and moved to term activity. Power volumes in 1H/16 increased over 1H/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 conditions. Largely offsetting the positive impact from increased total energy volumes for NGX, there was a significant increase in deferred revenue from 1H/15 to 1H/16 reflecting market conditions that drove participants' behavior towards longer-term contracts. Overall, there was a positive impact from a weaker Canadian dollar relative to the U.S. dollar in 1H/16 compared with 1H/15 on the revenues of NGX and Shorcan Energy Brokers.

Other

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ (decrease)**	**% (decrease)**
	$(0.9)	$6.3	$(7.2)	(114)%

- 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 1H/16 compared with net foreign exchange gains in 1H/15. The net unfavourable impact from 1H/15 to 1H/16 was approximately $7 million.

Operating expenses before strategic re-alignment expenses

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase/ (decrease)**	**% increase/ (decrease)**
Compensation and benefits	**$102.3**	$110.8	$(8.5)	(8)%
Information and trading systems	**36.6**	36.3	0.3	1%
Selling, general and administration	**43.6**	41.4	2.2	5%
Depreciation and amortization	**31.1**	34.9	(3.8)	(11)%
	$213.6	$223.4	$(9.8)	(4)%

Operating expenses before strategic re-alignment expenses in 1H/16 were $213.6 million, down $9.8 million or 4%, from $223.4 million in 1H/15. During 1H/16, there was a reduction in costs of $6.0 million related to Razor Risk, a decrease in expenses due to overall lower headcount as well as the sale of Equicom (in July 2015) and lower *Depreciation and amortization*. The decreases in costs were partially offset by lower capitalization of labour costs in 1H/16 compared with 1H/15, slightly higher *Information and trading systems* costs 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 1H/16 versus 1H/15. The impact was approximately $2 million.

Compensation and benefits

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ (decrease)**	**% (decrease)**
	$102.3	$110.8	$(8.5)	(8)%

- *Compensation and benefits* costs decreased in 1H/16 reflecting reduced costs related to Razor Risk, the lower overall headcount and lower severance costs compared with 1H/15 as well as a reduction in Equicom costs (sold in July 2015).
- These decreases were partially offset by a lower capitalization of labour costs in 1H/16 compared with 1H/15.
- There were 1,173 TMX Group employees at June 30, 2016 versus 1,297 employees at June 30, 2015.

Information and trading systems

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase**	**% increase**
	$36.6	$36.3	$0.3	1%

- *Information and trading systems* expenses increased in 1H/16 compared with 1H/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 and project costs.

Selling, general and administration

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase**	**% increase**
	$43.6	$41.4	$2.2	5%

- *Selling, general and administration* expenses increased in 1H/16 compared with 1H/15. During 1H/15, there was a non-recurring reduction in costs related to BOX. There were also increased marketing costs in 1H/16 compared with 1H/15.
- The increase in expenses was somewhat offset by a decrease in Equicom costs (sold July 2015) and lower bad debt expense.

Depreciation and amortization

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ (decrease)**	**% (decrease)**
	$31.1	$34.9	$(3.8)	(11)%

- *Depreciation and amortization* costs reflect a reduction in amortization relating to intangible assets that were fully amortized.
- The *Depreciation and amortization* costs of $31.1 million included $17.7 million ($17.3 million, net of non-controlling interests, NCI) related to amortization of intangibles related to acquisitions (26 cents per basic and diluted share).

Strategic re-alignment expenses

	Six Months ended June 30, 2016		Six Months ended June 30, 2015	
(in millions of dollars, except per share amounts) (unaudited)	**Pre-tax Amount**	**Basic and Diluted Earnings per Share Impact**	Pre-tax Amount	Basic and Diluted Earnings per Share Impact
Severance and related costs	**$1.8**	**$0.02**	$7.0	$0.09
Professional and consulting fees and other charges	**1.5**	**0.02**	3.1	0.04
Strategic re-alignment expenses	**$3.3**	**$0.04**	$10.1	$0.13

The reduction in strategic re-alignment expenses from 1H/15 to 1H/16 reflected lower severance costs and a decrease in amounts paid to consultants.

Impairment charges

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ (decrease)**	**% (decrease)**
	$0.0	$5.9	$(5.9)	(100)%

- In accounting for the Maple Transaction, all of our assets, including, Equicom and ir2020, were recorded based on their estimated fair value in Q3/12, resulting in a significant amount of goodwill and intangible assets being recognized at the time.

- In 1H/15, we determined that Equicom and ir2020 had recoverable amounts that were less than their carrying amounts. As a result, we recognized a non-cash impairment charge of $5.9 million (10 cent per basic and diluted share) related to goodwill for those assets.

Net finance costs

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ (decrease)**	**% (decrease)**
	$16.2	$18.4	$(2.2)	(12)%

- The decrease in net finance costs from 1H/15 to 1H/16 is largely attributable to $1.4 million of net foreign exchange gains on U.S dollar Commercial Paper loans in 1H/16 compared with $1.4 million of net foreign exchange losses on this debt in 1H/15. The reduction in net finance costs was also due to lower interest rates and lower average debt outstanding in 1H/16 compared with 1H/15. The reductions in net finance costs were somewhat offset by a decrease in income earned on our investments reflecting a change in asset mix and a mark-to-market loss on interest rate swaps .

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		**Effective Tax Rate** (%)	
Six Months ended June 30, 2016	Six Months ended June 30, 2015	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015
$37.7	$37.9	**27%**	35%

- In 1H/15, the Alberta corporate income tax rate increased from 10% to 12%, effective July 1, 2015. As a result of this change, there was a net increase in the value of deferred income tax liabilities and a corresponding non-cash net increase in deferred income tax expense of $7.1 million for 1H/15.
- Excluding certain items, primarily the tax impact of the increase in the Alberta corporate income tax rate in 1H/15 and the impact of the non-cash impairment charges in 1H/15, the effective tax rate would have been approximately 27% for 1H/15, unchanged from the rate in 1H/16.

Net loss attributable to non-controlling interests

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase**
	$0.7	$0.6	$0.1

- At December 31, 2014, TMX indirectly held a 56.2% controlling ownership interest in BOX Holdings Group LLC (BOX Holdings), which provides a market for the trading of U.S. equity options through its wholly-owned subsidiary, BOX.
- In January 2015, BOX launched a program to incent subscribers to provide liquidity. In exchange for providing this liquidity and a nominal cash payment, subscribers received volume performance rights (VPRs), which are comprised of Class C units of BOX Holdings and an order flow commitment. The VPRs vest over 20 quarters of the 5-year order flow commitment period if minimum volume targets are achieved. As a result, TMX's economic interest in BOX Holdings decreased to 40% with corresponding 60% in non-controlling interest.
- As at June 30, 2016, TMX continued to consolidate BOX Holdings as it held majority voting power on the board of directors. However, TMX's voting power on the board of directors of BOX Holdings may decrease to below 50% under the VPR program. *Net loss attributable to non-controlling interests* represents the other BOX members' share of BOX's loss for the period.

- There was a higher *net loss attributable to non-controlling interests* in 1H/16 compared with 1H/15 reflecting a non-recurring reduction in costs in Q1/15, partially offset by higher revenue in 1H/16 attributable to increased volumes, higher market data revenue and lower cost associated with VPRs compared with 1H/15.

Total equity attributable to shareholders of TMX Group

(in millions of dollars)	**As at June 30, 2016**	As at December 31, 2015	**$ increase**
Total equity attributable to shareholders of TMX Group	**$2,844.5**	$2,788.0	$56.5

- At June 30, 2016, there were 54,459,708 common shares issued and outstanding and 2,496,001 options outstanding under the share option plan.
- At August 2, 2016, there were 54,506,530 common shares issued and outstanding and 2,350,076 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 $104.6 million less dividend payments to shareholders of TMX Group of $43.6 million.

Segments[30]

The following information reflects TMX Group's financial statements for the three months ended June 30, 2016 compared with the three months ended June 30, 2015.

Q2/16

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	$52.3	$51.8	$30.4	$59.3	$0.8	$194.6
Inter-segment revenue	0.4	0.0	0.0	0.5	(0.9)	0.0
Total revenue	52.7	51.8	30.4	59.8	(0.1)	194.6
Income (loss) from operations before strategic re-alignment expenses[31]	27.9	33.3	11.9	24.9	(10.3)	87.7

Q2/15

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	$49.1	$52.9	$24.2	$52.0	$0.5	$178.7
Inter-segment revenue	0.4	0.0	0.0	0.3	(0.7)	0.0
Total revenue	49.5	52.9	24.2	52.3	(0.2)	178.7
Income (loss) from operations before strategic re-alignment expenses[32]	20.6	32.9	6.9	16.1	(9.9)	66.6

Income (loss) from operations before strategic re-alignment expenses[33]

Income from operations before strategic re-alignment expenses from *Market Insights* increased reflecting higher revenue from TMX Atrium Wireless, including the launch of our New Jersey to Toronto microwave service in July 2015, as well as higher revenue recoveries related to under-reported usage of real-time quotes in prior periods and increased revenue from indices. There was also a positive impact on *Market Insights* revenue from a weaker Canadian dollar relative to the U.S. dollar in Q2/16 compared with Q2/15. Partially offsetting these increases, there was an overall decline in subscription revenue.

Income from operations before strategic re-alignment expenses from *Capital Formation* increased slightly mainly driven by lower operating expenses somewhat offset by lower revenue following the sale of Equicom in July 2015.

Income from operations before strategic re-alignment expenses from *Derivatives* increased reflecting higher revenue from MX and BOX, partially attributable to higher volumes in Q2/16 versus Q2/15. For BOX, this also reflected somewhat higher market data revenue, lower cost associated with VPRs and a positive impact from a weaker Canadian dollar relative to the U.S. dollar in Q2/16 compared with Q2/15.

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.

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*. Overall there was a slight increase in the *loss from operations before strategic re-alignment expenses* for *Other* from Q2/15 to Q2/16.

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[30] Market Solutions operating segment has been aggregated with Efficient Markets.

[31] See discussion under the heading Additional IFRS Financial Measures.

[32] See discussion under the heading Additional IFRS Financial Measures.

[33] See discussion under the heading Additional IFRS Financial Measures.

Six Months ended June 30, 2016

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	$103.6	$90.4	$61.9	$117.3	$(0.9)	$372.3
Inter-segment revenue	0.8	0.0	0.0	0.7	(1.5)	0.0
Total revenue	104.4	90.4	61.9	118.0	(2.4)	372.3
Income (loss) from operations before strategic re-alignment expenses	52.7	54.6	24.4	45.4	(18.4)	158.7

Six Months ended June 30, 2015

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	$102.2	$96.3	$51.2	$108.0	$6.3	$364.0
Inter-segment revenue	0.8	0.0	0.0	0.9	(1.7)	0.0
Total revenue	103.0	96.3	51.2	108.9	4.6	364.0
Income (loss) from operations before strategic re-alignment expenses	47.6	55.1	16.2	35.2	(13.5)	140.6

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

Income from operations before strategic re-alignment expenses from *Market Insights* increased reflecting higher revenue from TMX Atrium Wireless, including the launch of our New Jersey to Toronto microwave service in July 2015, as well as higher revenue recoveries related to under-reported usage of real-time quotes in prior periods and increased revenue from indices. There was also a positive impact on *Market Insights* revenue from a weaker Canadian dollar relative to the U.S. dollar in 1H/16 compared with 1H/15. Partially offsetting these increases, there was an overall decline in subscription revenue.

Income from operations before strategic re-alignment expenses from *Capital Formation* decreased slightly mainly driven by lower revenue, following the sale of Equicom in July 2015, largely offset by lower operating expenses.

Income from operations before strategic re-alignment expenses from *Derivatives* increased reflecting higher revenue from MX and BOX, partially attributable to higher volumes in 1H/16 versus 1H/15. For BOX, this also reflected somewhat higher market data revenue, lower cost associated with VPRs and a positive impact from a weaker Canadian dollar relative to the U.S. dollar in 1H/16 compared with 1H/15. The positive impact on *income from operations before strategic re-alignment expenses* was partially offset by a non-recurring reduction in costs 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.

The higher *loss from operations before strategic re-alignment expenses* for *Other* is largely due to recognizing net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in 1H/16 compared with net foreign exchange gains in 1H/15. The net unfavourable impact was approximately $7 million.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Q2/16 compared with Q2/15

(in millions of dollars)	**Q2/16**	Q2/15	**$ increase/ (decrease) in cash**
Cash flows from operating activities	**$97.8**	$83.8	$14.0
Cash flows (used in) financing activities	**(57.6)**	(37.0)	(20.6)
Cash flows from (used in) investing activities	**1.5**	(5.1)	6.6

- The increase in *Cash flows from operating activities* in Q2/16 compared with Q2/15 was primarily due to increased income from operations (excluding depreciation and amortization) offset by reduced cash flow related to trade and other receivables, and prepaid expenses.
- In Q2/16, *Cash flows used in financing activities* were higher than in Q2/15 primarily due to higher net repayments on our debt (see **Commercial Paper**).
- In Q2/16, there were *Cash flows from investing activities* compared with *Cash flows used in investing activities* in Q2/15. Net proceeds from the sale of marketable securities were higher in Q2/16 compared with Q2/15. In addition, there was a reduction in cash outlays for additions to premises and equipment and intangible assets in Q2/16 compared with Q2/15.

1H/16 compared with 1H/15

(in millions of dollars)	**Six Months ended June 30, 2016**	Six Months ended June 30, 2015	**$ increase/ (decrease) in cash**
Cash flows from operating activities	**$153.8**	$133.5	$20.3
Cash flows (used in) financing activities	**(106.8)**	(95.4)	(11.4)
Cash flows from investing activities	**1.6**	0.2	1.4

- The increase in *Cash flows from operating activities* in 1H/16 compared with 1H/15 was primarily due to increased income from operations (excluding depreciation and amortization) offset by a more significant decrease in cash flows related to trade and other receivables, and prepaid expenses.
- In 1H/16, *Cash flows used in financing activities* were higher than in 1H/15 primarily due to higher net repayments on our debt (see **Commercial Paper**).
- In 1H/16, *Cash flows from investing activities* were slightly higher than in 1H/15. While there was a reduction in cash outlays for additions to premises and equipment and intangible assets in 1H/16 compared with 1H/15, net proceeds from the sale of marketable securities were lower in 1H/16 compared with 1H/15.

Summary of Cash Position and Other Matters[34]

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	**As at June 30, 2016**	As at December 31, 2015	**$ increase**
	$264.9	$225.3	$39.6

We had $264.9 million of cash and cash equivalents and marketable securities at June 30, 2016. There was an increase in cash, cash equivalents and marketable securities primarily reflecting cash flows from operating activities of $153.8 million which were offset by net debt repayments of approximately $53.1 million, dividends to TMX Group shareholders of $43.6 million, interest paid (net of interest received) of $15.7 and additions to premises and equipment and intangible assets of $7.0. By the end of Q2/16 we had paid down all of our Canadian dollar Commercial Paper and were building cash in anticipation of repaying our Series C Debentures in October 2016. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business, make interest payments, as well as meet our covenants under the trust indentures governing our debentures 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 satisfy 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 Paper program and excess cash (see **Commercial Paper** and **Debentures**). At June 30, 2016, there was $19.4 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 June 30, 2016**	As at December 31, 2015	**$ increase**
	$23,671.7	$17,017.4	$6,654.3

- Our consolidated balance sheet as at June 30, 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 $6,654.3 million from December 31, 2015 to June 30, 2016 was largely attributable to the significant increase in clearing of REPO agreements by CDCC in 1H/16 compared with Q4/15. *Balances with Clearing Members and Participants* relating to CDCC were $17,771.5 million at June 30, 2016 compared with $11,117.8 million at December 31, 2015.

[34] The "S*ummary 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.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	**As at June 30, 2016**	As at December 31, 2015	**$ (decrease)**
	$19.4	$74.3	$(54.9)

There was $19.4 million outstanding under the Commercial Paper Program at June 30, 2016 reflecting net repayments in 1H/16 of approximately $53.1 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 on May 4, 2016.

Debentures

(in millions of dollars)	**As at June 30, 2016**	As at December 31, 2015	**$ increase**
Current Debentures	**$349.9**	$349.7	$0.2
Non-current Debentures	**648.4**	648.2	0.2
	$998.3	$997.9	$0.4

- 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 a 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.

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 Interest Coverage Ratio, as described in the 2015 Annual MD&A is unchanged. As at June 30, 2016, all covenants were met under the Amended and Restated Credit Agreement.

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 June 30, 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 1.08%. The effective date for these swaps was July 31, 2016, and they will mature on May 2, 2019. These swaps were put in place 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 June 30, 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[35]	0.70%	1.499%	2.199%
Commercial Paper, USD - Unhedged	15.0 USD	July 13 to August 2, 2016				0.56% - 0.58%[36]

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.

[35] Canadian Dealer Offered Rate.
[36] Rate denoted in USD.

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 and excess cash as of September 30, 2016 (see **Commercial Paper** and **Debentures**). At June 30, 2016, there was $19.4 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**). On May 2, 2016, we executed on an additional $100.0 million (principal) of interest rate swaps at an interest rate of approximately 1.08% (see **Interest Rate Swaps (IRS)**). The effective date for these swaps was July 31, 2016, and they will mature on May 2, 2019. These swaps were put in place to hedge a portion of the interest rate exposure related to refinancing our Series C Debentures due on October 3, 2016. 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.

As of June 30, 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 revised financial covenants imposed on us.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	Jun 30 2016	March 31 2016	Dec 31 2015	Sept 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sept 30 2014
Market Insights	$ 52.3	$ 51.3	$ 58.0	$ 50.3	$ 49.1	$ 53.1	$ 53.1	$ 47.0
Capital Formation	51.8	38.6	38.8	44.7	52.9	43.4	44.8	46.4
Derivatives	30.4	31.5	25.8	27.5	24.2	27.0	26.9	25.3
Efficient Markets and Market Solutions	59.3	58.0	52.4	50.8	52.0	56.0	55.4	48.1
Other	0.8	(1.7)	2.1	2.6	0.5	5.8	2.5	3.4
Revenue	194.6	177.7	177.1	175.9	178.7	185.3	182.7	170.2
Operating expenses before strategic re-alignment expenses	106.9	106.7	116.6	109.6	112.1	111.3	115.7	107.1
Income from operations before strategic re-alignment expenses[37]	87.7	71.0	60.5	66.3	66.6	74.0	67.0	63.1
Strategic re-alignment expenses	2.0	1.3	8.2	4.4	3.4	6.7	—	—
Income from operations	85.7	69.7	52.3	61.9	63.2	67.3	67.0	63.1
Net Income (loss) attributable to TMX Group shareholders	58.3	46.3	(159.0)	36.5	27.6	42.6	41.1	39.4
Earnings (loss) per share:[38]								
Basic	1.07	0.85	(2.92)	0.67	0.51	0.78	0.76	0.73
Diluted	1.07	0.85	(2.92)	0.67	0.51	0.78	0.76	0.73

Q2/16 compared with Q1/16

- *Revenue* in Q2/16 increased over Q1/16 reflecting higher revenue from *Capital Formation*, largely a*dditional listing fees, Market Insights, Efficient Markets* and *Other* revenue*,* somewhat offset by a decline in *Derivatives* revenue. The increase in *Other* revenue was primarily due to recognizing lower net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q2/16 compared with Q1/16.

- *Operating expenses before strategic re-alignment expenses* for Q2/16 were essentially unchanged compared with Q1/16. Higher employee performance incentive plan costs and increased *selling, general and administration costs,* including higher marketing costs, essentially offset lower *compensation and benefits* costs related to reduced payroll taxes and a higher capitalization of labour costs in Q2/16 compared with Q1/16.

- *Income from operations before strategic re-alignment expenses* and *Income from operations* increased from Q1/16 to Q2/16 reflecting the higher revenue.

- *Net income attributable to TMX Group shareholders* for Q2/16 was $58.3 million, or $1.07 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 reflecting the higher revenue. *Operating expenses before strategic re-alignment expenses* were essentially unchanged from Q1/16 to Q2/16.

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.

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[37] See discussion under the heading Additional IFRS Financial Measures.

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

- *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*[39] increased from Q4/15 to Q1/16 reflecting the lower *operating expenses before strategic re-alignment expenses.*

- *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 C*apital 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.

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.

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[39] See discussion under the heading Additional IFRS Financial Measures.

- 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 effective date of the amendments has been delayed indefinitely; however early application is 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.

- Classification and measurement of share-based payment transactions (Amendments to IFRS 2, *Share-based Payments*) - The amendments clarify the accounting for the effects of vesting conditions on cash-settled share-based payment transactions, the classification of share-based payment transactions with net settlement features for withholding tax obligations and the accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier 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. Also in April 2016, amendments were issued to clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or agent and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendments also include two additional reliefs to reduce cost and complexity when the standard is first applied. 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.

- 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 standards 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 April 1, 2016 and ended on June 30, 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.