

TMX Group Limited

Q3/16 MANAGEMENT'S DISCUSSION AND ANALYSIS

November 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 (Q3/16) and nine months ended September 30, 2016, compared with the quarter (Q3/15) and nine months ended September 30, 2015 and as at December 31, 2015. This MD&A should be read together with our Q3/16 unaudited condensed consolidated interim financial statements as at and for the quarter and nine months ended September 30, 2016 (financial statements) and the 2015 Annual MD&A.

Our financial statements and this MD&A for the quarter ended September 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 indices¹. 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. We have launched a number of products so far including a secure transaction cost analysis (TCA) offering as well as an online tool to analyze the Financial Industry Regulatory Authority (FINRA) tick pilot.

Our TMX Webstore is currently live and we are in the process of transitioning our market data clients to the new platform. The TMX Webstore is an e-commerce platform for the sale of TMX proprietary and third party content (www.tmxwebstore.com). In addition, the launch of new applications is underway, including a mobile app that provides users the ability to track dividend payments from companies listed on the Toronto Stock Exchange and correlate this data with their portfolio data on TMX Money (www.tmxmoney.com/dividends).

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.

Capital Formation

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

- Reduce our clients' administrative and compliance costs, in a meaningful way, without compromising investor confidence.
- Expand the base of investors financing companies and generally enhance liquidity.
- Diversify and grow the stock list to increase the attractiveness of the marketplace.

In October 2016, we announced the members of the Advancing Innovation Roundtable, which include prominent senior executives from the investment and capital formation communities in Canada. Originally announced in August 2016, the Roundtable's mission is to deliver actionable recommendations on how to increase access to scale up capital for Canadian innovation economy companies as they grow beyond the seed and start-up stages.

In October 2016, we also announced an agreement with Ipreo, a leading global provider of financial services technology, data and analytics. We teamed up with Ipreo to offer Toronto Stock Exchange (TSX) and TSXV issuers the in-depth analysis and dynamic functionality they need to build and execute their IR strategies, including Ipreo's global investor identification and targeting, IR workflow tools and buy-side perception studies.

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 were levied prior to November 1, 2016.

Organizational Transformation including Business Integration Initiative²

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 us more nimble and adaptive. The initial area of focus is on the integration of the operations and management of our cash and derivatives clearing businesses, The Canadian Depository for Securities Limited (CDS) and the Canadian Derivatives Clearing Corporation (CDCC). 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 operations, systems and business development. This significant integration initiative is subject to regulatory approval. As we move forward, we expect to realize incremental cost savings, and will update the market as future plans become formalized.

In September 2016, we provided a detailed update on the progress made in streamlining our organization:

- In 2015 and through June 30, 2016, we incurred strategic re-alignment costs of approximately \$26.0 million. In each of the first two quarters of 2016, we reduced operating expenses before strategic re-alignment expenses by approximately \$5.0 million per quarter compared with the same quarters last year.
- In Q3/16, we eliminated additional positions to realize meaningful synergies. We are targeting further cost reductions before strategic re-alignment expenses related largely to compensation and benefits of \$8.0 to \$10.0 million per year on a run rate basis to be realized by the end of 2016 and \$3.0-\$5.0 million per year in additional savings on a run rate basis to be realized by the end of 2017, net of the costs associated with new employees that may be hired as we invest in our strategic pillars. Approximately 95 full-time positions and about 20 consultants and contractors will be impacted. We expect the majority of these headcount reductions will be completed by the end of Q1/17.

In Q3/16, operating expenses before strategic re-alignment expenses declined by approximately \$5.0 million compared with Q3/15 and by approximately \$15.0 million for the nine months ended September 30, 2016 compared with the same period last year. In Q3/16 we recorded \$16.5 million of severance and related strategic re-alignment costs related to this initiative, which is consistent with our estimate for these costs of \$15.0 - \$17.0 million.

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, Montréal Exchange (MX) and Shorcan, as well as the resulting integration initiatives.

² The "Organizational Transformation including 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.

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 amendments came into force on July 6, 2016, except for the market share threshold which came 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 22% in the first nine months of 2016 compared with the same period last year³ driven, in part, by market volatility. The average CBOE Volatility Index (VIX) was 16.4 during the first nine months of 2016, in line with the same period for 2015. Derivative trading in Canada was positively impacted by the increase in volatility and MX experienced a 19% increase in volumes during the first nine months of 2016 compared with the same period last year.

³ Source: IIROC (excluding intentional crosses)

Market conditions globally, and within North America, were generally not conducive to initial public offerings (IPOs) during the first nine months of 2016. According to the World Federation of Exchanges there was a 27% decrease in IPOs for the first nine months of 2016 compared with the same period in 2015.⁴ In Canada, we performed better than the global average with an 18% decline in IPOs on TSX. Canadian equities indices and the market capitalization of listed issuers increased during the first nine months of 2016. In addition, there was a 9% increase in the number of additional listing fee transactions billed on TSX in the first nine months of 2016 over the same period last year. On TSXV, there was a 28% increase in the total number of financings and an 18% increase in the total amount of financing dollars raised in the nine months ended September 30, 2016 compared with the same period last year.

On October 19, 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 global economy is expected to regain momentum in the second half of this year and through 2017 and 2018. The Bank expects Canada's real GDP to grow by 1.1% in 2016 and about 2% in both 2017 and 2018. This projection implies that the economy returns to full capacity around mid-2018, materially later than the Bank had anticipated in July of this year.

Energy volumes at NGX in the first nine months of 2016 were 10% 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 the first nine months of 2016 increased substantially over the same time last year 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 nine months ended September 30, 2016 and September 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 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.

⁴ Based on data from the World Federation of Exchanges (WFE) there were 1,128 IPOs in in the first nine months of 2015 and 818 IPOs in the first nine months of 2016

⁵ Source: Bank of Canada press release, October 19, 2016

BOX (BOX Holdings)

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 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. If a subscriber fails to meet its minimum volume targets, its VPRs are available for reallocation to those subscribers that exceed their minimum volume targets, if any. Those VPRs may vest earlier. In September 2015, the VPR program was granted regulatory approval by the Securities Exchange Commission (SEC). Pursuant to the terms of the VPR program, subscribers became entitled to immediate economic participation in BOX for VPRs held.

As of July 1, 2016, we determined that we did not hold majority voting power on the board of directors as Class C units in certain vested VPRs became entitled to vote at board meetings. As of this date, we no longer consolidated BOX as we ceased to hold the majority of voting power on the board of directors and exercise control. As a result our financial results from July 1, 2016 forward do not include the results of BOX other than our share of BOX's net income (loss), which is reflected in Share of net income (loss) from equity accounted investees. For periods prior to July 1, 2016 our financial results include the results from BOX on a consolidated basis.

Effective July 1, 2016, Derivatives revenue also includes revenue from licensing SOLA technology and providing other services to BOX. This revenue was previously eliminated when BOX's operating results were consolidated in our financial statements.

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

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

(in millions of dollars, except per share amounts)	Q3/16	Q3/15	\$ increase/ (decrease)	% increase/ (decrease)
Revenue	\$180.3	\$175.9	\$4.4	3%
Operating expenses before strategic re-alignment expenses	104.3	109.6	(5.3)	(5)%
Income from operations before strategic re-alignment expenses ⁶	76.0	66.3	9.7	15%
Strategic re-alignment expenses	17.7	4.4	13.3	302%
Income from operations	58.3	61.9	(3.6)	(6)%
Net income attributable to TMX Group shareholders	39.2	36.5	2.7	7%
Earnings per share ⁷				
Basic	0.72	0.67	0.05	7%
Diluted	0.72	0.67	0.05	7%
Adjusted Earnings per share ⁸				
Basic	1.08	0.85	0.23	27%
Diluted	1.08	0.85	0.23	27%
Cash flows from operating activities	82.9	65.1	17.8	27%

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in Q3/16 was \$39.2 million, or 72 cents per common share on a basic and diluted basis, compared with net income of \$36.5 million, or 67 cents per common share on a basic and diluted basis, for Q3/15. The increase in net income in Q3/16 over Q3/15 reflected higher revenue and lower operating expenses before strategic re-alignment expenses, offset by the impact from higher strategic re-alignment expenses. During Q3/16, we recorded non-cash income tax adjustments of approximately \$2.0 million (net) largely related to the de-consolidation of results from BOX, which reduced income tax expense. In addition, we incurred lower net finance costs in Q3/16 compared with Q3/15.

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 Share⁹ Reconciliation for Q3/16 and Q3/15

The following is a reconciliation of earnings per share¹⁰ to adjusted earnings per share¹¹:

	Q3/16		Q3/15	
(unaudited)	Basic	Diluted	Basic	Diluted
Earnings per share ¹²	\$0.72	\$0.72	\$0.67	\$0.67
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.12	0.12	0.12	0.12
Strategic re-alignment expenses	0.24	0.24	0.06	0.06
Adjusted earnings per share ¹³	\$1.08	\$1.08	\$0.85	\$0.85
Weighted average number of common shares outstanding	54,683,749	54,709,719	54,339,450	54,354,915

Adjusted earnings per share¹⁴ increased by 27% from 85 cents in 2015 to \$1.08 in 2016. The increase in adjusted earnings per share¹⁵ in Q3/16 over Q3/15 reflected higher revenue and lower operating expenses, before strategic re-alignment expenses, excluding amortization of intangibles related to acquisitions. During Q3/16, we recorded non-cash income tax adjustments of approximately \$2.0 million (net) largely related to the de-consolidation of results from BOX, which reduced income tax expense. In addition, we incurred lower net finance costs in Q3/16 compared with Q3/15.

Revenue

(in millions of dollars)	Q3/16	Q3/15	\$ increase/ (decrease)	% increase/ (decrease)
Market Insights	\$52.1	\$50.3	\$1.8	4%
Capital Formation	45.9	44.7	1.2	3%
Derivatives	27.2	27.5	(0.3)	(1)%
Efficient Markets and Market Solutions	55.0	50.8	4.2	8%
Other	0.1	2.6	(2.5)	(96)%
	\$180.3	\$175.9	\$4.4	3%

Revenue was \$180.3 million in Q3/16, up \$4.4 million or 3% compared with \$175.9 million in Q3/15. There were increases in *Efficient Markets*, largely driven by equity and energy trading, *Market Insights* and *Capital Formation* revenue, which

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*.

were somewhat offset by a reduction in *Derivatives* revenue of \$3.7 million due to the de-consolidation of revenue from BOX effective July 1, 2016.

Market Insights

(in millions of dollars)	Q3/16	Q3/15	\$ increase	% increase
	\$52.1	\$50.3	\$1.8	4%

- The increase in *Market Insights* revenue reflected higher revenue recoveries related to under-reported usage of real-time quotes in prior periods. Partially offsetting this increase in *Market Insights* revenue, there was a decline of \$0.4 million in revenue from Razor Risk in Q3/16 compared with Q3/15.
- In addition, the average number of professional market data subscriptions for TSX and TSXV products decreased by 5% from Q3/15 to Q3/16 (104,763 professional market data subscriptions in Q3/16 compared with 110,500 in Q3/15).
- The average number of MX professional market data subscriptions was down 3% from Q3/15 to Q3/16 (18,370 MX professional market data subscriptions in Q3/16 compared with 18,861 in Q3/15).

Capital Formation

(in millions of dollars)	Q3/16	Q3/15	\$ increase/ (decrease)	% increase/ (decrease)
Initial listing fees	\$2.0	\$3.4	\$(1.4)	(41)%
Additional listing fees	23.2	18.1	5.1	28%
Sustaining listing fees	16.4	17.8	(1.4)	(8)%
Other issuer services	4.3	5.5	(1.2)	(22)%
	\$45.9	\$44.7	\$1.2	3%

- *Initial listing fees* on TSX and TSXV for Q3/16 were lower than in Q3/15 reflecting a decrease in the amount of IPO financing dollars raised.
- *Additional listing fees* in Q3/16 increased from Q3/15 reflecting a 3% 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 total number of financings and the total amount of financing dollars raised in Q3/16 compared with Q3/15. The increase in *additional 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 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 Q3/16 was lower compared to Q3/15 reflecting lower revenue from TSX Trust (formerly TMX Equity Transfer Services Inc.).

Derivatives

(in millions of dollars)	Q3/16	Q3/15	\$ decrease	% decrease
	\$27.2	\$27.5	\$(0.3)	(1)%

- The decrease in revenue reflects the exclusion of revenue from BOX effective July 1, 2016 when we ceased to consolidate BOX's results from operations. Partially offsetting this decrease, also effective July 1, 2016, *Derivatives* revenue includes revenue from licensing SOLA technology and providing other services to BOX. This revenue was previously eliminated when BOX's operating results were consolidated in our financial statements. The net reduction in *Derivatives* revenue related to BOX from Q3/15 to Q3/16 was \$3.7 million.
- The decrease in *Derivatives* revenue was somewhat offset by higher revenue from MX due to increased volumes and higher average revenue per contract. Volumes increased by 2% on MX (20.3 million contracts traded in Q3/16 versus 20.0 million contracts traded in Q3/15).

Efficient Markets and Market Solutions

(in millions of dollars)	Q3/16	Q3/15	\$ increase	% increase
Equity and fixed income trading	\$23.7	\$20.9	\$2.8	13%
Equity and fixed Income - clearing, settlement, depository and other services (CDS)	17.4	17.0	0.4	2%
Energy trading and clearing	13.8	12.9	0.9	7%
	\$55.0	\$50.8	\$4.2	8%

- There was an increase in both *equity and fixed income trading* revenue in Q3/16 compared with Q3/15. The overall volume of securities traded on our equities marketplaces increased by 17% (35.1 billion securities in Q3/16 versus 30.1 billion securities in Q3/15). Volumes on TSX increased by 8% in Q3/16 compared with Q3/15 and volumes on TSXV increased by 69% 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 11% on Alpha from Q3/15 to Q3/16. Excluding intentional crosses, our combined domestic equities trading market share was 69% in Q3/16, down from 74% in Q3/15¹⁶. The decline in market share is attributable to the shutdown of TMX Select and the re-launch of Alpha as an unprotected marketplace in Q3/15. The higher fixed income trading revenue reflected increased activity in swaps and Government of Canada Bonds.
- CDS revenue increased by 2% from Q3/15 to Q3/16 reflecting an increase in exchange trades and other revenue, somewhat offset by the impact from higher rebates.
- The increase in *energy trading and clearing* revenue reflected higher revenue from Natural Gas Exchange (NGX) attributable to higher volumes offset by lower revenue from Shorcan Energy Brokers Inc. (Shorcan Energy Brokers). Total energy volumes were 14% higher compared to Q3/15 at NGX (3.0 million terajoules in Q3/16 compared with 2.6 million terajoules in Q3/15). Natural gas volumes increased from Q3/15 compared to Q3/16 as market participants took advantage of volatile prices and moved to term activity. Power volumes in Q3/16 increased over Q3/15 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. Partially offsetting the positive impact from increased total energy volumes for NGX, there was

¹⁶ source: IIROC

an increase in deferred revenue from Q3/15 to Q3/16 reflecting market conditions that drove participants' behavior towards longer-term contracts.

Other

(in millions of dollars)	Q3/16	Q3/15	\$ (decrease)	% (decrease)
	\$0.1	\$2.6	\$(2.5)	(96)%

- The decrease in *Other* revenue was largely due to the impact from recognizing lower net foreign exchange gains on U.S. dollar and other non-Canadian denominated net monetary assets in Q3/16 compared with Q3/15.

Operating expenses before strategic re-alignment expenses

(in millions of dollars)	Q3/16	Q3/15	\$ increase/ (decrease)	% increase/ (decrease)
Compensation and benefits	\$51.2	\$52.4	\$(1.2)	(2)%
Information and trading systems	19.4	18.8	0.6	3%
Selling, general and administration	19.0	20.9	(1.9)	(9)%
Depreciation and amortization	14.7	17.5	(2.8)	(16)%
	\$104.3	\$109.6	\$(5.3)	(5)%

Operating expenses before strategic re-alignment expenses in Q3/16 were \$104.3 million, down \$5.3 million or 5%, from \$109.6 million in Q3/15. Effective July 1, 2016, we excluded operating expenses related to BOX when we ceased to consolidate BOX's results from operations. There were also reduced costs related to overall lower headcount following our strategic re-alignment initiative, Razor Risk, infrastructure and projects, *Selling, general and administration* and *Depreciation and amortization*. The decreases in costs were partially offset by the write-off of \$2.8 million in costs related to discontinued products, higher employee performance incentive plan costs and a lower capitalization of labour costs.

Compensation and benefits

(in millions of dollars)	Q3/16	Q3/15	\$ (decrease)	% (decrease)
	\$51.2	\$52.4	\$(1.2)	(2)%

- Compensation and benefits* costs decreased in Q3/16 reflecting lower overall headcount compared with Q3/15, reduced costs related to Razor Risk and the exclusion of BOX costs effective July 1, 2016 when we ceased to consolidate BOX's results from operations.
- These decreases were partially offset by higher employee performance incentive plan costs in Q3/16 compared with Q3/15 and a lower capitalization of labour costs.
- There were 1,113 TMX Group employees at September 30, 2016 versus 1,242 employees at September 30, 2015.

Information and trading systems

(in millions of dollars)	Q3/16	Q3/15	\$ increase	% increase
	\$19.4	\$18.8	\$0.6	3%

- *Information and trading systems* expenses increased in Q3/16 compared with Q3/15 partially due to the write-off of \$2.8 million in costs related to discontinued products. The increase was largely offset by lower infrastructure and project costs as well as the exclusion of BOX costs effective July 1, 2016 when we ceased to consolidate BOX's results from operations.

Selling, general and administration

(in millions of dollars)	Q3/16	Q3/15	\$ (decrease)	% (decrease)
	\$19.0	\$20.9	\$(1.9)	(9)%

- *Selling, general and administration* expenses decreased in Q3/16 compared with Q3/15 primarily due to lower commodity tax expense as well as reduced occupancy, bad debt and marketing costs somewhat offset by higher external fees.

Depreciation and amortization

(in millions of dollars)	Q3/16	Q3/15	\$ (decrease)	% (decrease)
	\$14.7	\$17.5	\$(2.8)	(16)%

- Lower *Depreciation and amortization* costs reflect a reduction in amortization related to BOX effective July 1, 2016 when we ceased to consolidate BOX's results from operations and to intangible assets that were fully amortized.
- The *Depreciation and amortization* costs of \$14.7 million included \$8.5 million related to amortization of intangibles related to acquisitions (12 cents per basic and diluted share).

Strategic re-alignment expenses

	Q3/16		Q3/15	
(in millions of dollars, except per share amounts) (unaudited)	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ¹⁷	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ¹⁸
Severance and related costs	\$16.5	\$0.22	\$3.3	\$0.04
Professional and consulting fees and other charges	1.2	0.02	1.1	0.02
Strategic re-alignment expenses	\$17.7	\$0.24	\$4.4	\$0.06

The increase in strategic re-alignment expenses from Q3/15 to Q3/16 reflected significantly higher severance costs related to the initiative we announced in September 2016 (See **UPDATE ON INITIATIVES AND REGULATORY CHANGES - Organizational Transformation including Business Integration Initiative**).

¹⁷ Earnings per share information is based on net income attributable to TMX Group shareholders.

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

Net finance costs

(in millions of dollars)	Q3/16	Q3/15	\$ (decrease)	% (decrease)
	\$8.0	\$9.7	\$(1.7)	(18)%

- The decrease in net finance costs from Q3/15 to Q3/16 is primarily attributable to lower foreign exchange losses on U.S. dollar denominated Commercial Paper loans in Q3/16 compared to Q3/15 and lower losses related to the mark-to-market of interest rate swaps in Q3/16 compared to Q3/15 (see **Interest Rate Swaps** in **LIQUIDITY AND CAPITAL RESOURCES**).

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Q3/16	Q3/15	Q3/16	Q3/15
\$11.6	\$16.1	23%	30%

- In Q3/16, we recorded non-cash income tax adjustments of approximately \$2.0 million (net) largely related to the de-consolidation of results from BOX, which reduced income tax expense. Excluding these items the effective tax rate would have been approximately 27% for Q3/16.
- In Q3/15, we recognized a non-cash \$1.6 million income tax adjustment related to BOX, which increased income tax expense. Excluding this item the effective tax rate would have been approximately 27% for Q3/15.

Net loss attributable to non-controlling interests

(in millions of dollars)	Q3/16	Q3/15	\$ increase
	\$—	\$(0.3)	\$0.3

- As of July 1, 2016, we no longer consolidated BOX Holdings as we ceased to hold the majority of voting power on the board of directors and exercise control. As a result our financial results from July 1, 2016 forward do not include the results of BOX and our share of BOX's net income (loss), is reflected in **Share of net income (loss) from equity accounted investees** in our financial statements. For periods prior to July 1, 2016 our financial results include the results from BOX on a consolidated basis and we reported the net income (loss) attributable to non-controlling interests.

Nine Months Ended September 30, 2016 Compared with Nine Months Ended September 30, 2015

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

(in millions of dollars, except per share amounts)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase/ (decrease)	% increase/ (decrease)
Revenue	\$552.6	\$539.9	\$12.7	2%
Operating expenses before strategic re-alignment expenses	317.9	333.0	(15.1)	(5)%
Income from operations before strategic re-alignment expenses ¹⁹	234.7	206.9	27.8	13%
Strategic re-alignment expenses	21.0	14.5	6.5	45%
Income from operations	213.7	192.4	21.3	11%
Net income attributable to TMX Group shareholders	143.8	106.7	37.1	35%
Earnings per share ²⁰				
Basic	2.64	1.96	0.68	35%
Diluted	2.64	1.96	0.68	35%
Adjusted Earnings per share ²¹				
Basic	3.30	2.77	0.53	19%
Diluted	3.30	2.77	0.53	19%
Cash flows from operating activities	236.7	201.7	35.0	17%

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in the nine months ended September 30, 2016 was \$143.8 million, or \$2.64 per common share on a basic basis and diluted basis, compared with net income of \$106.7 million, or \$1.96 per common share on a basic and diluted basis, for the nine months ended September 30, 2015. The increase in net income reflected higher revenue and lower operating expenses before strategic re-alignment expenses, partially offset by the impact from higher strategic re-alignment expenses. During the nine months ended September 30, 2016, we recorded non-cash income tax adjustments of approximately \$2.0 million (net) largely related to the de-consolidation of results from BOX, which reduced income tax expense. In addition, we incurred lower net finance costs during the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015.

During the nine months ended September 30, 2015, 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 the nine months ended September 30, 2015, 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.

¹⁹ See discussion under the heading Additional IFRS Financial Measures.

²⁰ Earnings per share information is based on net income attributable to TMX Group shareholders.

²¹ See discussion under the heading Non-IFRS Financial Measures.

Adjusted Earnings per Share²² Reconciliation for the Nine Months ended September 30, 2016 and Nine Months ended September 30, 2015

The following is a reconciliation of earnings per share²³ to adjusted earnings per share²⁴:

(unaudited)	Nine Months ended September 30, 2016		Nine Months ended September 30, 2015	
	Basic	Diluted	Basic	Diluted
Earnings per share ²⁵	\$2.64	\$2.64	\$1.96	\$1.96
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.38	0.38	0.39	0.39
Strategic re-alignment expenses	0.28	0.28	0.19	0.19
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 ²⁶	\$3.30	\$3.30	\$2.77	\$2.77
Weighted average number of common shares outstanding	54,498,450	54,575,795	54,332,187	54,378,077

Adjusted earnings per share²⁷ increased by 19% from \$2.77 in 2015 to \$3.30 in 2016. The increase in adjusted earnings per share²⁸ reflected higher revenue and lower operating expenses, before strategic re-alignment expenses, excluding amortization of intangibles related to acquisitions. During the nine months ended September 30, 2016, we recorded non-cash income tax adjustments of approximately \$2.0 million (net) largely related to the de-consolidation of results from BOX, which reduced income tax expense. In addition, we incurred lower net finance costs during the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015.

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

²³ Earnings per share information is based on net income attributable to TMX Group shareholders.

²⁴ See discussion under the heading Non-IFRS Financial Measures.

²⁵ Earnings per share information is based on net income attributable to TMX Group shareholders.

²⁶ See discussion under the heading Non-IFRS Financial Measures.

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

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

Revenue

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase/ (decrease)	% increase/ (decrease)
Market Insights	\$155.7	\$152.5	\$3.2	2%
Capital Formation	136.3	141.0	(4.7)	(3)%
Derivatives	89.1	78.7	10.4	13%
Efficient Markets and Market Solutions	172.3	158.8	13.5	9%
Other	(0.8)	8.9	(9.7)	(109)%
	\$552.6	\$539.9	\$12.7	2%

Revenue was \$552.6 million in the nine months ended September 30, 2016, up \$12.7 million or 2% compared with \$539.9 million in the nine months ended September 30, 2015. There were increases in *Efficient Markets*, largely driven by equity and energy trading, *Derivatives* and *Market Insights* revenue, which were somewhat offset by a reduction in *Capital Formation* and *Other* revenue. 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 the nine months ended September 30, 2016 compared with net foreign exchange gains in the nine months ended September 30, 2015. The net unfavourable impact from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 was approximately \$8 million. Partially offsetting this, there was a favourable impact of approximately \$5 million from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in the nine months ended September 30, 2016 versus the nine months ended September 30, 2015. The net unfavourable impact of these two foreign exchange items was approximately \$3 million.

Market Insights

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase	% increase
	\$155.7	\$152.5	\$3.2	2%

- The increase in *Market Insights* revenue reflected an increase in revenue from TMX Atrium Wireless 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 the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015.
- Offsetting the increases in *Market Insights* revenue, there was a decline of \$6.0 million in revenue from Razor Risk in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015.
- In addition, the average number of professional market data subscriptions for TSX and TSXV products decreased by 6% from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 (106,263 professional market data subscriptions in the nine months ended September 30, 2016 compared with 113,019 in the nine months ended September 30, 2015).
- The average number of MX professional market data subscriptions decreased by 1% from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 (18,836 MX professional market data subscriptions in the nine months ended September 30, 2016 compared with 19,064 in the nine months ended September 30, 2015).

Capital Formation

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase/ (decrease)	% increase/ (decrease)
Initial listing fees	\$5.4	\$8.1	\$(2.7)	(33)%
Additional listing fees	68.4	60.7	7.7	13%
Sustaining listing fees	49.0	52.5	(3.5)	(7)%
Other issuer services	13.5	19.7	(6.2)	(31)%
	\$136.3	\$141.0	\$(4.7)	(3)%

- *Initial listing fees* on TSX and TSXV for the nine months ended September 30, 2016 were lower than in the nine months ended September 30, 2015 reflecting a decrease in the amount of IPO financing dollars raised.
- *Additional listing fees* in the nine months ended September 30, 2016 increased from the nine months ended September 30, 2015 reflecting a 9% 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 total number of financings and the total amount of financing dollars raised in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015. The increase in *additional 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 the nine months ended September 30, 2016 was lower compared to the nine months ended September 30, 2015 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)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase	% increase
	\$89.1	\$78.7	\$10.4	13%

- 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 19% on MX (67.1 million contracts traded in the nine months ended September 30, 2016 versus 56.5 million contracts traded in the nine months ended September 30, 2015).
- The increase in revenue was partially offset by the impact from excluding revenue from BOX effective July 1, 2016 when we ceased to consolidate BOX's results from operations. Partially offsetting this decrease, also effective July 1, 2016, *Derivatives* revenue includes revenue from licensing SOLA technology and providing other services to BOX. This revenue was previously eliminated when BOX's operating results were consolidated in our financial statements. The net reduction in *Derivatives* revenue related to BOX from Q3/15 to Q3/16 was \$3.7 million.

Efficient Markets and Market Solutions

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase	% increase
Equity and fixed income trading	\$75.8	\$66.5	\$9.3	14%
Equity and fixed Income - clearing, settlement, depository and other services (CDS)	53.0	52.3	0.7	1%
Energy trading and clearing	43.4	40.1	3.3	8%
	\$172.2	\$158.9	\$13.3	8%

- There was an increase in both *equity and fixed income trading* revenue in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015. The overall volume of securities traded on our equities marketplaces increased by 11% (112.6 billion securities in the nine months ended September 30, 2016 versus 101.1 billion securities in the nine months ended September 30, 2015). Volumes on TSX increased by 20% in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015 and volumes on TSXV increased by 23% 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 29% on Alpha from the nine months ended September 30, 2015 to the nine months ended September 30, 2016. Excluding intentional crosses, our combined domestic equities trading market share was 70% in the nine months ended September 30, 2016, down from 75% in the nine months ended September 30, 2015²⁹. 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 the nine months ended September 30, 2015 to the nine months ended September 30, 2016 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 NGX attributable to higher volumes and increased revenue from Shorcan Energy Brokers. Total energy volumes were 10% higher compared to the nine months ended September 30, 2015 at NGX (10.0 million terajoules in the nine months ended September 30, 2016 compared with 9.1 million terajoules in the nine months ended September 30, 2015). Natural gas volumes increased as market participants took advantage of volatile prices and moved to term activity. Power volumes increased 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. Partially offsetting the positive impact from increased total energy volumes for NGX, there was a significant increase in deferred revenue from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 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 the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015 on the revenues of NGX and Shorcan Energy Brokers.

²⁹ source: IIROC

Other

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ (decrease)	% (decrease)
	\$(0.8)	\$8.9	\$(9.7)	(109)%

- 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 the nine months ended September 30, 2016 compared with net foreign exchange gains in the nine months ended September 30, 2015. The net unfavourable impact from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 was approximately \$8 million.

Operating expenses before strategic re-alignment expenses

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase/ (decrease)	% increase/ (decrease)
Compensation and benefits	\$153.5	\$163.2	\$(9.7)	(6)%
Information and trading systems	56.0	55.1	0.9	2%
Selling, general and administration	62.6	62.3	0.3	0%
Depreciation and amortization	45.8	52.4	(6.6)	(13)%
	\$317.9	\$333.0	\$(15.1)	(5)%

Operating expenses before strategic re-alignment expenses in the nine months ended September 30, 2016 were \$317.9 million, down \$15.1 million or 5%, from \$333.0 million in the nine months ended September 30, 2015. Effective July 1, 2016, we excluded operating expenses related to BOX when we ceased to consolidate BOX's results from operations. There were reduced costs related to overall lower headcount following our strategic re-alignment initiative, Razor Risk, infrastructure and projects and *Depreciation and amortization*. The decreases in costs were partially offset by the write-off of \$2.8 million in costs related to discontinued products, higher employee performance incentive plan costs and a lower capitalization of labour costs. There was also an unfavourable impact from a weaker Canadian dollar relative to other currencies, including the U.S. dollar, in the nine months ended September 30, 2016 versus the same period in 2015. The impact was approximately \$2 million.

Compensation and benefits

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ (decrease)	% (decrease)
	\$153.5	\$163.2	\$(9.7)	(6)%

- Compensation and benefits* costs decreased in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015 reflecting lower overall headcount costs, reduced costs related to Razor Risk, a reduction in Equicom costs (sold in July 2015) and the exclusion of BOX costs effective July 1, 2016 when we ceased to consolidate BOX's results from operations.
- These decreases were partially offset by higher employee performance incentive plan costs and a lower capitalization of labour costs in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015.

- There were 1,113 TMX Group employees at September 30, 2016 versus 1,242 employees at September 30, 2015.

Information and trading systems

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase	% increase
	\$56.0	\$55.1	\$0.9	2%

- *Information and trading systems* expenses increased slightly in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015. There were higher costs related to *Market Insights* products as well as to NGX and the write-off of \$2.8 million in costs related to discontinued products. The increase was largely offset by lower infrastructure and project costs as well as the exclusion of BOX costs effective July 1, 2016 when we ceased to consolidate BOX's results from operations.

Selling, general and administration

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase	% increase
	\$62.6	\$62.3	\$0.3	0%

- *Selling, general and administration* expenses increased slightly in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015 reflecting higher marketing costs and external fees. In addition, during the first six months ended June 30, 2015, there was a non-recurring reduction in costs related to BOX.
- There were several items that offset these increases in costs. Expenses related to BOX were excluded effective July 1, 2016 when we ceased to consolidate BOX's results from operations. In addition, there was a decrease in Equicom costs (sold July 2015) and lower bad debt expense.

Depreciation and amortization

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ (decrease)	% (decrease)
	\$45.8	\$52.4	\$(6.6)	(13)%

- Lower *Depreciation and amortization* costs reflected a reduction in amortization related to BOX effective July 1, 2016 when we ceased to consolidate BOX's results from operations and to intangible assets that were fully amortized.
- The *Depreciation and amortization* costs of \$45.8 million included \$26.3 million (\$25.8 million, net of non-controlling interests, NCI for the six months ended June 30, 2016) related to amortization of intangibles related to acquisitions (38 cents per basic and diluted share).

Strategic re-alignment expenses

	Nine Months ended September 30, 2016		Nine Months ended September 30, 2015	
(in millions of dollars, except per share amounts) (unaudited)	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ³⁰	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ³¹
Severance and related costs	\$18.3	\$0.25	\$10.3	\$0.13
Professional and consulting fees and other charges	2.7	0.04	4.2	0.06
Strategic re-alignment expenses	\$21.0	\$0.29	\$14.5	\$0.19

The increase in strategic re-alignment expenses from the nine months ended September 30, 2015 to the nine months ended September 30, 2016 reflected significantly higher severance costs and an increase in amounts paid to consultants. Higher severance costs relate to the initiative we announced in September 2016 (See **UPDATE ON INITIATIVES AND REGULATORY CHANGES - Organizational Transformation including Business Integration Initiative**).

Impairment charges

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ (decrease)	% (decrease)
	\$—	\$5.9	\$(5.9)	(100)%

- In accounting for the Maple Transaction³², 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)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ (decrease)	% (decrease)
	\$24.2	\$28.1	\$(3.9)	(14)%

- The decrease in net finance costs is largely attributable to net foreign exchange gains on U.S dollar Commercial Paper loans in the nine months ended September 30, 2016 compared with net foreign exchange losses on this debt in the nine months ended September 30, 2015.

³⁰ Earnings per share information is based on net income attributable to TMX Group shareholders.

³¹ Earnings per share information is based on net income attributable to TMX Group shareholders.

³² 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).

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015
\$49.3	\$54.0	26%	34%

- In Q3/16, we recorded non-cash income tax adjustments of approximately \$2.0 million (net) largely related to the de-consolidation of results from BOX, which reduced income tax expense. Excluding these items, the effective tax rate would have been approximately 27% for the nine months ended September 30, 2016.
- In Q3/15, we recognized a non-cash income tax adjustment of \$1.6 million related to BOX, which increased income tax expense. 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 non-cash \$1.6 million income tax adjustment related to BOX, 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 the nine months ended September 30, 2015.

Net loss attributable to non-controlling interests

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase
	\$0.7	\$0.3	\$0.4

- As of July 1, 2016, we no longer consolidated BOX as we ceased to hold the majority of voting power on the board of directors and exercise control. As a result our financial results from July 1, 2016 forward do not include the results of BOX, and our share of BOX's net income (loss), is reflected in **Share of net income from equity accounted investees** in our financial statements.
- For periods prior to July 1, 2016 our financial results include the results from BOX on a consolidated basis and we reported the net income (loss) attributable to non-controlling interests. There was a higher *net loss attributable to non-controlling interests* in the six months ended June 30, 2016 compared with the nine months ended September 30, 2015 reflecting a non-recurring reduction in costs in Q1/15.

Total equity attributable to shareholders of TMX Group

(in millions of dollars)	As at September 30, 2016	As at December 31, 2015	\$ increase
Total equity attributable to shareholders of TMX Group	\$2,885.2	\$2,788.0	\$97.2

- At September 30, 2016, there were 54,887,234 common shares issued and outstanding and 1,920,214 options outstanding under the share option plan.
- At November 2, 2016, there were 54,924,725 common shares issued and outstanding and 1,841,314 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 \$143.8 million less dividend payments to shareholders of TMX Group of \$65.5 million.

Segments³³

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

Q3/16

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	\$52.1	\$45.9	\$27.2	\$55.0	\$0.1	\$180.3
Inter-segment revenue	0.5	0.0	0.0	0.6	(1.1)	0.0
Total revenue	52.6	45.9	27.2	55.6	(1.0)	180.3
Income (loss) from operations before strategic re-alignment expenses ³⁴	28.3	29.2	11.1	19.9	(12.5)	76.0

Q3/15

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	\$50.3	\$44.7	\$27.5	\$50.8	\$2.6	\$175.9
Inter-segment revenue	0.3	0.0	0.0	0.6	(0.9)	0.0
Total revenue	50.6	44.7	27.5	51.4	1.7	175.9
Income (loss) from operations before strategic re-alignment expenses ³⁵	21.3	25.5	9.7	15.1	(5.3)	66.3

Income (loss) from operations before strategic re-alignment expenses³⁶

Income from operations before strategic re-alignment expenses from Market Insights increased reflecting lower expenses, including those related to Razor Risk, and higher revenue recoveries related to under-reported usage of real-time quotes in prior periods.

Income from operations before strategic re-alignment expenses from Capital Formation increased mainly due to lower costs as well as higher revenue from *additional listing fees*.

Income from operations before strategic re-alignment expenses from Derivatives increased reflecting the exclusion of BOX revenue and expenses effective July 1, 2016 when we ceased to consolidate BOX's results from operations. Partially offsetting a decrease in revenue from de-consolidating BOX, also effective July 1, 2016, *Derivatives* revenue includes revenue from licensing SOLA technology and providing other services to BOX. This revenue and associated expense were previously eliminated when BOX's operating results were consolidated in our financial statements. The net reduction in *Derivatives* revenue related to BOX from Q3/15 to Q3/16 was \$3.7 million. The decrease in *Derivatives* revenue was also somewhat offset by higher revenue from MX due to higher average revenue per contract and higher volumes.

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. There were also lower operating expenses before strategic re-alignment expenses.

³³ *Market Solutions* operating segment has been aggregated with *Efficient Markets*.

³⁴ See discussion under the heading Additional IFRS Financial Measures.

³⁵ See discussion under the heading Additional IFRS Financial Measures.

³⁶ See discussion under the heading Additional IFRS Financial Measures.

Other includes certain revenue and corporate costs not allocated to the operating segments. Revenue related to foreign exchange gains and losses and other services are presented in *Other*. Costs and expenses related to the amortization of purchased intangibles, along with certain consolidation and elimination adjustments, are also presented in *Other*. Overall there was a significant increase in the *loss from operations before strategic re-alignment expenses* for *Other* from Q3/15 to Q3/16 due to an increase in costs not allocated to the other segments and the impact from recognizing lower net foreign exchange gains on U.S. dollar and other non-Canadian denominated net monetary assets in Q3/16 compared with Q3/15.

Nine Months ended September 30, 2016

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	\$155.7	\$136.3	\$89.1	\$172.3	\$(0.8)	\$552.6
Inter-segment revenue	1.3	0.0	0.0	1.3	(2.6)	0.0
Total revenue	157.0	136.3	89.1	173.6	(3.4)	552.6
Income (loss) from operations before strategic re-alignment expenses	81.0	83.8	35.5	65.3	(30.9)	234.7

Nine Months ended September 30, 2015

(in millions of dollars)	Market Insights	Capital Formation	Derivatives	Efficient Markets	Other	Total
Revenue from external customers	\$152.5	\$141.0	\$78.7	\$158.8	\$8.9	\$539.9
Inter-segment revenue	1.1	0.0	0.0	1.5	(2.6)	0.0
Total revenue	153.6	141.0	78.7	160.3	6.3	539.9
Income (loss) from operations before strategic re-alignment expenses	68.9	80.6	25.9	50.3	(18.8)	206.9

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

Income from operations before strategic re-alignment expenses from *Market Insights* increased reflecting an increase in revenue from TMX Atrium Wireless 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 the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015. Offsetting the increases in *Market Insights* revenue, there was a decline of \$6.0 million in revenue from Razor Risk and an overall decline in subscription revenue in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015. There were also significantly lower operating expenses before strategic re-alignment expenses, including those related to Razor Risk.

Income from operations before strategic re-alignment expenses from *Capital Formation* increased reflecting the sale of Equicom in July 2015 and lower costs.

Income from operations before strategic re-alignment expenses from *Derivatives* increased reflecting higher revenue from MX where the impact of increased volumes was somewhat offset by the impact of a lower average fee. *Income from operations before strategic re-alignment expenses* from *Derivatives* also reflects the exclusion of revenue and expenses from BOX effective July 1, 2016 when we ceased to consolidate BOX's results from operations. Also effective July 1, 2016, *Derivatives* revenue and expenses include revenue and expenses from licensing SOLA technology and providing other services to BOX. This revenue and associated expense was previously eliminated when BOX's operating results were consolidated in our financial statements. The net reduction in *Derivatives* revenue related to BOX from Q3/15 to Q3/16 was \$3.7 million.

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 the *Other* segment. Costs and expenses related to the amortization of purchased intangibles, along with certain consolidation and elimination adjustments, are also presented in *Other*. The higher *loss from operations before strategic re-alignment expenses* for the *Other* segment was also partially due to recognizing net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in the nine months ended September 30, 2016 compared with net foreign exchange gains over the same period in 2015. The net unfavourable impact of foreign exchange was approximately \$8 million.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Q3/16 compared with Q3/15

(in millions of dollars)	Q3/16	Q3/15	\$ increase in cash
Cash flows from operating activities	\$82.9	\$65.1	\$17.8
Cash flows (used in) financing activities	(11.2)	(87.9)	76.7
Cash flows (used in) investing activities	(12.6)	(42.3)	29.7

- The increase in *Cash flows from operating activities* in Q3/16 compared with Q3/15 was primarily due to increased cash flow related to trade and other receivables, and prepaid expenses as well as an increase in provisions.
- In Q3/16, *Cash flows used in financing activities* were lower than in Q3/15 primarily due to lower net repayments on our debt (see **Commercial Paper**) and higher proceeds from exercised options. These decreases in *Cash flows used in financing activities* were partially offset by a net repayments on liquidity facilities in Q3/16 compared with net drawings on liquidity facilities in Q3/15.
- In Q3/16, there was a decrease in *Cash flows used in investing activities* compared with Q3/15 primarily reflecting a net purchase of marketable securities in Q3/15 compared with a net sale of marketable securities in Q3/16. In addition, there was a reduction in cash outlays for additions to premises and equipment and intangible assets in Q3/16 compared with Q3/15. Partially offsetting these increases in cash there was a decrease in cash from the de-consolidation of BOX effective July 1, 2016.

Nine Months ended September 30, 2016 compared with Nine Months ended September 30, 2015

(in millions of dollars)	Nine Months ended September 30, 2016	Nine Months ended September 30, 2015	\$ increase in cash
Cash flows from operating activities	\$236.7	\$201.7	\$35.0
Cash flows (used in) financing activities	(118.0)	(186.4)	68.4
Cash flows (used in) investing activities	(11.0)	(42.1)	31.1

- The increase in *Cash flows from operating activities* in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015 was primarily due to increased income from operations (excluding depreciation and amortization) as well as an increase in provisions. There was also a reduction in income taxes paid.

- In the nine months ended September 30, 2016, *Cash flows used in financing activities* were lower than in the nine months ended September 30, 2015 primarily due to lower net repayments on our debt (see **Commercial Paper**) and higher proceeds from exercised options. These decreases in *Cash flows used in financing activities* were partially offset by a net decrease in drawings on liquidity facilities.
- In the nine months ended September 30, 2016, there was a decrease in *Cash flows used in investing activities* compared with the nine months ended September 30, 2015 primarily reflecting a net purchase of marketable securities in the nine months ended September 30, 2015 compared with a net sale of marketable securities in the nine months ended September 30, 2016. In addition, there was a reduction in cash outlays for additions to premises and equipment and intangible assets in the nine months ended September 30, 2016 compared with the nine months ended September 30, 2015. Partially offsetting these increases in cash there was a decrease in cash from the de-consolidation of BOX effective July 1, 2016.

Summary of Cash Position and Other Matters³⁷

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	As at September 30, 2016	As at December 31, 2015	\$ increase
	\$318.0	\$225.3	\$92.7

We had \$318.0 million of cash, cash equivalents and marketable securities at September 30, 2016. There was an increase in cash, cash equivalents and marketable securities primarily reflecting cash flows from operating activities of \$236.7 million and proceeds from exercised options of \$25.0 million. These increases in cash were offset by net debt repayments of approximately \$53.6 million, dividends to TMX Group shareholders of \$65.5 million, interest paid (net of interest received) of \$17.0 million, additions to premises and equipment and intangible assets of \$8.9 million and the decrease in cash from the loss of control of BOX of \$17.6 million. By the end of Q3/16 we had paid down all of our Canadian dollar Commercial Paper and were building cash in anticipation of repaying our Series C Debentures on October 3, 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 in the amount of \$350.0 million matured and were repaid on October 3, 2016 (see **Commercial Paper** and **Debentures**). At September 30, 2016, there was \$19.7 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 September 30, 2016	As at December 31, 2015	\$ increase
	\$23,376.1	\$17,017.4	\$6,358.7

³⁷ The "Summary of Cash Position and Other Matters" section above contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

- Our consolidated balance sheet as at September 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 \$6,358.7 million from December 31, 2015 to September 30, 2016 was largely attributable to the significant increase in clearing of REPO agreements by CDCC in the nine months ended September 30, 2016 compared with Q4/15. *Balances with Clearing Members and Participants* relating to CDCC were \$17,413.2 million at September 30, 2016 compared with \$11,117.8 million at December 31, 2015.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	As at September 30, 2016	As at December 31, 2015	\$ (decrease)
	\$19.7	\$74.3	\$(54.6)

There was \$19.7 million outstanding under the Commercial Paper Program at September 30, 2016 reflecting net repayments in the nine months ended September 30, 2016 of approximately \$53.6 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 September 30, 2016	As at December 31, 2015	\$ increase
Current Debentures	\$350.0	\$349.7	\$0.3
Non-current Debentures	648.6	648.2	0.4
	\$998.6	\$997.9	\$0.7

- 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 matured and were repaid on October 3, 2016. We partially re-financed the Debentures with proceeds from our Commercial Paper program and repaid the remainder with cash on hand.

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 September 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 September 30, 2016 we have the following IRS in place:

Interest Rate	Maturity Date	Principal (in millions)
1.08%	May 2, 2019	\$100.0

This swap was put in place to economically hedge the issuance of commercial paper starting 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 September 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 ³⁸	0.70%	1.499%	2.199%
Commercial Paper, USD - Unhedged	15.0 USD	Oct. 11 - Oct. 27, 2016				0.61% - 0.62% ³⁹

Other Credit and Liquidity Facilities

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

MANAGING CAPITAL

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

Our Series C Debentures came due on October 3, 2016. We repaid 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**). 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 do not have 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 September 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.

³⁸ Canadian Dealer Offered Rate.

³⁹ Rate denoted in USD.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	Sept 30 2016	Jun 30 2016	March 31 2016	Dec 31 2015	Sept 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014
Market Insights	\$ 52.1	\$ 52.3	\$ 51.3	\$ 58.0	\$ 50.3	\$ 49.1	\$ 53.1	\$ 53.1
Capital Formation	45.9	51.8	38.6	38.8	44.7	52.9	43.4	44.8
Derivatives	27.2	30.4	31.5	25.8	27.5	24.2	27.0	26.9
Efficient Markets and Market Solutions	55.0	59.3	58.0	52.4	50.8	52.0	56.0	55.4
Other	0.1	0.8	(1.7)	2.1	2.6	0.5	5.8	2.5
Revenue	180.3	194.6	177.7	177.1	175.9	178.7	185.3	182.7
Operating expenses before strategic re-alignment expenses	104.3	106.9	106.7	116.6	109.6	112.1	111.3	115.7
Income from operations before strategic re-alignment expenses ⁴⁰	76.0	87.7	71.0	60.5	66.3	66.6	74.0	67.0
Strategic re-alignment expenses	17.7	2.0	1.3	8.2	4.4	3.4	6.7	—
Income from operations	58.3	85.7	69.7	52.3	61.9	63.2	67.3	67.0
Net Income (loss) attributable to TMX Group shareholders	39.2	58.3	46.3	(159.0)	36.5	27.6	42.6	41.1
Earnings (loss) per share: ⁴¹								
Basic	0.72	1.07	0.85	(2.92)	0.67	0.51	0.78	0.76
Diluted	0.72	1.07	0.85	(2.92)	0.67	0.51	0.78	0.76

Q3/16 compared with Q2/16

- *Revenue* in Q3/16 decreased over Q2/16 reflecting lower revenue from *Derivatives*, following the de-consolidation of revenue from BOX effective July 1, 2016. The net reduction in *Derivatives* revenue related to BOX from Q2/16 to Q3/16 was \$2.7 million. There was also a reduction in *Capital Formation* and *Efficient Markets* revenue reflecting less active equity market conditions compared with Q2/16.
- *Operating expenses before strategic re-alignment expenses* for Q3/16 decreased by 2% compared with Q2/16 reflecting the exclusion of operating expenses related to BOX when we ceased to consolidate BOX's results from operations and reduction in costs attributable to overall lower headcount. There were also reduced commodity tax and marketing expenses in Q3/16 compared with Q2/16. These decreases in expenses were somewhat offset by higher employee performance incentive plan costs and higher overall *Information and trading systems* expenses partially attributable to the write-off of \$2.8 million in costs related to discontinued products.
- *Income from operations before strategic re-alignment expenses* and *Income from operations* decreased from Q2/16 to Q3/16 reflecting the lower revenue somewhat offset by lower operating expenses before strategic re-alignment expenses. *Income from operations* was significantly lower in Q3/16 compared with Q2/16 due to the increase in strategic re-alignment expenses including severance costs related to the initiative we announced in September 2016.

⁴⁰ See discussion under the heading *Additional IFRS Financial Measures*.

⁴¹ Earnings per share information is based on net income attributable to TMX Group shareholders.

- *Net income attributable to TMX Group shareholders* for Q3/16 was \$39.2 million, or 72 cents per common share on a basic and diluted basis, compared with net income of \$58.3 million, or \$1.07 per common share on a basic and diluted basis, for Q2/16 reflecting the lower revenue and higher strategic re-alignment expenses.

Q2/16 compared with Q1/16

- *Revenue* in Q2/16 increased over Q1/16 reflecting higher revenue from Capital Formation, largely additional 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.

Q1/16 compared with Q4/15

- *Revenue* in Q1/16 was essentially unchanged from Q4/15 reflecting an increase in *Efficient Markets* and *Derivatives* revenue, offset by declines in *Market Insights*, largely driven by Razor Risk, and *Other* revenue. The decline in *Other* revenue was primarily due to recognizing significant net foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q1/16 compared with net foreign exchange gains in Q4/15.
- *Operating expenses before strategic re-alignment expenses* decreased by 8% compared with Q4/15 reflecting a decrease of \$6.7 million in costs related to Razor Risk and lower *information and trading systems* costs.
- *Income from operations before strategic re-alignment expenses*⁴² 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 *Capital Formation* (Listings), *Efficient Markets* (Equities trading), *Derivatives* (BOX) and other assets of \$215.8 million, of which our share was \$200.0 million after tax, net of NCI. While revenue was essentially unchanged, *operating expenses before strategic re-alignment expenses* and *strategic re-alignment expenses* decreased from Q4/15 to Q1/16.

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

⁴² See discussion under the heading Additional IFRS Financial Measures.

ACCOUNTING AND CONTROL MATTERS

Changes in accounting policies

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

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

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

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

Future changes in accounting policies

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

- Disclosure initiative (Amendments to IAS 7, *Statement of Cash Flows*) - As a part of the IASB's major initiative to improve presentation and disclosures in financial reports, the amendments require disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.
- Recognition of deferred tax assets for unrealized losses (Amendments to IAS 12, *Income Taxes*) - The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.
- Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10, *Consolidated Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*) - The amendments require full gain recognition when the transfer of assets involving an associate or joint venture meet the definition of a business under IFRS 3, *Business Combinations*. The amendments also introduce new accounting that involves neither a cost nor full step-up of certain retained assets that are not businesses. The 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 July 1, 2016 and ended on September 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, statements related to cost reductions, strategic realignment expenses and TMX Group's business integration initiative, 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; the failure to realize cost reductions in the amount or the time frame anticipated; 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.