

TMX Group Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 9, 2017

This management's discussion and analysis (MD&A) of TMX Group Limited's (TMX Group) financial condition and financial performance is provided to enable a reader to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for the quarter ended March 31, 2017 compared with the quarter ended March 31, 2016 and as at December 31, 2016. This MD&A should be read together with our Q1/17 unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2017 (financial statements) and the 2016 Annual MD&A.

Our financial statements and this MD&A for the quarter ended March 31, 2017 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.

INITIATIVES AND ACCOMPLISHMENTS¹

Capital Markets

Capital Formation

In February 2017, The Advancing Innovation Roundtable, an independent working group funded by TMX Group, published a report on how to increase access to growth capital for Canadian innovation economy companies as they progress beyond the seed and start-up stages. Announced in October 2016, the 12-member Roundtable is a private sector, investor-led initiative bringing together leaders across Canada's financial services industry, including finance, investment and capital formation. The recommendations of the Advancing Innovation Roundtable focus on solutions, sourced from both the public and private markets, which address the scalability and financing issues across Canada's ecosystem that serves as the foundation for the long-term sustainability of our country's innovation economy.

In April 2017, we announced a new Distributed Ledger Technology (DLT) prototype as part of our strategy to maximize efficiencies and solve day-to-day client challenges across our various business areas. We developed the electronic shareholder voting system prototype based on DLT, more commonly known as blockchain technology, in collaboration with Accenture. Designed as a public company solution for TSX Trust, TMX's transfer agency and corporate trust services provider, the E-Proxy Voting System prototype aims to significantly improve the efficiency and accuracy of the voting process during annual shareholder meetings, while also enhancing security through advancements in cryptography. The

¹ The "Initiatives and Accomplishments" section above contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

introduction of a blockchain-based system will also help increase engagement in corporate governance actions by removing the need for shareholders to be physically present during the voting process.

Derivatives and Energy Markets

Derivatives Trading and Clearing

Montreal Exchange (MX) achieved an open interest record for Options on Three-Month Canadian Bankers' Acceptance Futures (OBX) of 315,645 contracts on March 7, 2017, and also reached a new open interest record for the S&P/TSX 60 Index Standard Futures (SXF) with 385,556 contracts on March 14, 2017.

In December 2016, we launched single stock futures (SSFs) on about 20 symbols. The balance of the S&P/TSX 60² symbols were added throughout Q1/17.

Market Insights

In February 2017, we entered into an agreement to sell our wireless and extranet infrastructure services business known as TMX Atrium. In 2016 and Q1/17, TMX Atrium earned approximately \$26.3 million and \$6.5 million of revenue, respectively, and incurred approximately \$30.3 million and \$7.4 million in operating expenses before strategic re-alignment expenses, respectively. The decision to enter into this transaction was made within the scope of TMX Group's ongoing strategic initiative to streamline its organizational structure and position the company to deliver profitable long-term growth. The transaction closed on April 30, 2017.

Organizational Transformation including Business Integration Initiative³

In September 2016, we provided a detailed update on the progress made in streamlining our organization, and said that we were 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 to \$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 priorities. We indicated that the majority of the headcount reductions would be completed by the end of Q1/17. Approximately 95 full-time positions and about 20 consultants and contractors were expected to be impacted.

² The "S&P/TSX 60" is 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 ("Dow Jones"); and TSX® is a registered trademark of TSX. SPDJI, Dow Jones, S&P and TSX do not sponsor, endorse, sell or promote any products based on the S&P/TSX 60 and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions or interruptions of the S&P/TSX 60 or any data related thereto.

³ 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.

By the end of 2016, we had realized approximately \$12.6 million in savings on a run rate basis, net of the costs associated with new employees. We exceeded our target of \$8.0 to \$10.0 million in net savings per year on a run rate basis, as we exited 2016, largely by accelerating the process of streamlining the organization. The majority of the headcount reductions were completed by the end of Q4/16. Most planned reductions in headcount for 2017 occurred near the end of Q1/17. While there will be some additional savings in 2017, we expect most of these savings will be offset by the costs associated with new employees that continue to be hired as we invest in our strategy. For the full program, we still expect to achieve the overall target of \$11.0 to \$15.0 million in net cost savings per year on a run rate basis as we exit 2017.

In Q1/17, operating expenses before strategic re-alignment expenses declined by approximately \$2.1 million compared with Q1/16.

REGULATORY CHANGES⁴

Equity Trading

On January 25, 2017, the Canadian Securities Administrators (CSA) announced approval of further reductions to the cap on active trading fees applicable to ETFs and non-interlisted equities securities executed at \$1.00 or greater - These will be reduced from \$0.0030 to \$0.0017 per share/unit traded, effective no later than May 15, 2017. In April 2017, we announced that we reduced our active fee on these securities to \$0.0015 per share/unit traded, effective May 1, 2017. The passive credit was reduced to \$0.0011, also effective May 1, 2017, maintaining the \$0.0004 net spread. We expect that these fee changes could result in a reduction in revenue of approximately \$1.3 to \$1.5 million on an annual basis. No changes are necessary to the fees for TSX Alpha Exchange (Alpha) as it employs an inverted maker-taker model, which results in an active rebate rather than a fee. The reduced fee cap for non-interlisted securities is directionally aligned with what TMX Group had initiated through its maker taker reduction program that commenced in June 2015.

Market Insights

The CSA's data fees methodology estimates a fee range for top-of-book (Level 1) and depth-of-book (Level 2) market data based on a marketplace's contribution to price discovery and trading activity. Effective October 1, 2016, amendments to National Instrument 23-101 - Trading Rules came into force, which among other things, outlined a transparent methodology to be used by the CSA when reviewing professional market data fees charged by a marketplace. In 2017, the CSA is applying the methodology at least annually to determine whether a marketplace's data fees are higher than the range identified using the methodology. While this methodology 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. In April 2017 we received notice from the Ontario Securities Commission (OSC) that we will need to amend our market data fees for Alpha. We expect that the revised fees could result in a reduction in revenue of approximately \$1.0 to \$1.2 million on an annual basis, when any changes become effective.

MARKET CONDITIONS

Overall, Canadian equities trading volumes were up 16% in Q1/17 compared with Q1/16⁵ despite a decline in market volatility. The average CBOE Volatility Index (VIX) was 11.6 during Q1/17, down significantly from 20.5 in Q1/16. Trading

⁴ The "Regulatory Changes" 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.

⁵ Source: IIROC (excluding intentional crosses).

on TSX Venture Exchange (TSXV) increased substantially with an 85% increase in volumes traded in Q1/17 over Q1/16.; however, there was a decline of 11% in the volume traded on Toronto Stock Exchange (TSX) over the same period. Derivative trading in Canada was somewhat negatively impacted by the decrease in volatility as reflected in a 2% decline in the volume of contracts traded on MX.

Canadian equities indices and the market capitalization of listed issuers increased significantly since Q1/16. For TSXV (including NEX), there was a 73% increase in the total number of financings and a 284% increase in the total amount of financing dollars raised in Q1/17 compared with Q1/16. On Toronto Stock Exchange, the total number of financings increased by 33% while the total financing dollars raised declined by 9%. Looking specifically at IPOs on Toronto Stock Exchange, there was a 23% increase in the number of IPOs and a 198% increase in IPO financing dollars raised in Q1/17 compared with the same period last year.

Total energy volumes at NGX in Q1/17 were 11% higher than in Q1/16 as supply and demand fundamentals and increased price volatility drove market participants' behavior towards longer-term contracts, which offset the impact of a warmer than normal winter. Natural Gas volumes in Q1/17 increased substantially over Q1/16 as a result of changing fundamentals at certain hubs, especially the Dawn, Ontario hub, which were conducive to the increase of term trading in long-tenor products.

On April 13, 2017, the Governor of the Bank of Canada spoke before the Standing Senate Committee on Banking, Trade and Commerce. He confirmed that the Bank was maintaining its target for the overnight rate at 0.5%⁶. The Governor reminded the Committee of how the oil price shock that began in 2014 set in motion a complex series of adjustments throughout the economy, including a significant restructuring in the oil and gas sector. He added we are now seeing energy-related activity has stopped declining and is transitioning to a new level that is commensurate with the current level of oil prices. Because that large negative force is now essentially past, it is no longer masking the sources of strength that have been at work for some time, particularly the growth in output and employment that is being driven by the service sector. He said expansion over the past six months has exceeded the Bank's earlier forecasts, and it revised its outlook for average annual growth in 2017 to a bit over 2 1/2 per cent. The Bank is now projecting growth of just under 2 per cent in 2018 and 2019.

RESULTS OF OPERATIONS

Non-IFRS Financial Measures

Adjusted earnings per share and adjusted diluted earnings per share 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 intangibles related to acquisitions, non-cash impairment charges, write-off of deferred income tax assets and strategic re-alignment expenses. Management uses these measures, and excludes certain items, because it believes doing so results in a more effective analysis of underlying operating and financial performance, including, in some cases, our ability to generate cash. Excluding these items also enables comparability across periods. The exclusion of certain items does not imply that they are non-recurring or not useful to investors.

Additional IFRS Measures

⁶ Source: Bank of Canada Opening Statement, April 13, 2017.

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.

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.

Quarter Ended March 31, 2017 Compared with Quarter Ended March 31, 2016

The information below reflects the financial statements of TMX Group for the quarter ended March 31, 2017 compared with the quarter ended March 31, 2016.

(in millions of dollars, except per share amounts)	Q1/17	Q1/16	\$ increase/ (decrease)	% increase/ (decrease)
Revenue	\$186.1	\$177.7	\$8.4	5%
Operating expenses before strategic re-alignment expenses	104.7	106.7	(2.0)	(2)%
Income from operations before strategic re-alignment expenses ⁷	81.4	71.0	10.4	15%
Strategic re-alignment expenses	0.0	1.3	(1.3)	(100)%
Income from operations ⁸	81.4	69.7	11.7	17%
Net income attributable to TMX Group shareholders	47.3	46.3	1.0	2%
Earnings per share ⁹				
Basic	0.86	0.85	0.01	1%
Diluted	0.85	0.85	0.00	0%
Adjusted Earnings per share ¹⁰				
Basic	1.12	1.00	0.12	12%
Diluted	1.11	1.00	0.11	11%
Cash flows from operating activities	67.0	56.0	11.0	20%

Net income attributable to TMX Group shareholders

Net income attributable to TMX Group shareholders in Q1/17 was \$47.3 million, or \$0.86 per common share on a basic basis and \$0.85 per common share on a diluted basis, compared with a net income of \$46.3 million, or \$0.85 per common share on a basic and diluted basis, for Q1/16. The increase in net income in Q1/17 reflected higher revenue, lower operating expenses before strategic re-alignment expenses and lower strategic re-alignment expenses. The increase was largely offset by a non-cash income tax adjustment of \$2.9 million relating to the write off of deferred income tax assets and a non-cash impairment charge of \$4.8 million, both amounts related to TMX Atrium.

⁷ See discussion under the heading "Additional IFRS Financial Measures".

⁸ See discussion under the heading "Additional IFRS Financial Measures".

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

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

Adjusted Earnings per Share Reconciliation for Q1/17 and Q1/16 ¹¹

The following is a reconciliation of earnings per share to adjusted earnings per share:

(unaudited)	Q1/17		Q1/16	
	Basic	Diluted	Basic	Diluted
Earnings per share	\$0.86	\$0.85	\$0.85	\$0.85
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.12	0.12	0.13	0.13
Strategic re-alignment expenses	—	—	0.02	0.02
Non-cash impairment charges ¹²	0.09	0.09	—	—
Write-off of deferred income tax assets ¹³	0.05	0.05	—	—
Adjusted earnings per share	\$1.12	\$1.11	\$1.00	\$1.00
Weighted average number of common shares outstanding	55,121,250	55,617,983	54,392,393	54,398,442

Adjusted diluted earnings per share increased by 11% from \$1.00 in Q1/16 to \$1.11 in Q1/17. The increase in adjusted diluted earnings per share reflected higher revenue and lower operating expenses, before strategic re-alignment expenses, excluding amortization of intangibles related to acquisitions. In addition, we incurred lower net finance costs in Q1/17 compared with Q1/16. The increases were partially offset by the impact from an increase in the number of weighted-average common shares outstanding in Q1/17 compared with Q1/16.

¹¹ Adjusted earnings per shares is a non-IFRS measure. See discussion under the heading "Non-IFRS Financial Measures". Earnings per share information is based on net income attributable to TMX Group shareholders.

¹² Related to TMX Atrium.

¹³ Related to TMX Atrium Wireless.

Revenue

In 2015, we undertook a strategic realignment of our operations and revised our reporting segments information for the year ended December 31, 2015. In Q4/16 we further revised operations and our reporting for our Efficient Markets operating segment. This segment has been separated into Equities and Fixed Income Trading and Clearing and Energy Trading and Clearing. Effective Q4/16, we now report revenue in the following categories:

- Capital Formation
- Equity and Fixed Income Trading and Clearing
- Derivatives Trading and Clearing
- Energy Trading and Clearing
- Market Insights
- Other (includes Market Solutions, which was previously reported with Efficient Markets)

Results for the quarter ended March 31, 2016 have been restated to conform to this new structure.

(in millions of dollars)	Q1/17	Q1/16	\$ increase/ (decrease)	% increase/ (decrease)
Capital Formation	44.8	38.6	6.2	16%
Equities and Fixed Income Trading and Clearing	48.2	43.1	5.1	12%
Derivatives Trading and Clearing	28.1	31.5	(3.4)	(11)%
Energy Trading and Clearing	14.2	14.4	(0.2)	(1)%
Market Insights	51.0	51.7	(0.7)	(1)%
Other	(0.2)	(1.6)	1.4	88%
	\$186.1	\$177.7	\$8.4	5%

Revenue was \$186.1 million in Q1/17, up \$8.4 million or 5% compared with \$177.7 millions in Q1/16. Excluding the \$0.9 million impact of Razor Risk (sold December 31, 2016) and the \$3.1 million impact from de-consolidating BOX (effective July 1, 2016), revenue in Q1/17 increased by 7% over Q1/16. There were increases in *Capital Formation*, *Equities and Fixed Income Trading and Clearing*, and *Other* revenue, which were offset by a decline in *Derivatives Trading and Clearing* 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 Q1/17 compared with Q1/16. The net favourable impact from Q1/16 to Q1/17 was approximately \$2.0 million. Partially offsetting this, there was an unfavourable impact of approximately \$1.5 million from a stronger Canadian dollar relative to other currencies, including the U.S. dollar, in Q1/17 versus Q1/16. The net favourable impact of these two foreign exchange items was approximately \$0.5 million.

Capital Formation

(in millions of dollars)	Q1/17	Q1/16	\$ increase	% increase
Initial listing fees	\$2.8	\$1.6	\$1.2	75%
Additional listing fees	19.6	16.9	2.7	16%
Sustaining listing fees	17.2	16.1	1.1	7%
Other issuer services	5.2	4.0	1.2	30%
	\$44.8	\$38.6	\$6.2	16%

- *Initial listing fees* on TSX and TSXV for Q1/17 were higher than in Q1/16 reflecting an increase in both the number of IPOs and amount of IPO financing dollars raised on TSX and TSXV.
- *Additional listing fees* in Q1/17 increased from Q1/16 reflecting a significant increase in the total number of financings and the total amount of financing dollars raised on TSXV in Q1/17 compared with Q1/16. The increase was somewhat offset by the impact from a 2% decrease in the number of transactions billed on TSX.
- 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 an increase in *sustaining listing fees* on both TSX and TSXV due to the increase in the market capitalization of issuers at December 31, 2016 compared with December 31, 2015.
- *Other issuer services* revenue in Q1/17 was higher compared to Q1/16 reflecting higher revenue from TSX Trust related to transfer agent and corporate trust services.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	Q1/17	Q1/16	\$ increase	% increase
Equities and fixed income trading	\$29.2	\$25.6	\$3.6	14%
Equities and fixed Income clearing, settlement, depository and other services (CDS)	19.0	17.5	1.5	9%
	\$48.2	\$43.1	\$5.1	12%

- There was an increase in both equities and fixed income trading revenue in Q1/17 compared with Q1/16. The overall volume of securities traded on our equities marketplaces increased by 11% (40.9 billion securities in Q1/17 versus 36.7 billion securities in Q1/16). Volumes on TSXV increased by 85% and volumes on Alpha increased by 32% from Q1/16 to Q1/17; however, volumes on TSX decreased by 11% over the same period. The higher fixed income trading revenue reflected increased activity in provincial and Government of Canada Bonds and swaps.
- Excluding intentional crosses, our combined domestic equities trading market share was 67% in Q1/17, down from 70% in Q1/16¹⁴. The decline in market share is attributable to an increase in trading volume of issues not listed on TSX or TSXV.

¹⁴ Source: IIROC.

- CDS revenue increased by 9% from Q1/16 to Q1/17 driven by the introduction of the new Issuer Services Program (ISP) on March 1, 2017, the addition of a new participant, and higher revenue on clearing and depository activity, net of rebates.

Derivatives Trading and Clearing

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$28.1	\$31.5	\$(3.4)	(11)%

- The decrease in *Derivatives Trading and Clearing* revenue largely reflected 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 Trading and Clearing* 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 revenue related to BOX was \$3.1 million.
- Excluding the impact from de-consolidating BOX, *Derivatives Trading and Clearing* revenue in Q1/17 decreased by 1% over Q1/16.
- In addition, the decrease in *Derivatives Trading and Clearing* revenue reflects lower revenue from MX. Volumes decreased by 2% on MX (23.7 million contracts traded in Q1/17 versus 24.3 million contracts traded in Q1/16).

Energy Trading and Clearing

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$14.2	\$14.4	\$(0.2)	(1)%

- The slight decrease in *energy trading and clearing* revenue reflected lower revenue from Shorcan Energy Brokers, largely offset by an increase in NGX revenue. Total energy volumes were 11% higher compared with Q1/16 at NGX (4.1 million terajoules in Q1/17 compared with 3.7 million terajoules in Q1/16) as supply and demand fundamentals and increased price volatility drove market participants' behavior towards longer-term contracts, which offset the impact of a warmer than normal winter. Natural Gas volumes in Q1/17 increased substantially over Q1/16 as a result of changing fundamentals at certain hubs, especially the Dawn, Ontario hub, which were conducive to the increase of term trading in long-tenor products. Overall, there was a negative impact from a stronger Canadian dollar relative to the U.S. dollar in Q1/17 compared with Q1/16 on the revenues of NGX and Shorcan Energy Brokers.

Market Insights

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$51.0	\$51.7	\$(0.7)	(1)%

- The decrease in *Market Insights* revenue reflected a decline of \$0.9 million in revenue from Razor Risk. Excluding the impact of Razor Risk (sold December 31, 2016) *Market Insights* revenue in Q1/17 increased slightly over Q1/16. This decrease was largely offset by an increase in index (including benchmarks) revenue in Q1/17 compared with Q1/16
- The average number of professional market data subscriptions for TSX and TSXV products decreased by 4% from Q1/16 to Q1/17 (103,402 professional market data subscriptions in Q1/17 compared with 108,049 in Q1/16). There was also a negative impact on *Market Insights* revenue from a stronger Canadian dollar relative to the U.S. dollar in Q1/17 compared with Q1/16,
- The average number of MX professional market data subscriptions decreased by 7% from Q1/16 to Q1/17 (18,006 MX professional market data subscriptions in Q1/17 compared with 19,362 in Q1/16).

Other

(in millions of dollars)	Q1/17	Q1/16	\$ increase	% increase
	\$(0.2)	\$(1.6)	\$1.4	88%

- 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 Q1/17 compared with Q1/16. The net favourable impact from Q1/16 to Q1/17 was approximately \$2.0 million.

Operating expenses before strategic re-alignment expenses

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
Compensation and benefits	\$51.5	52.5	\$(1.0)	(2)%
Information and trading systems	18.0	18.1	(0.1)	(1)%
Selling, general and administration	20.3	20.5	(0.2)	(1)%
Depreciation and amortization	14.9	15.6	(0.7)	(4)%
	\$104.7	\$106.7	\$(2.0)	(2)%

Operating expenses before strategic re-alignment expenses in Q1/17 were \$104.7 million, down \$2.0 million or 2%, from \$106.7 million in Q1/16. There were lower overall headcount costs following our strategic re-alignment initiative, as well as reduced costs related to Razor Risk (sold December 31, 2016) of approximately \$3.4 million. Effective July 1, 2016, we excluded operating expenses related to BOX when we ceased to consolidate BOX's results from operations, which were \$4.4 million in Q1/16. There was also a favourable impact from a stronger Canadian dollar relative to other currencies, including the U.S. dollar, in Q1/17 versus Q1/16. The impact was approximately \$0.6 million. The decreases in costs were partially offset by approximately \$4.7 million of higher employee performance incentive plan costs and increased severance costs (not included as part of strategic re-alignment expenses). There was also one-time contract termination fees of \$0.8 million in *Information and trading systems* in Q1/17.

Compensation and benefits

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$51.5	\$52.5	\$(1.0)	(2)%

- *Compensation and benefits* costs decreased in Q1/17 compared with Q1/16 reflecting lower overall headcount costs, reduced costs related to Razor Risk (sold December 31, 2016) of approximately \$2.9 million, the exclusion of BOX costs effective July 1, 2016 when we ceased to consolidate BOX's results from operations and a higher capitalization of labour costs in Q1/17 compared with Q1/16.
- These decreases were largely offset by higher employee performance incentive plan costs, including approximately \$2.9 million driven by the increase in our share price, and increased severance costs (not included as part of strategic re-alignment expenses) of approximately \$1.8 million.
- There were 1,062 TMX Group employees at March 31, 2017 versus 1,183 employees at March 31, 2016 reflecting both a reduction in headcount due to our strategic realignment initiative and the sale of Razor Risk, which employed approximately 30 people. There were 1,075 employees at December 31, 2016.

Information and trading systems

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$18.0	\$18.1	\$(0.1)	(1)%

- *Information and trading systems* expenses were essentially unchanged from Q1/17 compared with Q1/16. One-time contract termination fees of \$0.8 million and higher outsourcing and professional services costs were largely offset by lower infrastructure and TMX Atrium costs. In addition, expenses related to BOX were excluded effective July 1, 2016 when we ceased to consolidate BOX's results from operations.

Selling, general and administration

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$20.3	\$20.5	\$(0.2)	(1)%

- *Selling, general and administration* expenses decreased slightly in Q1/17 compared with Q1/16 reflecting lower Razor Risk (sold December 31, 2016) costs. In addition, expenses related to BOX were excluded effective July 1, 2016 when we ceased to consolidate BOX's results from operations. The decreases in expenses were partially offset by higher external fees and occupancy costs.

Depreciation and amortization

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$14.9	\$15.6	\$(0.7)	(4)%

- 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 in Q1/17 of \$14.9 million included \$6.8 million related to amortization of intangibles assets related to acquisitions (12 cents per basic and diluted share). The *Depreciation and amortization* costs in Q1/16 of \$15.6 million included \$9.0 million (\$8.8 million, net of non-controlling interests (NCI)) related to amortization of intangibles related to acquisitions (13 cents per basic and diluted share).

Strategic re-alignment expenses

	Q1/17		Q1/16	
(in millions of dollars, except per share amounts) (unaudited)	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ¹⁵	Pre-tax Amount	Basic and Diluted Earnings per Share Impact ¹⁶
Severance and related costs	—	—	\$0.9	\$0.01
Professional and consulting fees and other charges	—	—	0.4	0.01
Strategic re-alignment expenses	\$—	\$—	\$1.3	\$0.02

The decrease in strategic re-alignment expenses from Q1/16 to Q1/17 reflected a decrease in severance costs and amounts paid to consultants. The initiative to transform the organization was largely completed by the end of 2016. (See **INITIATIVES AND ACCOMPLISHMENTS - Organizational Transformation including Business Integration Initiative**).

Additional Information

Share of net income from equity accounted investees

(in millions of dollars)	Q1/17	Q1/16	\$ increase	% increase
	\$1.3	\$0.5	\$0.8	160%

- In Q1/17 share of net income from equity accounted investees increased by \$0.8 million primarily attributable to including our share of income from our investment in BOX.

Impairment charges

(in millions of dollars)	Q1/17	Q1/16	\$ increase	% increase
	\$4.8	\$0.0	\$4.8	n/a

- In Q1/17 we determined that the fair value of TMX Atrium was below its carrying value, resulting in impairment charges of \$4.8 million relating to the write-down of goodwill. In February 2017, we entered into an agreement to sell TMX Atrium. The transaction closed on April 30, 2017. (see **INITIATIVES AND ACCOMPLISHMENTS - Market Insights**), and no material gain or loss on sale is anticipated for Q2/17.

¹⁵ Earnings per share information is based on net income attributable to TMX Group shareholders.

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

Net finance costs

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)	% (decrease)
	\$6.9	\$7.4	\$(0.5)	(7)%

- The decrease in net finance costs is primarily attributable to lower interest rates and reduced levels of debt. The decrease was partially offset by the impact from net foreign exchange losses on U.S dollar Commercial Paper loans in Q1/17 compared with net foreign exchange gains in Q1/16.

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Q1/17	Q1/16	Q1/17	Q1/16
\$23.7	\$17.1	33%	27%

- Excluding adjustments, primarily relating to the items noted below, the effective tax rate would have been approximately 27% for Q1/17.
- In Q1/17, we wrote-down \$2.9 million of deferred tax assets relating to TMX Atrium Wireless, which increased our effective tax rate and income tax expense.
- In Q1/17, we incurred non-cash impairment charges of \$4.8 million related to TMX Atrium, which also increased our effective tax rate for Q1/17.

Net loss attributable to non-controlling interests

(in millions of dollars)	Q1/17	Q1/16	\$ (decrease)
	\$—	\$0.6	\$(0.6)

- 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 **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.

Total equity attributable to shareholders of TMX Group

(in millions of dollars)	As at March 31, 2017	as at December 31, 2016	\$ increase
Total equity attributable to shareholders of TMX Group	\$2,955.2	\$2,920.7	\$34.5

- At March 31, 2017, there were 55,273,806 common shares issued and outstanding and 2,043,559 options outstanding under the share option plan.
- At May 5, 2017, there were 55,274,784 common shares issued and outstanding and 2,032,644 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 \$47.3 million, proceeds from exercised share options of \$11.8 million, less dividend payments to shareholders of TMX Group of \$24.8 million.

Segments

The following information reflects TMX Group's segment results for the quarter ended March 31, 2017 compared with the quarter ended March 31, 2016.

Q1/17

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivative s Trading & Clearing	Energy Trading & Clearing	Market Insights	Other	Total
Revenue from external customers	\$ 44.8	\$ 48.2	\$ 28.1	\$ 14.2	\$ 51.0	\$ (0.2)	\$ 186.1
Inter-segment revenue	—	0.6	—	—	0.2	(0.8)	—
Total revenue	44.8	48.8	28.1	14.2	51.2	(1.0)	186.1
Income (loss) from operations before strategic re-alignment expenses	24.7	22.3	12.9	4.1	29.4	(12.0)	81.4

Q1/16

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivative s Trading & Clearing	Energy Trading & Clearing	Market Insights	Other	Total
Revenue from external customers	\$ 38.6	\$ 43.1	\$ 31.5	\$ 14.4	\$ 51.7	\$ (1.6)	\$ 177.7
Inter-segment revenue	—	0.4	—	—	0.4	(0.8)	—
Total revenue	38.6	43.5	31.5	14.4	52.1	(2.4)	177.7
Income (loss) from operations before strategic re-alignment expenses	21.3	18.2	12.5	3.5	25.1	(9.6)	71.0

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

Income from operations before strategic re-alignment expenses from *Capital Formation* increased mainly due to higher revenue from *additional listing fees* on TSXV as well as higher initial and sustaining listing fees on both of our exchanges. The increased revenue was partially offset by higher operating costs before strategic re-alignment expenses.

The increase in *income from operations before strategic re-alignment expenses* from *Equities and Fixed Income Trading and Clearing* was mainly driven by higher revenue from *Equities Trading* reflecting an increase of 11% in the overall volume of securities traded on our equities marketplaces.

Income from operations before strategic re-alignment expenses from *Derivatives* increased mainly driven by lower operating costs before strategic re-alignment expenses. The increase was somewhat offset by lower revenue from MX reflecting a 2% decrease in volumes. *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 were previously eliminated when BOX's operating results were consolidated in our financial statements. The net reduction in *Derivatives* revenue related to BOX from Q1/16 to Q1/7 was \$3.2 million.

The increase in *income from operations before strategic re-alignment expenses* from *Energy Trading and Clearing* was mainly driven by lower operating costs before strategic re-alignment expenses. The slight decrease in *energy trading and clearing* revenue reflected lower revenue from Shorcan Energy Brokers, largely offset by an increase in NGX revenue.

The increase in *Income from operations before strategic re-alignment expenses* from *Market Insights* largely reflects a decrease in the loss from Razor Risk. While revenue from Razor Risk declined by \$0.9 million in Q1/17 compared with Q1/16, operating expenses declined by \$3.4 million in Q1/17 compared with Q1/16.

Other includes certain revenue as well as corporate and other costs related to initiatives, 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 reflected an increase in corporate and other costs not allocated to other segments. This increase was partially offset by higher revenues from recognizing lower foreign exchange losses on U.S. dollar and other non-Canadian denominated net monetary assets in Q1/17 compared with Q1/16.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Q1/17 compared with Q1/16

(in millions of dollars)	Q1/17	Q1/16	\$ increase/ (decrease) in cash
Cash flows from operating activities	\$67.0	\$56.0	\$11.0
Cash flows (used in) financing activities	(24.4)	(49.2)	24.8
Cash flows (used in) investing activities	(11.3)	0.1	(11.4)

- The increase in *Cash flows from operating activities* in Q1/17 compared with Q1/16 was primarily due to increased income from operations (excluding depreciation and amortization). There was also an increase in cash from trade and other receivables, and prepaid expenses as well as other assets and liabilities. The increases in cash were partially offset by decreases in cash from trade and other payables as well as an increase in income taxes paid.
- In Q1/17, *Cash flows used in financing activities* were lower than in Q1/16 primarily due to lower net repayments on our debt (see **Commercial Paper, Debentures, Credit and Liquidity Facilities**) and higher proceeds from exercised options. These decreases in *Cash flows used in financing activities* were partially offset by an increase in dividends paid to equity holders.
- In Q1/17, there was an increase in *Cash flows used in investing activities* compared with Q1/16 primarily reflecting a net purchase of marketable securities in Q1/17 compared with a net sale of marketable securities in Q1/16. In addition, there was an increase in cash outlays for additions to premises and equipment and intangible assets in Q1/17 compared with Q1/16.

Summary of Cash Position and Other Matters¹⁷

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	As at March 31, 2017	as at December 31, 2016	\$ increase
	\$338.0	\$302.4	\$35.6

We had \$338.0 million of cash, cash equivalents and marketable securities at March 31, 2017. There was an increase in cash, cash equivalents and marketable securities primarily reflecting cash flows from operating activities of \$67.0 million and proceeds from exercised options of \$11.8 million. These increases in cash were offset by net debt repayments of approximately \$14.3 million, dividends to TMX Group shareholders of \$24.8 million, and additions to premises and equipment and intangible assets of \$7.9 million. 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. Going forward, we expect to have increased capital requirements related to premises as we consolidate our Toronto and Montreal facilities. We currently expect to have approximately \$22.0 million in capital expenditures in 2017, of which approximately \$0.5 million was spent in Q1/17, and a further approximately \$4.0 million of spending in 2018 related to the consolidation of facilities. The expected savings will result in reductions in *Selling, general and administration* expenses once these initiatives are completed.

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. At March 31, 2017, there was \$295.7 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 March 31, 2017	as at December 31, 2016	\$ increase
	\$24,135.1	\$22,201.4	\$1,933.7

- Our consolidated balance sheet as at December 31, 2016 includes outstanding balances on open REPO agreements within *Balances with Clearing Members and Participants*. These balances have equal amounts included within *Total Liabilities*. The increase in *Total Assets* of \$1,933.7 million from December 31, 2016 reflected higher balances in CDCC related to REPO agreements at March 31, 2017.

¹⁷ 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.

Commercial Paper, Debentures, Credit and Liquidity Facilities¹⁸

Commercial Paper

(in millions of dollars)	As at March 31, 2017	as at December 31, 2016	\$ (decrease)
	\$295.7	\$309.9	\$(14.2)

There was \$295.7 million outstanding under the program at March 31, 2017 reflecting a net reduction in Q1/17 of approximately \$14.2 million. The Commercial Paper outstanding at March 31, 2017 included approximately \$251.7 million issued in Canadian dollars and approximately \$33.0 million issued and denominated in U.S dollars. Commercial paper is short term in nature, and the average term to maturity from the date of issue in Q1/17 was 72.9 days on Canadian dollar Commercial Paper and 23 days on U.S.-dollar Commercial Paper.

Debentures

(in millions of dollars)	As at March 31, 2017	as at December 31, 2016	\$ increase
	\$648.8	\$648.7	\$0.1

- For additional information on the Debentures, see **Debentures** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2016 Annual MD&A.

Credit Facility

On May 2, 2016, we entered into an Amended and Restated Credit Agreement which has a maturity date of May 2, 2019. For additional information on the Credit Facility, please see **Credit Facility** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2016 Annual MD&A.

As at March 31, 2017, all covenants were met under the Amended and Restated Credit Agreement.

Interest Rate Swaps (IRS)

As at March 31, 2017 we have the following IRS in place:

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

¹⁸ "The Commercial Paper, Debentures, Credit and Liquidity Facilities" section above contain certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

This swap was put in place to economically hedge the issuance of commercial paper starting on October 3, 2016 (see **MANAGING CAPITAL** in our 2016 Annual MD&A). As this IRS was not designated as a hedge for accounting purposes, it is possible that there will be fluctuations in net income as we mark to market the fair value of this IRS each quarter until maturity.

Effective Interest Rates

The effective interest rates as at March 31, 2017 for the Debentures and Commercial Paper are shown below:

Debentures and Commercial Paper	Principal (\$ millions)	Maturity	All-in Rate
Series A Debentures	\$400.0	Oct. 3, 2018	3.253%
Series B Debentures	250.0	Oct. 3, 2023	4.461%
Commercial Paper, CAD - interest rate economically hedged	100.0	May 2, 2019	1.08% ¹⁹
Commercial Paper, CAD - interest rate unhedged	151.7	Apr. 4 - May 5, 2017	0.94% ²⁰
Commercial Paper, USD - interest rate unhedged	33.0	Apr. 13 - May 3, 2017	1.06% ²¹

Other Credit and Liquidity Facilities

For additional information, see **Other Credit and Liquidity Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2016 Annual MD&A. The CDCC facility, which expired on March 3, 2017 was extended to March 2, 2018.

MANAGING CAPITAL

Our primary objectives in managing capital are described in our 2016 Annual MD&A.

As at March 31, 2017, we were in compliance with all of the externally imposed capital requirements. See **Credit Facility** and **MANAGING CAPITAL** in our 2016 MD&A for a description of the financial covenants imposed on us.

¹⁹ Rate denoted in CAD.

²⁰ Rate denoted in CAD.

²¹ Rate denoted in USD.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	Mar 31 2017	Dec 31 2016	Sept 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015	Jun 30 2015
Capital Formation	44.8	46.6	45.9	51.8	38.6	38.8	44.7	52.9
Equities and Fixed Income Trading	29.2	26.5	23.7	26.5	25.6	20.1	20.9	20.9
Equities and fixed Income - clearing, settlement, depository and other services (CDS)	19.0	18.2	17.4	18.1	17.5	17.9	17.1	17.7
Derivatives Trading & Clearing	28.1	28.4	27.2	30.4	31.5	25.8	27.5	24.2
Energy Trading & Clearing	14.2	13.7	13.2	14.4	14.4	13.7	12.2	12.8
Market Insights	51.0	54.0	52.6	52.7	51.7	58.8	50.9	49.7
Other	(0.2)	2.0	0.3	0.7	(1.6)	2.0	2.6	0.5
Revenue	186.1	189.4	180.3	194.6	177.7	177.1	175.9	178.7
Operating expenses before strategic re-alignment expenses	104.7	104.8	104.3	106.9	106.7	116.6	109.6	112.1
Income from operations before strategic re-alignment expenses ²²	81.4	84.6	76.0	87.7	71.0	60.5	66.3	66.6
Strategic re-alignment expenses	—	—	17.7	2.0	1.3	8.2	4.4	3.4
Income from operations ²³	81.4	84.6	58.3	85.7	69.7	52.3	61.9	63.2
Net Income (loss) attributable to TMX Group shareholders	47.3	52.6	39.2	58.3	46.3	(159.0)	36.5	27.6
Earnings (loss) per share: ²⁴								
Basic	0.86	0.96	0.72	1.07	0.85	(2.92)	0.67	0.51
Diluted	0.85	0.95	0.72	1.07	0.85	(2.92)	0.67	0.51

²² See discussion under the heading "Additional IFRS Financial Measures".

²³ See discussion under the heading "Additional IFRS Financial Measures".

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

Q1/17 compared with Q4/16

- *Revenue* in Q1/17 decreased over Q4/16 reflecting decreases in *Capital Formation* and *Market Insights* revenue, including \$1.4 million related to Razor Risk in Q4/16. This is somewhat offset by increases in *Equities and Fixed Income Trading* and *Energy Trading and Clearing* revenue.
- *Operating expenses before strategic re-alignment expenses* for Q1/17 were essentially unchanged from Q4/16 reflecting increased *Compensation and benefits* expenses, offset by lower *Depreciation and Amortization*. The increase in *Compensation and benefits* expenses reflected higher payroll taxes of \$3.2 million in Q1/17 compared with Q4/16, partially offset by lower Razor Risk expenses (sold December 31, 2016). Both *Information and trading systems* costs as well as *Selling, general and administration* expenses remained essentially flat.
- *Income from operations before strategic re-alignment expenses* and *Income from operations* decreased from Q4/16 to Q1/17 reflecting the lower revenue.
- *Net income attributable to TMX Group shareholders* for Q1/17 was \$47.3 million, or \$0.85 per common share on a diluted basis, compared with net income of \$52.6 million, or \$0.95 per common share on a basic and diluted basis, for Q4/16 reflecting the lower revenue, impairment charges related to TMX Atrium, and the write off of deferred income tax assets related to businesses being sold.

For additional information on the seven previous quarters please see Select Annual and Quarterly Financial Information in our 2016 Annual MD&A

ACCOUNTING AND CONTROL MATTERS

Changes in accounting policies

The following new amendments were effective for the Company from January 1, 2017:

- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12, *Disclosure of Interests in Other Entities*) and
- Recognition of deferred tax assets for unrealized losses – Amendments to IAS 12, *Income Taxes*.

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

The Company intends to adopt the disclosure initiative amendments to IAS 7, *Statement of Cash Flows*, for the annual consolidated financial statements for the year ended December 31, 2017. At this time, the Company does not expect any material impact on its annual consolidated financial statements as a result of the adoption of the amendments to IAS 7.

Future changes in accounting policies

A number of new standards, amendments and interpretations are not yet effective for the year ending December 31, 2017, and have not been applied in preparing the financial statements.

The standards that may have a significant impact on our financial statements are IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, which are required to be implemented for financial years beginning on or after January 1, 2018. Our progress on its adoption plans for IFRS 9 and IFRS 15 is outlined below.

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.

We have completed our preliminary assessment of the impact the adoption of IFRS 9 will have on our financial statements. Based on the preliminary assessment, management does not anticipate that the adoption of IFRS 9 will have a significant impact on the financial statements.

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.

We have completed our assessment of the scope of the impact of the adoption of IFRS 15 will have on our financial statements, but we have not yet selected a transition approach. Based on the assessment, the key areas of judgement expected on initial adoption of IFRS 15 are in relation to: (i) the timing of recognition for initial listings revenue; and (ii) how performance obligations are satisfied in contracts providing several services to customers. We will continue to assess the impact during 2017, which may identify other impacts of the adoption of IFRS 15, such as new disclosure requirements.

The other new standards, amendments and interpretations required to be implemented for financial years beginning on or after January 1, 2018 are outlined below. We intend to adopt each of the below standards and amendments in the year in which they are effective. At this time, the extent of the impact of adoption of these standards and amendments has not yet been determined.

Annual improvements 2014-2016 cycle (Amendments to various standards) – These narrow-scope amendments apply to a total of three standards as part of the IASB’s annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRIC 22, Foreign currency transactions and advance consideration (Interpretation of IAS 21, The Effects of Changes in Foreign Exchange Rates) – This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is effective 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 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.

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 with early application is permitted.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting during the quarter ended March 31, 2017 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 conditions, 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 conditions or 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, including cyber attacks; failure to properly identify or 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; failure to effectively integrate acquisitions to achieve planned economics or divest under performing businesses; 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 2016 Annual MD&A.