

TMX Group Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 8, 2018

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 (Q3/18) and nine months ended September 30, 2018, compared with the quarter (Q3/17) and nine months ended September 30, 2017 and as at September 30, 2018 and December 31, 2017. This MD&A should be read together with our unaudited condensed consolidated interim financial statements as at September 30, 2018 and December 31, 2017, and for the three and nine months ended September 30, 2018 and 2017 (the "interim financial statements"), and the 2017 Annual MD&A.

Our interim financial statements and this MD&A for the three and nine months ended September 30, 2018 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 May 2018, we announced that the exchange traded funds (ETFs) sector on Toronto Stock Exchange (TSX) had reached a record high. Total AUM² of ETFs listed on TSX has more than doubled in the past five years, and was approximately \$159 billion as of September 30, 2018. In the first nine months of 2018, TSX listed 79 new ETFs and welcomed five new institutions to its group of ETF providers.

Equities and Fixed Income Trading and Clearing

In May 2018, Payments Canada, the Bank of Canada, TMX Group and Accenture demonstrated that the instantaneous clearing and settlement of securities on-ledger is feasible, showing for the first time that both central bank cash and assets can be tokenized to complete an instant, end-to-end equity settlement on distributed ledger technology (DLT). Payments Canada, the Bank of Canada, TMX Group and Accenture presented initial findings from the research at the Payments Canada Summit in May 2018. The following is a summary of the report's key findings:

- A distributed ledger technology platform can be used for a payment and securities settlement system. The proof-of-concept platform constructed was able to process pledge, transaction and redeem functions in a manner designed to

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.

² Quoted market value is used as a proxy for AUM

address the privacy and scalability requirements of the Canadian system. The platform was also capable of handling the different participant sets so that each participant was only capable of performing those functions for which they were authorized.

- The loose integration framework of the project left the two authorities involved — the Bank of Canada for cash and Canadian Depository for Securities for equities — in full control of their respective instruments or tokens.

- Jasper Phase III was a focused proof of concept, and expansion to multiple parties and asset classes, will require further study to determine the impact of DLT with respect to cost savings or efficiency gains. An expansion of scope could span a number of possible dimensions — e.g., multiple assets, more of the trade and post-trade settlement lifecycle, and additional types of trades.

In October 2018, we signed a Memorandum of Understanding (MoU) with Shanghai Clearing House (SHCH) which builds on almost two years of close collaboration between us and SHCH. Our relationship with SHCH supports foreign institutional investor access to Chinese bond markets, provides for the parties' mutual support towards obtaining regulatory and government approvals, and affirms TMX Group's and SHCH's desire to create an efficient linkage between North American and Chinese bond markets. We also entered into an MoU with China Central Depository & Clearing Corporation, Limited (CCDC) pursuant to which we intend to initiate a feasibility study of mutual access models, work together to increase understanding of the respective businesses, and evaluate future trade opportunities.

Global Solutions, Insights and Analytics

On April 12, 2018, we completed the sale of our entire 24.2% interest in FTSE TMX Global Debt Capital Markets Limited ("TMX FTSE") to FTSE International Limited, a wholly owned subsidiary of London Stock Exchange Group. The proceeds of \$70.4 million resulted in a gain on sale of approximately \$26.8 million before and after income tax (\$24.1 million gain on sale and \$2.7 million realized gain on foreign currency translation), which was reflected in our net income for Q2/18.

In June 2018, we were advised by the Canadian Securities Administrators (CSA) that we could continue to act as information processor (IP) to consolidate equities data other than options in Canada under National Instrument 21-101 *Marketplace Operation* until June 30, 2022.

Trayport³

We completed the acquisition of London-headquartered Trayport Holdings Limited (Trayport) in December 2017.

We will focus on capitalizing on four macro themes in the global energy markets that present growth opportunities in both new markets and in new services to existing clients:

1. We plan to take advantage of the increasing demand for data and analytics to drive quantitative decision-making and to assist clients in meeting their regulatory requirements. We will provide a new rich analytic interface and new applications giving clients the ability to mine critical data sets.
2. We will capitalize on the globalization of the world's gas markets, by providing enhanced execution, data and analytics to existing clients as well as new clients globally who need to access these developing gas markets. As a result, Trayport clients will have one of the most complete views and trading access to the rapidly growing global gas market.
3. We will leverage new technologies to drive automation and efficiency as business processes become digitized. Today, a significant amount of brokers' trading volumes are executed via voice or instant message. Trayport will be the

³ The "Trayport" 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.

leading provider of hybrid tools to support brokers as their businesses become more digital, which will in turn help traders with a more timely and complete view across markets. This initiative will also enable Trayport to deliver increased value along the full trade lifecycle by increasing the data and analytics tools available for OTC markets and facilitating broker expansion into new asset classes and geographies.

4. The rise of renewable energy sources is having an increasing impact on energy generation and trading. Trayport will help clients meet the increasing demand in spot power and gas markets with new trading tools.

In Q2/18 we revised our estimate of transaction costs for the Trayport acquisition to a range of \$0.3 million to \$0.7 million from the previous range estimate of \$1.4 million to \$4.4 million. In the nine months ended September 30, 2018, we incurred \$0.2 million of transaction costs related to Trayport.

Derivatives Markets

Derivatives Trading and Clearing

Montreal Exchange (MX) achieved a new record quarterly total volume with 27,464,391 contracts traded in Q2/18. In June 2018, MX achieved a new open interest record on the S&P/TSX 60⁴ Index Standard Futures (SXF) with 456,723 contracts reached.

In 2016, we launched single stock futures (SSFs) on about 20 symbols. The balance of the S&P/TSX 60⁴ symbols were added throughout Q1/17. In June 2018, we launched SSFs on 12 Exchange Traded Funds (ETFs).

In April 2018, Canadian Derivatives Clearing Corporation (CDCC), Canada's national central clearing counterparty (CCP) for exchange-traded derivative products, certain over-the-counter (OTC) products and repurchase agreements (repos), announced the launch of its new direct-clearing model for Canadian buy-side firms.

In October 2018, MX launched extended trading hours from the previously 6:00am ET open to a 2:00am ET open. This initiative is in line with MX's mission to be a client focused and globally recognized leading derivatives exchange, as it allows domestic and international clients to manage their exposure to Canadian markets during non-regular Canadian business hours.

Update on Integrated Clearing Platform⁵

Tata Consultancy Services (TCS), a leading IT services, consulting and business solutions organization, is implementing a single, integrated technology platform for our clearing and settlement businesses. The innovative platform, called TCS BaNCS for Market Infrastructure, will replace the legacy systems deployed by CDS and CDCC, subject to regulatory approval where required. Our original estimate of the expected cash outlays is approximately \$55.0 - \$60.0 million from 2017 to 2019, of which approximately \$9.0 million was spent on capital expenditures in 2017. Substantially all of the costs will be related to capital expenditures. In the first nine months of 2018, we spent approximately \$15.8 million, including approximately \$11.5 million on capital expenditures. The annual savings in operating expenses on a run rate basis, compared with cost structure at this time last year when we projected savings, are expected to be approximately \$6.0 to \$8.0 million, starting in 2020. As we transition to the new platform, operating expenses will continue to increase over the short-term

⁴ 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.

⁵ The "Update on Integrated Clearing Platform" 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.

before we realize savings. Given the complex nature of this project, it is likely that estimates provided above will change. We plan to update these estimates on spending, savings, and timing by the end of Q1/19.

Corporate

On October 26, 2018, we reduced our existing shareholding in CanDeal.ca Inc. from 47.1% to 14.3%. As a result of this transaction, we received proceeds of \$12.8 million which includes cash consideration of \$7.8 million and an unsecured promissory note of \$5.0 million.

In May 2018, we implemented organizational and executive changes, including new strategic and expanded responsibilities for members of our leadership team:

- Jean Desgagné, President and CEO, TMX Global Solutions, Insights and Analytics left the company to pursue new career opportunities.
- Jay Rajarathinam, Chief Technology and Operations Officer expanded his mandate to take on the Product Development and Commercial Planning for Advanced Analytics, as well as TMX Innovation initiatives.
- Shaun McIver, Chief Client Officer took on the additional responsibility for Advanced Analytics sales, and assumed responsibility for the TMX Datalinx business.

In September 2018, we announced leadership changes at Trayport and Shorcan Brokers Limited (Shorcan):

- Kevin Heffron, President of Trayport left Trayport to pursue other opportunities.
- Peter Conroy, President, Shorcan took on the leadership of the Trayport business, and has been named President, Trayport.

MARKET CONDITIONS

Overall, Canadian equities trading volumes were up 21% in the first nine months of 2018 compared with the same period last year⁶. The average CBOE Volatility Index (VIX) was 15.2 in the first nine months of 2018 up significantly from 11.4 in the same period last year. Trading on TSXV (including NEX) increased with a 16% increase in volumes traded in the first nine months of 2018 compared with the same period last year; however, volume traded on TSX was flat over the same period. Derivative trading in Canada was positively impacted by speculation around an increase in interest rates as reflected in an 10% increase in the volume of contracts traded on MX in the first nine months of 2018 compared with the same period last year.

The more volatile market environment contributed to less favourable conditions for capital raising in the first nine months of 2018. On TSX, the total amount of financing dollars raised declined by 32% and the total number of financings decreased by 12% in the first nine months of 2018 compared with the same period last year. Looking specifically at IPOs on TSX, there was a 1% increase in the number of IPOs but a 45% decrease in IPO financing dollars raised in the first nine months of 2018 compared with last year. The more volatile environment had less of an impact on TSXV (including NEX) where there was a 13% increase in the total amount of financing dollars raised despite a 7% decrease in the total number of financings in the first nine months of 2018 over the same period last year.

On October 24, 2018, The Bank of Canada increased its overnight rate target to 1.75%.⁷ The Bank said financial market volatility has resurfaced and some emerging markets are under stress but, overall, global financial conditions remain accommodative. The Bank also said the Canadian economy continues to operate close to its potential and the composition

⁶ Source: IIROC (excluding intentional crosses).

⁷ Source: Bank of Canada press release, October 24, 2018.

of growth is more balanced. Despite some quarterly fluctuations, growth is expected to average about 2 per cent over the second half of 2018. Real GDP is projected to grow by 2.1 per cent this year and next before slowing to 1.9 per cent in 2020.

RESULTS OF OPERATIONS

Non-IFRS Financial Measures

Adjusted earnings per share, adjusted diluted earnings per share, adjusted earnings per share before discontinued operations, and adjusted diluted earnings per share before discontinued operations 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, adjusted diluted earnings per share, adjusted earnings per share before discontinued operations, and adjusted diluted earnings per share before discontinued operations 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, increase in deferred income tax assets resulting from capital loss carryback, write-off of deferred income tax assets, net income tax recovery on gain on sale of Natural Gas Exchange Inc. (NGX), gain on sale of interest in TMX FTSE, commodity tax provision, and transaction related costs. 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 acquisition costs and strategic re-alignment expenses and income from operations are important indicators of TMX Group's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debts and fund future capital expenditures. The intent of these performance measures is to provide additional useful information to investors and analysts; however, these measures should not be considered in isolation.

Sale of NGX and Shorcan Energy - discontinued operations

On December 14, 2017, we completed the sale of NGX and Shorcan Energy Brokers Inc (Shorcan Energy). TMX Group has classified the sale of NGX and Shorcan Energy as discontinued operations. Prior to the sale, the operations of NGX and Shorcan Energy entirely comprised of the Energy Trading and Clearing operating segment and a small portion of the Global Solutions, Insights and Analytics operating segment.

The classification of discontinued operations occurred at December 14, 2017 which is the date of disposal of the operations. Accordingly, TMX Group has re-presented the comparative consolidated income statements to show the discontinued operations separately from continuing operations.

Three Months Ended September 30, 2018 Compared with Three Months Ended September 30, 2017

The information below reflects the financial statements of TMX Group for the quarter ended September 30, 2018 compared with the quarter ended September 30, 2017.

(in millions of dollars, except per share amounts)	Q3/18	Q3/17	\$ increase	% increase
Revenue	\$192.8	\$152.0	\$40.8	27%
Operating expenses	106.3	84.4	21.9	26%
Income from operations ⁸	86.5	67.6	18.9	28%
Net income	57.5	51.9	5.6	11%
Earnings per share before discontinued operations ⁹				
Basic	1.03	0.85	0.18	21%
Diluted	1.02	0.85	0.17	20%
Earnings per share ¹⁰				
Basic	1.03	0.94	0.09	10%
Diluted	1.02	0.93	0.09	10%
Adjusted Earnings per share before discontinued operations ¹¹				
Basic	1.20	0.97	0.23	24%
Diluted	1.19	0.97	0.22	23%
Adjusted Earnings per share ¹²				
Basic	1.20	1.07	0.13	12%
Diluted	1.19	1.06	0.13	12%
Cash flows from operating activities	100.4	63.4	37.0	58%

Net income

Net income in Q3/18 was \$57.5 million, or \$1.03 per common share on a basic and \$1.02 on a diluted basis, compared with a net income of \$51.9 million, or \$0.94 per common share on a basic and \$0.93 on a diluted basis, for Q3/17. The increase in net income in Q3/18 reflected higher revenue from *Global Solutions, Insights and Analytics (GSIA)*, which included \$27.9 million related to Trayport (acquired December 14, 2017), as well as higher revenue from all segments. The increase in revenue was partially offset by higher operating expenses, which included \$18.7 million related to Trayport as well as higher employee performance incentive plan costs (\$3.6 million, or 5 cents per basic and diluted share compared with Q3/17).

The overall increase in diluted earnings per share was partially offset by the impact from an increase in the number of weighted-average common shares outstanding in Q3/18 compared with Q3/17 and higher net finance costs. In addition, the basic and diluted earnings per share in Q3/17 includes net income related to NGX and Shorcan Energy (sold December 14, 2017).

⁸ See discussion under the heading Additional IFRS Financial Measures.

⁹ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

¹⁰ Earnings per share information is based on net income.

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

¹² See discussion under the heading Non-IFRS Financial Measures.

Adjusted Earnings per Share and Adjusted Earnings per Share before discontinued operations¹³ Reconciliation for Q3/18 and Q3/17

The following is a reconciliation of earnings per share before discontinued operations¹⁴ to adjusted earnings per share¹⁵:

	Q3/18		Q3/17	
(unaudited)	Basic	Diluted	Basic	Diluted
Earnings per share before discontinued operations ¹⁶	\$1.03	\$1.02	\$0.85	\$0.85
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.17	0.17	0.11	0.11
Transaction related costs ¹⁷	—	—	0.01	0.01
Adjusted earnings per share before discontinued operations ¹⁸	\$1.20	\$1.19	\$0.97	\$0.97
Earnings per share from discontinued operations	—	—	0.09	0.08
Adjustment related to amortization of intangibles related to acquisitions	—	—	0.01	0.01
Adjusted earnings per share ¹⁹	\$1.20	\$1.19	\$1.07	\$1.06
Weighted average number of common shares outstanding	55,730,037	56,244,426	55,343,247	55,738,058

Adjusted diluted earnings per share before discontinued operations increased by 23% from \$0.97 in Q3/17 to \$1.19 in Q3/18. The increase in adjusted diluted earnings per share before discontinued operations reflected higher revenue from Global Solutions, Insights and Analytics (GSIA), which included \$27.9 million related to Trayport (acquired December 14, 2017). The increase in revenue was partially offset by higher operating expenses, which included \$18.7 million related to Trayport as well as higher employee performance incentive plan costs (\$3.6 million, or 5 cents per basic and diluted share compared with Q3/17).

The increase in adjusted diluted earnings per share before discontinued operations was partially offset by the impact from an increase in the number of weighted-average common shares outstanding in Q3/18 compared with Q3/17 and higher net finance costs.

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

¹⁴ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

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

¹⁶ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

¹⁷ Includes costs related to the agreement to acquire Trayport and divest NGX and Shorcan Energy.

¹⁸ See discussion under the heading *Non-IFRS Financial Measures*.

¹⁹ See discussion under the heading *Non-IFRS Financial Measures*.

Revenue

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
Capital Formation	\$45.1	\$43.0	\$2.1	5%
Equities and Fixed Income Trading and Clearing	45.4	41.6	3.8	9%
Derivatives Trading and Clearing	30.2	27.7	2.5	9%
Global Solutions, Insights and Analytics	72.1	41.6	30.5	73%
Other	0.0	(1.9)	1.9	100%
	\$192.8	\$152.0	\$40.8	27%

Revenue was \$192.8 million in Q3/18, up \$40.8 million or 27% compared with \$152.0 million in Q3/17 largely attributable to an increase in *Global Solutions, Insights and Analytics* revenue reflecting the inclusion of revenue from Trayport (acquired December 14, 2017) of \$27.9 million. With increased revenue in all other segments of our business, our organic revenue growth in Q3/18 was 8% (based on revenue of \$192.8 million less Trayport revenue of \$27.9 million for Q3/18, and revenue of \$152.0 million for Q3/17).

Capital Formation

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
Initial listing fees	\$3.3	\$2.6	\$0.7	27%
Additional listing fees	17.5	17.5	0.0	0%
Sustaining listing fees	17.8	17.6	0.2	1%
Other issuer services	6.5	5.3	1.2	23%
	\$45.1	\$43.0	\$2.1	5%

- Initial listing fees* in Q3/18 increased from Q3/17 reflecting an increase in *initial listing fees* on TSX related to recognizing revenue received in prior periods. Effective January 1, 2018, we changed our method for recognizing *initial listing fee* revenue in accordance with IFRS 15, *Revenue from Contracts with Customers* (see **Changes in accounting policies**). In Q3/18, we recognized \$0.7 million of total *initial listing fees* received of \$3.0 million with the balance of \$2.3 million to be recognized over the remaining 12-month deferral period. Since the cumulative impact of this change was recorded effective January 1, 2018, we also recognized *initial listing fees* received in 2017, Q1/18, and Q2/18 of \$1.2 million, \$0.6 and \$0.8 million respectively during Q3/18. Under IFRS 15, total *initial listing fees* of \$3.3 million was approximately \$0.3 million higher than the revenue that would have been the case if *initial listing fees* were recognized when the listing occurred. The increase in *initial listing fee* revenue was also due to an increase in *initial listing fees* on TSXV reflecting an increase in new issuers listed and in initial public offering financing dollars raised.

- Based on *initial listing fees* billed in 2017 and the nine months ended September 30, 2018, the following amounts have been deferred to be recognized in Q4/18, Q1/19, and Q2/19: \$2.4 million, \$1.7 million, and \$1.0 million respectively. Total *initial listing fees* revenue for future quarters will also depend on listing activity in those quarters.
- *Additional listing fees* in Q3/18 was flat compared to Q3/17 reflecting the impact of a higher maximum additional listing fee on TSX offset by a 7% decrease in the number of transactions billed on TSX and a decrease in the number of financings on TSXV.
- 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, 2017 compared with December 31, 2016; however, the increase was largely offset by the impact from certain price reductions for issuers listed on TSX.
- *Other issuer services* revenue in Q3/18 was higher compared to Q3/17 reflecting increased revenue from TSX Trust for transfer agent services and margin income.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
Equities and fixed income trading	\$25.1	\$22.9	\$2.2	10%
Equities and fixed income clearing, settlement, depository and other services (CDS)	20.3	18.7	1.6	9%
	\$45.4	\$41.6	\$3.8	9%

- There was an increase in *Equities and Fixed Income Trading* revenue in Q3/18 compared with Q3/17 reflecting an increase in *Equities trading* revenue driven by higher volumes across our marketplaces, and higher *fixed income trading* revenue due to increased activity in Government of Canada Bonds and REPOs.
- The overall volume of securities traded on our equities marketplaces increased by 22% (34.1 billion securities in Q3/18 versus 27.9 billion securities in Q3/17). There were volume increases on TSX, TSXV and TSX Alpha Exchange (Alpha) of 17%, 25%, and 53% respectively in Q3/18 compared with Q3/17. The increase related to higher volumes was somewhat offset by the impact from lower pricing on TSX market on close auction.
- Excluding intentional crosses, in all listed issues in Canada, our combined domestic equities trading market share was approximately 58% in Q3/18, down 5% from approximately 63% in Q3/17. The decline in market share reflects an increase in trading volume on other markets of issues not listed or traded on TSX or TSXV. We only trade securities that are listed on TSX or TSXV.
- Excluding intentional crosses, for TSX and TSXV listed issues, our combined domestic equities trading market share was approximately 69% in Q3/18, up 1% from approximately 68% in Q3/17.
- *CDS* revenue increased by 9% from Q3/17 to Q3/18 largely reflecting revisions to the fee schedule for issuer services implemented on March 1, 2017, as well as higher custody revenue, International Securities Identification Number (ISIN) issuance and eligibility, and account transfer online notifications. The increases were partially offset by higher volume rebates.

Derivatives Trading and Clearing

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$30.2	\$27.7	\$2.5	9%

- The increase in *Derivatives Trading and Clearing* revenue was driven by higher revenue from MX and CDCC reflecting higher volumes, somewhat offset by a less favourable product mix. Volumes increased by 14% on MX (27.1 million contracts traded in Q3/18 versus 23.8 million contracts traded in Q3/17).

Global Solutions, Insights and Analytics

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
GSIA (excluding Trayport)	\$44.2	\$41.6	\$2.6	6%
Trayport	\$27.9	\$0.0	\$27.9	n/a
	\$72.1	\$41.6	\$30.5	73%

- The increase in *Global Solutions, Insights and Analytics (GSIA)* revenue in Q3/18 compared with Q3/17 reflected the inclusion of revenue from Trayport (acquired December 14, 2017) of \$27.9 million, higher revenue from subscriptions, enterprise agreements and data feeds, a one-time increase in revenue from benchmarks and indices related to prior periods, and increased co-location revenue. In addition, there was a favourable impact from a weaker Canadian dollar relative to the U.S. dollar in Q3/18 compared with Q3/17.
- These increases were partially offset by lower revenue recoveries related to under-reported usage of real-time quotes in prior periods.

GSIA (excluding Trayport)

- The average number of professional market data subscriptions for TSX and TSXV products were essentially unchanged in Q3/18 compared with Q3/17 (100,623 professional market data subscriptions in Q3/18 compared with 100,981 in Q3/17).
- The average number of MX professional market data subscriptions was up 5% in Q3/18 from Q3/17 (18,732 MX professional market data subscriptions in Q3/18 compared with 17,877 in Q3/17).

Trayport (acquired December 14, 2017)

The following table summarizes the average number of Trayport subscribers over the last eight quarters:

	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16
Trader Subscribers ²⁰	4,370	4,353	4,230	4,079	4,037	4,030	4,002	3,960
Total Subscribers ²¹	20,623	20,312	20,213	20,000	19,927	20,108	19,890	19,754
Revenue (in millions of GBP)	£16.5	£16.0	£15.4	£14.9	£15.2	£15.1	£14.7	£14.6

²⁰ Previous amounts have been restated based on current data.

²¹ Previous amounts have been restated based on current data.

Total Subscribers: all chargeable licenses of core Trayport products in core customer segments: Traders, Brokers and Exchanges. Trader Subscribers are a subset of Total Subscribers. Trader Subscribers revenue represents over 50% of total Trayport revenue.

Revenue from Trayport's core subscriber business was £15.6 million in Q3/18, up 10% over Q3/17. Revenue from Contigo; the ancillary non-subscriber based risk application business of Trayport; was £0.9 million in Q3/18, a decline of 18% over Q3/17. We have started the process to divest the Contigo business.

Other

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$—	\$(1.9)	\$1.9	100%

- The increase in *Other* revenue was due to the impact from recognizing lower net foreign exchange losses on net monetary assets in Q3/18 compared with Q3/17.

Operating expenses

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
Compensation and benefits	\$54.8	\$41.9	\$12.9	31%
Information and trading systems	12.7	10.0	2.7	27%
Selling, general and administration	21.4	19.9	1.5	8%
Depreciation and amortization	17.4	12.6	4.8	38%
	\$106.3	\$84.4	\$21.9	26%

Operating expenses in Q3/18 were \$106.3 million, up \$21.9 million or 26%, from \$84.4 million in Q3/17. There were increased costs related to Trayport (acquired December 14, 2017) of \$18.7 million as well as higher employee performance incentive plan costs (\$3.6 million, or 5 cents per basic and diluted share compared with Q3/17).

Compensation and benefits

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$54.8	\$41.9	\$12.9	31%

- Compensation and benefits* costs increased in Q3/18 reflecting higher costs related to inclusion of Trayport (acquired December 14, 2017) of approximately \$10.3 million and higher employee performance incentive plan costs (\$3.6 million, or 5 cents per basic and diluted share compared with Q3/17).
- There were 1,238 TMX Group employees at September 30, 2018 versus 1,063 employees at September 30, 2017 reflecting a higher headcount related to the acquisition of Trayport which employs approximately 230 people. This increase was partially offset by reductions in headcount from the sale of NGX and Shorcan Energy which collectively employed approximately 70 people. The net increase in headcount was attributable to investing in the various growth areas of our business.

Information and trading systems

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$12.7	\$10.0	\$2.7	27%

- *Information and trading systems* expenses increased in Q3/18 compared with Q3/17 reflecting the inclusion of costs related to Trayport of \$1.2 million and higher project costs.

Selling, general and administration

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$21.4	\$19.9	\$1.5	8%

- *Selling, general and administration* expenses increased in Q3/18 compared with Q3/17 primarily due to the inclusion of Trayport costs of \$1.8 million and higher project costs, including those related to our initiative to integrate clearing platforms. These increases were partially offset by lower bad debt, marketing and occupancy expenses.

Depreciation and amortization

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$17.4	\$12.6	\$4.8	38%

- Higher *Depreciation and amortization* costs largely reflects increased amortization related to Trayport of \$5.4 million, partially offset by reductions in amortization related Quantum XA of \$0.9 million.
- The *Depreciation and amortization* costs in Q3/18 of \$17.4 million included \$11.6 million related to amortization of intangibles related to acquisitions (17 cents per basic and diluted share).
- The *Depreciation and amortization* costs in Q3/17 of \$12.6 million included \$7.7 million related to amortization of intangibles related to acquisitions (11 cents per basic and diluted share).

Additional Information

Income from discontinued operations

(in millions of dollars)	Q3/18	Q3/17	\$ (decrease)	% (decrease)
	\$—	\$4.7	\$(4.7)	(100)%

- In Q3/17 income from NGX and Shorcan Energy (sold on December 14, 2017) was \$4.7 million net of tax.

Share of income from equity accounted investees

(in millions of dollars)	Q3/18	Q3/17	\$ (decrease)	% (decrease)
	\$0.8	\$0.9	\$(0.1)	(11)%

- The decrease in our share of income from equity accounted investees of \$0.1 million primarily reflected a decrease in the contribution from TMX FTSE (sold April 12, 2018).

Net finance costs

(in millions of dollars)	Q3/18	Q3/17	\$ increase	% increase
	\$9.7	\$5.0	\$4.7	94%

- The increase in net finance costs from Q3/17 to Q3/18 reflected higher interest expense due to increased debt levels following the Trayport acquisition. In Q3/18, we also had a higher average interest rate on our debt driven by the interest rates on our long term Series D Debentures and Series E Debentures compared with that on Commercial Paper.

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Q3/18	Q3/17	Q3/18	Q3/17
\$20.1	\$16.3	26%	26%

- The effective tax rate for Q3/18 was 26%, and would have been 27% for Q3/17 excluding an adjustment related to foreign exchange gains.

Segments

The following information reflects TMX Group's segment results for the three months ended September 30, 2018 compared with the three months ended September 30, 2017.

Three months ended September 30, 2018

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivatives Trading & Clearing	Global Solutions, Insights & Analytics	Other	Total
Revenue from external customers	\$ 45.1	\$ 45.4	\$ 30.2	\$ 72.1	\$ —	\$ 192.8
Inter-segment revenue	—	0.5	—	0.1	(0.6)	—
Total revenue	45.1	45.9	30.2	72.2	(0.6)	192.8
Income (loss) from operations	23.8	17.9	13.1	43.2	(11.5)	86.5

Three months ended September 30, 2017

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivatives Trading & Clearing	Global Solutions, Insights & Analytics	Other	Total
Revenue from external customers	\$ 43.0	\$ 41.6	\$ 27.7	\$ 41.6	\$ (1.9)	\$ 152.0
Inter-segment revenue	—	0.2	—	—	(0.2)	—
Total revenue	43.0	41.8	27.7	41.6	(2.1)	152.0
Income (loss) from operations	23.2	16.1	13.0	28.2	(12.9)	67.6

Income (loss) from operations

The increase in *Income from operations* from *Capital Formation* reflects higher initial listing fees as well as higher revenue from TSX Trust in Q3/18 compared with Q3/17. This was partially offset by higher operating expenses in Q3/18 compared with Q3/17.

The increase in *Income from operations* from *Equities and Fixed Income Trading and Clearing* was driven by higher *equity and fixed income trading*, and *CDS* revenue in Q3/18 compared with Q3/17. This was partially offset by higher operating expenses in Q3/18 compared with Q3/17.

Income from operations from *Derivatives Trading and Clearing* increased slightly reflecting higher revenue from MX and CDCC, driven by a 14% increase in volumes on MX, largely offset by higher operating expenses.

The increase in *Income from operations* from *Global Solutions, Insights and Analytics* largely reflects the inclusion of Trayport.

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 lower *loss from operations* for the *Other* segment largely reflected an increase in *Other* revenue due to recognizing lower net foreign exchange losses on net monetary assets in Q3/18 compared with Q3/17.

Nine months ended September 30, 2018 Compared with Nine months ended September 30, 2017

See Sale of NGX and Shorcan Energy - discontinued operations under **RESULTS OF OPERATIONS**.

The information below reflects the financial statements of TMX Group for the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017

(in millions of dollars, except per share amounts)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
Revenue	\$609.5	\$498.2	\$111.3	22%
Operating expenses	337.5	269.8	67.7	25%
Income from operations ²²	272.0	228.4	43.6	19%
Net income	216.2	165.7	50.5	30%
Earnings per share - before discontinued operations ²³				
Basic	3.89	2.74	1.15	42%
Diluted	3.86	2.72	1.14	42%
Earnings per share ²⁴				
Basic	3.89	3.00	0.89	30%
Diluted	3.86	2.97	0.89	30%
Adjusted Earnings per share before discontinued operations				
Basic	3.88	3.18	0.70	22%
Diluted	3.84	3.16	0.68	22%
Adjusted Earnings per share ²⁵				
Basic	3.88	3.47	0.41	12%
Diluted	3.84	3.44	0.40	12%
Cash flows from operating activities	278.7	217.2	61.5	28%

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

²³ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

²⁴ Earnings per share information is based on net income.

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

Net income

Net income in the nine months ended September 30, 2018 was \$216.2 million, or \$3.89 per common share on a basic basis and \$3.86 per common share on a diluted basis, compared with a net income of \$165.7 million, or \$3.00 per common share on a basic and \$2.97 on a diluted basis, for the nine months ended September 30, 2017. The increase in net income in the nine months ended September 30, 2018 included a before and after tax gain on the sale of TMX FTSE, of \$26.8 million and higher revenue across each segment of our business, which included \$83.2 million (including \$83.1 million in *GSIA*, and \$0.1 million in *Other*) related to Trayport (acquired December 14, 2017). The increase was partially offset by higher operating expenses, including \$55.8 million related to Trayport, a commodity tax provision of \$7.6 million (10 cents per basic and diluted share), and a lease termination payment of \$4.5 million (6 cents per basic and diluted share).

There was a decrease in income tax expense, which reduced our effective tax rate, relating to realizing and utilizing a capital loss, increasing net income. This capital loss was applied to eliminate income tax otherwise payable of \$3.8 million on the sale of our interest in TMX FTSE in Q2/18 and reduce income tax of \$8.0 million on our sale of NGX in 2017. Also, the non-taxable portion of the capital gain on the sale of our interest in TMX FTSE resulted in a tax benefit of approximately \$3.3 million.

The overall increase in diluted earnings per share was partially offset by the unfavorable impact on basic and diluted earnings per share from an increase in the number of weighted-average common shares outstanding in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017, and higher net finance costs. In addition, the basic and diluted earnings per share in the same period last year includes net income related to NGX and Shorcan Energy (sold December 14, 2017).

Adjusted Earnings per Share and Adjusted Earnings per Share before discontinued operations²⁶ Reconciliation for Nine months ended September 30, 2018 and Nine months ended September 30, 2017

The following is a reconciliation of earnings per share before discontinued operations²⁷ to adjusted earnings per share²⁸:

(unaudited)	Nine months ended September 30, 2018		Nine months ended September 30, 2017	
	Basic	Diluted	Basic	Diluted
Earnings per share before discontinued operations ²⁹	\$3.89	\$3.86	\$2.74	\$2.72
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.51	0.50	0.33	0.33
Non-cash impairment charges ³⁰	—	—	0.09	0.09
Increase in deferred income tax assets resulting from capital loss carryback ³¹	—	—	(0.04)	(0.04)
Write-off of deferred income tax assets ³²	—	—	0.05	0.05
Transaction related costs ³³	—	—	0.01	0.01
Net income tax recovery on gain on sale of NGX	(0.14)	(0.14)	—	—
Gain on sale of interest in TMX FTSE	(0.48)	(0.48)	—	—
Commodity tax provision	0.10	0.10	—	—
Adjusted earnings per share before discontinued operations ³⁴	\$3.88	\$3.84	\$3.18	\$3.16
Earnings per share from discontinued operations	—	—	0.26	0.25
Adjustment related to amortization of intangibles related to acquisitions	—	—	0.03	0.03
Adjusted earnings per share ³⁵	\$3.88	\$3.84	\$3.47	\$3.44
Weighted average number of common shares outstanding	55,585,391	56,064,375	55,257,596	55,712,733

Adjusted diluted earnings per share before discontinued operations increased by 22% from \$3.16 in the nine months ended September 30, 2017 to \$3.84 in the nine months ended September 30, 2018. The increase in adjusted diluted earnings per share before discontinued operations reflected higher revenue which included \$83.2 million (including \$83.1 million

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

²⁷ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

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

²⁹ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

³⁰ Related to TMX Atrium.

³¹ Related to sale of Razor Risk.

³² Related to TMX Atrium Wireless.

³³ Includes costs related to the agreement to acquire Trayport and divest NGX and Shorcan Energy.

³⁴ See discussion under the heading Non-IFRS Financial Measures.

³⁵ See discussion under the heading Non-IFRS Financial Measures.

in *GSIA*, and \$0.1 million in *Other*) related to Trayport (acquired December 14, 2017). The increase in revenue was partially offset by higher operating expenses which included \$55.8 million related to Trayport, and a lease termination payment of \$4.5 million (6 cents per basic and diluted share). The increase in adjusted diluted earnings per share before discontinued operations was partially offset by the impact from an increase in the number of weighted-average common shares outstanding in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017, and higher net finance costs.

Revenue

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
Capital Formation	\$153.3	\$139.4	\$13.9	10%
Equities and Fixed Income Trading and Clearing	143.3	136.5	6.8	5%
Derivatives Trading and Clearing	94.8	87.2	7.6	9%
Global Solutions, Insights and Analytics	215.5	138.2	77.3	56%
Other	2.6	(3.1)	5.7	184%
	\$609.5	\$498.2	\$111.3	22%

Revenue was \$609.5 million in the nine months ended September 30, 2018, up \$111.3 million or 22% compared with \$498.2 million in the nine months ended September 30, 2017. There was an increase in *Global Solutions, Insights and Analytics* revenue reflecting \$83.1 million revenue from Trayport (acquired on December 14, 2017), partially offset by \$8.6 million decrease in revenue from TMX Atrium (sold on April 30, 2017). There were also increases in *Capital Formation*, *Equities and Fixed Income Trading*, *CDS*, and *Derivatives Trading and Clearing* revenue. *Other* revenue increased primarily due to the impact from recognizing net foreign exchange gains on net monetary assets in the nine months ended September 30, 2018 compared with net foreign exchange losses in the nine months ended September 30, 2017. Our organic revenue growth for the nine months ended September 30, 2018 was up 7% compared with the same period last year (based on revenue of \$609.5 million less Trayport revenue of \$83.2 million for the nine months ended September 30, 2018, and revenue of \$498.2 million less TMX Atrium revenue of \$8.6 million for the same period last year).

Capital Formation

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
Initial listing fees	\$10.3	\$9.1	\$1.2	13%
Additional listing fees	66.6	60.6	6.0	10%
Sustaining listing fees	53.1	52.4	0.7	1%
Other issuer services	23.3	17.3	6.0	35%
	\$153.3	\$139.4	\$13.9	10%

- The increase in *initial listing fees* revenue was attributable to an increase in *initial listing fees* on TSX and TSXV related to recognizing revenue received in prior periods. Effective January 1, 2018, we changed our method for recognizing *initial listing fee* revenue in accordance with IFRS 15, *Revenue from Contracts with Customers* (see **Changes in accounting policies**). In the first nine months of 2018, we recognized \$4.1 million of total *initial listing fees* received of \$9.2 million with the balance of \$5.1 million to be recognized over the remaining 12-month deferral period. Since the cumulative impact of this change was recorded effective January 1, 2018, we also recognized *initial listing fees* received in 2017 of \$6.2 million during the first nine months of 2018. Under IFRS 15, total *initial listing fees* of \$10.3 million was approximately \$1.1 million higher than would have been the case if *initial listing fees* were recognized when the listing occurred.
- Based on *initial listing fees* billed in 2017 and nine months ended September 30, 2018, the following amounts have been deferred to be recognized in Q4/18, Q1/19 and Q2/19: \$2.4 million, \$1.7 million, and \$1.0 million respectively. Total *initial listing fees* revenue for future quarters will also depend on listing activity in those quarters.
- *Additional listing fees* in the nine months ended September 30, 2018 increased from the nine months ended September 30, 2017 reflecting the impact of a higher maximum additional listing fee on TSX somewhat offset by the impact of a 4% decrease in the number of transactions billed on TSX. There was also a decrease in *additional listing fees* on TSXV where there was a decrease in the number of financings in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017.
- 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, 2017 compared with December 31, 2016; however, the increase was largely offset by the impact from certain price reductions for issuers listed on TSX.
- *Other issuer services* revenue in the nine months ended September 30, 2018 was higher compared to the nine months ended September 30, 2017 reflecting higher revenue from TSX Trust for transfer agent services and margin income.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
Equities and fixed income trading	\$80.2	\$78.9	\$1.3	2%
Equities and fixed Income clearing, settlement, depository and other services (CDS)	63.1	57.6	5.5	10%
	\$143.3	\$136.5	\$6.8	5%

- There was a 2% increase in *Equities and fixed income trading* revenue in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017 driven by higher volumes on TSXV and higher *fixed income trading* revenue due to increased activity in Government of Canada Bonds and swaps.
- The overall volume of securities traded on our equities marketplaces increased by 6% (109.5 billion securities in the nine months ended September 30, 2018 versus 103.6 billion securities in the nine months ended September 30, 2017). Volumes on TSXV increased by 16% from the nine months ended September 30, 2017 to the nine months ended September 30, 2018, while volumes on Alpha increased by 7%, and volumes on TSX were flat. The increase related to higher volumes on TSXV was somewhat offset by the impact from lower yields on TSXV compared with TSX, and lower pricing on TSX market on close auction.

- Excluding intentional crosses, in all listed issues in Canada, our combined domestic equities trading market share was 58% in the nine months ended September 30, 2018, down from 65% in the nine months ended September 30, 2017³⁶. The decline in market share reflects an increase in trading volume on other markets of issues not listed or traded on TSX or TSXV. We only trade securities that are listed on TSX or TSXV.
- Excluding intentional crosses, for TSX and TSXV listed issues, our combined domestic equities trading market share was approximately 67% in the first nine months of 2018, down 2% from approximately 69% in the same period last year.
- CDS revenue increased by 10% from the nine months ended September 30, 2017 to the nine months ended September 30, 2018 reflecting revisions to the fee schedule for issuer services implemented on March 1, 2017 as well as higher custody revenue, increased account transfer online notifications, and higher revenue from settlement, clearing and ISIN issuance and eligibility. The increases were partially offset by higher volume rebates.

Derivatives Trading and Clearing

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$94.8	\$87.2	\$7.6	9%

- The increase in *Derivatives Trading and Clearing* revenue reflected higher volumes from MX and CDCC. Volumes increased by 10% on MX (81.1 million contracts traded in the nine months ended September 30, 2018 versus 73.6 million contracts traded in the nine months ended September 30, 2017).

Global Solutions, Insights and Analytics

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase/ (decrease)	% increase/ (decrease)
GSIA (excluding Trayport)	\$132.4	\$138.2	(\$5.8)	(4)%
Trayport	\$83.1	\$0.0	\$83.1	n/a
	\$215.5	\$138.2	\$77.3	56%

- The increase in *GSIA* revenue in the first nine months of 2018 compared with the same period last year reflected the inclusion of revenue from Trayport (acquired December 14, 2017) of \$83.1 million, an increase in subscription and enterprise agreement revenue, higher revenue from usage based quotes and feeds as well as increased co-location revenue.
- These increases were partially offset by a decline of \$8.6 million in revenue from TMX Atrium (sold on April 30, 2017) and lower revenue recoveries related to under-reported usage of real-time quotes in prior periods. In addition, there was an unfavourable impact from a stronger Canadian dollar relative to the U.S. dollar in the first nine months of 2018 compared with the same period last year.

³⁶ Source: IIROC.

GSIA (excluding Trayport)

- The average number of professional market data subscriptions for TSX and TSXV products decreased by 1% from the nine months ended September 30, 2017 to the nine months ended September 30, 2018 (101,467 professional market data subscriptions in the nine months ended September 30, 2018 compared with 102,354 in the nine months ended September 30, 2017.)
- The average number of MX professional market data subscriptions increased by 5% from the nine months ended September 30, 2017 to the nine months ended September 30, 2018 (18,669 MX professional market data subscriptions in the nine months ended September 30, 2018 compared with 17,804 in the nine months ended September 30, 2017).

Trayport (acquired December 14, 2017)

- Revenue from Trayport's core subscriber business was £45.6 million in the first nine months of 2018, up 9% over the same period last year. Revenue from Contigo; the ancillary non-subscriber based risk application business of Trayport; was £2.3 million in the first nine months of 2018, a decline of 28% over the same period last year.

Other

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$2.6	\$(3.1)	\$5.7	184%

- The increase in *Other* revenue was primarily due to recognizing net foreign exchange gains on net monetary assets in the nine months ended September 30, 2018 compared with net foreign exchange losses in the nine months ended September 30, 2017.

Operating expenses

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase/ (decrease)	% increase/ (decrease)
Compensation and benefits	\$166.7	\$131.6	\$35.1	27%
Information and trading systems	37.2	39.5	(2.3)	(6)%
Selling, general and administration	81.3	59.0	22.3	38%
Depreciation and amortization	52.3	39.7	12.6	32%
	\$337.5	\$269.8	\$67.7	25%

Operating expenses in the nine months ended September 30, 2018 were \$337.5 million, up \$67.7 million or 25%, from \$269.8 million in the nine months ended September 30, 2017. There were increased costs related to Trayport (acquired December 14, 2017) of \$55.8 million, a commodity tax provision of \$7.6 million (10 cents per basic and diluted share), an increase in severance costs of approximately \$4.0 million related to organizational changes, higher employee performance incentive plan costs, and a lease termination payment of \$4.5 million (6 cents per basic and diluted share). The increases were offset partially by reduced costs related to TMX Atrium (sold on April 30, 2017) of approximately \$9.4 million.

Compensation and benefits

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$166.7	\$131.6	\$35.1	27%

- *Compensation and benefits* costs increased in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017 reflecting higher costs related to inclusion of Trayport (acquired December 14, 2017) of approximately \$29.1 million, an increase of approximately \$4.0 million in severance related to organizational changes and higher employee performance incentive plan costs. These increases were partially offset by reduced costs of \$1.7 million related to TMX Atrium (sold April 30, 2017).
- There were 1,238 TMX Group employees at September 30, 2018 versus 1,063 employees at September 30, 2017 reflecting a higher headcount related to the acquisition of Trayport which employs approximately 230 people. This increase was partially offset by reductions in headcount from the sale of NGX and Shorcan Energy which collectively employed approximately 70 people. The net increase in headcount was attributable to investing in the various growth areas of our business.

Information and trading systems

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ (decrease)	% (decrease)
	\$37.2	\$39.5	\$(2.3)	(6)%

- *Information and trading systems* expenses decreased by \$2.3 million in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017 reflecting reduced costs related to TMX Atrium of \$5.8 million and lower telecommunication costs partially offset by costs related to Trayport of \$3.6 million and higher project costs.

Selling, general and administration

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$81.3	\$59.0	\$22.3	38%

- *Selling, general and administration* expenses increased by \$22.3 million in the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017 partially due to recording a commodity tax provision of \$7.6 million (10 cents per basic and diluted share) and a lease termination payment of \$4.5 million (6 cents per basic and diluted share).
- In addition, *selling, general and administration* expenses increased due to the inclusion of Trayport costs of \$6.0 million, increased project costs (including those related to our initiative to integrate clearing platforms), and higher fees related to liquidity facilities, partially offset by reduced costs related to TMX Atrium of \$0.8 million.

Depreciation and amortization

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$52.3	\$39.7	\$12.6	32%

- Higher *Depreciation and amortization* costs reflected increased amortization related to Trayport of \$17.1 million, partially offset by reductions in amortization related to Quantum XA of \$3.4 million and TMX Atrium of \$1.1 million.
- The *Depreciation and amortization* costs in the nine months ended September 30, 2018 of \$52.3 million included \$35.7 million related to amortization of intangibles assets related to acquisitions (51 cents per basic and 50 cents per diluted share).
- The *Depreciation and amortization* costs in the nine months ended September 30, 2017 of \$39.7 million included \$23.1 million related to amortization of intangibles related to acquisitions (33 cents per basic and diluted share).

Additional Information

Income from discontinued operations

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ (decrease)	% (decrease)
	\$—	\$14.4	\$(14.4)	(100)%

- In the nine months ended September 30, 2017, income from NGX and Shorcan Energy (sold on December 14, 2017) was \$14.4 million net of tax.

Share of income from equity accounted investees

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ (decrease)	% (decrease)
	\$2.2	\$3.3	\$(1.1)	(33)%

- In the nine months ended September 30, 2018 our share of income from equity accounted investees decreased by \$1.1 million primarily attributable to decreases in our share of income from TMX FTSE (sold on April 12, 2018).

Impairment charges

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ (decrease)	% (decrease)
	\$—	\$4.8	\$(4.8)	(100)%

- In Q1/17 we determined that the fair value of TMX Atrium was below its carrying value, resulting in impairment charges relating to the write-down of goodwill of \$4.8 million.

Other income

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$26.8	\$0.0	\$26.8	n/a

- In Q2/18, we completed the sale of our entire 24.2% interest in TMX FTSE. The proceeds of \$70.4 million resulted in a gain on sale of approximately \$26.8 million before and after income tax (48 cents per basic and diluted share).

Net finance costs

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase	% increase
	\$30.0	\$18.3	\$11.7	64%

- The increase in net finance costs from the nine months ended September 30, 2017 to the nine months ended September 30, 2018 reflected higher interest expense due to increased debt levels following the Trayport acquisition. In the nine months ended September 30, 2018, we also had a higher average interest rate on our debt driven by the interest rates on our long term Series D Debentures and Series E Debentures compared with that on Commercial Paper.

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Nine months ended September 30, 2018	Nine months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
\$54.8	\$57.3	20%	27%

- Excluding adjustments, primarily related to the items noted below, the effective tax rate would have been approximately 26% for the nine months ended September 30, 2018.
- In the nine months ended September 30, 2018, we realized a capital loss on the wind up of a limited partnership, resulting in a tax benefit of approximately \$11.8 million. A portion of this capital loss was utilized to eliminate the income tax otherwise payable of \$3.8 million on the sale of our interest in TMX FTSE. In addition, we carried back the balance of this net capital loss to reduce the income tax of \$8.0 million on the sale of NGX in 2017. Also, the non-taxable portion of the capital gain on the sale of our interest in TMX FTSE resulted in a tax benefit of approximately \$3.3 million. As a result, there was a decrease in the income tax expense, which reduced our effective tax rate for the nine months ended September 30, 2018.

Total equity

(in millions of dollars)	As at September 30, 2018	As at December 31, 2017	\$ increase
Total equity	\$3,315.9	\$3,182.8	\$133.1

- At September 30, 2018, there were 55,776,489 common shares issued and outstanding and 1,801,262 options outstanding under the share option plan.
- At November 2, 2018, there were 55,776,689 common shares issued and outstanding and 1,801,062 options outstanding under the share option plan.
- The increase in *Total equity* is primarily attributable to the inclusion of net income of \$216.2 million, and proceeds from exercised share options of \$19.3 million, less dividend payments to shareholders of TMX Group of \$92.3 million and foreign currency translation differences of \$4.9 million.

Segments

The following information reflects TMX Group's segment results for the nine months ended September 30, 2018 compared with the nine months ended September 30, 2017.

Nine months ended September 30, 2018

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivatives Trading & Clearing	Global Solutions, Insights & Analytics	Other	Total
Revenue from external customers	\$ 153.3	\$ 143.3	\$ 94.8	\$ 215.5	\$ 2.6	\$ 609.5
Inter-segment revenue	—	1.2	—	0.4	(1.6)	—
Total revenue	153.3	144.5	94.8	215.9	1.0	609.5
Income (loss) from operations	87.5	61.9	40.3	128.2	(45.9)	272.0

Nine months ended September 30, 2017

(in millions of dollars)	Capital Formation	Equities and Fixed Income Trading & Clearing	Derivatives Trading & Clearing	Global Solutions, Insights & Analytics	Other	Total
Revenue from external customers	\$ 139.4	\$ 136.5	\$ 87.2	\$ 138.2	\$ (3.1)	\$ 498.2
Inter-segment revenue	—	1.2	—	0.5	(1.7)	—
Total revenue	139.4	137.7	87.2	138.7	(4.8)	498.2
Income (loss) from operations	78.2	58.3	41.6	85.2	(34.9)	228.4

Income (loss) from operations

The increase in *Income from operations* from *Capital Formation* reflects higher revenue from all fee types as well as higher revenue from TSX Trust in the first nine months of 2018 compared with the same period last year. This was partially offset by higher operating expenses in the first nine months of 2018 compared with the same period last year.

The increase in *income from operations* from *Equities and Fixed Income Trading and Clearing* was driven by higher revenue mainly from CDS partially offset by higher operating expenses in the first nine months of 2018 compared with the same period last year.

Income from operations from *Derivatives Trading and Clearing* decreased reflecting higher operating expenses in the first nine months of 2018 compared with the same period last year mainly relating to a lease termination payment. This decrease was partially offset by higher revenue from MX and CDCC, due to a 10% increase in volumes on MX as well as higher revenue per contract due to client mix.

The increase in *Income from operations* from *Global Solutions, Insights and Analytics* largely reflects the positive impacts from the inclusion of Trayport and the sale of TMX Atrium. In the same period last year, TMX Atrium earned approximately \$8.6 million of revenue, and incurred approximately \$9.4 million in operating expenses.

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* for the *Other* segment reflected an increase in corporate costs largely related to the amortization of Trayport intangibles. This increase was partially offset by higher *Other* revenue primarily due to recognizing net foreign exchange gains on net monetary assets in the first nine months of 2018 compared with foreign exchanges losses in the same period last year.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Q3/18 compared with Q3/17

(in millions of dollars)	Q3/18	Q3/17	\$ increase/ (decrease) in cash
Cash flows from operating activities	\$100.4	\$63.4	\$37.0
Cash flows (used in) financing activities	(40.0)	(27.5)	(12.5)
Cash flows (used in) investing activities	(42.2)	(23.9)	(18.3)

- In Q3/18, *Cash flows from operating activities* increased reflecting higher income from operations (excluding depreciation and amortization) compared with Q3/17. There was also an increase in cash related to trade and other receivables, and prepaid expenses as well as trade and other payables.
- In Q3/18, *Cash flows used in financing activities* increased from Q3/17 primarily due to a higher net reduction in Commercial Paper outstanding and an increase in dividends paid to equity holders, somewhat offset by higher proceeds from exercised options.
- In Q3/18, there was an increase in *Cash flows used in investing activities* compared with Q3/17. There was an increase in the net purchase of marketable securities as well as an increase in additions to premises and equipment and intangible assets in Q3/18 compared with Q3/17.

Nine months ended September 30, 2018 compared with Nine months ended September 30, 2017

(in millions of dollars)	Nine months ended September 30, 2018	Nine months ended September 30, 2017	\$ increase / (decrease) in cash
Cash flows from operating activities	\$278.7	\$217.2	\$61.5
Cash flows (used in) financing activities	(278.8)	(109.7)	(169.1)
Cash flows from/(used in) investing activities	10.4	(16.9)	27.3

- In the nine months ended September 30, 2018, *Cash flows from operating activities* increased reflecting higher income from operations (excluding depreciation and amortization) compared with the nine months ended September 30, 2017. There was also an increase in cash related to trade and other payables partially offset by an increase in income taxes paid.
- In the nine months ended September 30, 2018, *Cash flows used in financing activities* increased from the nine months ended September 30, 2017, primarily due to a higher net reduction in Commercial Paper outstanding of \$361.4 million offset by an increase in cash of \$200.0 million from the issuance of our Series E Debentures.
- In the nine months ended September 30, 2018, *Cash flows from investing activities* were higher than in the nine months ended September 30, 2017 when we used cash in investing activities. We received higher proceeds on the sale of our stake in TMX FTSE in Q2/18 than on the sale of TMX Atrium in Q2/17. In addition, there was an increase in dividends received. This increase in cash flow was somewhat offset by the increase in cash used in the net purchase of marketable securities as well as an increase in additions to premises and equipment and intangible assets.

Summary of Cash Position and Other Matters³⁷

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	As at September 30, 2018	As at December 31, 2017	\$ increase
	\$261.9	\$225.1	\$36.8

We had \$261.9 million of cash, cash equivalents and marketable securities at September 30, 2018. There was an increase in cash, cash equivalents and marketable securities primarily reflecting cash flows from operating activities of \$278.7 million, proceeds from the sale of TMX FTSE of \$70.4 million, proceeds from exercised options of \$19.3 million and proceeds from the issuance of our Series E Debentures of \$200.0 million. Offsetting these increases in cash and cash equivalents, there was a net decrease in Commercial Paper of approximately \$398.9 million, cash outflows for dividends to TMX Group shareholders of \$92.3 million and additions to premises and equipment and intangible assets of \$44.8 million. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business, make interest payments, as well as meet our covenants under the trust indentures governing our debentures and the terms of the Amended and Restated Credit Agreement (as amended on December 14, 2017 and September 12, 2018) 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.

In 2017, we announced the consolidation of our facilities in both Toronto and Montreal. Our office build initiative was substantially complete at the end of Q2/18. Approximately \$17.0 million of capital expenditure was spent in 2017, and a

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.

further \$12.2 million of capital expenditure was spent in the nine months ended September 30, 2018. The annual savings resulted in reductions in operating expenses of approximately \$2.5 million on a run rate basis in Q3/18. During Q2/18, we recorded charges of \$4.5 million related to lease terminations.

We will also have cash outlays in integrating our clearing platforms (see - **INITIATIVES AND ACCOMPLISHMENTS - Update on Integrated Clearing Platform**)

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants in the Amended and Restated Credit Agreement (as amended on December 14, 2017 and September 12, 2018) and the Debentures, and by capital maintenance requirements imposed by regulators. At September 30, 2018, there was no Commercial Paper outstanding, and the authorized limit under the program was \$500.0 million. Our Series A Debentures of \$400.0 million came due on October 3, 2018. In June 2018, we pre-funded \$200.0 million through our Series E Debentures issuance which was used to reduce our Commercial Paper outstanding at that time. On October 3, 2018 we repaid the full amount owing of \$400.0 million with proceeds from the issuance of Commercial Paper.

Total Assets

(in millions of dollars)	As at September 30, 2018	As at December 31, 2017	(\$ decrease)
	\$25,592.6	\$25,624.8	(\$32.2)

- Our consolidated balance sheet as at September 30, 2018 includes outstanding balances on open REPO agreements within *Balances with Clearing Members and Participants*. These balances have equal amounts included within *Total Liabilities*. The decrease in *Total Assets* of \$32.2 million from December 31, 2017 reflected lower balances in CDCC at September 30, 2018 and lower investments in equity accounted investees (sale of our interest in TMX FTSE on April 12, 2018) partially offset by increased cash, cash equivalents and marketable securities.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	As at September 30, 2018	As at December 31, 2017	\$ (decrease)
	\$0.0	\$395.3	\$(395.3)

There was no Commercial Paper outstanding under the program at September 30, 2018 reflecting a net reduction of approximately \$395.3 million from December 31, 2017.

Debentures

TMX Group has the following Debentures outstanding:

(in millions of dollars)	As at September 30, 2018	As at December 31, 2017	\$ increase/ (decrease)
Series A - Current Debentures	\$400.0	\$399.8	\$0.2
Series B - Non-Current Debentures	\$249.5	\$249.2	\$0.3
Series D - Non-Current Debentures	\$298.1	\$298.3	\$(0.2)
Series E - Non-Current Debentures	\$198.9	\$0.0	\$198.9
	\$1,146.5	\$947.3	\$199.2

On June 5, 2018, TMX Group completed a Canadian private placement offering of \$200.0 million aggregate principal amount of 3.779% senior unsecured debentures due June 5, 2028 ("Series E Debentures") to accredited investors in Canada. The Series E Debentures received a credit rating of A (high) with a Stable trend from DBRS Limited. TMX Group incurred financing costs of \$1.1 million for the initial issuance of the Series E Debentures, and these costs are offset against the initial carrying value of the Series E Debentures. The Series E Debentures may be redeemed, as a whole or in part, at the option of TMX Group, at the redemption price together with accrued and unpaid interest to the date fixed for redemption. The redemption price is equal to the greater of the Canada Yield Price (as defined in the relevant indenture) and 100% of the principal amount of the Series E Debentures redeemed. If the Debentures are redeemed anytime on or after three months prior to the maturity date of the series, the redemption price will be equal to 100% of the aggregate principal amount outstanding on the Series E Debentures together with accrued and unpaid interest to the date of the redemption.

On October 1, 2018, TMX Group issued \$400.0 million in Commercial Paper which was used to repay Series A Debentures on October 3, 2018.

For additional information on the Debentures, see **Debentures** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2017 Annual MD&A.

Credit Facilities

For additional information on our credit facilities, please see **Credit Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2017 Annual MD&A.

As at September 30, 2018, all covenants were met under the Amended and Restated Credit Agreement, as amended December 14, 2017.

On September 12, 2018, we extended the maturity of our Amended and Restated Credit Agreement from May 2, 2020 to May 2, 2021.

Interest Rate Swaps (IRS)

As at September 30, 2018 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** in our 2017 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 September 30, 2018 for the Debentures and Commercial Paper are shown below:

Debentures and Commercial Paper	Principal (\$CAD 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%
Series D Debentures	300.0	Dec. 11, 2024	2.997%
Series E Debentures	200.0	June 5, 2028	3.779%

Other Credit and Liquidity Facilities

On March 27, 2018, CDS amended the secured standby credit agreement to increase the arrangement from US\$400.0 million, or Canadian equivalent, to US\$720.0 million, or Canadian equivalent. This agreement was also amended so the facility is available to support processing and settlement activities in the event of a Participant default in the New York Link Service and The Depository Trust Company Direct Link Service. The facility will allow CDS to increase the amount available by an additional US\$600.0 million or Canadian equivalent, with approval of the lenders.

Borrowings under the secured facility are obtained by pledging or providing collateral pledged by Participants primarily in the form of debt instruments issued or guaranteed by federal, provincial and/or municipal governments in Canada, or US treasury instruments and equity instruments. Depending upon the currency drawn, the borrowing rate for the secured standby credit arrangement is the US base rate plus 150 bps or the Canadian prime rate plus 150 bps.

On the same date, CDS also entered into a credit agreement of \$2.0 billion or US equivalent that can be drawn in either Canadian or US currency. This arrangement is available to support settlement activities in the event of a Participant default with CDS's Continuous Net Settlement service. The facility will allow CDS to increase the amount available by an additional \$500.0 million or US equivalent, with approval of the lenders.

Borrowings under the secured facility are obtained by pledging or providing collateral pledged by Participants primarily in the form of debt and equity instruments. Depending upon the currency drawn, the borrowing rate for the secured standby credit arrangement is the US base rate plus 150 bps or the Canadian prime rate plus 150 bps.

The CDCC facility, which expired on March 3, 2018 was extended to March 1, 2019 and increased from \$300.0 million to \$400.0 million.

During Q2/18, uncommitted credit agreements for \$3.0 million and US\$3.0 million which were used to support the AgriClear settlement operations were cancelled. In addition, in July 2018, an uncommitted letter of credit facility was reduced from US\$10.5 million to US\$0.2 million. As at September 30, 2018, a US\$0.2 million of letters of credit was outstanding to which TMX Group has issued a guarantee.

For additional information, see **Other Credit and Liquidity Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2017 Annual MD&A.

MANAGING CAPITAL

Our primary objectives in managing capital are described in our 2017 Annual MD&A.

As at September 30, 2018, we were in compliance with all of the externally imposed capital requirements. See **Credit Facilities** and **MANAGING CAPITAL** in our 2017 MD&A for a description of the financial covenants imposed on us.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017	Mar 31 2017	Dec 31 2016
Capital Formation	\$45.1	\$57.8	\$50.4	\$49.3	\$43.0	\$51.6	\$44.8	\$46.6
Equities and Fixed Income Trading	25.1	25.8	29.3	25.2	22.9	26.8	29.2	26.5
Equities and fixed Income - clearing, settlement, depository and other services (CDS)	20.3	21.0	21.8	20.4	18.7	19.9	19.0	18.2
Derivatives Trading & Clearing	30.2	33.3	31.3	27.6	27.7	31.4	28.1	28.4
Global Solutions, Insights and Analytics	72.1	70.7	72.7	48.3	41.6	46.3	50.3	53.2
Other	—	0.9	1.7	—	(1.9)	(1.1)	(0.2)	1.8
Revenue	192.8	209.5	207.2	170.8	152.0	174.9	171.2	174.7
Operating expenses before acquisition costs and strategic re-alignment expenses	106.3	119.7	111.5	87.0	84.0	89.5	95.8	96.2
Income from operations before acquisition costs and strategic re-alignment expenses ³⁸	86.5	89.8	95.7	83.8	68.0	85.4	75.4	78.5
Acquisition costs	—	—	—	13.4	0.4	—	—	—
Income from operations ³⁹	86.5	89.8	95.7	70.4	67.6	85.4	75.4	78.5
Income before income from discontinued operations, net of tax	57.5	95.6	63.1	39.9	47.2	61.5	42.6	46.7
Income from discontinued operations, net of tax	—	—	—	162.4	4.7	5.0	4.7	5.2
Net income (loss)	57.5	95.6	63.1	202.3	51.9	66.5	47.3	51.9
Earnings per share before discontinued operations ⁴⁰								
Basic	1.03	1.72	1.14	0.72	0.85	1.11	0.77	0.85
Diluted	1.02	1.71	1.13	0.72	0.85	1.10	0.77	0.84
Earnings per share: ⁴¹								
Basic	1.03	1.72	1.14	3.65	0.94	1.20	0.86	0.94
Diluted	1.02	1.71	1.13	3.63	0.93	1.19	0.85	0.94

³⁸ See discussion under the heading "Additional IFRS Financial Measures".

³⁹ See discussion under the heading "Additional IFRS Financial Measures".

⁴⁰ Earnings per share before discontinued operations is based on income before income from discontinued operations, net of tax.

⁴¹ Earnings per share information is based on net income.

Q3/18 compared with Q2/18

- *Revenue* was \$192.8 million in Q3/18, down \$16.7 million from Q2/18 reflecting decreases in *Capital Formation* and *Derivatives Trading and Clearing* revenue as well as declines in *Equities and Fixed Income Trading* and *CDS* revenue. The decreases were partially offset by an increase in *Global Solutions Insights and Analytics* revenue. Trayport's revenue was essentially unchanged from Q2/18 to Q3/18.
- *Operating expenses before acquisition costs and strategic re-alignment expenses* were down \$13.4 million in Q3/18 compared with Q2/18. In Q2/18 we recorded a commodity tax provision of \$7.6 million and a lease termination payment of \$4.5 million.
- *Income from operations before acquisition costs and strategic re-alignment expenses* and *Income from operations* decreased from Q2/18 to Q3/18 due to the lower revenue partially offset by the lower operating expenses.
- *Net Income* in Q3/18 was \$57.5 million, or \$1.03 per common share on a basic and \$1.02 on a diluted basis compared with net income of \$95.6 million, or \$1.72 per common share on a basic and \$1.71 per share on a diluted basis in Q2/18. In Q2/18, there was a gain on the sale of our interest in TMX FTSE of \$26.8 million before and after income tax (48 cents per basic and diluted share). In addition, during Q2/18, there was a decrease in income tax expense, which reduced our effective tax rate for Q2/18, relating to realizing and utilizing a capital loss. We realized a capital loss on the wind up of a limited partnership, resulting in a tax benefit of approximately \$11.8 million. This capital loss was applied to eliminate income tax otherwise payable of \$3.8 million on the sale of our interest in TMX FTSE in Q2/18 and reduce the income tax of \$8.0 million on our sale of NGX in 2017. Also, the non-taxable portion of the capital gain on the sale of our interest in TMX FTSE resulted in a tax benefit of approximately \$3.3 million. Net income also declined due to the decrease in *income from operations* from Q2/18 to Q3/18.

Q2/18 compared with Q1/18

- *Revenue* was \$209.5 million in Q2/18, up \$2.3 million from Q1/18 reflecting increases in *Capital Formation* and *Derivatives Trading and Clearing* revenue largely offset by declines in *Equities and Fixed Income Trading*, *CDS* and *Global Solutions Insights and Analytics* revenue.
- *Operating expenses before acquisition costs and strategic re-alignment expenses* were up \$8.2 million in Q2/18 compared with Q1/18 reflecting a commodity tax provision of \$7.6 million (10 cents per basic and diluted share), a lease termination payment of \$4.5 million (6 cents per basic and diluted share) and higher fees related to liquidity facilities. The increases were partially offset by a decrease in severance costs of approximately \$2.0 million and a decrease in payroll taxes of approximately \$2.1 million.
- *Income from operations before acquisition costs and strategic re-alignment expenses* and *Income from operations* decreased from Q1/18 to Q2/18 due to higher operating expenses partially offset by higher revenue.
- *Net Income* in Q2/18 was \$95.6 million, or \$1.72 per common share on a basic and \$1.71 on a diluted basis compared with net income of \$63.1 million, or \$1.14 per common share on a basic and \$1.13 on a diluted basis in Q1/18. There was a gain on the sale of our interest in TMX FTSE of \$26.8 million before and after income tax (48 cents per basic and diluted share). In addition, during Q2/18, there was a decrease in income tax expense, which reduced our effective tax rate for Q2/18, relating to realizing and utilizing a capital loss. We realized a capital loss on the wind up of a limited partnership, resulting in a tax benefit of approximately \$11.8 million. This capital loss was applied to eliminate income tax otherwise payable of \$3.8 million on the sale of our interest in TMX FTSE in Q2/18 and reduce the income tax of \$8.0 million on our sale of NGX in 2017. Also, the non-taxable portion of the capital gain on the sale of our interest in TMX FTSE resulted in a tax benefit of approximately \$3.3 million. These increases in net income were somewhat offset by the decrease in *income from operations* from Q1/18 to Q2/18.

Q1/18 compared with Q4/17

- *Revenue* was \$207.2 million in Q1/18, up \$36.4 million from Q4/17 reflecting increases in all segments including an increase in Trayport revenue of \$22.8 million (acquired December 14, 2017).

- *Operating expenses before acquisition costs and strategic re-alignment expenses* were up in Q1/18 compared with Q4/17 reflecting an increase of \$14.6 million in Trayport expenses, higher severance costs of \$4.9 million, increased payroll taxes of \$3.1 million as well as higher employee performance incentive plan costs of \$1.8 million.
- *Income from operations before acquisition costs and strategic re-alignment expenses* and *Income from operations* increased from Q4/17 to Q1/18 due to higher revenue partially offset by higher operating expenses.
- *Net Income* in Q1/18 was \$63.1 million, or \$1.14 per common share on a basic and \$1.13 on a diluted basis, compared with net income of \$202.3 million, or \$3.65 per common share on a basic and \$3.63 on a diluted basis in Q4/17. There was a gain on the sale of NGX and Shorcan Energy in Q4/17. Excluding this gain, there was an increase in net income from Q4/17 to Q1/18 due to the higher revenue partially offset by higher operating expenses.

Q4/17 compared with Q3/17

- *Revenue* was \$170.8 million in Q4/17, up \$18.8 million from Q3/17 reflecting increases in almost all segments including Trayport revenue of \$4.5 million in the *Global Solutions, Insights and Analytics* segment.
- *Operating expenses before acquisition costs and strategic re-alignment expenses* were up in Q4/17 compared with Q3/17 reflecting operating costs from Trayport, a write down of assets, higher external fees as well as increased marketing and occupancy costs. The increases were partially offset by lower severance costs and reduced depreciation and amortization.
- *Income from operations before acquisition costs and strategic re-alignment expenses* and *Income from operations* increased from Q3/17 to Q4/17 due to higher revenue partially offset by higher operating expenses.
- *Net Income* in Q4/17 was \$202.3 million or \$3.65 per common share on a basic and \$3.63 on a diluted basis, compared with net income of \$51.9 million, or \$0.94 per common share on a basic and \$0.93 on a diluted basis in Q3/17. There was a gain on the sale of NGX and Shorcan Energy of approximately \$157.8 million and a gain on the FX forward in Q4/17.

Q3/17 compared with Q2/17

- *Revenue* in Q3/17 decreased over Q2/17 reflecting decreases in *Capital Formation, CDS, Derivatives Trading and Clearing, Equities and Fixed Income Trading* as well as *Global Solutions, Insights and Analytics* revenue, including approximately \$2.3 million related to TMX Atrium (sold April 30, 2017).
- *Operating expenses before acquisition costs and strategic re-alignment expenses* for Q3/17 decreased by \$5.5 million from Q2/17 largely reflecting lower overall *Compensation and benefits* costs, reduced infrastructure spending, lower *Depreciation and amortization* costs and reduced expenses of approximately \$2.0 million from TMX Atrium (sold April 30, 2017).
- *Income from operations before acquisition costs and strategic re-alignment expenses* and *Income from operations* decreased from Q2/17 to Q3/17 due to the lower revenue partially offset by lower operating expenses.
- *Net income* for Q3/17 was \$51.9 million, or \$0.94 per common share on a basic basis and \$0.93 on a diluted basis, compared with net income of \$66.5 million, or \$1.20 per common share on a basic basis and \$1.19 on a diluted basis, for Q2/17 reflecting significantly lower revenue partially offset by lower operating expenses and lower net finance costs. In addition, for Q2/17, there was a \$2.4 million increase in deferred income tax assets from a capital loss carryback, which reduced income tax expense and net income.

Q2/17 compared with Q1/17

- *Revenue* in Q2/17 increased over Q1/17 reflecting increases in *Capital Formation, CDS, and Derivatives Trading and Clearing* revenue. This was somewhat offset by decreases in *Equities and Fixed Income Trading* as well as *Global Solutions, Insights and Analytics* revenue, including approximately \$4.5 million related to TMX Atrium (sold April 30, 2017).

- *Operating expenses before acquisition costs and strategic re-alignment expenses* for Q2/17 decreased by \$6.3 million from Q1/17 largely reflecting lower expenses of approximately \$5.5 million from TMX Atrium (sold April 30, 2017).
- *Income from operations before acquisition costs and strategic re-alignment expenses* and *Income from operations* increased from Q1/17 to Q2/17 reflecting both higher revenue and lower operating expenses.
- *Net income* for Q2/17 was \$66.5 million, or \$1.20 per common share on a basic or \$1.19 on a diluted basis, compared with net income of \$47.3 million, or \$0.86 per common share on a basic and \$0.85 on a diluted basis, for Q1/17 reflecting higher revenue, lower operating expenses, lower net finance costs and a \$2.4 million increase in deferred income tax assets from a capital loss carryback. In addition, during Q1/17, net income was reduced 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.

Q1/17 compared with Q4/16

- *Revenue* in Q1/17 decreased over Q4/16 reflecting decreases in *Capital Formation* and *Global Solutions, Insights and Analytics* revenue, including \$1.4 million related to Razor Risk in Q4/16. This is somewhat offset by an increase in *Equities and Fixed Income Trading* revenue.
- *Operating expenses before acquisition costs and 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 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 acquisition costs and strategic re-alignment expenses* and *Income from operations* decreased from Q4/16 to Q1/17 reflecting the lower revenue.
- *Net income* for Q1/17 was \$47.3 million, or \$0.86 per common share on a basic and \$0.85 on a diluted basis, compared with net income of \$51.9 million, or \$0.94 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.

Accounting and Control Matters

Changes in accounting policies

The following new IFRS standards and amendments were effective for TMX Group from January 1, 2018:

- IFRS 15, *Revenue from Contracts with Customers*;
- IFRS 9, *Financial Instruments*;
- Annual improvements 2014-2016 cycle (Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards* and IAS 28, *Investments in Associates and Joint Ventures*);
- Classification and measurement of share-based payment transactions (Amendments to IFRS 2, *Share-based Payments*); and
- IFRIC 22, *Foreign currency transactions and advance consideration* (Interpretation of IAS 21, *The Effects of Changes in Foreign Exchange Rates*)

There was no significant impact on the interim financial statements as a result of their adoption, except for IFRS 15. IFRS 15 establishes a single comprehensive framework in determining the timing and amount of revenue to be recognized, and requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and judgment used in the measurement and recognition of revenue.

TMX Group adopted IFRS 15, using the cumulative effect method, by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18, *Revenue*.

The effect of initially applying IFRS 15 is attributed to the timing of recognition of initial listing fees. Under IFRS 15, revenue is recognized when performance obligations have been satisfied. The identification of performance obligations and determining the timing of when performance obligations are satisfied, either at a point in time or over time, requires judgement. Under IAS 18, initial listing fees were recognized when the listing had occurred. Under IFRS 15, TMX Group determined that the initial listing service and the initial year sustaining service contain one single performance obligation, and therefore concluded that the initial listing fee should be deferred over a 12-month period from the date of listing, which is the period over which the customer has a material right to the services rendered. There were no other changes to the recognition of revenue as a result of applying IFRS 15.

In the first nine months of 2018, we recognized \$4.1 million of total *initial listing fees* received of \$9.2 million with the balance of \$5.1 million to be recognized over the remaining 12 month deferral period. Since the cumulative impact of this change was recorded effective January 1, 2018, we also recognized *initial listing fees* received in 2017 of \$6.2 million during the first nine months of 2018. Under IFRS 15, total *initial listing fees* of \$10.3 million was approximately \$1.1 million higher than would have been the case if *initial listing fees* were recognized when the listing occurred.

Based on initial listing fees billed in 2017 and the nine months ended September 30, 2018, the following amounts have been deferred to be recognized in Q4/18, Q1/19, and Q2/19: \$2.4 million, \$1.7 million, and \$1.0 million respectively. Total *initial listing fee* revenue for future quarters will also depend on listing activity in those quarters. There were no other changes to the recognition of revenue as a result of applying IFRS 15.

Future changes in accounting policies

The following standard is not yet effective for the year ending December 31, 2018, and has not been applied in the preparation of the financial statements:

- IFRS 16, *Leases* - The standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases.

TMX Group intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019, using the modified retrospective approach. TMX Group has identified its current operating leases. The standard is expected to increase right-of-use assets and corresponding lease liabilities. TMX Group continues to assess the quantitative impact that IFRS 16 will have on its consolidated financial statements.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

TMX Group's disclosure controls and procedures (DCP), as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109) are designed to provide reasonable assurance that information required to be disclosed in our filings under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accumulated and communicated to management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate, to allow timely decisions regarding public disclosure. We regularly review our disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (ICFR), as defined in NI 52-109. ICFR means a process designed by or under the supervision of the CEO and CFO, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of TMX Group; (2) are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of TMX Group are being made only in accordance with authorizations of management and directors of TMX Group; and (3) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of TMX Group's assets that could have a material effect on the financial statements.

All internal control systems have inherent limitations and therefore our ICFR can only provide reasonable assurance and may not prevent or detect misstatements due to error or fraud.

Limitation on Scope of Design

TMX Group has limited the scope of design of DCP and our ICFR to exclude controls, policies and procedures of Trayport which was acquired on December 14, 2017, the financial performance of which is included in our September 30, 2018 interim financial statements. The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 which allows an issuer to limit its design of DCP and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the fiscal period.

The tables below presents the summary financial information of Trayport:

(in millions of dollars)	As at September 30, 2018
Current assets	35.3
Non-current assets ⁴²	992.0
Current liabilities	22.1
Non-current liabilities ⁴³	64.7
(in millions of dollars)	Nine months ended September 30, 2018
Revenue	83.2
Expense ⁴⁴	55.8
Income from operations	27.4

Changes in Internal Control over Financial Reporting

⁴² Non-current assets as at September 30, 2018 includes \$976.1 million of goodwill and intangibles related to the acquisition of Trayport.

⁴³ Non-current liabilities as at September 30, 2018 includes \$63.8 million of deferred tax liabilities related to the acquisition of Trayport.

⁴⁴ Expense for the nine months ended September 30, 2018 includes \$12.6 million of amortization of intangibles related to the acquisition of Trayport.

There were no changes to internal control over financial reporting during the quarter ended September 30, 2018 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, the ability of TMX Group to de-leverage and the timing thereof; TMX Group's business integration initiative including the integration of clearing platforms, including the expected cash expenditures related to the integration of our clearing platforms and the anticipated cost savings resulting from this initiative and the timing of the integration and the anticipated savings; other statements related to cost reductions and strategic realignment expenses; the impact of changes to each of our equity trading fees, market data fees, and additional listing fees on TMX Group's revenue; the impact of the increase of market capitalization of TSX and TSXV issuers overall (from 2016 to 2017) net of changes to sustaining fees on TMX Group's revenue; TMX Group's anticipated statutory income tax rate for 2018; factors relating to stock, and derivatives 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, including the Trayport acquisition, to achieve planned economics, or divest under performing businesses; currency risk; adverse effect of new business activities; adverse effects from business divestitures; 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 exchange rates from Canadian dollars to the U.S. dollar or British pound sterling), 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 2017 Annual MD&A.