

TMX Group Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

May 9, 2019

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 three months ended March 31, 2019 (Q1/19), compared with the three months ended March 31, 2018 (Q1/18) and as at March 31, 2019 and December 31, 2018. This MD&A should be read together with our unaudited condensed consolidated interim financial statements as at March 31, 2019 and December 31, 2018, and for the three months ended March 31, 2019 and 2018 (the "interim financial statements"), and the 2018 Annual MD&A.

Our interim financial statements and this MD&A for the three months ended March 31, 2019 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 or prior 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 ACCOMPLISHMENTS

Capital Formation

In February 2019, we announced that Toronto Stock Exchange and TSX Venture Exchange joined the United Nations Sustainable Stock Exchanges (SSE) initiative to promote sustainability performance and transparency in capital markets, leveraging the work we have been already doing in this area. As an SSE partner, we will engage in peer to peer dialogue to explore how exchanges can work together with investors, regulators, and companies, to encourage sustainable investment, while also enhancing corporate transparency and performance in respect to environmental, social and corporate governance issues.

In November 2018, we launched TMX Matrix, a dynamic, community-based platform designed to connect growth capital with TSXV listed growth companies. Growth investors are empowered to discover, research, and track unique growth companies with insights which are difficult to find on financial websites and information portals. We have added significant content for growth investors, including company filings and financings data, and are seeing accelerating engagement in the community from both our TSXV listed companies and potential growth investors.

Global Solutions, Insights and Analytics

Trayport

VisoTech Acquisition

In May 2019, we announced that Trayport Limited had entered into an agreement to acquire Vienna-based VisoTech, a leading provider of European short-term energy trading solutions. VisoTech provides advanced algorithmic trading solutions to customers in the European spot power and natural gas markets, empowering clients to use VisoTech's pre-defined algorithms to develop their own customized trading strategies.

These capabilities, when integrated with Trayport's core trading screen, Joule, will enable Trayport to address the increasing market demand for intra-day trading of energy products as the shift to renewable generation continues. Trayport will now be well positioned to offer VisoTech products and capabilities to its over 300 trader clients, some of whom are already VisoTech clients today. This transaction accelerates our global growth strategy, and further expands the portion of our revenue from recurring sources.

The transaction is expected to close in Q2/19, subject to customary closing conditions and is not subject to regulatory approval. The acquisition is not expected to be financially material to TMX Group.

Global Gas - Liquid Natural Gas (LNG)

In Q1/19, there was continued growth in volumes for the European and Asian benchmark contracts, the Dutch Title Transfer Facility (TTF) and the Japan Korea Marker (JKM). Q1/19 was a record quarter for volumes in the TTF contract - volumes were up 42% compared with Q1/18. During Q1/19, TTF also grew to 3 times the size of the UK benchmark contract, National Balancing Point (NBP), as it transitions from a European benchmark to a Global benchmark. Brokers using Trayport technology are a key source of liquidity in this market and execute over 75% of the volume.

Q1/19 was also a record quarter for volumes in the JKM contract. Brokers who utilize Trayport technology execute the majority of deals and use Trayport to connect to their trader customers. Additional brokers and exchanges continue to enter this market through Trayport.

This volume is on, and accessible, via Trayport's systems. The increase in volumes in these markets drives expansion in market participants, which leads to growth in the subscribers connecting with Trayport to trade these products.

Digitalization

The updated broker screen, Joule, was released to brokers, and will give brokers better visibility and customisability for the markets they operate. Joule will provide a modern screen for innovation, and support brokers in growing their business.

Derivatives Markets

Derivatives Trading and Clearing

In October 2018, MX launched extended trading hours from the previously 6:00 a.m. ET open to a 2:00 a.m. ET open. Initially, this included two interest rate products, the Three-Month Canadian Bankers' Acceptance Futures (BAX) and the Ten-Year Government of Canada Bond Futures (CGB). In February 2019, we offered clients the ability to also trade the S&P/TSX 60 Index¹ Standard Futures (SXF) in these extended hours. For Q1/19, volumes during extended trading hours represented approximately 3% of total volumes.

In May 2019, MX re-launched Options on the U.S. dollar (USX).

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

Two key MX products set records in March 2019 – the SXF and the Five-Year Government of Canada Bond Futures (CGF). The SXF set both a daily volume record and a monthly volume record with 260,411 contracts and 1,139,330 contracts respectively. A new open interest record was also set by the SXF with 518,028 contracts. The CGF set a new daily volume record with 23,782 contracts, as well as a new monthly volume record with 229,220 contracts.

Update on Modernization of Clearing Platforms²

During 2017, we commenced work on an initiative to modernize the technology platforms for our CDS and CDCC clearing and settlement businesses as well as for our entitlement systems. We have separated the modernization of our clearing houses into two phases:

Phase One

During phase one, we focused on the CDCC risk management element of the project, and expect to be live with this phase in Q2/19. We spent \$6.3 million up to the end of 2018 and \$1.1 million in Q1/19 on capital expenditures related to this phase. We expect to spend approximately \$2.0 million to \$3.0 million on capital expenditures in Q2/19 and Q3/19. While it was contemplated initially to integrate the clearing and settlement platforms, CDCC will continue to run on the SOLA platform. As previously anticipated, there will be no cost savings in this phase.

Phase Two

Phase two of this project involves the replacement of other legacy systems at CDS including those related to clearing and settlement, as well as an expanded scope to address entitlement payment systems. In March 2017, we implemented an Issuer Services Program that included a number of fee changes in anticipation of the investment that would be required to modernize the entitlement payments system. We spent \$22.5 million up to the end of 2018 and \$3.3 million in Q1/19 on capital expenditures related to phase two. Given the complex nature of this project, we will continue to provide updates on estimates for capital expenditures, savings and timing throughout 2019.

Strategic re-alignment³

In Q1/19, we took the following measures to position the company for ongoing success:

- We made changes in our post-trade business with the retirement of Glenn Goucher, President, CDCC and CDS. Jay Rajarathinam, Chief Technology and Operations Officer, TMX Group, assumed leadership of our post-trade business as President, CDCC and CDS.
- We eliminated the centralized innovation product development unit and moved this function to TMX Group's business areas in order to increase our focus on delivering client-centric solutions.
- We made changes to our enterprise risk approach with an objective-centric focus, enhancing the way we manage risk.

² The "Update on Modernization of Clearing Platforms" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

³ The "Strategic re-alignment" section above contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.

In aggregate, these organizational changes are expected to generate an annual savings of approximately \$1.8 million starting in Q2/19. These efforts are intended to bring increased focus to modernizing our clearinghouses and enhancing client service, which should lead to a more efficient cost structure. We expect that there may be further strategic re-alignment expenses incurred during 2019 as we implement other cost efficiencies across our business.

REGULATORY CHANGES⁴

Equity Trading

On December 18, 2018, the Canadian Securities Administrator (CSA) published for comment (until March 1, 2019) a notice outlining a proposed Trading Fee Rebate Pilot Study to examine the effects of a prohibition of rebate payments by Canadian Marketplaces (Proposed Pilot). The Proposed Pilot is intended to run concurrently with the United States Securities and Exchange Commission's (SEC) Proposed Transaction Fee Pilot. While TMX Group is supportive of the reduction of maker-taker fees in Canada, we must ensure the reduction in rates will not negatively impact liquidity in our markets, execution quality, and Canada's competitiveness for global capital. TMX Group provided comments to the CSA proposal expressing significant concerns related to the proposal and the potential negative impacts it would impose on the market, in addition to suggesting alternative approaches. With the SEC's Proposed Transaction Fee Pilot now delayed, and the CSA's comment period completed, we are awaiting as regulators determine how to proceed.

MARKET CONDITIONS AND OUTLOOK⁵

Overall, Canadian equities trading volumes were down 12% in the quarter ended March 31, 2019 compared with the same period last year⁶. The average CBOE Volatility Index (VIX) was 16.5 in the quarter ended March 31, 2019 down from 17.4 in Q1/18. Trading volumes on TSX and TSX Alpha increased by 4% and 3%, respectively, in the quarter ended March 31, 2019 compared with the prior year; however, volumes traded on TSXV (including NEX) were down 38% over the same period. Derivative trading in Canada was strong as reflected in a 11% increase in the volume of contracts traded on MX in the quarter ended March 31, 2019 compared with the prior year.

The more uncertain market environment at the end of 2018 continued to contribute to less favourable conditions for capital raising in the quarter ended March 31, 2019. On TSX, the total amount of financing dollars raised declined by 18% and the total number of financings decreased by 10% in the quarter ended March 31, 2019 compared with the same period last year. On TSXV (including NEX) there was a 65% decrease in the total amount of financing dollars raised and a 39% decrease in the total number of financings in the quarter ended March 31, 2019 over the same period last year.

On April 24, 2019, the Bank of Canada maintained its target for the overnight rate at 1.75 per cent. The Bank said global economic growth has slowed by more than the Bank forecast in its January Monetary Policy Report. Ongoing uncertainty related to trade conflicts has undermined business sentiment and activity, contributing to a synchronous slowdown across many countries. In response, many central banks have signaled a slower pace of monetary policy normalization. Financial conditions and market sentiment have improved as a result, pushing up prices for oil and other commodities. Global economic activity is expected to pick up during 2019 and average 3.25 per cent over the projection period, supported by accommodative financial conditions and as a number of temporary factors weighing on growth fade. In Canada, the Bank

⁴ The "Regulatory Changes" section above contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.

⁵ The "Market Conditions and Outlook" section contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainty related to such statements.

⁶ Source: Investment Industry Regulatory Organization of Canada (IIROC) (excluding intentional crosses).

projects growth during the first half of 2019 is now expected to be slower than was anticipated in January. Last year's oil price decline and ongoing transportation constraints have curbed investment and exports in the energy sector. Investment and exports outside the energy sector, meanwhile, have been negatively affected by trade policy uncertainty and the global slowdown. The Bank expects growth to pick up, starting in the second quarter of this year. Outside of the oil and gas sector, investment will be supported by high rates of capacity utilization and exports will expand with strengthening global demand. Overall, the Bank projects real GDP growth of 1.2 per cent in 2019 and around 2 per cent in 2020 and 2021.⁷

RESULTS OF OPERATIONS

Non-IFRS Financial Measures

Adjusted earnings per share, adjusted diluted earnings per share and adjusted net income 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, and adjusted net income to indicate ongoing financial performance from period to period, exclusive of a number of adjustments. These adjustments include amortization of intangibles related to acquisitions, strategic re-alignment expenses, transaction related costs, and additional tax expense on gain on sale of NGX and Shorcan Energy. 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.

⁷ Source: Extracted from Bank of Canada press release, April 24, 2019.

Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018

The information below reflects the financial statements of TMX Group for the quarter ended March 31, 2019 compared with the quarter ended March 31, 2018.

(in millions of dollars, except per share amounts)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
Revenue	\$197.5	\$207.2	\$(9.7)	(5)%
Operating expenses	107.3	111.5	(4.2)	(4)%
Income from operations	90.2	95.7	(5.5)	(6)%
Net income	61.2	63.1	(1.9)	(3)%
Adjusted net income ⁸	73.1	74.1	(1.0)	(1)%
Earnings per share				
Basic	1.10	1.14	(0.04)	(4)%
Diluted	1.09	1.13	(0.04)	(4)%
Adjusted Earnings per share ⁹				
Basic	1.31	1.34	(0.03)	(2)%
Diluted	1.30	1.33	(0.03)	(2)%
Cash flows from operating activities	52.5	58.6	(6.1)	(10)%

Net income

Net income in Q1/19 was \$61.2 million, or \$1.10 per common share on a basic and \$1.09 on a diluted basis, compared with a net income of \$63.1 million, or \$1.14 per common share on a basic and \$1.13 on a diluted basis, for Q1/18. The decrease in net income in Q1/19 reflected lower revenue from *Capital Formation* and *Equities and Fixed Income Trading*. The decrease in revenue was partially offset by lower operating expenses in Q1/19 compared with Q1/18. There was also lower income tax expense in Q1/19 compared with Q1/18 which included \$1.2 million of additional income tax expense on gain on sale of NGX and Shorcan Energy.

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

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

Adjusted Earnings per Share¹⁰ Reconciliation for Q1/19 and Q1/18

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

	Q1/19		Q1/18	
(unaudited)	Basic	Diluted	Basic	Diluted
Earnings per share	\$1.10	\$1.09	\$1.14	\$1.13
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.17	0.17	0.17	0.17
Strategic re-alignment expenses ¹¹	0.04	0.04	—	—
Transaction related costs ¹²	—	—	0.00	0.00
Additional income tax expense on gain on sale of NGX and Shorcan Energy	—	—	0.02	0.02
Adjusted earnings per share	\$1.31	\$1.30	\$1.34	\$1.33
Weighted average number of common shares outstanding	55,841,359	56,224,525	55,444,523	55,903,336

Adjusted Net Income¹³ Reconciliation for Q1/19 and Q1/18

The following is a reconciliation of net income to adjusted net income:

(in millions of dollars) (unaudited)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
Net income	\$61.2	\$63.1	(\$1.9)	(3%)
Adjustments related to:				
Amortization of intangibles related to acquisitions	9.5	9.6	(0.1)	(1%)
Strategic re-alignment expenses	2.4	—	2.4	n/a
Transaction related costs	—	0.2	(0.2)	(100%)
Additional income tax expense on gain on sale of NGX and Shorcan Energy	—	1.2	(1.2)	(100%)
Adjusted net income	\$73.1	\$74.1	(\$1.0)	(1%)

Adjusted diluted earnings per share decreased by 2% from \$1.33 in Q1/18 to \$1.30 in Q1/19. The decrease in adjusted diluted earnings per share reflected lower revenue in *Capital Formation* and *Equities and Fixed Income Trading*. The decrease in revenue was partially offset by lower operating expenses in Q1/19 compared with Q1/18. Adjusted diluted earnings per share was also impacted by an increase in the number of weighted-average common shares outstanding in Q1/19 compared with Q1/18.

Adjusted net income decreased by 1% from \$74.1 million in Q1/18 to \$73.1 million in Q1/19. The decrease reflected lower revenue partially offset by lower operating expenses.

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

¹¹ Includes costs related to organizational changes that are expected to generate annual savings starting in Q2/19. Please refer to "Initiatives and Accomplishments - Strategic re-alignment" for more details.

¹² Includes costs related to the integration of Trayport.

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

Revenue

(in millions of dollars)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
Capital Formation	\$41.8	\$50.4	\$(8.6)	(17)%
Equities and Fixed Income Trading and Clearing	48.5	51.1	(2.6)	(5)%
Derivatives Trading and Clearing	32.6	31.3	1.3	4%
Global Solutions, Insights and Analytics	74.6	72.7	1.9	3%
Other	—	1.7	(1.7)	(100)%
	\$197.5	\$207.2	\$(9.7)	(5)%

Revenue was \$197.5 million in Q1/19, down \$9.7 million or 5% compared with \$207.2 million in Q1/18 largely attributable to decreases in *Capital Formation* revenue, reflecting reduced *additional listing fee* revenue, and lower *Equities and Fixed Income Trading* revenue as well as lower *Other* revenue. These decreases were partially offset by increases in *Derivatives Trading and Clearing* revenue driven by higher volumes, and *Global Solutions, Insights and Analytics* revenue driven by Trayport.

Capital Formation

(in millions of dollars)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
Initial listing fees	\$3.0	\$3.7	\$(0.7)	(19)%
Additional listing fees	15.6	21.9	(6.3)	(29)%
Sustaining listing fees	17.2	17.6	(0.4)	(2)%
Other issuer services	6.0	7.2	(1.2)	(17)%
	\$41.8	\$50.4	\$(8.6)	(17)%

- *Initial listing fees* in Q1/19 decreased from Q1/18 primarily due to a decline in the amount of deferred *initial listing fees* recognized in Q1/19 compared with Q1/18. We recognized *initial listing fees* received in 2018 of \$2.4 million in Q1/19 compared with *initial listing fees* received in 2017 of \$2.9 million in Q1/18.
- Based on *initial listing fees* billed in 2018 and the three months ended March 31, 2019, the following amounts have been deferred to be recognized in Q2/19, Q3/19, and Q4/19 and Q1/20: \$2.2 million, \$1.3 million, \$0.6 million and \$0.2 million respectively. Total *initial listing fees* revenue for future quarters will also depend on listing activity in those quarters.
- *Additional listing fees* in Q1/19 declined compared to Q1/18 reflecting a 21% decrease in the number of transactions billed on TSX and a decrease in the number of financings and total financing dollars raised 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 a decrease in *sustaining listing fees* on both TSX and TSXV (excluding NEX) due to the decrease in the market capitalization of issuers at December

31, 2018 compared with December 31, 2017; however, the decrease was partially offset by the impact from an increase in the maximum annual *sustaining listing fee* for corporate issuers on TSX from \$110,000 to \$125,000 effective January 1, 2019.

- *Other issuer services* revenue in Q1/19 was lower compared to Q1/18 reflecting decreased revenue from TSX Trust due to lower margin income and reduced revenue from transfer agent fees. This was largely attributable to lower client balances and issuers' reduced capital markets activity.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
Equities and fixed income trading	\$26.2	\$29.3	(\$3.1)	(11)%
Equities and fixed income clearing, settlement, depository and other services (CDS)	22.3	21.8	0.5	2%
	\$48.5	\$51.1	(\$2.6)	(5)%

- There was a decrease in *Equities and Fixed Income Trading* revenue in Q1/19 compared with Q1/18 reflecting a decrease in *Equities trading* revenue driven by lower overall volumes across our marketplaces, and a decrease in *fixed income trading* revenue due to decreased activity in Government of Canada Bonds.
- The overall volume of securities traded on our equities marketplaces decreased by 13% (37.2 billion securities in Q1/19 versus 42.8 billion securities in Q1/18). There were volume increases on TSX and TSX Alpha Exchange (Alpha) of 4% and 3% respectively in Q1/19 compared with Q1/18 while volumes on TSXV decreased by 38% over the same period.
- Excluding intentional crosses, in all listed issues in Canada, our combined domestic equities trading market share was approximately 56% in Q1/19, down 1% from approximately 57% in Q1/18.
- Excluding intentional crosses, for TSX and TSXV listed issues, our combined domestic equities trading market share was approximately 66% in Q1/19, down 2% from approximately 68% in Q1/18.
- *CDS* revenue increased by 2% from Q1/18 to Q1/19 largely reflecting revisions to the fee schedule for issuer services, as well as higher international revenue, and lower rebates. The increases were partially offset by lower revenue from International Securities Identification Number (ISIN) eligibility and issuance.

Derivatives Trading and Clearing

(in millions of dollars)	Q1/19	Q1/18	\$ increase	% increase
	\$32.6	\$31.3	\$1.3	4%

- The increase in *Derivatives Trading and Clearing* revenue was driven by higher revenue from MX and CDCC reflecting higher volumes. The revenue increase for MX and CDCC was in-line with the 11% increase in volumes on MX (29.5 million contracts traded in Q1/19 versus 26.5 million contracts traded in Q1/18).
- The increase was somewhat offset by a decrease in revenue from BOX following the expiry of our agreement at the end of 2018 to provide SOLA technology and services to BOX. We are currently providing transitional services to BOX.

Global Solutions, Insights and Analytics

(in millions of dollars)	Q1/19	Q1/18	\$ increase	% increase
GSIA (excluding Trayport)	\$45.5	\$45.4	\$0.1	0%
Trayport	\$29.1	\$27.3	\$1.8	7%
	\$74.6	\$72.7	\$1.9	3%

- The increase in *Global Solutions, Insights and Analytics (GSIA)* revenue in Q1/19 compared with Q1/18 reflected an increase in revenue from Trayport, higher revenue recoveries related to under-reported usage of real-time quotes in prior periods, and increased data feed revenue. In addition, there was a favourable impact from a weaker Canadian dollar relative to the U.S. dollar in Q1/19 compared with Q1/18 partially offset by the unfavourable impact of a stronger Canadian dollar relative to Great Britain Pounds (GBP).
- These increases were partially offset by revenue from TMX FTSE (sold April 12, 2018) of approximately \$0.7 million in Q1/18, revenue from Contigo (sold November 30, 2018) of approximately \$1.2 million, and fewer market data subscribers.
- Revenue from *GSIA*, excluding TMX FTSE and Contigo, increased by 5% from Q1/18 to Q1/19.

GSIA (excluding Trayport)

- The average number of professional market data subscriptions for TSX and TSXV products were essentially unchanged in Q1/19 compared with Q1/18 (102,589 professional market data subscriptions in Q1/19 compared with 102,764 in Q1/18).
- The average number of MX professional market data subscriptions was down 2% in Q1/19 from Q1/18 (18,994 MX professional market data subscriptions in Q1/19 compared with 19,372 in Q1/18).

Trayport

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

	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17	Q2/17
Trader Subscribers ¹⁴	4,728	4,665	4,356	4,321	4,207	4,051	4,018	4,030
Total Subscribers ¹⁵	21,700	21,465	20,602	20,310	20,171	19,977	19,912	20,109
Revenue (in millions of GBP) ¹⁶	£16.7	£16.8	£16.5	£16.0	£15.4	£14.9	£15.2	£15.1

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 £16.7 million in Q1/19, up 14% over Q1/18. Revenue from Contigo, the ancillary non-subscriber based risk application business of Trayport, which was sold on November 30, 2018, was £0.7 million in Q1/18.

¹⁴ Previous amounts have been restated based on current data.

¹⁵ Previous amounts have been restated based on current data.

¹⁶ Revenue prior to Q1/19 includes Contigo (sold November 30, 2018).

Other

(in millions of dollars)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
	\$—	\$1.7	\$(1.7)	(100)%

- The decrease in *Other* revenue was due to the impact from recognizing net foreign exchange gains on net monetary assets in Q1/18.

Operating expenses

(in millions of dollars)	Q1/19	Q1/18	\$ increase / (decrease)	% increase / (decrease)
Compensation and benefits	\$53.0	\$57.7	\$(4.7)	(8)%
Information and trading systems	12.5	12.6	(0.1)	(1)%
Selling, general and administration	18.2	23.9	(5.7)	(24)%
Depreciation and amortization	20.3	17.3	3.0	17%
Strategic re-alignment expenses	3.3	—	3.3	n/a
	\$107.3	\$111.5	\$(4.2)	(4)%

Operating expenses in Q1/19 were \$107.3 million, down \$4.2 million or 4%, from \$111.5 million in Q1/18. There were decreased costs related to Contigo (sold November 30, 2018) of \$1.8 million as well as lower costs related to our employee performance incentive plan, severance, and occupancy partially offset by strategic re-alignment expenses incurred in Q1/19.

Compensation and benefits

(in millions of dollars)	Q1/19	Q1/18	\$ (decrease)	% (decrease)
	\$53.0	\$57.7	\$(4.7)	(8)%

- Compensation and benefits* costs decreased in Q1/19 reflecting \$1.3 million lower expenses related to Contigo (sold November 30, 2018), lower employee performance incentive plan costs, and lower severance compared with Q1/18.
- There were 1,230 TMX Group employees at March 31, 2019 versus 1,237 employees at March 31, 2018. There was a decrease from the sale of Contigo (sold November 30, 2018) which employed approximately 40 people. The decrease was offset by an increase in headcount attributable to investing in the various growth areas of our business, including *Capital Formation* and Trayport.

Information and trading systems

(in millions of dollars)	Q1/19	Q1/18	\$ (decrease)	% (decrease)
	\$12.5	\$12.6	\$(0.1)	(1)%

- Information and trading systems* expenses decreased in Q1/19 compared with Q1/18 primarily due to lower costs related to Contigo (sold November 30, 2018) of \$0.1 million.

Selling, general and administration

(in millions of dollars)	Q1/19	Q1/18	\$ (decrease)	% (decrease)
	\$18.2	\$23.9	\$(5.7)	(24)%

- *Selling, general and administration* expenses decreased in Q1/19 compared with Q1/18 primarily due to lower project costs, lower occupancy costs following the consolidation of our facilities completed in Q2/18, and \$0.3 million related to Contigo (sold November 30, 2018).
- In addition, there were lower *Selling, general and administration* expenses of \$2.6 million related to the implementation of IFRS 16, *Leases* (see **Accounting and Control Matters - Changes in accounting policies - ADOPTION OF IFRS 16**).

Depreciation and amortization

(in millions of dollars)	Q1/19	Q1/18	\$ increase	% increase
	\$20.3	\$17.3	\$3.0	17%

- There were higher *Depreciation and amortization* costs of \$2.3 million related to the implementation of IFRS 16 (see **Accounting and Control Matters - Changes in accounting policies - ADOPTION OF IFRS 16**). In addition, there were higher costs related to technology and infrastructure assets that were capitalized during 2018. These increases were partially offset by lower costs related to Contigo (sold November 30, 2018) of \$0.1 million.
- The *Depreciation and amortization* costs in Q1/19 of \$20.3 million included \$11.9 million related to amortization of intangibles related to acquisitions (17 cents per basic and diluted share).
- The *Depreciation and amortization* costs in Q1/18 of \$17.3 million included \$12.1 million related to amortization of intangibles related to acquisitions (17 cents per basic and diluted share).

Strategic re-alignment expenses

(in millions of dollars, except per share amounts)	Q1/19		Q1/18	
	Pre-tax Amount	Basic and Diluted Earnings per Share impact	Pre-tax Amount	Basic and Diluted Earnings per Share Impact
	\$3.3	\$0.04	—	—

- *Strategic re-alignment expenses* for Q1/19 was \$3.3 million related to organizational changes we made in our post-trade business, elimination of centralized innovation product development unit, and changes to our enterprise risk approach (see **INITIATIVES AND ACCOMPLISHMENTS - Strategic re-alignment**).

Additional Information

Share of income from equity accounted investees

(in millions of dollars)	Q1/19	Q1/18	\$ increase	% increase
	\$1.4	\$1.0	\$0.4	40%

- The increase in our share of income from equity accounted investees of \$0.4 million reflected an increase in the contribution from BOX partially offset by a decrease in the contribution from TMX FTSE (sold April 12, 2018).

Net finance costs

(in millions of dollars)	Q1/19	Q1/18	\$ (decrease)	% (decrease)
	\$9.3	\$10.0	\$(0.7)	(7)%

- The decrease in net finance costs from Q1/18 to Q1/19 reflected lower interest expense due to decreased debt levels. The lower costs were partially offset by the impact from a higher average interest rate in Q1/19 driven by the interest rate in our Series E Debentures compared with that on our Series A Debentures, which matured in Q3/18. The decrease was also partially offset by a charge of \$0.9 million relating to the implementation of IFRS 16, *Leases* (see **Accounting and Control Matters - Changes in accounting policies - ADOPTION OF IFRS 16**).

Income tax expense and effective tax rate

Income Tax Expense (in millions of dollars)		Effective Tax Rate (%)	
Q1/19	Q1/18	Q1/19	Q1/18
\$21.1	\$23.6	26%	27%

- Excluding the item below, the effective tax rate would have been approximately 26% for Q1/18.
- In Q1/18, we recorded an additional \$1.2 million in income tax expense (2 cents per basic and diluted share) related to the sale of NGX and Shorcan Energy which increased our effective tax rate and income tax expenses for Q1/18.

Total equity

(in millions of dollars)	As at March 31, 2019	as at December 31, 2018	\$ increase
Total equity	\$3,415.5	\$3,381.8	\$33.7

- At March 31, 2019, there were 55,929,066 common shares issued and outstanding and 1,993,279 options outstanding under the share option plan.
- At May 3, 2019, there were 55,967,094 common shares issued and outstanding and 1,951,695 options outstanding under the share option plan.
- The increase in *Total equity* is primarily attributable to the inclusion of net income of \$61.2 million, and proceeds from exercised share options of \$6.8 million, less dividend payments to shareholders of TMX Group of \$34.6 million.

Segments

The following information reflects TMX Group's segment results for the three months ended March 31, 2019 compared with the three months ended March 31, 2018.

Three months ended March 31, 2019

(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	\$ 41.8	\$ 48.5	\$ 32.6	\$ 74.6	\$ —	\$ 197.5
Inter-segment revenue		0.4		0.1	(0.5)	—
Total revenue	41.8	48.9	32.6	74.7	(0.5)	197.5
Income (loss) from operations	21.1	22.3	13.9	48.2	(15.3)	90.2

Three months ended March 31, 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	\$ 50.4	\$ 51.1	\$ 31.3	\$ 72.7	\$ 1.7	\$ 207.2
Inter-segment revenue	—	0.3	—	0.2	(0.5)	—
Total revenue	50.4	51.4	31.3	72.9	1.2	207.2
Income (loss) from operations	28.8	23.8	14.1	45.2	(16.2)	95.7

Income (loss) from operations

The decrease in *Income from operations* from *Capital Formation* reflects lower revenue from all listing fee types and lower revenue from TSX Trust in Q1/19 compared with Q1/18. This was partially offset by lower operating expenses in Q1/19 compared with Q1/18.

The decrease in *Income from operations* from *Equities and Fixed Income Trading and Clearing* was driven by lower *equities and fixed income trading* revenue in Q1/19 compared with Q1/18. This was partially offset by higher *equities and fixed income clearing* revenue and lower operating expenses in Q1/19 compared with Q1/18.

The decrease in *Income from operations* from *Derivatives Trading and Clearing* was driven by higher operating expenses partially offset by higher revenue from MX and CDCC, driven by a 11% increase in volumes on MX.

The increase in *Income from operations* from *Global Solutions, Insights and Analytics* reflects higher revenue and lower operating expenses in Q1/19 compared with Q1/18.

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 a decrease in corporate costs partially offset by a decrease in *Other* revenue due to recognizing net foreign exchange gains on net monetary assets in Q1/18.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Three months ended March 31, 2019 compared with Three months ended March 31, 2018

(in millions of dollars)	Three months ended March 31, 2019	Three months ended March 31, 2018	\$ increase / (decrease) in cash
Cash flows from operating activities	\$52.5	\$58.6	\$(6.1)
Cash flows from/(used in) financing activities	(48.5)	(61.3)	12.8
Cash flows from/(used in) investing activities	(5.0)	(9.7)	4.7

- In the three months ended March 31, 2019, *Cash flows from operating activities* decreased compared with the three months ended March 31, 2018 reflecting a decrease in cash related to trade and other payables. The decrease in cash was largely offset by increases in cash related to income taxes paid, trade and other receivables and prepaid expenses as well as other assets and liabilities.
- In the three months ended March 31, 2019, *Cash flows used in financing activities* were lower than in the three months ended March 31, 2018 reflecting a net decrease in cash used to redeem Commercial Paper partially offset by an increase in dividends paid to equity holders.
- In the three months ended March 31, 2019, *Cash flows used in investing activities* were lower than in the three months ended March 31, 2018 reflecting a decrease in additions to premises and equipment and intangible assets and an increase in dividends received.

Summary of Cash Position and Other Matters¹⁷

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	As at March 31, 2019	as at December 31, 2018	\$ (decrease)
	\$188.7	\$230.7	\$(42.0)

We had \$188.7 million of cash, cash equivalents and marketable securities at March 31, 2019. There was a decrease in cash, cash equivalents and marketable securities primarily reflecting a net decrease in Commercial Paper of approximately \$20.0 million, a decrease in cash of \$39.8 million related to repayment of a bank overdraft from December 31, 2018, cash outflows for dividends to TMX Group shareholders of \$34.6 million and additions to premises and equipment and intangible assets of \$10.8 million. Offsetting these decreases in cash and cash equivalents were cash flows from operating activities

¹⁷ The "Summary of Cash Position and Other Matters" section above contains certain forward-looking statements. Please refer to "Caution Regarding Forward-Looking Information" for a discussion of risks and uncertainties related to such statements.

of \$52.5 million, and proceeds from exercised options of \$6.8 million. Based on our current business operations and model, we believe that we have sufficient cash resources and access to financing 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 Credit Agreement (as defined below) 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.

We will also have cash outlays related to the modernization our clearing platforms (see - **INITIATIVES AND ACCOMPLISHMENTS - Update on Modernization of Clearing Platforms**).

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants in the Credit Agreement and the Debentures, and by capital maintenance requirements imposed by regulators. At March 31, 2019, there was \$299.5 million of Commercial Paper outstanding, and the authorized limit under the program was \$500.0 million.

Total Assets

(in millions of dollars)	As at March 31, 2019	as at December 31, 2018	\$ increase
	\$36,923.1	\$31,657.9	\$5,265.2

- Our consolidated balance sheet as at March 31, 2019 includes outstanding balances on open REPO agreements within *Balances with Participants and Clearing Members*. These balances have equal amounts included within *Total Liabilities*. The increase in *Total Assets* of \$5,265.2 million from December 31, 2018 reflected higher balances in CDCC at March 31, 2019.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	As at March 31, 2019	as at December 31, 2018	\$ (decrease)
	\$299.5	\$319.5	\$(20.0)

There was \$299.5 million of Commercial Paper outstanding, including accrued interest, under the program at March 31, 2019 reflecting a net reduction of approximately \$20.0 million from December 31, 2018. Commercial paper is short term in nature, and the average term to maturity from the date of issue was 55.3 days in the three months ended March 31, 2019.

Debentures

TMX Group has the following Debentures outstanding:

(in millions of dollars)	As at March 31, 2019	as at December 31, 2018	\$ increase/ (decrease)
Series B - Non-Current Debentures	\$249.5	\$249.5	\$0.0
Series D - Non-Current Debentures	\$298.5	\$298.4	\$0.1
Series E - Non-Current Debentures	\$198.9	\$198.9	\$0.0
	\$746.9	\$746.8	\$0.1

For additional information on the Debentures, see **Debentures** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2018 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 2018 Annual MD&A.

As at March 31, 2019, all covenants were met under the TMX Group Credit Agreement.

Interest Rate Swaps (IRS)

As at March 31, 2019 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 2018 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. On May 2, 2019 this IRS matured, and was not extended.

Effective Interest Rates

The effective interest rates as at March 31, 2019 for the Debentures and Commercial Paper are shown below:

Debentures and Commercial Paper	Principal (\$CAD millions)	Maturity	All-in Rate
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%
Commercial Paper	299.5	Apr. 1, 2019 to May 31, 2019	1.990%

Other Credit and Liquidity Facilities

CDCC maintains a \$14,586.0 REPO uncommitted facility (December 31, 2018 – \$13,788.0) that is in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. The facility would provide liquidity in exchange for securities that have been received by, or pledged to, CDCC. On March 1, 2019, this facility was extended from March 1, 2019 to February 28, 2020.

CDCC also maintains a \$400.0 syndicated revolving standby liquidity facility to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. Advances under the facility are secured by collateral in the form of securities that have been received by, or pledged to, CDCC. On February 28, 2019, this facility was extended from March 1, 2019 to February 28, 2020.

CDS maintains a secured standby credit arrangement of US\$720.0 million, or Canadian equivalent, that can be drawn in either Canadian or US currency. This arrangement 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 terms of the facility permits 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 U.S. treasury instruments and equity instruments. Depending upon the currency drawn, the borrowing rate for the secured standby credit arrangement is the U.S. base rate plus 150 bps or the Canadian prime rate plus 150 bps.

On March 25, 2019, CDS extended the maturity date to March 24, 2020.

In addition, CDS has a secured 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 Canadian prime rate plus 150 bps or the US base rate plus 150 bps.

On March 25, 2019, CDS extended the maturity date to March 24, 2020.

MANAGING CAPITAL

Our primary objectives in managing capital are described in our 2018 Annual MD&A.

As at March 31, 2019, we were in compliance with each of these externally imposed capital requirements. For the year ending December 31, 2019, TSX Inc. has received an exemption with regards to its financial leverage ratio, as a result of adopting IFRS 16, *Leases*. See **Credit Facilities** and **MANAGING CAPITAL** in our 2018 Annual MD&A for a description of the financial covenants imposed on us.

QUARTERLY FINANCIAL INFORMATION

(in millions of dollars except per share amounts - unaudited)	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017	Jun 30 2017
Capital Formation	\$41.8	\$45.4	\$45.1	\$57.8	\$50.4	\$49.3	\$43.0	\$51.6
Equities and Fixed Income Trading	26.2	28.6	25.1	25.8	29.3	25.2	22.9	26.8
Equities and fixed Income - clearing, settlement, depository and other services (CDS)	22.3	22.7	20.3	21.0	21.8	20.4	18.7	19.9
Derivatives Trading & Clearing	32.6	35.1	30.2	33.3	31.3	27.6	27.7	31.4
Global Solutions, Insights and Analytics	74.6	73.8	72.1	70.7	72.7	48.3	41.6	46.3
Other	—	2.0	—	0.9	1.7	—	(1.9)	(1.1)
Revenue	197.5	207.6	192.8	209.5	207.2	170.8	152.0	174.9
Operating expenses before acquisition costs	107.3	110.6	106.3	119.7	111.5	87.0	84.0	89.5
Income from operations before acquisition costs	90.2	97.0	86.5	89.8	95.7	83.8	68.0	85.4
Acquisition costs	—	—	—	—	—	13.4	0.4	—
Income from operations	90.2	97.0	86.5	89.8	95.7	70.4	67.6	85.4
Income from continuing operations, net of tax	61.2	69.8	57.5	95.6	63.1	39.9	47.2	61.5
Income from discontinued operations, net of tax	—	—	—	—	—	162.4	4.7	5.0
Net income	61.2	69.8	57.5	95.6	63.1	202.3	51.9	66.5
Earnings per share from continuing operations ¹⁸								
Basic	1.10	1.25	1.03	1.72	1.14	0.72	0.85	1.11
Diluted	1.09	1.24	1.02	1.71	1.13	0.72	0.85	1.10
Earnings per share: ¹⁹								
Basic	1.10	1.25	1.03	1.72	1.14	3.65	0.94	1.20
Diluted	1.09	1.24	1.02	1.71	1.13	3.63	0.93	1.19

¹⁸ Earnings per share from continuing operations is based on income from continuing operations, net of tax.

¹⁹ Earnings per share information is based on Net income.

Q1/19 compared with Q4/18

- *Revenue* was \$197.5 million in Q1/19, down \$10.1 million from Q4/18 reflecting decreases in *Capital Formation, Equities and Fixed Income Trading & Clearing, Derivatives Trading & Clearing*, and *Other* partially offset by an increase in *Global Solutions, Insights and Analytics* driven by Trayport.
- *Operating expenses before acquisition costs* were down in Q1/19 compared with Q4/18 reflecting a decrease of \$1.1 million related to Contigo (sold November 30, 2018), lower employee performance incentive plan costs of \$1.7 million, lower severance costs of \$2.5 million, lower project spend of \$2.5 million, and lower *Information and trading systems* spend of \$2.5 million. These decreases were somewhat offset by increased payroll taxes of \$3.5 million and strategic re-alignment expense of \$3.3 million in Q1/19.
- *Income from operations* decreased from Q4/18 to Q1/19 due to lower revenue partially offset by lower operating expenses.
- *Net income* in Q1/19 was \$61.2 million, or \$1.10 per common share on a basic and \$1.09 on a diluted basis, compared with net income of \$69.8 million, or \$1.25 per common share on a basic and \$1.24 on a diluted basis in Q4/18. Overall, there was lower revenue partially offset by lower operating expenses in Q1/19 compared with Q4/18. There was a gain on sale of Contigo of approximately \$2.3 million after tax (4 cents per basic and diluted share), and a gain on reduction in our shareholding in CanDeal of \$0.9 million after tax (2 cents per basic and diluted share) in Q4/18. In addition, there was a net income tax recovery on gain on sale of NGX resulting in a tax benefit of approximately \$2.0 million (4 cents per basic and diluted share) in Q4/18.

For additional information on the seven previous quarters, please see Select Annual and Quarterly financial information in our 2018 Annual MD&A.

Accounting and Control Matters

Changes in accounting policies

The following new IFRS standards and amendments were effective for TMX Group from January 1, 2019:

- IFRS 16, *Leases*;
- IFRIC 23, *Uncertainty over Income Tax Treatments*; and
- Annual improvements 2015-2017 cycle.

There was no impact on the interim financial statements as a result of their adoption, except for IFRS 16 as discussed below.

TMX Group has applied IFRS 16, *Leases*, from January 1, 2019 using the modified retrospective approach and therefore comparative information has not been restated, and continues to be reported under IAS 17, *Leases*, and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. On transition to IFRS 16, TMX Group elected to apply the practical expedient to grandfather the assessment of which contracts are leases. TMX Group only applied IFRS 16 to contracts that were previously identified as leases. Contracts that were previously not identified as leases were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019. In the comparative period, as a lessee, TMX Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. Assets held under other leases were classified as operating leases and were not recognized on TMX Group's balance sheet.

At inception of a contract, TMX Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

TMX Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

As a lessee, TMX Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is reduced for any impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, TMX Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments which may contain variability but are unavoidable; and
- Variable payments that depend on an index or a rate, are initially measured using the index or rate as at the commencement date. Variable payments based on usage or performance are not included in the measurement of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. The lease liability is subsequently increased by the interest cost and decreased by lease payments made, over the term of the lease. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When a lease liability is remeasured, a corresponding adjustment is also made to the carrying amount of the right-of-use asset.

Short-term leases and leases of low-value assets

TMX Group has elected to not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. TMX Group continues to recognize the lease payments associated with these leases as an expense over the term of the lease on a straight-line basis.

ADOPTION OF IFRS 16

Substantially all of TMX Group's identified leases are premise leases. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at TMX Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. TMX Group has applied judgment in determining the lease term for some lease contracts in which there is a renewal option or termination option.

TMX Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- relied on TMX Group's assessment of whether leases were onerous applying IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which was made immediately before the date of initial application as an alternative to performing an impairment review.

Impact on Condensed Consolidated Interim Balance Sheet

On transition to IFRS 16, TMX Group recognized \$94.9 million of right-of-use assets and \$103.2 million of lease liabilities, of which \$8.2 million was classified as current lease liabilities and recorded in "Other current liabilities". The difference between right-of-use assets and lease liabilities is attributable to previously accrued lease payments. When measuring lease liabilities,

TMX Group discounted lease payments using its incremental borrowing rate, which is derived from an indicative credit spread as at January 1, 2019. The Company applied a weighted average incremental borrowing rate of 3.4%.

Impact on Condensed Consolidated Interim Income Statement

For the three months ended March 31, 2019, the following is a summary of the impact of implementing IFRS 16:

(in millions of dollars)	\$ increase / (decrease) in net income
Depreciation and amortization expense	(2.3)
Net finance costs	(0.9)
Selling, general and administration expenses (related to occupancy costs)	2.6
Income tax expense	0.2
Overall impact on Net Income	(0.4)

Future changes in accounting policies

The following standard is not yet effective for the year ending December 31, 2019, and has not been applied in the preparation of the interim financial statements:

- Amendments to conceptual framework - On March 29, 2018 the IASB issued a revised version of its *Conceptual Framework for Financial Reporting* that underpins IFRS Standards. The IASB also issued *Amendments to References to the Conceptual Framework* in IFRS Standards to update references in IFRS Standards to previous versions of the Conceptual Framework. TMX Group intends to adopt the amendments for the annual period beginning on January 1, 2020. TMX Group does not expect the amendments to have a material impact on its financial statements.

Changes in Internal Control over Financial Reporting

There were no changes to internal control over financial reporting (ICFR) during the quarter ended March 31, 2019 that materially affected, or are reasonably likely to materially affect, our ICFR.

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, growth objectives; our target dividend payout ratio; the ability of TMX Group to de-leverage and the timing thereof; the modernization of clearing platforms, including the expected cash expenditures related to the modernization of our clearing platforms and the anticipated cost savings resulting from this initiative and the timing of the modernization and the anticipated savings; other statements related to cost reductions; the impact of the decrease of market capitalization of TSX and TSXV issuers overall (from 2017 to 2018) net of changes to sustaining fees on TMX Group's revenue; anticipated increases to strategic re-alignment costs as a result of organizational changes, expected cost savings resulting from this initiative, and the timing thereof; TMX Group's anticipated statutory income tax rate for 2019; 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 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.

In addition to the assumptions outlined above, forward looking information related to long term revenue cumulative average annual growth rate (CAGR) objectives, and long term adjusted earnings per share CAGR objectives are based on assumptions that include, but not limited to:

- TMX Group's success in achieving growth initiatives and business objectives;
- continued investment in growth businesses and in transformation initiatives including next generation post-trade systems;
- no significant changes to our effective tax rate, recurring revenue, and number of shares outstanding;
- moderate levels of market volatility;
- level of listings, trading, and clearing consistent with historical activity;
- economic growth consistent with historical activity;
- no significant changes in regulations;
- continued disciplined expense management across our business;
- continued re-prioritization of investment towards enterprise solutions and new capabilities; and
- free cash flow generation consistent with historical run rate.

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 2018 Annual MD&A.