

TMX Group Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

August 7, 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 quarter (Q2/19) and six months ended June 30, 2019 (1H/19), compared with the quarter (Q2/18) and six months ended June 30, 2018 (1H/18) and as at June 30, 2019 and December 31, 2018. This MD&A should be read together with our unaudited condensed consolidated interim financial statements as at June 30, 2019 and December 31, 2018, and for the three and six months ended June 30, 2019 and 2018 (the "interim financial statements"), and the 2018 Annual MD&A.

Our interim financial statements and this MD&A for the three and six months ended June 30, 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), and are in compliance with IAS 34, *Interim Financial Reporting*, 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 (TSXV) 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.

Global Solutions, Insights and Analytics

Trayport

*VisoTech Acquisition*¹

On May 15, 2019, Trayport Limited completed the acquisition of Vienna-based VisoTech, a leading provider of European short-term energy trading solutions. VisoTech provides advanced algorithmic trading solutions to customers in the

¹ The "VisoTech Acquisition" 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.

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 is also expected to expand the portion of our revenue from recurring sources.

Global Gas - Liquid Natural Gas (LNG)

In Q2/19, volumes remained strong for the European and Asian benchmark gas contracts, the Dutch Title Transfer Facility (TTF) and the Japan Korea Marker (JKM). TTF volumes were up 56% compared with Q2/18, and JKM saw record monthly volumes in June 2019.

In both these markets, brokers who utilize Trayport technology execute the majority of deals and use Trayport to connect to their trader customers, and additional brokers and exchanges continue to enter these markets through Trayport. 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 is intended to give brokers better visibility and customisability for the markets in which they operate.

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). Beginning in February 2019, we offered clients the ability to also trade the S&P/TSX 60 Index² Standard Futures (SXF) in these extended hours. For Q2/19, volumes during extended trading hours represented approximately 4% of total volumes in these products.

In March 2019, 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.

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

Two key MX products set records in May 2019 – the CGB and the Five-Year Government of Canada Bond Futures (CGF). The CGB set a monthly volume record with 4,274,256 contracts. The CGF set a new daily volume record with 46,042 contracts, as well as a new monthly volume record with 376,986 contracts and a new open interest record with 65,793 contracts.

² 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.

Update on Modernization of Clearing Platforms³

In 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 went live with this phase in Q2/19. We spent \$6.3 million up to the end of 2018 and \$3.9 million in 1H/19 on capital expenditures related to this phase. We expect to spend approximately \$0.5 million on capital expenditures in 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 \$6.8 million in 1H/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 the second half of 2019.

Strategic re-alignment⁴

In Q1/19, we took the following measures to position TMX Group 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.

In Q2/19, we incurred non-recurring charges related to onerous contracts of approximately \$1.3 million related to our initiative on modernizing our clearing platforms.

In aggregate, the organizational changes generated 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.

³ 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.

⁴ The "Strategic re-alignment" 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.

REGULATORY CHANGES

Equity Trading

On December 18, 2018, the Canadian Securities Administrators (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 completion of the CSA's comment period, we are awaiting further information from the CSA regarding the Proposed Pilot.

MARKET CONDITIONS AND OUTLOOK

Overall, Canadian equities trading volumes were down 5% in 1H/19 compared with 1H/18.⁵ The average CBOE Volatility Index (VIX) was 15.8 in 1H/19 down from 16.3 in 1H/18. Trading volumes on TSX and TSX Alpha Exchange (Alpha) increased by 4% and 8%, respectively, in 1H/19 compared with 1H/18; however, volumes traded on TSXV (including NEX) were down 29% over the same period. Derivative trading in Canada was strong as reflected in a 9% increase in the volume of contracts traded on MX in 1H/19 compared with 1H/18.

The more uncertain market environment at the end of 2018 continued to contribute to less favourable conditions for capital raising in 1H/19. On TSX, the total amount of financing dollars raised declined by 25% and the total number of financings decreased by 14% in 1H/19 compared with 1H/18. On TSXV (including NEX) there was a 57% decrease in the total amount of financing dollars raised and a 22% decrease in the total number of financings in 1H/19 over the same period last year.

On July 10, 2019, the Bank of Canada maintained its target for the overnight rate at 1.75 percent. The Bank said evidence has been accumulating that ongoing trade tensions are having a material effect on the global economic outlook. Trade conflicts between the United States and China, in particular, are curbing manufacturing activity and business investment and pushing down commodity prices. The Bank now expects global GDP to grow by 3 percent in 2019 and to strengthen to around 3 ¼ percent in 2020 and 2021, with the US slowing to a pace near its potential. Escalation of trade conflicts remains the biggest downside risk to the global and Canadian outlooks. Following temporary weakness in late 2018 and early 2019, Canada's economy is returning to growth around potential, as expected. Exports rebounded in the second quarter and will grow moderately as foreign demand continues to expand. However, ongoing trade conflicts and competitiveness challenges are dampening the outlook for trade and investment. The Bank projects real GDP growth to average 1.3 percent in 2019 and about 2 percent in 2020 and 2021.⁶

⁵ Source: Investment Industry Regulatory Organization of Canada (IIROC) (excluding intentional crosses).

⁶ Source: Extracted from Bank of Canada press release, July 10, 2019.

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, net income tax recovery on gain on sale of Natural Gas Exchange Inc. (NGX), gain on sale of interest in Bermuda Stock Exchange, gain on sale of interest in FTSE TMX Global Debt Capital Markets Limited (TMX FTSE), commodity tax provision, and change in net deferred income tax liabilities resulting from decrease in Alberta corporate income tax rate. 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.

Three Months Ended June 30, 2019 Compared with Three Months Ended June 30, 2018

The information below reflects the financial statements of TMX Group for the quarter ended June 30, 2019 compared with the quarter ended June 30, 2018.

(in millions of dollars, except per share amounts)	Q2/19	Q2/18	\$ increase / (decrease)	% increase / (decrease)
Revenue	\$210.3	\$209.5	\$0.8	0%
Operating expenses	106.2	119.7	(13.5)	(11)%
Income from operations	104.1	89.8	14.3	16%
Net income	77.2	95.6	(18.4)	(19)%
Adjusted net income ⁷	81.8	74.7	7.1	10%
Earnings per share				
Basic	1.38	1.72	(0.34)	(20)%
Diluted	1.37	1.71	(0.34)	(20)%
Adjusted Earnings per share ⁸				
Basic	1.46	1.34	0.12	9%
Diluted	1.45	1.34	0.11	8%
Cash flows from operating activities	111.5	119.7	(8.2)	(7)%

Net income

Net income in Q2/19 was \$77.2 million, or \$1.38 per common share on a basic and \$1.37 on a diluted basis, compared with a net income of \$95.6 million, or \$1.72 per common share on a basic and \$1.71 on a diluted basis, for Q2/18. The decrease in net income and earnings per share was largely driven by lower gains on the sale of investments in Q2/19 compared with Q2/18 and higher income tax expense:

⁷ See discussion under the heading "Non-IFRS Financial Measures".

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

- In Q2/18, we recognized 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 Q2/19, we recognized a gain of \$2.3 million before income tax (\$2.0 million after income tax, or 4 cents per basic and diluted share) on the sale of our interest in the Bermuda Stock Exchange.
- In Q2/18, there was a decrease in income tax expense of approximately \$11.8 million relating to realizing and utilizing a capital loss. This capital loss was applied to eliminate income tax otherwise payable on the sale of our interest in TMX FTSE in Q2/18 and reduce income tax paid on our sale of NGX in 2017. Also, the non-taxable portion of the capital gain on the sale of our interest in the TMX FTSE resulted in a tax benefit of approximately \$3.3 million. In Q2/19, the Alberta general corporate income tax rate decreased. This change resulted in a decrease in net deferred income tax liabilities and a corresponding decrease in income tax expense of \$4.3 million.

Revenue was essentially unchanged from Q2/18 to Q2/19. However there was a decrease in operating expenses of \$13.5 million from Q2/18 to Q2/19, including a reduction in severance costs, as well as lower net finance costs. In Q2/18, we recorded 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).

Adjusted Earnings per Share⁹ Reconciliation for Q2/19 and Q2/18

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

(unaudited)	Q2/19		Q2/18	
	Basic	Diluted	Basic	Diluted
Earnings per share	\$1.38	\$1.37	\$1.72	\$1.71
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.17	0.17	0.17	0.17
Strategic re-alignment expenses ¹⁰	0.02	0.02	—	—
Gain on sale of interest in TMX FTSE	—	—	(0.48)	(0.48)
Net income tax recovery on gain on sale of NGX	—	—	(0.17)	(0.16)
Gain on sale of interest in Bermuda Stock Exchange	(0.04)	(0.04)	—	—
Commodity tax provision	—	—	0.10	0.10
Transaction related costs ¹¹	0.01	0.01	—	—
Change in net deferred income tax liabilities resulting from decrease in Alberta corporate income tax rate	(0.08)	(0.08)	—	—
Adjusted earnings per share	\$1.46	\$1.45	\$1.34	\$1.34
Weighted average number of common shares outstanding	56,006,062	56,459,282	55,578,475	56,045,700

Adjusted diluted earnings per share increased by 8% from \$1.34 in Q2/18 to \$1.45 in Q2/19. The increase in adjusted diluted earnings per share was largely driven by lower operating expenses related to lease termination and severance as well as lower net finance costs. The increase in adjusted diluted earnings per share was somewhat reduced by an increase in the number of weighted-average common shares outstanding in Q2/19 compared with Q2/18.

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

¹⁰ Please refer to "Initiatives and Accomplishments - Strategic re-alignment" for more details.

¹¹ Includes costs related to an acquisition.

Adjusted Net Income¹² Reconciliation for Q2/19 and Q2/18

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

(in millions of dollars) (unaudited)	Q2/19	Q2/18	\$ increase / (decrease)	% increase / (decrease)
Net income	\$77.2	\$95.6	(\$18.4)	(19)%
Adjustments related to:				
Amortization of intangibles related to acquisitions	9.4	9.5	(0.1)	(1)%
Strategic re-alignment expenses ¹³	0.9	—	0.9	n/a
Gain on sale of interest in TMX FTSE	—	(26.8)	26.8	(100)%
Net income tax recovery on gain on sale of NGX	—	(9.2)	9.2	(100)%
Gain on sale of interest in Bermuda Stock Exchange	(2.0)	—	(2.0)	n/a
Commodity tax provision	—	5.6	(5.6)	(100)%
Transaction related costs ¹⁴	0.6	—	0.6	n/a
Change in net deferred income tax liabilities resulting from decrease in Alberta corporate income tax rate	(4.3)	—	(4.3)	n/a
Adjusted net income ¹⁵	\$81.8	\$74.7	\$7.1	10%

Adjusted net income increased by 10% from \$74.7 million in Q2/18 to \$81.8 million in Q2/19. The increase was largely driven by lower operating expenses related to lease termination and severance, as well as higher revenues and lower net finance costs.

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

¹³ Please refer to "Initiatives and Accomplishments - Strategic re-alignment" for more details.

¹⁴ Includes costs related to an acquisition.

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

Revenue

(in millions of dollars)	Q2/19	Q2/18	\$ increase / (decrease)	% increase / (decrease)
Capital Formation	\$52.6	\$57.8	\$(5.2)	(9)%
Equities and Fixed Income Trading and Clearing	48.6	46.8	1.8	4%
Derivatives Trading and Clearing	33.8	33.3	0.5	2%
Global Solutions, Insights and Analytics	75.6	70.7	4.9	7%
Other	(0.3)	0.9	(1.2)	(133)%
	\$210.3	\$209.5	\$0.8	0%

Revenue was \$210.3 million in Q2/19, up \$0.8 million from \$209.5 million in Q2/18 largely attributable to an increase in *Global Solutions, Insights and Analytics* revenue as well as higher CDS revenue. The increases were offset by a decrease in *Capital Formation* revenue, reflecting reduced *additional listing fees* revenue.

Capital Formation

(in millions of dollars)	Q2/19	Q2/18	\$ increase / (decrease)	% increase / (decrease)
Initial listing fees	\$2.8	\$3.3	\$(0.5)	(15)%
Additional listing fees	23.2	27.2	(4.0)	(15)%
Sustaining listing fees	17.3	17.7	(0.4)	(2)%
Other issuer services	9.3	9.6	(0.3)	(3)%
	\$52.6	\$57.8	\$(5.2)	(9)%

- *Initial listing fees* in Q2/19 decreased from Q2/18 primarily due to a decline in the amount of deferred *initial listing fees* recognized in Q2/19 compared with Q2/18. We recognized *initial listing fees* received in 2018 and 2019 of \$2.6 million in Q2/19 compared with *initial listing fees* received in 2017 and 2018 of \$3.1 million in Q2/18.
- Based on *initial listing fees* billed in 2018 and the six months ended June 30, 2019, the following amounts have been deferred to be recognized in Q3/19, Q4/19, and Q1/20 and Q2/20: \$2.0 million, \$1.3 million, \$0.8 million and \$0.3 million respectively. Total *initial listing fees* revenue for future quarters will also depend on listing activity in those quarters.
- *Additional listing fees* in Q2/19 declined compared to Q2/18 reflecting a 19% decrease in the number of transactions billed on TSX and a decrease in 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 Q2/19 was lower compared to Q2/18 reflecting decreased revenue from TSX Trust due to reduced revenue from transfer agent and corporate trust fees as well as lower margin income. This was largely attributable to reduced capital markets activity and lower client balances.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	Q2/19	Q2/18	\$ increase / (decrease)	% increase / (decrease)
Equities and fixed income trading	\$25.6	\$25.8	(\$0.2)	(1)%
Equities and fixed income clearing, settlement, depository and other services (CDS)	23.0	21.0	2.0	10%
	\$48.6	\$46.8	\$1.8	4%

- There was a decrease in *Equities and Fixed Income Trading* revenue in Q2/19 compared with Q2/18 reflecting a decrease in *Equities trading* revenue driven by lower overall volumes on TSXV, partially offset by a slight increase in *fixed income trading* revenue.
- The overall volume of securities traded on our equities marketplaces decreased by 1% (32.4 billion securities in Q2/19 versus 32.6 billion securities in Q2/18). There were volume increases on TSX and Alpha of 4% and 14% respectively in Q2/19 compared with Q2/18 while volumes on TSXV decreased by 12% over the same period.
- Excluding intentional crosses, in all listed issues in Canada, our combined domestic equities trading market share was approximately 56% in Q2/19, down 2% from approximately 58% in Q2/18.¹⁶
- Excluding intentional crosses, for TSX and TSXV listed issues, our combined domestic equities trading market share was approximately 65% in Q2/19, down 1% from approximately 66% in Q2/18.¹⁷
- *CDS* revenue increased by 10% from Q2/18 to Q2/19 reflecting revisions to the fee schedule for issuer services, increased international revenue as well as higher revenue from International Securities Identification Number (ISIN) eligibility.

Derivatives Trading and Clearing

(in millions of dollars)	Q2/19	Q2/18	\$ increase	% increase
	\$33.8	\$33.3	\$0.5	2%

- The increase in *Derivatives Trading and Clearing* revenue was driven by a 5% increase in revenue from MX and CDCC. There was a 6% increase in volumes on MX (29.1 million contracts traded in Q2/19 versus 27.5 million contracts traded in Q2/18). The increase in revenue driven by higher volumes, and an increase in REPO (repurchase agreements) clearing, was somewhat offset by the impact of higher rebates that were paid to participants.

¹⁶ Source: IIROC.

¹⁷ Source: IIROC.

- The increase was also 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)	Q2/19	Q2/18	\$ increase	% increase
GSIA (excluding Trayport)	\$45.3	\$42.8	\$2.5	6%
Trayport	\$30.3	\$27.9	\$2.4	9%
	\$75.6	\$70.7	\$4.9	7%

- The increase in *Global Solutions, Insights and Analytics (GSIA)* revenue in Q2/19 compared with Q2/18 reflected increased revenue from benchmarks and indices, usage based quotes, data feeds, co-location and recoveries related to under-reported usage of real-time quotes in prior periods. In addition, there was an increase in revenue from Trayport, including revenue from VisoTech (acquired May 15, 2019). There was also a favourable impact from a weaker Canadian dollar relative to the U.S. dollar in Q2/19 compared with Q2/18 largely offset by the unfavourable impact of a stronger Canadian dollar relative to British Pound Sterling (GBP).
- These increases were partially offset by revenue from Contigo Software Limited (Contigo) (sold November 30, 2018) of approximately \$1.2 million, and from TMX FTSE (sold April 12, 2018) of approximately \$0.3 million in Q2/18.
- Revenue from *GSIA*, excluding VisoTech, Contigo and TMX FTSE, increased by 8% from Q2/18 to Q2/19.

GSIA (excluding Trayport)

- The average number of professional market data subscriptions for TSX and TSXV products were essentially unchanged in Q2/19 compared with Q2/18 (100,592 professional market data subscriptions in Q2/19 compared with 101,016 in Q2/18).
- The average number of MX professional market data subscriptions was up 4% in Q2/19 from Q2/18 (18,544 MX professional market data subscriptions in Q2/19 compared with 17,903 in Q2/18).

Trayport

The following table summarizes the average number of Trayport subscribers (excluding VisoTech) over the last eight quarters:

	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17	Q3/17
Trader Subscribers ¹⁸	4,851	4,727	4,665	4,356	4,321	4,207	4,051	4,018
Total Subscribers ¹⁹	21,956	21,683	21,465	20,602	20,310	20,171	19,977	19,912
Revenue (in millions of GBP) ²⁰	£17.8	£16.7	£16.8	£16.5	£16.0	£15.4	£14.9	£15.2

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

¹⁸ Previous amounts have been restated based on current data.

¹⁹ Previous amounts have been restated based on current data.

²⁰ Revenue prior to Q1/19 includes Contigo (sold November 30, 2018).

Revenue from Trayport's core subscriber business, including VisoTech (acquired May 15, 2019), was £17.8 million in Q2/19, up 16% over Q2/18. 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 Q2/18.

Other

(in millions of dollars)	Q2/19	Q2/18	\$ (decrease)	% (decrease)
	\$ (0.3)	\$0.9	\$ (1.2)	(133)%

- The decrease in *Other* revenue was due to the impact from recognizing net foreign exchange losses on net monetary assets in Q2/19 compared with net foreign exchange gains in Q2/18.

Operating expenses

(in millions of dollars)	Q2/19	Q2/18	\$ increase / (decrease)	% increase / (decrease)
Compensation and benefits	\$52.1	\$54.2	\$ (2.1)	(4)%
Information and trading systems	12.2	11.9	0.3	3%
Selling, general and administration	21.2	36.0	(14.8)	(41)%
Depreciation and amortization	19.4	17.6	1.8	10%
Strategic re-alignment expenses	1.3	—	1.3	n/a
	\$106.2	\$119.7	\$ (13.5)	(11)%

Operating expenses in Q2/19 were \$106.2 million, down \$13.5 million or 11%, from \$119.7 million in Q2/18. The decrease in costs was largely related to a commodity tax provision of \$7.6 million (10 cents per basic and diluted share) and a lease termination charge of \$4.5 million (6 cents per basic and diluted share) recorded in Q2/18. There were also lower severance costs. These decreases were partially offset by strategic re-alignment costs of \$1.3 million (2 cents per basic and diluted share) related to onerous contracts in Q2/19.

Compensation and benefits

(in millions of dollars)	Q2/19	Q2/18	\$ (decrease)	% (decrease)
	\$52.1	\$54.2	\$ (2.1)	(4)%

- Compensation and benefits* costs decreased in Q2/19 reflecting \$1.3 million lower expenses related to Contigo (sold November 30, 2018) and lower severance costs compared with Q2/18. These decreases were somewhat offset by higher expenses related to VisoTech (acquired May 15, 2019).
- There were 1,280 TMX Group employees at June 30, 2019 versus 1,213 employees at June 30, 2018 reflecting a higher headcount related to the acquisition of VisoTech (acquired May 15, 2019) which employs approximately 50 people. There was also an increase in headcount attributable to investing in the various growth areas of our business, including *Capital Formation* and Trayport. This increase was partially offset by a decrease from the sale of Contigo (sold November 30, 2018) which employed approximately 40 people.

Information and trading systems

(in millions of dollars)	Q2/19	Q2/18	\$ increase	% increase
	\$12.2	\$11.9	\$0.3	3%

- *Information and trading systems* expenses increased in Q2/19 compared with Q2/18 primarily due to higher maintenance expenses, partially offset by lower project costs.

Selling, general and administration

(in millions of dollars)	Q2/19	Q2/18	\$ (decrease)	% (decrease)
	\$21.2	\$36.0	\$(14.8)	(41)%

- *Selling, general and administration* expenses decreased in Q2/19 compared with Q2/18 primarily due to 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 Q2/18. 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**).
- These decreases were partially offset by transaction costs related to an acquisition of \$0.6 million (1 cent per basic and diluted share).

Depreciation and amortization

(in millions of dollars)	Q2/19	Q2/18	\$ increase	% increase
	\$19.4	\$17.6	\$1.8	10%

- There were higher *Depreciation and amortization* costs of \$2.4 million primarily related to the implementation of IFRS 16 (see **Accounting and Control Matters - Changes in accounting policies - ADOPTION OF IFRS 16**).
- The *Depreciation and amortization* costs in Q2/19 of \$19.4 million included \$11.8 million related to amortization of intangibles related to acquisitions (17 cents per basic and diluted share).
- The *Depreciation and amortization* costs in Q2/18 of \$17.6 million included \$12.0 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)	Q2/19		Q2/18	
	Pre-tax Amount	Basic and Diluted Earnings per Share impact	Pre-tax Amount	Basic and Diluted Earnings per Share Impact
	\$1.3	\$0.02	—	—

- *Strategic re-alignment expenses* for Q2/19 reflected non-recurring charges for onerous contracts related to our initiative on modernizing our clearing platforms of \$1.3 million (see **INITIATIVES AND ACCOMPLISHMENTS - Strategic re-alignment**).

Additional Information

Share of income from equity accounted investees

(in millions of dollars)	Q2/19	Q2/18	\$ increase	% increase
	\$0.7	\$0.4	\$0.3	75%

- The increase in our share of income from equity accounted investees of \$0.3 million reflected an increase in the contribution from BOX partially offset by a decrease in the contribution from TMX FTSE (sold April 12, 2018).

Other income

(in millions of dollars)	Q2/19	Q2/18	\$ (decrease)	% (decrease)
	\$2.3	\$26.8	\$(24.5)	(91)%

- 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 taxes (48 cents per basic and diluted share).
- In Q2/19, we completed the sale of our interest in Bermuda Stock Exchange resulting in a gain on sale of approximately \$2.3 million before tax (\$2.0 million after income tax, or 4 cents per basic and diluted share).

Net finance costs

(in millions of dollars)	Q2/19	Q2/18	\$ (decrease)	% (decrease)
	\$8.9	\$10.3	\$(1.4)	(14)%

- The decrease in net finance costs from Q2/18 to Q2/19 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 Q2/19 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 (%)	
Q2/19	Q2/18	Q2/19	Q2/18
\$21.0	\$11.1	21%	10%

Excluding adjustments, primarily relating to the items noted below, the effective tax rate would have been approximately 26% for both Q2/19 and Q2/18.

- In Q2/19, the Alberta general corporate income tax rate decreased. This change resulted in a decrease in net deferred income tax liabilities and a corresponding decrease in income tax expense of \$4.3 million.
- In Q2/18, we realized a capital loss on the windup 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 income tax expense, which reduced our effective tax rate for Q2/18.

Segments

The following information reflects TMX Group's segment results for the three months ended June 30, 2019 compared with the three months ended June 30, 2018.

Three months ended June 30, 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	\$ 52.6	\$ 48.6	\$ 33.8	\$ 75.6	\$ (0.3)	\$ 210.3
Inter-segment revenue	—	0.4	—	0.1	(0.5)	—
Total revenue	52.6	49.0	33.8	75.7	(0.8)	210.3
Income (loss) from operations	31.3	23.9	15.1	47.5	(13.7)	104.1

Three months ended June 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	\$ 57.8	\$ 46.8	\$ 33.3	\$ 70.7	\$ 0.9	\$ 209.5
Inter-segment revenue	—	0.4	—	0.1	(0.5)	—
Total revenue	57.8	47.2	33.3	70.8	0.4	209.5
Income (loss) from operations	34.9	20.2	13.1	39.8	(18.2)	89.8

Income (loss) from operations

The decrease in *Income from operations* from *Capital Formation* reflects lower revenue from all listing fee types, especially *additional listing fee* revenue, and lower revenue from TSX Trust in Q2/19 compared with Q2/18. This was partially offset by lower operating expenses in Q2/19 compared with Q2/18.

The increase in *Income from operations* from *Equities and Fixed Income Trading and Clearing* was driven by higher CDS revenue and lower operating expenses in Q2/19 compared with Q2/18.

The increase in *Income from operations* from *Derivatives Trading and Clearing* was driven by lower operating expenses and higher revenue from MX and CDCC, driven by a 6% increase in volumes on MX, partially offset by a decrease in revenue from BOX.

The increase in *Income from operations* from *Global Solutions, Insights and Analytics* reflects higher revenue from benchmarks and indices, usage based quotes, data feeds, co-location and recoveries related to under-reported usage of

real-time quotes in prior periods. In addition, there was an increase in revenue from Trayport, including VisoTech (acquired May 15, 2019). There were also lower operating expenses in Q2/19 compared with Q2/18.

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, including commodity tax provision in Q2/18, partially offset by a decrease in *Other* revenue due to recognizing net foreign exchange losses on net monetary assets in Q2/19 compared with net foreign exchange gains in Q2/18.

Six months ended June 30, 2019 Compared with Six months ended June 30, 2018

The information below reflects the financial statements of TMX Group for the six months ended June 30, 2019 compared with the six months ended June 30, 2018.

(in millions of dollars, except per share amounts)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase/ (decrease)	% increase/ (decrease)
Revenue	\$407.8	\$416.7	\$(8.9)	(2)%
Operating expenses	213.5	231.2	(17.7)	(8)%
Income from operations	194.3	185.5	8.8	5%
Net income	138.4	158.7	(20.3)	(13)%
Adjusted net income ²¹	155.0	148.9	6.1	4%
Earnings per share				
Basic	2.47	2.86	(0.39)	(14)%
Diluted	2.46	2.84	(0.38)	(13)%
Adjusted Earnings per share ²²				
Basic	2.76	2.69	0.07	3%
Diluted	2.75	2.66	0.09	3%
Cash flows from operating activities	164.0	178.3	(14.3)	(8)%

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

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

Net income

Net income in the six months ended June 30, 2019 was \$138.4 million, or \$2.47 per common share on a basic and \$2.46 per common share on a diluted basis, compared with a net income of \$158.7 million, or \$2.86 per common share on a basic and \$2.84 on a diluted basis, for the six months ended June 30, 2018. The decrease in net income and earnings per share was largely driven by lower gains on the sale of investments in 1H/19 compared with 1H/18 and higher income tax expense:

- In 1H/18, we recognized 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 1H/19, we recognized a gain of \$2.3 million before income tax (\$2.0 million after income tax, or 4 cents per basic and diluted share) on the sale of our interest in the Bermuda Stock Exchange.
- In 1H/18, there was a decrease in income tax expense of approximately \$11.8 million relating to realizing and utilizing a capital loss. This capital loss was applied to eliminate income tax otherwise payable on the sale of our interest in TMX FTSE in 1H/18 and reduce income tax paid on our sale of NGX in 2017. Also, the non-taxable portion of the capital gain on the sale of our interest in the TMX FTSE resulted in a tax benefit of approximately \$3.3 million. In 1H/19, the Alberta general corporate income tax rate decreased. This change resulted in a decrease in net deferred income tax liabilities and a corresponding decrease in income tax expense of \$4.3 million.

Revenue declined by \$8.9 million from 1H/18 to 1H/19 largely reflecting a decrease in *Capital Formation* revenue driven by a decline in *additional listing fee* revenue, partially offset by higher Trayport revenue. However there was a decrease in operating expenses of \$17.7 million from 1H/18 to 1H/19 as well as lower net finance costs. In 1H/18, we recorded 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 also a decrease in severance costs of approximately \$6.0 million from 1H/18 to 1H/19.

Adjusted Earnings per Share²³ Reconciliation for Six months ended June 30, 2019 and Six months ended June 30, 2018

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

(unaudited)	Six months ended June 30, 2019		Six months ended June 30, 2018	
	Basic	Diluted	Basic	Diluted
Earnings per share	\$2.47	\$2.46	\$2.86	\$2.84
Adjustments related to:				
Amortization of intangibles related to acquisitions	0.34	0.34	0.35	0.34
Strategic re-alignment expenses ²⁴	0.06	0.06	—	—
Gain on sale of interest in TMX FTSE	—	—	(0.48)	(0.48)
Net income tax recovery on gain on sale of NGX	—	—	(0.14)	(0.14)
Gain on sale of interest in Bermuda Stock Exchange	(0.04)	(0.04)	—	—
Commodity tax provision	—	—	0.10	0.10
Transaction related costs ²⁵	0.01	0.01	0.00	0.00
Change in net deferred income tax liabilities resulting from decrease in Alberta corporate income tax rate	(0.08)	(0.08)	—	—
Adjusted earnings per share ²⁶	\$2.76	\$2.75	\$2.69	\$2.66
Weighted average number of common shares outstanding	55,924,166	56,343,757	55,511,869	55,972,415

Adjusted diluted earnings per share increased by 3% from \$2.66 in the six months ended June 30, 2018 to \$2.75 in the six months ended June 30, 2019. The increase in adjusted diluted earnings per share was largely driven by lower operating expenses related to lease termination and severance as well as lower net finance costs. The increase was partially offset by a decrease in *Capital Formation* revenue driven by a decline in *additional listing fee* revenue, partially offset by higher Trayport revenue. The increase in adjusted diluted earnings per share was also somewhat reduced by an increase in the number of weighted-average common shares outstanding in 1H/19 compared with 1H/18.

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

²⁴ Please refer to "Initiatives and Accomplishments - Strategic re-alignment" for more details.

²⁵ Includes costs related to the integration of Trayport in 2018, and costs related to an acquisition in 2019.

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

Adjusted Net Income²⁷ Reconciliation for Six months ended June 30, 2019 and Six months ended June 30, 2018

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

(in millions of dollars) (unaudited)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase / (decrease)	% increase / (decrease)
Net income	\$138.4	\$158.7	\$(20.3)	(13%)
Adjustments related to:				
Amortization of intangibles related to acquisitions	18.9	19.2	(0.3)	(2%)
Strategic re-alignment expenses ²⁸	3.4	—	3.4	n/a
Gain on sale of interest in TMX FTSE	—	(26.8)	26.8	(100%)
Net income tax recovery on gain on sale of NGX	—	(8.0)	8.0	(100%)
Gain on sale of interest in Bermuda Stock Exchange	(2.0)	—	(2.0)	n/a
Commodity tax provision	—	5.6	(5.6)	(100%)
Transaction related costs ²⁹	0.6	0.2	0.4	200%
Change in net deferred income tax liabilities resulting from decrease in Alberta corporate income tax rate	(4.3)	—	(4.3)	n/a
Adjusted net income ³⁰	\$155.0	\$148.9	\$6.1	4%

Adjusted net income increased by 4% from \$148.9 million in 1H/18 to \$155.0 million in 1H/19. The increase was largely driven by lower operating expenses related to lease termination and severance as well as lower net finance costs. The increase was partially offset by a decrease in *Capital Formation* revenue driven by a decline in *additional listing fee* revenue, partially offset by higher Trayport revenue.

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

²⁸ Please refer to "Initiatives and Accomplishments - Strategic re-alignment" for more details.

²⁹ Includes costs related to the integration of Trayport in 2018, and costs related to an acquisition in 2019.

³⁰ See discussion under the heading "Non-IFRS Financial Measures".

Revenue

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase / (decrease)	% increase / (decrease)
Capital Formation	\$94.4	\$108.2	\$(13.8)	(13)%
Equities and Fixed Income Trading and Clearing	97.1	97.9	(0.8)	(1)%
Derivatives Trading and Clearing	66.4	64.6	1.8	3%
Global Solutions, Insights and Analytics	150.2	143.4	6.8	5%
Other	(0.3)	2.6	(2.9)	(112)%
	\$407.8	\$416.7	\$(8.9)	(2)%

Revenue was \$407.8 million in the six months ended June 30, 2019, down \$8.9 million or 2% compared with \$416.7 million in the six months ended June 30, 2018. There was a decrease in *Capital Formation* revenue driven by lower *additional listings fees*, a reduction in *Other* revenue as well as lower *Equities and Fixed Income Trading* revenue. These decreases were partially offset by an increase in *Global Solutions, Insights and Analytics* revenue reflecting higher revenue from Trayport including VisoTech (acquired May 15, 2019) and increased revenue from benchmarks and indices, data feeds, co-location and recoveries related to under-reported usage of real-time quotes in prior periods. There was also higher *Derivatives Trading and Clearing* revenue in 1H/19 primarily due to increased trading volumes.

Capital Formation

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ (decrease)	% (decrease)
Initial listing fees	\$5.8	\$7.0	\$(1.2)	(17)%
Additional listing fees	38.8	49.1	(10.3)	(21)%
Sustaining listing fees	34.5	35.3	(0.8)	(2)%
Other issuer services	15.3	16.8	(1.5)	(9)%
	\$94.4	\$108.2	\$(13.8)	(13)%

- *Initial listing fees* in 1H/19 decreased from 1H/18 primarily due to a decline in the amount of deferred *initial listing fees* recognized in 1H/19 compared with 1H/18. We recognized *initial listing fees* received in 2018 and 2019 of \$5.3 million in 1H/19 compared with *initial listing fees* received in 2017 and 2018 of \$6.4 million in 1H/18.
- Based on *initial listing fees* billed in 2018 and the six months ended June 30, 2019, the following amounts have been deferred to be recognized in Q3/19, Q4/19, and Q1/20 and Q2/20: \$2.0 million, \$1.3 million, \$0.8 million and \$0.3 million respectively. Total *initial listing fees* revenue for future quarters will also depend on listing activity in those quarters.
- *Additional listing fees* in the six months ended June 30, 2019 decreased from the six months ended June 30, 2018 reflecting the impact of a 20% decrease in the number of transactions billed on TSX, and a decrease in *additional listing fees* on TSXV where there was a decrease in the number of financings and total financing dollars raised.
- Issuers listed on TSX and TSXV pay annual sustaining listing fees primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. There was a decrease in *sustaining listing fees* on both TSX and TSXV due to 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 the six months ended June 30, 2019 was lower compared to the six months ended June 30, 2018 reflecting decreased revenue from TSX Trust due to lower margin income as well as reduced transfer agent and corporate trust fees. This was largely attributable to lower client balances and reduced capital markets activity.

Equities and Fixed Income Trading and Clearing

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase / (decrease)	% increase / (decrease)
Equities and fixed income trading	\$51.8	\$55.1	(\$3.3)	(6)%
Equities and fixed Income clearing, settlement, depository and other services (CDS)	45.3	42.8	2.5	6%
	\$97.1	\$97.9	(\$0.8)	(1)%

- There was a 6% decrease in *Equities trading* revenue in the six months ended June 30, 2019 compared with the six months ended June 30, 2018 driven by lower volumes on TSXV somewhat offset by higher volumes on TSX and Alpha. There was also a slight decrease in *fixed income trading* revenue.
- The overall volume of securities traded on our equities marketplaces decreased by 8% (69.6 billion securities in the six months ended June 30, 2019 versus 75.4 billion securities in the six months ended June 30, 2018). Volumes on TSX increased by 4% and volumes on Alpha increased by 8% while volumes on TSXV decreased by 29% from the six months ended June 30, 2018 to the six months ended June 30, 2019.
- Excluding intentional crosses, in all listed issues in Canada, our combined domestic equities trading market share was 56% in the six months ended June 30, 2019, down from 58% in the six months ended June 30, 2018³¹. 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.

³¹ Source: IIROC.

- Excluding intentional crosses, for TSX and TSXV listed issues, our combined domestic equities trading market share was approximately 66% in 1H/19, down 1% from approximately 67% in 1H/18.³²
- CDS revenue increased by 6% from the six months ended June 30, 2018 to the six months ended June 30, 2019 reflecting revisions to the fee schedule for issuer services as well as higher international revenue.

Derivatives Trading and Clearing

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase	% increase
	\$66.4	\$64.6	\$1.8	3%

- The increase in *Derivatives Trading and Clearing* revenue was driven by an 8% increase in revenue from MX and CDCC . There was a 9% increase in volumes on MX (58.6 million contracts traded in the six months ended June 30, 2019 versus 54.0 million contracts traded in the six months ended June 30, 2018). The increase in revenue driven by higher volumes, and an increase in REPO clearing, was somewhat offset by the impact of higher rebates that were paid to participants.
- The increase was also 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)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase	% increase
GSIA (excluding Trayport)	\$90.8	\$88.2	\$2.6	3%
Trayport	\$59.4	\$55.2	\$4.2	8%
	\$150.2	\$143.4	\$6.8	5%

- The increase in *GSIA* revenue in 1H/19 compared with 1H/18 reflected an increase in revenue from Trayport, including VisoTech (acquired May 15, 2019). In addition, there was increased revenue from benchmarks and indices, data feeds, co-location and recoveries related to under-reported usage of real-time quotes in prior periods. There was also a favourable impact from a weaker Canadian dollar relative to the U.S. dollar in 1H/19 compared with 1H/18 somewhat offset by the unfavourable impact of a stronger Canadian dollar relative to GBP.
- These increases were partially offset by revenue from Contigo (sold November 30, 2018) of approximately \$2.4 million, and from TMX FTSE (sold April 12, 2018) of approximately \$1.0 million in 1H/18.
- Revenue from *GSIA*, excluding VisoTech, Contigo and TMX FTSE, increased by 7% from 1H/18 to 1H/19.

³² Source: IIROC.

GSIA (excluding Trayport)

- The average number of professional market data subscriptions for TSX and TSXV products decreased slightly from the six months ended June 30, 2018 to the six months ended June 30, 2019 (101,591 professional market data subscriptions in the six months ended June 30, 2019 compared with 101,890 in the six months ended June 30, 2018.)
- The average number of MX professional market data subscriptions increased by 1% from the six months ended June 30, 2018 to the six months ended June 30, 2019 (18,769 MX professional market data subscriptions in the six months ended June 30, 2019 compared with 18,638 in the six months ended June 30, 2018).

Trayport

- Revenue from Trayport's core subscriber business, including VisoTech (acquired May 15, 2019), was £34.5 million in 1H/19, up 15% over 1H/18. Revenue from Contigo (sold on November 30, 2018); the ancillary non-subscriber based risk application business of Trayport; was £1.4 million in 1H/18.

Other

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ (decrease)	% (decrease)
	\$(0.3)	\$2.6	\$(2.9)	(112)%

- The decrease in *Other* revenue was primarily due to recognizing net foreign exchange gains on net monetary assets in the six months ended June 30, 2018 compared with net foreign exchange losses in the six months ended June 30, 2019.

Operating expenses

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase / (decrease)	% increase / (decrease)
Compensation and benefits	\$105.1	\$111.9	\$(6.8)	(6)%
Information and trading systems	24.7	24.5	0.2	1%
Selling, general and administration	39.4	59.9	(20.5)	(34)%
Depreciation and amortization	39.7	34.9	4.8	14%
Strategic re-alignment expenses	4.6	—	4.6	n/a
	\$213.5	\$231.2	\$(17.7)	(8)%

Operating expenses in the six months ended June 30, 2019 were \$213.5 million, down \$17.7 million or 8%, from \$231.2 million in the six months ended June 30, 2018. The decrease in costs was largely related to 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 1H/18. There was also a decrease in severance costs of approximately \$6.0 million from 1H/18 to 1H/19.

Compensation and benefits

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ (decrease)	% (decrease)
	\$105.1	\$111.9	\$(6.8)	(6)%

- *Compensation and benefits* costs decreased in the six months ended June 30, 2019 compared with the six months ended June 30, 2018 reflecting lower costs of \$2.6 million related to Contigo (sold November 30, 2018) and lower severance costs of approximately \$6.0 million. These decreases were partially offset by higher costs related to VisoTech (acquired May 15, 2019).
- There were 1,280 TMX Group employees at June 30, 2019 versus 1,213 employees at June 30, 2018 reflecting a higher headcount related to the acquisition of VisoTech (acquired May 15, 2019) which employs approximately 50 people. There was also an increase in headcount attributable to investing in the various growth areas of our business, including *Capital Formation* and Trayport. This increase was partially offset by a decrease from the sale of Contigo (sold November 30, 2018) which employed approximately 40 people.

Information and trading systems

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase	% increase
	\$24.7	\$24.5	\$0.2	1%

- *Information and trading systems* expenses increased by \$0.2 million in the six months ended June 30, 2019 compared with the six months ended June 30, 2018 reflecting increased costs related to maintenance and infrastructure, offset by lower project costs.

Selling, general and administration

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ (decrease)	% (decrease)
	\$39.4	\$59.9	\$(20.5)	(34)%

- *Selling, general and administration* expenses decreased by \$20.5 million in the six months ended June 30, 2019 compared with the six months ended June 30, 2018 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). The decrease also reflected reduced occupancy expense and lower project costs. In addition, there were lower *Selling, general and administration* expenses of \$5.2 million related to the implementation of IFRS 16, *Leases* (see **Accounting and Control Matters - Changes in accounting policies - ADOPTION OF IFRS 16**).
- The decreases in *selling, general and administration* expenses were partially offset by increased transaction costs related to an acquisition of \$0.6 million (1 cent per basic and diluted share).

Depreciation and amortization

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase	% increase
	\$39.7	\$34.9	\$4.8	14%

- There were higher *Depreciation and amortization* costs of \$4.7 million related to the implementation of IFRS 16 (see **Accounting and Control Matters - Changes in accounting policies - ADOPTION OF IFRS 16**).
- The *Depreciation and amortization* costs in the six months ended June 30, 2019 of \$39.7 million included \$23.7 million related to amortization of intangibles assets related to acquisitions (34 cents per basic and diluted share).
- The *Depreciation and amortization* costs in the six months ended June 30, 2018 of \$34.9 million included \$24.1 million related to amortization of intangibles related to acquisitions (35 cents per basic and 34 cents per diluted share).

Strategic re-alignment expenses

	Six months ended June 30, 2019		Six months ended June 30, 2018	
(in millions of dollars)	Pre-tax Amount	Basic and Diluted Earnings per Share Impact	Pre-tax Amount	Basic and Diluted Earnings per Share Impact
	\$4.6	\$0.06	\$—	\$—

- *Strategic re-alignment expenses* for the six months ended June 30, 2019 included \$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. There were also non-recurring charges for onerous contracts related to our initiative on modernizing our clearing platforms of \$1.3 million (See **INITIATIVES AND ACCOMPLISHMENTS - Strategic re-alignment**).

Additional Information

Share of income from equity accounted investees

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase	% increase
	\$2.1	\$1.4	\$0.7	50%

- In the six months ended June 30, 2019 our share of income from equity accounted investees increased by \$0.7 million which is primarily attributable to increases in our share of income from BOX, partially offset by decreases in our share of income from TMX FTSE (sold on April 12, 2018).

Other income

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ (decrease)	% (decrease)
	\$2.3	\$26.8	\$(24.5)	(91)%

- 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 taxes (48 cents per basic and diluted share).
- In Q2/19, we completed the sale of our interest in Bermuda Stock Exchange resulting in a gain on sale of approximately \$2.3 million before tax (\$2.0 million after income tax, or 4 cents per basic and diluted share).

Net finance costs

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ (decrease)	% (decrease)
	\$18.2	\$20.3	\$(2.1)	(10)%

- The decrease in net finance costs from the six months ended June 30, 2018 to the six months ended June 30, 2019 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 Q2/19 driven by the interest rate on 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 \$1.8 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 (%)	
Six months ended June 30, 2019	Six months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
\$42.1	\$34.7	23%	18%

Excluding adjustments, primarily related to the items noted below, the effective tax rate would have been approximately 26% for both the six months ended June 30, 2019, and for the six months ended June 30, 2018.

2019

- In 1H/19, the Alberta general corporate income tax rate decreased. This change resulted in a decrease in net deferred income tax liabilities and a corresponding decrease in income tax expense of \$4.3 million.

2018

- In 1H/18, we realized a capital loss on the windup 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 income tax expense, which reduced our effective tax rate for 1H/18.

Total equity

(in millions of dollars)	As at June 30, 2019	as at December 31, 2018	\$ increase
Total equity	\$3,423.0	\$3,381.8	\$41.2

- At June 30, 2019, there were 56,059,075 common shares issued and outstanding and 1,851,222 options outstanding under the share option plan.
- At August 2, 2019, there were 56,059,075 common shares issued and outstanding and 1,830,071 options outstanding under the share option plan.
- The increase in *Total equity* is primarily attributable to the inclusion of net income of \$138.4 million, and proceeds from exercised share options of \$14.5 million, less dividend payments to shareholders of TMX Group of \$69.4 million and foreign currency translation differences of \$43.8 million.

Segments

The following information reflects TMX Group's segment results for the six months ended June 30, 2019 compared with the six months ended June 30, 2018.

Six months ended June 30, 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	\$ 94.4	\$ 97.1	\$ 66.4	\$ 150.2	\$ (0.3)	\$ 407.8
Inter-segment revenue	—	0.8	—	0.2	(1.0)	—
Total revenue	94.4	97.9	66.4	150.4	(1.3)	407.8
Income (loss) from operations	52.4	46.2	29.0	95.7	(29.0)	194.3

Six months ended June 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	\$ 108.2	\$ 97.9	\$ 64.6	\$ 143.4	\$ 2.6	\$ 416.7
Inter-segment revenue	—	0.7	—	0.3	(1.0)	—
Total revenue	108.2	98.6	64.6	143.7	1.6	416.7
Income (loss) from operations	63.7	44.0	27.2	85.0	(34.4)	185.5

Income (loss) from operations

The decrease in *Income from operations* from *Capital Formation* reflected lower revenue from all listing fee types, especially *additional listing fee* revenue, and lower revenue from TSX Trust in 1H19 compared with 1H/18. This was partially offset by lower operating expenses in 1H/19 compared with 1H/18.

The increase in *Income from operations* from *Equities and Fixed Income Trading and Clearing* reflected lower operating expenses in 1H/19 compared with 1H/18. There was also an increase in revenue from CDS, which was more than offset by a decrease in *Equities and Fixed Income Trading* revenue.

Income from operations from *Derivatives Trading and Clearing* increased reflecting higher revenue from MX and CDCC, driven by a 9% increase in volumes on MX, partially offset by a decrease in revenue from BOX.

The increase in *Income from operations* from *Global Solutions, Insights and Analytics* largely reflects an increase in revenue from Trayport, including VisoTech (acquired May 15, 2019). In addition, there was increased revenue from benchmarks and indices, data feeds, co-location and recoveries related to under-reported usage of real-time quotes in prior periods. There were also lower operating expenses in 1H/19 compared with 1H/18.

Other includes certain revenue as well as corporate and other costs, not allocated to the operating segments. Revenue related to foreign exchange gains and losses and other services are presented in the *Other* segment. Costs and expenses related to the amortization of purchased intangibles, along with certain consolidation and elimination adjustments, are also presented in *Other*. The lower *loss from operations* for the *Other* segment largely reflected a decrease in corporate costs, including commodity tax provision in 1H/18, partially offset by a decrease in *Other* revenue due to recognizing net foreign exchange losses on net monetary assets in 1H/19 compared with net foreign exchange gains in 1H/18.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

Q2/19 compared with Q2/18

(in millions of dollars)	Q2/19	Q2/18	\$ increase / (decrease) in cash
Cash flows from operating activities	\$111.5	\$119.7	\$(8.2)
Cash flows from/(used in) financing activities	(44.5)	(177.5)	133.0
Cash flows from/(used in) investing activities	(47.8)	62.3	(110.1)

- In Q2/19, *Cash flows from operating activities* decreased compared with Q2/18 reflecting a decrease in cash related to trade and other payables as well as an increase in income taxes paid.
- In Q2/19, *Cash flows used in financing activities* were lower than in Q2/18. During Q2/18 there was a net decrease in cash used to redeem Commercial Paper of \$342.3 million. This was partially offset by proceeds of \$200.0 million on the issuance of our Series E Debentures in Q2/18.
- In Q2/19, *Cash flows used in investing activities* were higher than in Q2/18 when we generated cash from investing activities. During Q2/18 we received proceeds of \$70.4 million on the sale of our interest in TMX FTSE compared with proceeds from the sale of our interest in Bermuda Stock Exchange of \$3.1 million during Q2/19. In Q2/19 we had a cash outflow of \$23.3 million related to an acquisition. In addition, there was a net purchase of marketable securities in Q2/19 of \$11.4 million compared with a net sale of marketable securities of \$1.7 million in Q2/18.

Six months ended June 30, 2019 compared with Six months ended June 30, 2018

(in millions of dollars)	Six months ended June 30, 2019	Six months ended June 30, 2018	\$ increase / (decrease) in cash
Cash flows from operating activities	\$164.0	\$178.3	\$(14.3)
Cash flows from/(used in) financing activities	(93.0)	(238.8)	145.8
Cash flows from/(used in) investing activities	(52.8)	52.6	(105.4)

- In the six months ended June 30, 2019, *Cash flows from operating activities* decreased compared with the six months ended June 30, 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 six months ended June 30, 2019, *Cash flows used in financing activities* were lower than in the six months ended June 30, 2018 reflecting a net decrease in cash used to redeem Commercial Paper of \$359.5 million. This was partially offset by proceeds of \$200.0 million on the issuance of our Series E Debentures in 1H/18. There was also an increase in cash of \$9.4 million used to pay dividends to equity holders in 1H/19 compared with 1H/18.
- In the six months ended June 30, 2019, *Cash flows used in investing activities* were higher than in the six months ended June 30, 2018 when we generated cash from investing activities. During the six months ended June 30, 2018, we received proceeds of \$70.4 million on the sale of our interest in TMX FTSE compared with proceeds from the sale of our interest in Bermuda Stock Exchange of \$3.1 million during 1H/19. In the six months ended June 30, 2019, we had a cash outflow of \$23.3 million related to an acquisition. In addition, there was a net purchase of marketable securities in the six months ended June 30, 2019 of \$10.2 million compared with a net sale of marketable securities of \$3.9 million in the six months ended June 30, 2018.

Summary of Cash Position and Other Matters³³

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)	As at June 30, 2019	as at December 31, 2018	\$ (decrease)
	\$218.7	\$230.7	\$(12.0)

We had \$218.7 million of cash, cash equivalents and marketable securities at June 30, 2019. There was a decrease in cash, cash equivalents and marketable securities primarily reflecting a cash outflow related to an acquisition of \$23.3 million, the net movement in Commercial Paper of approximately \$19.7 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 \$69.4 million, net interest paid of \$13.9 million and additions to premises and equipment and intangible assets of \$28.0 million. Offsetting these decreases in cash and cash equivalents were cash flows from operating activities of \$164.0 million, proceeds from exercised options of \$14.5 million, and proceeds from the sale of our interest in Bermuda Stock Exchange of \$3.1 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 in the 2018 MD&A) 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.

³³ 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.

We will also have cash outlays related to the modernization of 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 trust indentures governing the Debentures, and by capital maintenance requirements imposed by regulators. At June 30, 2019, there was \$303.1 million of Commercial Paper outstanding, and the authorized limit under the program was \$500.0 million.

Total Assets

(in millions of dollars)	As at June 30, 2019	as at December 31, 2018	\$ (decrease)
	\$30,994.3	\$31,657.9	(\$663.6)

- Our consolidated balance sheet as at June 30, 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 decrease in *Total Assets* of \$663.6 million from December 31, 2018 reflected lower balances in CDCC at June 30, 2019.

Commercial Paper, Debentures, Credit and Liquidity Facilities

Commercial Paper

(in millions of dollars)	As at June 30, 2019	as at December 31, 2018	\$ (decrease)
	\$303.1	\$319.5	\$(16.4)

There was \$303.1 million of Commercial Paper outstanding, including accrued interest, under the program at June 30, 2019 reflecting a net reduction of approximately \$16.4 million from December 31, 2018. Commercial paper is short term in nature, and the average term to maturity from the date of issue was 62.4 days in the six months ended June 30, 2019.

Debentures

TMX Group has the following Debentures outstanding:

(in millions of dollars)	As at June 30, 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 and Liquidity Facilities

For additional information on our credit and liquidity facilities, please see **Credit Facility** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2018 Annual MD&A.

As at June 30, 2019, all covenants were met under the Credit Agreement.

Effective Interest Rates

The effective interest rates as at June 30, 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	Jun. 5, 2028	3.779%
Commercial Paper	303.1	Jul. 2, 2019 - Aug. 30, 2019	1.880%

Other Credit and Liquidity Facilities

CDCC maintains a \$14,586.0 million REPO uncommitted facility (December 31, 2018 – \$13,788.0 million) 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. On March 1, 2019, this facility was extended from March 1, 2019 to February 28, 2020.

CDCC also maintains a \$400.0 million 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. 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. On March 25, 2019, CDS extended the maturity date to March 24, 2020.

In addition, CDS has a secured standby liquidity facility of \$2.0 billion, or US equivalent, that can be drawn in either Canadian or US currency. On March 25, 2019, CDS extended the maturity date to March 24, 2020.

For additional information on our other credit and liquidity facilities, please see **Other Credit and Liquidity Facilities** under the heading **LIQUIDITY AND CAPITAL RESOURCES** in our 2018 Annual MD&A.

MANAGING CAPITAL

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

As at June 30, 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 Facility** and **Other Credit and Liquidity 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)	Jun 30 2019	Mar 31 2019	Dec 31 2018	Sep 30 2018	Jun 30 2018	Mar 31 2018	Dec 31 2017	Sep 30 2017
Capital Formation	\$52.6	\$41.8	\$45.4	\$45.1	\$57.8	\$50.4	\$49.3	\$43.0
Equities and Fixed Income Trading	25.6	26.2	28.6	25.1	25.8	29.3	25.2	22.9
Equities and fixed Income - clearing, settlement, depository and other services (CDS)	23.0	22.3	22.7	20.3	21.0	21.8	20.4	18.7
Derivatives Trading & Clearing	33.8	32.6	35.1	30.2	33.3	31.3	27.6	27.7
Global Solutions, Insights and Analytics	75.6	74.6	73.8	72.1	70.7	72.7	48.3	41.6
Other	(0.3)	—	2.0	—	0.9	1.7	—	(1.9)
Revenue	210.3	197.5	207.6	192.8	209.5	207.2	170.8	152.0
Operating expenses before acquisition costs	106.2	107.3	110.6	106.3	119.7	111.5	87.0	84.0
Income from operations before acquisition costs	104.1	90.2	97.0	86.5	89.8	95.7	83.8	68.0
Acquisition costs	—	—	—	—	—	—	13.4	0.4
Income from operations	104.1	90.2	97.0	86.5	89.8	95.7	70.4	67.6
Income from continuing operations, net of tax	77.2	61.2	69.8	57.5	95.6	63.1	39.9	47.2
Income from discontinued operations, net of tax	—	—	—	—	—	—	162.4	4.7
Net income	77.2	\$61.2	69.8	57.5	95.6	63.1	202.3	51.9
Earnings per share from continuing operations ³⁴								
Basic	1.38	1.10	1.25	1.03	1.72	1.14	0.72	0.85
Diluted	1.37	1.09	1.24	1.02	1.71	1.13	0.72	0.85
Earnings per share ³⁵								
Basic	1.38	1.10	1.25	1.03	1.72	1.14	3.65	0.94
Diluted	1.37	1.09	1.24	1.02	1.71	1.13	3.63	0.93

³⁴ Earnings per share from continuing operations is based on income from continuing operations, net of tax.

³⁵ Earnings per share information is based on Net income.

Q2/19 compared with Q1/19

- *Revenue* was \$210.3 million in Q2/19, up \$12.8 million from Q1/19 reflecting increases in *Capital Formation* driven by higher additional listing fees, *Derivatives Trading & Clearing*, and *Global Solutions, Insights and Analytics* driven by Trayport.
- *Operating expenses before acquisition costs* were down in Q2/19 compared with Q1/19 reflecting lower strategic re-alignment costs, reduced payroll taxes and pension adjustments as well as lower *Depreciation and Amortization* costs. The decreases were largely offset by higher severance costs, project spending, long-term employee performance incentive plan costs as well as expenses and transaction costs related to VisoTech (acquired May 15, 2019).
- *Income from operations* increased from Q1/19 to Q2/19 largely reflecting the higher revenue and also the lower operating expenses.
- *Net income* in Q2/19 was \$77.2 million, or \$1.38 per common share on a basic and \$1.37 on a diluted basis, compared with net income of \$61.2 million, or \$1.10 per common share on a basic and \$1.09 on a diluted basis in Q1/19. There were significantly higher revenues and also lower operating expenses in Q2/19 compared with Q1/19. There was also a gain on sale of interest in Bermuda Stock Exchange of approximately \$2.0 million after tax (4 cents per basic and diluted share) and a deferred income tax recovery of \$4.3 million related to a decrease in the Alberta corporate income tax rate (8 cents per basic and diluted share) in Q2/19.

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.

TMX Group applies judgement in determining the lease term for some lease contracts in which there is a renewal option. 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. TMX Group applied a weighted average incremental borrowing rate of 3.4%.

Impact on Condensed Consolidated Interim Income Statement

For the three and six months ended June 30, 2019, the following is a summary of the impact of implementing IFRS 16:

\$ increase / (decrease) in net income	Q2/19	1H/19
(in millions of dollars)		
Depreciation and amortization expense	(2.4)	(4.7)
Net finance costs	(0.9)	(1.8)
Selling, general and administration expenses (related to occupancy costs)	2.6	5.2
Income tax expense	0.1	0.3
Overall impact on Net Income	(0.6)	(1.0)

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 June 30, 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; the ability to integrate VisoTech into Trayport and the expected impact of the VisoTech acquisition on TMX Group's results; 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 underperforming 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 GBP), 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.