TMX Group Inc.

2011 Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 8, 2012

This MD&A of TMX Group Inc.'s (TMX Group) financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the year ended December 31, 2011, compared with the year ended December 31, 2010. This MD&A is dated February 8, 2012 and should be read carefully together with our 2011 audited annual financial statements, including notes, which are prepared in accordance with International Financial Reporting Standards (IFRS). Each of these documents is filed with Canadian securities regulators and can be accessed through www.sedar.com or our website at www.tmx.com. The financial measures included in this MD&A are based on financial statements prepared in accordance with IFRS, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

Additional information about TMX Group, including our most recent Annual Information Form, is available through www.sedar.com and on our website, www.tmx.com. We are not incorporating information contained on the website in this MD&A.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board requires publicly accountable enterprises such as TMX Group to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the TMX Group audited consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in 2011, we presented comparative information for 2010, both for interim and annual financial statements, as applicable, on an IFRS basis. Our consolidated financial statements for the year ended December 31, 2011 are our first annual financial statements prepared in accordance with IFRS. As this is our first year of reporting under IFRS, First-time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian generally accepted accounting principles (pre-conversion Canadian GAAP). We have included supplementary reconciliations of the impact of the conversion to IFRS on our net income attributable to TMX Group shareholders for the year ended December 31, 2010 in this MD&A (see ***Changes in***

Accounting Policies) (for a more detailed discussion and reconciliations of each quarter of 2010, see our unaudited condensed consolidated financial statements and MD&A for the quarter ended March 31, 2011).

Our MD&A is organized into the following key sections:

- Overview of the Business - a discussion of our business segments and key revenue drivers;

- Vision, Corporate Strategy, Initiatives and Accomplishments - our vision, strategic initiatives for future growth and recent accomplishments;

- Market Conditions – a discussion of our current business environment;

- Our Business – a detailed description of each of our operations and our products and services;

- Results of Operations - a year over year comparison of our results, both on a consolidated and segmented basis;

- Selected Annual and Quarterly Information;

- Liquidity and Capital Resources - a discussion of changes in our cash flow, our outstanding debt and the resources available to finance existing and future commitments;

- Accounting and Control Matters - a discussion of our critical accounting estimates and changes to our current accounting policies and future accounting changes, including the 2011 conversion to IFRS and an evaluation of our disclosure controls and procedures, internal control over financial reporting and changes to internal control over financial reporting; and

- Risks and Uncertainties – a discussion of the risks to our business as identified through our risk management process.

OVERVIEW OF THE BUSINESS

We own and operate cash, derivatives and energy markets and clearing houses in Canada and the U.S. We list, trade and clear securities as well as physical commodities. In addition, we provide information services to customers around the world.

- Toronto Stock Exchange (TSX) is Canada's senior equities market, providing domestic and international investors with access to the Canadian marketplace. At December 31, 2011, 1,587 issuers with an aggregate market capitalization of $2.0 trillion were listed on Toronto Stock Exchange. Volume traded on Toronto Stock Exchange was 103.59 billion securities in 2011.

- TSX Venture Exchange (TSXV) is Canada's premier junior listings market, providing companies at the early stages of growth the opportunity to raise capital. At December 31, 2011, 2,444 issuers with an aggregate market capitalization of $49.0 billion were listed on TSX Venture Exchange. Volume traded on TSX Venture Exchange was 64.98 billion securities in 2011.

- TMX Select is our new Canadian alternative trading system (ATS) trading TSX and TSXV listed securities. TMX Select offers additional execution options to the industry through differentiated features and pricing.

- The Equicom Group Inc. (Equicom), our investor relations subsidiary, is a leading provider of investor relations and corporate communications services.

- Shorcan Brokers Inc. (Shorcan) is Canada's first inter-dealer broker (IDB), providing facilities for matching orders for Canadian federal, provincial, corporate and mortgage bonds and treasury bills and derivatives for anonymous or name-give-up buyers and sellers in the secondary market.

- (47% Ownership)

- Candeal.ca Inc. (CanDeal) is a dealer to client electronic fixed income platform of which we own 47%. CanDeal provides online access to a large pool of liquidity for Canadian government bonds and money market instruments.

- Montréal Exchange Inc. (MX or Montréal Exchange) is Canada's standardized financial derivatives exchange. Headquartered in Montréal, MX offers trading in interest rate, index and equity derivatives. In 2011, a record 61.98 million contracts were traded on MX.

- Canadian Derivatives Clearing Corporation (CDCC) offers clearing and settlement services for all MX transactions and certain OTC derivatives. It is the only clearinghouse in North America to offer clearing services on equity options, futures, and options on futures products. CDCC has a long-term rating of AA and a short-term rating of A1 from Standard and Poor's.

- (53.8% Ownership)

- MX has a 53.8% ownership interest in Boston Options Exchange Group, LLC, (BOX), a U.S. equity options market for which MX is also the technical operator and technology developer. In 2011, 139.7 million contracts were traded on BOX.

- Natural Gas Exchange Inc. (NGX) is a Canadian-based exchange through which customers can trade, clear and settle natural gas, crude oil and electricity contracts across North America. In 2011, total energy volumes[#] of 15.47 million terajoules were traded or cleared on NGX

- Shorcan Energy Brokers Inc. (Shorcan Energy Brokers), is an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

[#] NGX Total Energy Volume includes trading and clearing in natural gas, crude oil and electricity.

- TMX Datalinx, our information services division, sells real time data, data delivery services and other market information to a global customer base. Toronto Stock Exchange and TSX Venture Exchange data was distributed through an average of 160,436+ professional and equivalent real-time subscriptions in 2011. The average number of subscriptions to MX derivatives data in 2011 was 25,770+.

- PC-Bond offers the leading Canadian fixed income indices and PC-Bond analytics applications.

- TMX Atrium, which was acquired by TMX Group in July 2011, is our financial network, a leading provider of low-latency infrastructure solutions for the Global financial community. The network currently offers 25 points of presence in 11 countries, 24 trading venues and 300 data sources.

+ Includes a base number of subscriptions for customers that have entered into enterprise agreements.

Our revenue from the aforementioned business areas is categorized as follows:

2011 Revenue $673.5 M	Cash							Derivatives			Energy	
	TSX	TSXV	TMX Select	Equicom	Shorcan Fixed Income	PC Bond	TMX Atrium	MX	BOX	CDCC	NGX	Shorcan Energy Brokers
Issuer Services $230.5	√	√		√								
Trading & Clearing $262.6	√	√	√		√			√	√	√	√	√
Information Services $165.1	√	√	√			√	√	√	√		√	
Technology Services & Other $15.3	√							√				

VISION, CORPORATE STRATEGY, INITIATIVES AND ACCOMPLISHMENTS[1]

Our Vision: To become the leading provider of capital markets infrastructure services in Canada and select capital market services to global market participants.

Corporate Strategy: To enhance our core business domestically and to expand horizontally, vertically and geographically by offering innovative products and services across asset classes.

1. Enhance core multi-asset class trading to secure the foundation of our core business:

   - Maintain superior technology, identify new means and sources of order flow, and develop and sell innovative new products and services.

   - Continue to enhance relationships with Participating Organizations (POs) and other stakeholders.

2. Diversify revenue base, both organically and through corporate development:

   - Horizontal expansion: to achieve a leadership position in all exchange tradable asset classes and product types in Canada (especially in derivatives and commodities).

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

- Vertical expansion: into additional issuer services, new clearing services, risk management services, execution and information services, and software solutions.

3. Leverage our competitive advantages to become the leading global exchange group for small to medium sized enterprises (SMEs) and resource issuers:

   - Attract issuers, investors and intermediaries to Canada.

   - Sell data, technology and other services.

TMX Group Business Strategies, Initiatives and Accomplishments[2]

Business Strategies

Issuer Services

- Continue to enhance our leading brand, develop deeper customer relationships and build loyalty.

- Expand product and service offerings to listed issuers.

- Increase international growth by attracting SMEs and resource companies.

Equity Trading

- Further our leadership position with continued innovation in our operations, processes and trading technology.

- Expand our customer base and our superior product and service offerings, while maintaining competitive pricing.

Fixed Income Trading

- Implement initiatives to increase liquidity for both cash and futures markets and develop linkages between asset classes.

- Grow product base (including Repo, Swaps and Overnight Index Swaps) and diversify revenue both organically and through acquisitions.

- Extend network, enabling further expansion of market connectivity.

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[2] The "*TMX Group's Business Strategies, Initiatives and Accomplishments*" section above contains certain forward-looking statements. Please refer to "*Caution Regarding Forward-Looking Information, Risks and Uncertainties*" for a discussion of risks and uncertainties related to such statements.

Derivatives Trading and Clearing

- Promote the strengths of our growing Canadian derivatives market: price transparency, liquidity and central counter party clearing – both domestically and internationally.

- Leverage our over-the-counter (OTC) clearing service offering to capitalize on new opportunities arising due to industry reform.

- Grow the retail and high net worth derivatives trading community in Canada.

Energy Trading and Clearing

- Enhance our clearing system with technological upgrades.

- Grow our core businesses by increasing trading and clearing at Canadian and U.S. locations.

- Develop new products and expand/enter into new markets by adding additional points of distribution.

- Position NGX to be able to capitalize on proposed regulatory changes.

Information Services

- Enhance our core product offerings, acquire global content and add value across asset classes.

- Continue to pursue opportunities within our multi-market environment to provide low latency consolidated datafeeds, co-location and data delivery solutions.

- Expand international sales capabilities and efforts to further diversify our revenue and customer base.

Technology Services

- Execute our continually evolving technology roadmap in order to maximize enterprise performance and increase enterprise functionality.

- Expand and focus our technology services business to leverage our increasing portfolio of globally competitive technology assets and services.

Initiatives and Accomplishments

In 2011 and to date in 2012, we successfully advanced our strategy by executing on a number of initiatives across our business:

Issuer Services

In 2011, we ranked first in the world for the number of new listings, with 533 entities going public or graduating on our two equity exchanges[#] (including New Listings, Initial public offerings (IPOs), Capital Pool Companies® (CPCs), Qualifying Transactions (QTs), Reverse Takeovers (RTOs) and Direct Listings). This is the third straight year that TMX Group's equity exchanges have led global exchanges in the number of new listings. As of December 31, 2011, TMX Group equity exchanges were second in the world by number of listings, seventh by market capitalization and eighth by equity capital raised[○].

In May 2011, TMX Group and QuoteMedia, Inc. launched TSX InfoSuite, a new market data and shareholder solution designed to enhance the suite of services for Toronto Stock Exchange and TSX Venture Exchange listed issuers. TSX InfoSuite's offerings include stock quotes and key company information, in-depth market data on issuers, shareholder information and sector data.

Cash Equities Trading

TMX Select

In July 2011, we launched trading on TMX Select, an alternative equities trading system. TMX Select was created in response to our customers' evolving trading strategies, TMX Select features a customer-focused pricing model, which extends significant savings to liquidity takers. TMX Select's "symmetrical pricing" model, in which both liquidity seekers and providers are charged the same fee, is significantly different from the standard maker-taker model currently in place in other Canadian marketplaces. TMX Select also features expanded trading hours, a simplified market structure, and strict price/time priority. In Q4/11, TMX Select captured more than 1% of equity trading volume in Canada.

Dark Order Types

In March 2011, in keeping with our efforts to offer our customers additional trade execution choices, we introduced new on-book Dark Order types on both Toronto Stock Exchange and TSX Venture Exchange. These new non-displayed order types called Dark Mid-Point and Dark Limit Orders are among the important features of our integrated market model, designed to maximize execution opportunities and reduce costs for all participants, including retail investors, fund managers and liquidity providers while maintaining the integrity of the central limit order book.

In June 2011, the Dark Mid-Point and the Dark Limit order types were made available for all equity securities on both Toronto Stock Exchange and TSX Venture Exchange. Since their introduction, trading of dark orders on Toronto Stock Exchange and TSX Venture Exchange has grown considerably, reaching a peak of approximately 12.0 million securities traded on December 21, 2011. The benefits of integrating the dark order types with the visible book has been well received by our clients where over 60% of POs are posting dark orders and over 100

[#] As at December 31, 2011, 533 new listings, including 45 graduates from TSX Venture Exchange to Toronto Stock Exchange.

[○] Rankings based on World Federation of Exchanges statistics.

POs have received price improvement at a substantially reduced transaction cost when their orders interact with dark liquidity.

Pricing

In 2011, we implemented the following changes to our equity trading fee schedule:

- Effective March 1, 2011, we reduced the fees for large contributors to our Market on Open (MOO) facility through the introduction of a fee cap, and introduced net credit payments for trading in our continuous limit order book and additional changes.

- Effective April 1, 2011, we made changes which provided cost savings to participants that trade equities where the trade price per-security is lower than $1.00.

- Effective June 6, 2011, we introduced the fee schedule associated with our Dark Order Types, providing participants opportunities to significantly reduce their transaction fees while benefiting from price improvement and efficiencies when trading against dark liquidity.

- Effective July 1, 2011, we made changes to our Smart Order Router fees, allowing users to route orders free of charge in order to meet regulatory obligations.

- Effective October 1, 2011, we made changes to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.

Technology

In November 2011, we successfully completed the second phase of our equity Enterprise Expansion project. This initiative was designed to provide customers with significantly improved trading technology and performance across the TSX Quantum trading enterprise. The second phase of the Enterprise Expansion project accommodates higher throughput and capacity at 55,000 order messages per second, more than doubling existing capabilities with the introduction of a second trading engine partition. In 2011, we incurred annual operating expenses, including amortization, of approximately $8.0 million to support this initiative.

In February 2012, we announced the planned production implementation of our next generation equity trading technology called TMX Quantum XA, which is based on hardware acceleration. Hardware acceleration is a general term that refers to the off-loading of processing work from server CPUs onto specialized hardware.

TMX Quantum XA will provide TMX Group equity trading participants with dramatically enhanced speed and capacity as well as more efficient order processing. It is expected that there will be a twenty-fold reduction in median latency to sub-100 microseconds on order executions. The new trading system is designed to be capable of handling 200,000 orders per second. TMX Quantum XA will initially be implemented on TMX Select in Q1/13. Implementation on Toronto Stock Exchange and TSX Venture Exchange will follow, beginning at the end of 2013. We expect to incur incremental annual operating expenses of approximately $4.0 million to support this initiative.

Derivatives Trading and Clearing

Trading

MX established several new records for activity in 2011, including:

- Record total volume of 61.98 million contracts traded, surpassing the previous record of 44.30 million contracts traded set in 2010.
- Daily record of 285,500 contracts traded on the Three-Month Canadian Bankers' Acceptance Futures (BAX) on August 4, 2011, surpassing the previous record of 223,041 contracts traded set on February 27, 2007.
- Record open interest on BAX on August 4, 2011, reaching 796,862 contracts. The previous record was set on May 26, 2011 with open interest of 699,569 contracts.
- Daily record of 5,248,720 contracts in overall open interest on December 15, 2011.

In 2011, we re-launched our Two-Year and Five-Year Government of Canada Bond futures contracts, as well as Red (second year) and Green (third year) Three-Month Canadian Bankers' Acceptance Futures contracts, with committed market makers providing continuous posted markets. We also introduced a new S&P/TSX 60 Mini Futures Contract (SXM), launched user-defined strategies with implied pricing on our equity and ETF options markets and added new risk management tools for participants. In an effort to capitalise on the upcoming Basel III regulatory reforms, and to become only the third country to develop a full sovereign futures curve, the Montreal Exchange invested in marketing and the recruitment of market makers during 2011.

Also in 2011, BOX announced the receipt of a patent specifically related to price improvement auctions for electronic trading of financial instruments. BOX launched its innovative price improvement auction, the Price Improvement Period (PIP), designed to provide customers with the best possible price in the electronic marketplace, in 2004.

Clearing

CDCC continues to work with the dealer and user community to develop the infrastructure for central-counterparty services for the Canadian fixed income market. The planned go-live date for the clearing of OTC fixed income repurchase agreements (repos) is currently scheduled for Q1/12 to allow for additional industry testing of the system and controls.

Energy Trading

In 2011, NGX expanded its U.S. clearing operations by offering physical natural gas clearing at the following hubs:

- In February 2011, two additional hubs in Texas: Houston Ship Channel located east of Houston, and Oasis – Waha Pool, a broad region in west Texas.
- In April 2011, three hubs were added including the Opal Plant Tailgate at Opal, Wyoming. Tennessee Zone 0 (South) in south Texas and ANR SW in Kansas.

- In July 2011, two more hubs were added: the Oneok Gas Transportation (OGT) hub in Oklahoma and at Tennessee Zone 0 (North) in northern Texas.

- In October 2011, three additions were made: Trunkline Z1A, Trunkline East La. and Trunkline West La.

As of December 31, 2011, NGX offers physical clearing of natural gas at 40 U.S. locations.

Information Services

In June 2011, TMX Datalinx implemented its ultra-low latency network, TMXnet North America (NA), between Toronto, New York and Chicago. TMXnet NA is used to deliver TMX and other Canadian capital markets data to clients in New York and Chicago, as well as U.S. financial data to clients in TMX's co-location facility and the Toronto core. The network will also be used to offer dedicated telecommunications links for TMX Group's co-location clients.

TMX Datalinx also entered into a bilateral agreement with NASDAQ OMX® Global Data Products to make each marketplace's market data available in their respective co-location facilities. Using TMXnet NA, TMX’s co-location clients and NASDAQ OMX's co-location clients can receive low latency, reliable and cost efficient access to NASDAQ OMX and TMX market data.

In July 2011, we acquired Atrium Networks (rebranded TMX Atrium), a leading provider of low-latency infrastructure solutions for the North American and European financial communities. The acquisition accelerates the expansion of TMX Group’s data network into Europe and the U.S. The network currently offers 25 points of presence in 11 countries, 24 trading venues and 300 data sources.

In November 2011, PC-Bond launched an arrangement with NASDAQ OMX to offer a new family of U.S. Treasury Fixed Income indexes, the RBC Insight Total Return U.S. Treasury (TRUST) indexes.

Technology Services

In May 2011, we announced that London Stock Exchange Group plc (LSEG)'s pan-European derivatives market, Turquoise Derivatives, had successfully migrated to the SOLA trading system. SOLA, which was created by Montréal Exchange, is also the trading technology platform for Borsa Italiana's IDEM market and the Oslo Bors. The SOLA technology is designed for scalability and to efficiently meet ever expanding capacity and performance requirements.

In November 2011, TMX Group and Razor Risk Technologies Limited (Razor) announced a Takeover Bid Implementation Agreement under which a subsidiary of TMX Group has made a takeover bid for all of the issued shares in Razor. As of February 3, 2012, approximately 88% of total Razor shares had been tendered.

The acquisition of Razor will provide us with a point of entry into the risk management technology sector. Headquartered in Sydney, Razor provides credit risk software to clearing houses, stock exchanges, financial institutions and brokerages around the world. It develops and integrates economic capital, market, credit and liquidity risk management requirements across multiple asset classes.

Other

As part of our overall objective to enhance TMX Group's international profile and presence, we opened international offices in London, U.K. in January 2011 and Beijing, China in November 2011. The U.K. office is primarily focused on the derivatives and information services parts of our business. The China office is focused primarily on advancing Canada's capital markets and the business of TMX Group's equity exchanges while providing a local presence to better serve our new and existing clients in the region. In early 2012, Montréal Exchange expanded its sales and customer service team into the New York market.

THE MAPLE OFFER

On October 30, 2011, TMX Group and Maple Group Acquisition Corporation (Maple) announced that they had entered into a support agreement in respect of Maple's proposed acquisition of all of the outstanding TMX Group shares pursuant to an integrated two-step transaction valued at approximately $3.8 billion. Maple has also proposed to acquire Alpha Trading Systems Limited Partnership, together with Alpha Trading Systems Inc. (the Alpha Transaction) and The Canadian Depository for Securities Limited (CDSL) (the CDSL Transaction and, together with the Alpha Transaction, the Related Transactions).

The first step is Maple's offer to acquire between 70% and 80% of the TMX Group shares for $50.00 in cash per share, on a pro rated basis, to be followed by a second step court approved plan of arrangement that will provide TMX Group shareholders (other than Maple) with Maple shares in exchange for their remaining TMX Group shares, on a one-for-one basis. The Maple offer remains subject to a non-waivable minimum tender condition that at least 70% of the TMX Group shares must be tendered to the Maple offer on or before its final expiry, in addition to other conditions (including regulatory approvals required in respect of the Maple offer and the Related Transactions, and other conditions as described in TMX Group's Notice of Change to Directors' Circular dated November 8, 2011 (the Notice of Change). Assuming the minimum of 70% of the TMX Group shares are acquired for cash under the Maple offer, former TMX Group shareholders would own 41.7% of Maple following the second step plan of arrangement. Assuming the maximum of 80% of the TMX Group shares are acquired for cash under the first step offer, former TMX Group shareholders would own 27.8% of Maple following the second step plan of arrangement.

As set out in the Notice of Change, the TMX Group Board is unanimously recommending that TMX Group shareholders accept and tender their shares to the Maple offer, and vote in favour of the second-step arrangement transaction. In making its determinations, the TMX Group Board took into account a number of factors, including the value of the transaction to TMX Group shareholders as well as the expected benefits of the Maple transaction to TMX Group and Canadian capital markets participants and other stakeholders. In addition to other changes and enhancements since Maple's original offer of June 13, 2011, Maple has agreed to pay TMX Group a reverse termination fee of $39.0 million if the Maple transaction is not completed because required regulatory approvals are not obtained. We are liable for the payment of success fees to our financial advisors of approximately $21.0 million which are contingent upon the successful completion of the Maple transaction. TMX Group has not accrued this fee.

In connection with entering into the support agreement, Maple agreed to extend its offer until February 29, 2012. Based on information provided to TMX Group by Maple, on January 30, 2012, a total of 12,844,353 TMX Group shares had been deposited under the Maple offer. If by

February 28, 2012 all conditions to completion of the Maple offer have been satisfied or waived (other than the receipt of the necessary regulatory approvals and those conditions that by their terms are to be satisfied immediately prior to expiry of the Maple offer), the outside date of February 29, 2012 may be extended by either TMX Group or Maple to April 30, 2012 if necessary in order to obtain the required regulatory approvals, including approval under the Competition Act (Canada) and from applicable provincial securities regulatory authorities. However, Maple would not be required to extend its offer beyond February 29, 2012 if the regulatory approvals would not be obtained by April 30, 2012.

If any of the regulatory approvals from regulatory authorities other than the OSC and the AMF have yet to be obtained and the Maple offer will otherwise expire within 21 days, Maple will extend the Maple offer to a date that is at least 21 days after the OSC and the AMF have each made their respective decisions (and without limiting Maple's obligations to further extend the Maple offer if required pursuant to the support agreement, but provided that Maple is not required to extend the Maple offer beyond April 30, 2012), subject to those decisions being satisfactory to Maple in accordance with the support agreement. This extension will give each other relevant regulatory authority additional time to take the OSC and AMF decisions into account for the purposes of its own independent review, if it chooses to take the additional time.

Under the support agreement, TMX Group and Maple have agreed to proceed diligently and in a coordinated fashion to obtain the applicable regulatory approvals, including from securities regulatory authorities and the Commissioner of Competition. Maple has further agreed to use commercially reasonable efforts to pursue and obtain the applicable regulatory approvals and to negotiate, commit to and effect regulatory commitments that may be required by federal or provincial regulatory authorities in order to do so, provided they do not result in a "Material Detriment", as defined in the support agreement.

On October 7, 2011, the OSC and the AMF issued public notices outlining certain issues related to the Maple offer and requested comments from interested parties in respect of the Maple offer and the Related Transactions. The BCSC and ASC also issued a joint notice requesting comments regarding the proposed transactions. Public hearings were held by the AMF on November 24 and 25, 2011 and by the OSC on December 1 and 2, 2011 to allow interested parties to make additional submissions regarding the Maple offer and the Related Transactions and the issues raised by the OSC and the AMF. In addition, in numerous meetings with Maple and TMX Group, securities regulatory authorities have provided additional clarification of the issues and concerns that they consider to be raised by the Maple offer and the Related Transactions.

On November 29, 2011, the Commissioner of Competition provided Maple and TMX Group with her views with respect to the Maple offer and the Related Transactions. The Commissioner expressed serious concerns about the likely competitive effects of the proposed transactions in the current environment, primarily in connection with equities trading and clearing and settlement services in Canada. The Commissioner indicated that she had not reached a final conclusion and that her views may be affected by further factual information and developments, which may include changes in the applicable securities regulatory regime, and any commitments or other remedial measures that Maple may be prepared to take to address her concerns.

Maple has continued to engage in ongoing discussions with, answered questions from, and made numerous submissions to, securities regulatory authorities and the Competition Bureau on the issues and concerns raised by them in respect of the Maple offer and the Related

Transactions, including recently submitting a proposed CDSL pricing model and proposing remedies to address concerns regarding equities trading.

Maple is continuing to seek to resolve outstanding issues and concerns raised by the securities regulatory authorities and the Competition Bureau. However, there can be no assurance that remedies short of a Material Detriment, as defined in the support agreement, will address the issues and concerns raised by the securities regulatory authorities and the Commissioner or that the regulatory approvals will be obtained. If the Maple offer is not completed because of a failure to obtain the regulatory approvals, TMX Group's recourse in that circumstance is likely to be limited to receipt of the reverse termination fee. See "Summary of Agreements Relating to the Maple Offer – Support Agreement – Maple Termination Fee" in the Notice of Change.

Additional information regarding the status of the Maple offer and the support agreement is available in the Notice of Change, including the TMX Group Board's reasons for its recommendation of the Maple offer, and Maple's Notice of Variation and Extension dated October 31, 2011, as well as Maple's Notice of Extension dated January 31, 2012, each of which has been mailed to TMX Group shareholders

Further details are also available in joint TMX Group-Maple press releases dated October 30, 2011, November 29, 2011 and January 31, 2012. The full text of the support agreement is also available on SEDAR under TMX Group's corporate profile at www.sedar.com.

TMX GROUP AND LSEG TERMINATE MERGER AGREEMENT

On June 29, 2011, TMX Group agreed with LSEG to terminate our merger agreement which was announced on February 9, 2011.

TMX Group shareholders were scheduled to vote on the merger on June 30, 2011. A majority of shareholder votes cast by proxy prior to the June 28, 2011 proxy deadline supported the merger resolution; however, it was determined that the two-thirds threshold required to approve the merger would not have been achieved.

In terminating the merger agreement, TMX Group agreed to pay a $10.0 million expense fee to LSEG. This $10.0 million expense fee would have become payable by TMX Group under the merger agreement if TMX Group shareholder approval of the merger had not been obtained. The $10.0 million expense fee has been included in **LSEG and Maple Related Costs** for 2011. TMX Group also agreed to pay a $29.0 million fee to LSEG if Maple's proposed acquisition is consummated as contemplated in the support agreement with Maple. TMX Group has not accrued this $29.0 million fee.

MARKET CONDITIONS[3]

From a macro perspective, the relative strength of the Canadian and global economies impacts our key revenue drivers. In a growing economy, we would typically expect an increase in the

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[3] The "*Market Conditions and Outlook*" 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.

levels and nature of market activity on our exchanges; an increase in new public offerings and higher financing activity; the growth of capital may in turn drive more investing and trading activity across all asset classes and venues. While it is not possible to quantify the potential changes in some of these drivers, future economic and market conditions will continue to affect these revenue drivers and impact future revenue and net income given our largely fixed cost structure. In 2011, the European debt situation, U.S. economy and Canadian interest rate environment have negatively impacted various areas of our business. In addition, an increase in the North American supply of natural gas has led to lower natural gas prices and less price volatility which contributed to lower volumes. Following the credit crisis in 2008, regulators in Canada, the U.S. and in Europe have and are proposing and evaluating numerous changes to the financial system, including higher capital reserves, greater transparency, and increased utilization of regulated exchanges and central counterparties for over the counter derivatives. Based on the results of these deliberations and the markets reaction to them, volumes and activity may be enhanced or reduced.

We operate in the highly competitive exchange industry, both domestically and internationally. In addition to competing with North American exchanges and ATSs directly for trading of interlisted issuers, we also compete internationally with global marketplaces for investment capital and order flow. Domestically, since entering the Canadian equities market, ATSs have fragmented trading volumes. In 2010, Toronto Stock Exchange and TSX Venture Exchange held, on a combined basis, an average share of 73% of equities volume traded in Canada. In 2011, our combined monthly average share of volume (including trading on our new ATS, TMX Select, launched in July, 2011) declined to 67% overall. Our market share was 71% in December 2011, although that share changes on a daily basis. We continue to face significant competitive pressure in this multi-marketplace domestic environment. In August, 2011, another new ATS began trading and in October, 2011, a number of global financial institutions invested in one of our competitors. There are currently 13 Canadian equity marketplaces. We compete for listings both in North America and internationally, particularly for SMEs as well as resource companies. In Canada, we currently compete for junior listings with Canadian National Stock Exchange (CNSX). Alpha ATS L.P. (Alpha ATS), an alternative trading system formed by a group of Canada's banks and investment dealers, has become a significant competitor in our cash equities markets. Alpha ATS currently trades Toronto Stock Exchange and TSX Venture Exchange listed issuer securities. In December, 2011, the OSC approved the recognition of Alpha LP and Alpha Exchange as an exchange giving them the ability to also list issuers effective in 2012. As of the date of this MD&A, they not received the same recognition from the British Columbia Securities Commission (BCSC) or the Alberta Securities Commission (ASC)

NGX's business of trading and clearing physical natural gas, electricity and crude oil contracts and Shorcan Energy Brokers business face primary competition in energy markets in Canada and the United States from OTC bilateral markets (supported by voice brokers other than Shorcan) and competing exchanges listing and clearing similar energy products. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete more directly with the NGX contracts. Our alliance with IntercontinentalExchange, Inc. (ICE) positions NGX to efficiently deliver products to the trader desktops while providing the tools to deliver clearing for exchange-traded as well as OTC bilateral contracts.

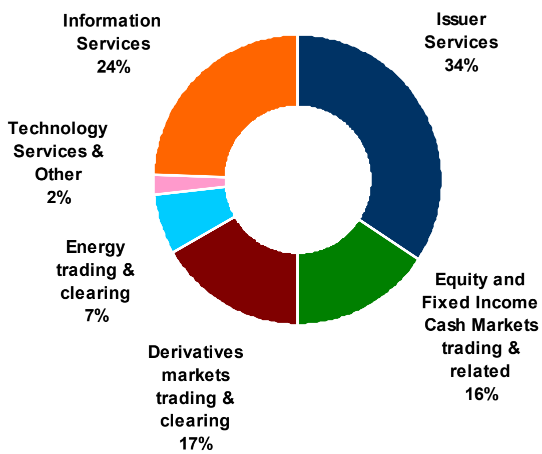
In addition to competition from foreign derivatives exchanges that offer comparable derivatives products, MX faces domestic competition from OTC derivatives trading that occurs bilaterally between institutions. We may in the future also face competition from other Canadian derivatives marketplaces. In the United States, MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada.

MX's subsidiary, BOX, operates in the intensely competitive U.S. equity options market.

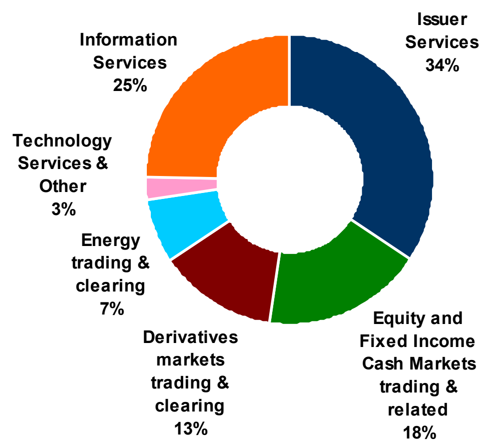
OUR BUSINESS

We derive revenue primarily from issuer services, trading and clearing and information services.

2011 revenue of $673.5 million



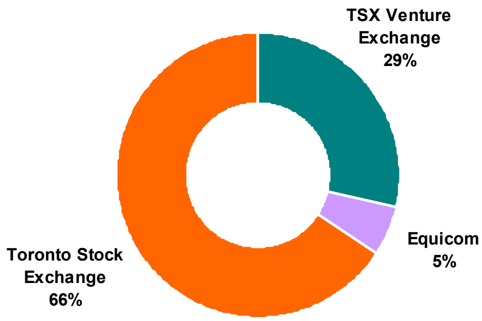
2010 revenue of $625.6 million



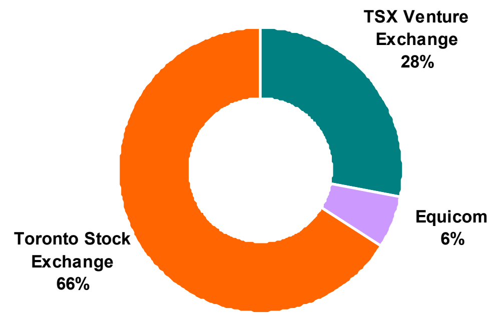
Issuer Services

Revenue Composition

2011 issuer services revenue of $230.5 million



2010 issuer services revenue of $213.1 million



Overview and Description of Products and Services

We carry out our listings operations through Toronto Stock Exchange, our senior market, and TSX Venture Exchange, our junior market. TSX Venture Exchange also provides a market called NEX[4] for issuers that have fallen below TSX Venture Exchange's ongoing listing standards.

In general, issuers initially list on Toronto Stock Exchange either in connection with their IPOs, or by graduating from TSX Venture Exchange. Junior companies generally list on TSX Venture Exchange either in connection with their IPOs or through alternative methods such as TSX Venture Exchange's CPC program or RTOs.

The CPC program, which celebrated its 25th Anniversary in November 2011, provides an alternative, two-step introduction to listing on TSX Venture Exchange. Through the program, CPC founders with financial markets experience raise a pool of capital that is listed on the Exchange as a CPC. The CPC founders then seek out entrepreneurs with growth and development stage companies. Once a fit is found between the two, they complete a business combination known as a QT.

Since its inception in 1986, 2282 CPCs have listed on TSX Venture Exchange (and its predecessor exchanges) as of December 31, 2011. Over the past 10 years, 560 companies that

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[4] Unless otherwise indicated, market statistics and financial information for TSX Venture Exchange includes information for NEX.

originally listed as CPCs have graduated from TSX Venture Exchange to Toronto Stock Exchange.

Issuers list a number of different types of securities including conventional securities such as common shares, exchange traded funds (ETFs) and structured products, preferred shares, rights and warrants, and a variety of alternative types of structures such as exchangeable shares, convertible debt instruments and limited partnership units. In 2011, Toronto Stock Exchange reached over 240 exchange traded products (ETPs) comprised of 228 ETFs and 14 exchange traded notes (ETNs). The number of ETPs has more than doubled in the past two years bringing the total market capitalization of listed ETPs to approximately $52.2 billion at December 31, 2011.

Listed issuers that meet initial and ongoing listing requirements of Toronto Stock Exchange or TSX Venture Exchange receive a range of benefits, including opportunities to efficiently access public capital, provide liquidity for existing investors, access to mentorship programs and the prestige and market exposure associated with being listed on one of Canada's premier national stock exchanges. While we list issuers from a wide range of industries, we are a global leader in listing issuers in the resource sectors, including mining and oil and gas companies. In addition, we are a leader in listing SMEs, as well as issuers in the Clean Technology sector.

In 2011, we ranked first in the world for the number of new listings, with 533 entities going public or graduating on our two equity exchanges[#] (including New Listings, Initial public offerings (IPOs), Capital Pool Companies® (CPCs), Qualifying Transactions (QTs), Reverse Takeovers (RTOs) and Direct Listings). This is the third straight year that TMX Group's equity exchanges have led global exchanges in the number of new listings. As of December 31, 2011, TMX Group equity exchanges were second in the world by number of listings, seventh by market capitalization and eighth by equity capital raised[○].

Key Statistics

- At December 31, 2011, 1,587 issuers with an aggregate market capitalization of $2.0 trillion were listed on Toronto Stock Exchange, compared with 1,516 issuers at December 31, 2010 with an aggregate market capitalization of $2.2 trillion. The S&P/TSX Composite Index[≠] level was 11,955.09 on December 31, 2011, an 11% decrease from 13,443.22 on December 31, 2010.

- At December 31, 2011, 2,444 issuers with an aggregate market capitalization of $49.0 billion were listed on TSX Venture Exchange, compared with 2,376 issuers at December 31, 2010 with an aggregate market capitalization of $72.1 billion. The S&P/TSX Venture Composite Index[≠] level was at 1,484.66 on December 31, 2011, a 35% decrease from 2,287.85 on December 31, 2010.

[#] As at December 31, 2011, 533 new listings, including 45 graduates from TSX Venture Exchange to Toronto Stock Exchange.

[○] Ranking based on World Federation of Exchanges statistics.

[≠] "S&P" is the trademark of Standard & Poor's and "TSX" is the trademark of TSX Inc.

Pricing

We generate issuer services revenue primarily by charging issuers the following types of fees:

Initial Listing Fees

Toronto Stock Exchange and TSX Venture Exchange issuers pay initial listing fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial listing fees fluctuate with the number of transactions and value of securities being listed or reserved in a given period. Issuers who graduate from TSX Venture Exchange to Toronto Stock Exchange are considered initial listings, but pay no application fee and may receive a discount in certain circumstances up to a maximum of 25% of the initial listing fee.

Additional Listing Fees

Issuers already listed on one of our equity exchanges pay fees in connection with subsequent capital market transactions, such as the raising of new capital through the sale of additional securities. Additional listing fees are based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Additional listing fees fluctuate with the number of transactions and value of securities being listed or reserved.

Sustaining Listing Fees[5]

Issuers listed on one of our equity exchanges pay annual fees to maintain their listing, based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. Sustaining listing fees for existing issuers are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis. Sustaining listing fees for new issuers are billed in the quarter that the new listing takes place and are amortized over the remainder of the year on a straight-line basis.

Because sustaining fees are tied to the market capitalization of our issuers and typically rise in positive markets and decline in negative markets, Toronto Stock Exchange and TSX Venture Exchange expect a decrease in sustaining fees in 2012, due to lower market capitalization at the end of 2011 when compared with the end 2010. This will also be somewhat dependent on new listings and delistings in 2012, as new issuers are subject to a prorated sustaining listing fee and issuers that delist may receive a partial refund of sustaining listing fees paid in 2012. We benchmark our listing fees against those of our peers in the global exchange industry.

Prior to becoming effective, changes to Toronto Stock Exchange listing fees are filed with the OSC. Any changes to TSX Venture Exchange listing fees are posted for a 60-day notice period before taking effect. It is possible within this period that the BCSC and/or the ASC may object, or require revisions to, the proposed fee changes.

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[5] The "*Sustaining Listing Fees*" 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.

2012 Pricing

To date, there have been no major price changes announced for Toronto Stock Exchange and TSX Venture Exchange for 2012.

Competition

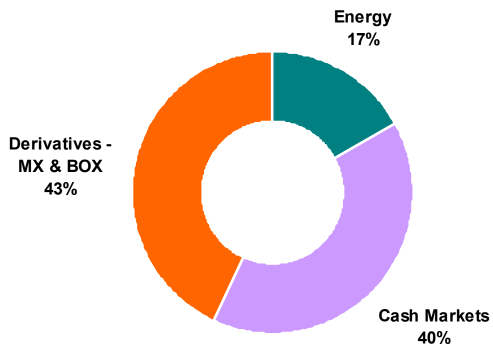
We compete for listings both in North America and internationally, particularly for SMEs and resource companies. Domestically, we currently compete for junior listings with CNSX. Alpha ATS currently trades Toronto Stock Exchange and TSX Venture Exchange listed issuer securities. In December 2011, the OSC approved the recognition of Alpha LP and Alpha Exchange as an exchange giving them the ability to also list issuers effective in 2012. As of the date of this MD&A, they not received the same recognition from the BCSC or the ASC.

While some Canadian issuers seek a listing on another major North American or international exchange, historically, the vast majority of these issuers tend to list on Toronto Stock Exchange or TSX Venture Exchange and do not bypass our markets. At December 31, 2011 there were 339 issuers interlisted on other exchanges, including 100 on NYSE, 74 on NYSE Amex, 46 on NASDAQ, 39 on ASX and 38 on AIM. There were also 176 issuers quoted on OTCQX, a U.S OTC marketplace. As at December 31 2011, only 13 Canadian issuers bypassed our markets and were listed solely outside of Canada.

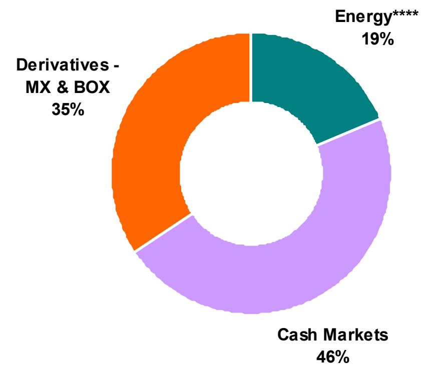
We also compete with institutions and various market participants that offer alternative forms of financing that are not necessarily traded in public markets including private venture capital and various forms of debt financing.

Trading and Clearing – Toronto Stock Exchange, TSX Venture Exchange, TMX Select, MX, NGX, Shorcan and Shorcan Energy Brokers

2011 trading, clearing and related revenue of $262.6 million



2010 trading, clearing and related revenue of $242.2 million



Cash equities trading - Toronto Stock Exchange, TSX Venture Exchange and TMX Select

Overview and Description of Products and Services

Trading on Toronto Stock Exchange, TSX Venture Exchange and TMX Select occurs on a continuous basis on our fully electronic trading systems throughout the day. Retail, institutional and other proprietary investors place orders to buy or sell securities through POs who act as principals or agents. Trading sessions begin with the market open in an auction format. Toronto Stock Exchange sessions end with an extended trading session in which trades occur at the closing price, referred to as a single price closing call market. Trading also occurs through crosses in which POs internally match orders and report them through the exchanges. All trades are cleared and settled through CDSL, a recognized clearing agency in which we have an 18% ownership interest. The other owners of CDSL are the major Canadian chartered banks and the Investment Industry Regulatory Organization of Canada (IIROC).

Technology

As part of our continuing effort to provide customers with the most advanced trading technology and performance, we are continuing to invest in, and are implementing a multi-phased initiative to expand the infrastructure across our trading and data enterprise. The first expansion phase was completed in Q1/10. In November 2011, we successfully completed the second phase of our equity Enterprise Expansion project. This initiative was designed to provide customers with significantly improved trading technology and performance across the TSX Quantum trading

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**** Includes revenue from Shorcan Energy from February 1, 2010.

enterprise. The second phase of the Enterprise Expansion project accommodates higher throughput and capacity at 55,000 order messages per second, more than doubling existing capabilities with the introduction of a second trading engine partition.

Key Statistics

- Volume traded on Toronto Stock Exchange was 103.59 billion securities in 2011, a 1% decrease from 104.56 billion securities traded in 2010.
- Volume traded on TSX Venture Exchange was 64.98 billion securities in 2011, a 4% decrease from 67.89 billion securities in 2010.
- The combined volume traded on our cash equities markets, including TMX Select, was 169.77 billion securities in 2011, a 2% decrease compared with 172.45 billion securities in 2010.

Pricing

We have a volume-based fee structure for issues traded on Toronto Stock Exchange and TSX Venture Exchange. This model is structured so that market participants have an incentive to enter passive orders into the central limit order book. Executed passive orders receive a credit on a per security basis, and when liquidity is removed from the central limit order book, each executed active order is charged on a per security basis. This trading revenue is recognized in the month in which the trade is executed.

In 2011, we implemented the following changes to our equity trading fee schedule:

- Effective March 1, 2011, we reduced the fees for large contributors to our MOO facility through the introduction of a fee cap, and introduced net credit payments for trading in our continuous limit order book and additional changes.
- Effective April 1, 2011, we made changes which provided cost savings to participants that trade equities where the trade price per-security is lower than $1.00.
- Effective June 6, 2011, we introduced the fee schedule associated with our Dark Order Types, providing participants opportunities to significantly reduce their transaction fees while benefiting from price improvement and efficiencies when trading against dark liquidity.
- Effective July 1, 2011, we made changes to our Smart Order Router fees, allowing users to route orders free of charge in order to meet regulatory obligations.
- Effective October 1, 2011, we made changes to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.

Prior to becoming effective, changes to Toronto Stock Exchange, TSX Venture Exchange and TMX Select trading fees are filed with the OSC, BCSC and ASC for a 45-day period before becoming effective. It is possible that the regulators may object, or require revisions to, the proposed fee changes.

2012 Pricing

To date, there have been no major changes announced to our equity trading fee schedule for 2012.

Competition and Market Share

There are currently 13 Canadian equity marketplaces which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange listed securities, including dark and visible trading venues and mechanisms to internalize order flow within a PO. The largest competitive impact thus far has been from Alpha ATS, which was launched in November 2008 by a group of Canada's leading banks and investment dealers with multiple interests.

In 2011, our combined monthly average share of volume (including trading on our new ATS, TMX Select, launched in July, 2011) declined to 67% overall. Our market share was 71% in December 2011, although that share changes on a daily basis. We continue to face significant competitive pressure in this multi-marketplace domestic environment. In August, 2011, another new ATS began trading and in October, 2011, a number of global financial institutions invested in one of our competitors.

The competitive landscape in Canada has changed significantly as competitors pursue aggressive tactics while leveraging their liquidity relationships in order to procure market share from our equity exchanges. Our international and domestic business development efforts, core technology initiatives and the development of responsive new products are fundamental to growing overall trading volumes on our equity exchanges.

We also compete for trading activity in the United States for those issuers that seek additional listings on other exchanges, referred to as interlistings, or dual listings. Interlistings generally raise the profile of issuers in the global market, and trading volumes for these issuers' securities often increase across all markets including Toronto Stock Exchange. Whether a significant portion of trading of a particular issuer remains in Canada following its interlisting depends on a number of factors, including the location of the issuer's shareholder base and the location of research analysts who cover the issuer. Our cash equities sales team is focused on the goal of attracting more foreign participants and order flow by raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

Derivatives Trading and Clearing - MX and BOX

Overview and Description of Products and Services

Our domestic financial derivatives trading is conducted through MX. Our U.S. derivatives trading is conducted through our controlled subsidiary, BOX, an equity options market located in the U.S. Our derivatives markets derive revenue from MX's trading, clearing, information services and technology services activities as well as from trading and information services on BOX.

Products and Services

Derivatives-Trading

MX

MX offers interest rate, index, equity and exchange-rate derivatives to Canadian and international market participants. MX connects participants to its derivatives markets, builds business relationships with them and works with them to ensure that the derivatives offerings meet investor needs. Slightly more than half of the 2011 volume on MX is represented by three futures contracts - the Three-Month Canadian Bankers' Acceptance Futures contract (BAX®), the Ten-Year Government of Canada Bond Futures contract (CGB®) and the S&P/TSX 60 Standard Futures contract (SXF) – with the balance represented by our equity and ETF options market. Viewed from an asset-class perspective, equity derivatives represent slightly more than half the activity on the MX.

BOX

BOX is an all-electronic equity derivatives market and was created as a simpler, faster, more transparent and less costly alternative to the other U.S. market models. BOX was established in February 2002 by the Boston Stock Exchange, Inc. (BSE), MX and Interactive Brokers Group LLC, with MX as the principal shareholder. BOX is one of several equity options markets in the U.S., offering an electronic equity derivatives market on almost 1,500 options classes. All BOX trade volume is cleared through the Options Clearing Corporation.

Derivatives-Clearing

Through CDCC, MX's wholly-owned subsidiary, we generate revenue from clearing and settlement, as well as from options and futures exercise activities. CDCC offers central counterparty and clearing and settlement services for all transactions carried out on MX's markets and on some OTC products. In addition, CDCC is the issuer of options traded on MX markets and the clearing house for options and futures contracts traded on MX markets and for some products on the OTC market. CDCC has a long-term rating of AA and a short-term rating of A1 from Standard and Poor's, based on CDCC's prudent and standardized risk management policies and operational procedures.

Derivatives-Regulatory Division

MX is a self-regulatory organization (SRO) that has a major responsibility for maintaining the transparency, credibility and integrity of the exchange-traded derivatives market in Canada. MX's Regulatory Division, which is operated independently of its other operations, is responsible for the regulation of its markets and its trading participants. The Regulatory Division is subject to the sole internal oversight of MX's Special Committee – Regulatory Division. The Special Committee – Regulatory Division, which is appointed by the Board of Directors of MX, is composed of a majority of independent members, none of whom is a member of the Board of Directors of MX or CDCC. The Regulatory Division operates on a non-profit/cost-recovery basis.

Revenues generated by the Regulatory Division are from two sources: (1) regulatory fees, which are principally comprised of market surveillance fees collected by MX on behalf of its Regulatory Division, and (2) regulatory fine revenues, which are generated from fines levied by the Regulatory Division. Market regulation fees are recognized in the month in which the services are provided.

Any surplus in the Regulatory Division must be, subject to the approval of the Special Committee – Regulatory Division, redistributed to MX's approved participants (excluding regulatory fine revenues, which cannot be redistributed) and any shortfall must be made up by a special assessment by MX's participants or by MX upon recommendation of the Special Committee – Regulatory Division. Regulatory fine revenues are accounted for separately from regulatory fees revenues and can be used only for specifically approved purposes, such as charitable or educational donations.

Key Statistics

- In 2011, MX set a second consecutive annual volume record with 61.98 million contracts traded, an increase of 40% from 44.30 million contracts traded in 2010 and total open interest was up 26% at the end of 2011 versus the end of 2010.

- BOX volumes increased by 52% (139.68 million contracts traded in 2011 versus 91.75 million contracts traded in 2010).

Pricing

MX participants are charged fees for buying and selling derivatives products on a per transaction basis, determined principally by contract type and participant status. Since MX trading fee rates are charged on each transaction based on the number of contracts included in each transaction. MX trading revenue is directly correlated to the volume of contracts traded on the derivatives market. Derivatives trading revenue is recognized in the month in which the trade is executed.

CDCC clearing members are charged fees for clearing and settlement on a per contract basis. These fees are charged at various rates based on the type of customer or member. Clearing and settlement revenues are correlated to the trading volume of such products and therefore fluctuate based on the same factors that affect our derivatives trading volume. Derivatives clearing revenue is recognized on the settlement date of the related transaction.

BOX participants are charged fees on a per transaction basis. Trading fees are directly correlated to the volume of contracts traded. Options Regulatory Fees are fees based on the number of customer contracts executed by participant firms. In Q3/10, BOX adjusted its fee schedule for trades executed inside the PIP and began charging public customers for trades executed outside the PIP. In Q3/11, BOX adjusted its fee schedule for broker dealer trades executed outside the PIP and adjusted its liquidity fees and credits. In Q4/11, BOX introduced fees for trades executed as a professional customer.

Prior to becoming effective, changes to MX trading fees are filed with the Autorité des marchés financiers (AMF) for a 45-day period before becoming effective. It is possible that the AMF may object, or require revisions to, the proposed fee changes. Changes to BOX trading fees are filed with the U.S. Securities and Exchange Commission (SEC).

2012 Pricing

To date, there have been no significant price changes announced for MX and BOX for 2012.

Competition

In Canada, our competition in derivatives is the OTC market and internationally we compete for a share of trading in derivatives of interlisted equities.

While MX and CDCC are the only standardized financial derivatives exchange and clearing house in Canada, their various component activities are exposed, in varying degrees, to competition. We compete by offering market participants a state-of-the-art electronic trading platform, an efficient, cost-effective and liquid marketplace for trade execution and transparent market and quotation data. Additionally, we are continually enhancing our product offering and providing additional efficiencies to our customers. We are committed to improving the technology, services, market integrity and liquidity of our markets. In addition to competition from foreign derivatives exchanges, the majority of derivatives trading occurs OTC or bilaterally between institutions. We may in the future also face competition from other Canadian marketplaces.

With respect to providing clearing services for certain OTC-traded contracts, CDCC is targeting markets that already are or could easily be the focus of foreign clearing houses. The nature of these markets makes them attractive targets for all clearing houses in good standing throughout the world. Once such services are in place in a given clearing house, the main criterion for attracting such business is merely that both counterparties to a transaction clear through members of the clearing house.

In the U.S., MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada.

BOX operates in the highly competitive U.S. equity options market. BOX's overall equity options market share increased from 2.5% in 2010 to 3.3% in 2011. BOX competes for market share with NYSE Amex Options, NYSE Arca Options, CBOE, International Securities Exchange (ISE), The NASDAQ Options Market, NASDAQ OMX PHLX and BATS Options among others.

NGX

Overview and Description of Products and Services

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas, crude oil and electricity contracts. In 2008, we formed a technology and clearing alliance for the North American natural gas and Canadian power with ICE. Under the arrangement, North American physical natural gas and Canadian electricity products are offered through ICE's leading electronic commodities trading platform. NGX serves as the clearinghouse for these products. In Q1/11, NGX added Canadian and U.S. physical crude oil products and ICE added Canadian financial crude oil products to the existing clearing and technology alliance.

NGX also owns The Alberta Watt Exchange (Watt-Ex), a provider of ancillary services to the Alberta Electric System Operator which uses Watt-Ex to procure its operating reserve electricity for the Alberta grid.

Key Statistics

- In 2011, NGX total energy volume[#] was 15.47 million terajoules traded or cleared, compared with 16.72 million terajoules in 2010, representing an overall decrease of 7%.
- As of December 31, 2011, NGX listed over 41 crude oil grades at 13 locations in Canada and the U.S.

Pricing

NGX generates trading and clearing revenue by applying fees to all transactions based on the contract volume traded or centrally cleared through the exchange, and charges a monthly fixed subscription fee to each trading customer who trades on NGX. Energy trading and clearing revenue is recognized over the period the relevant services are provided.

Fee changes are self certified with the U.S. Commodity Futures Trading Commission (CFTC) and filed with the ASC.

2012 Pricing

To date, there have been no major price changes announced for 2012.

Competition

The NGX business faces competition in Canada and the U.S. from other exchanges, electronic trading and clearing platforms and from the OTC or bilateral markets (with support from voice brokers) and competing exchanges listing and clearing energy products. In 2011, NGX faced increased competition from voice brokers, including Shorcan Energy Brokers, a wholly-owned subsidiary of Shorcan.

Our alliance with ICE positions us to compete in the OTC markets for trading while providing clearing for OTC bilateral contracts. NGX is working with the energy voice brokers to provide OTC clearing services for standard off-exchange bilateral energy transactions.

Shorcan - Fixed Income & Energy Trading

Overview and Description of Products and Services

Shorcan's fixed income operations primarily provide a facility for matching orders for Canadian federal, provincial, corporate and mortgage bonds and treasury bills and derivatives for anonymous or name-give-up buyers and sellers in the secondary market. Shorcan Energy

[#] NGX Total Energy Volume includes trading and clearing in natural gas, crude oil and electricity.

Brokers provide an inter-participant brokerage facility for matching buyers and sellers of energy products, including crude oil.

Key Statistics

- In 2011, we estimate that the IDB market represented about 35% of total fixed income trading in Canada and that Shorcan's share of this market was about 40%.
- We estimate Shorcan Energy Brokers' inter-participant brokered market share is approximately 60%.

Pricing

Shorcan and Shorcan Energy Brokers charge a commission on orders that are matched against an existing communicated order.

2012 Pricing

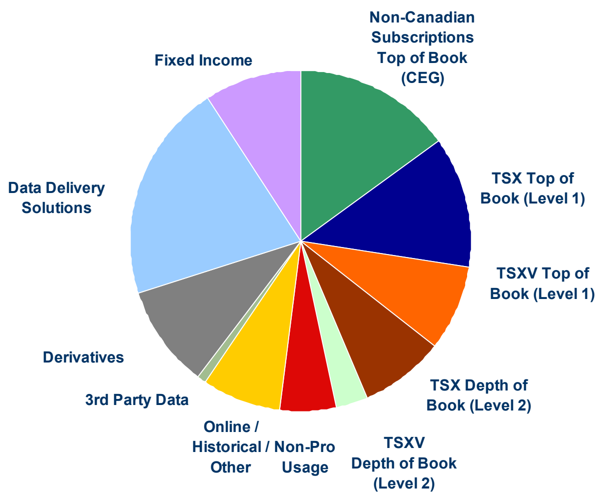
To date, there have been no price changes announced for 2012.

Competition

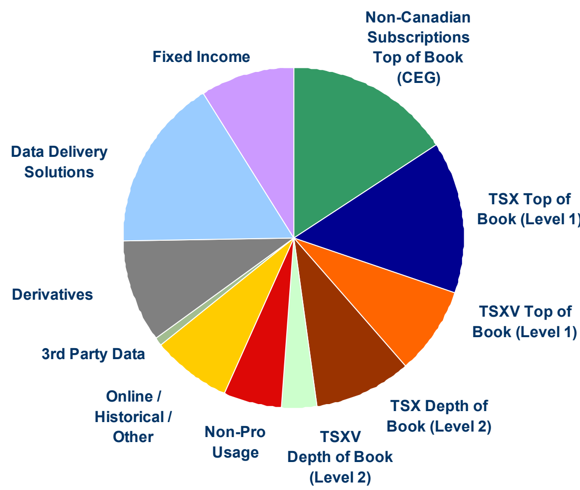
Shorcan, and Shorcan Energy Brokers have several competitors in the fixed income IDB and energy markets in Canada. Shorcan continues to work towards increasing market share as well as diversifying revenue and increasing utilization of electronic trading within the fixed income IDB market.

Information Services - TMX Datalinx, MX and BOX

2011 information services revenue of $165.1 million



2010 information services revenue of $154.4 million



Overview and Description of Products and Services

Real-Time Market Data Products- CEG, Level 1 and Level 2

Trading activity on our equity exchanges produces a stream of real-time data reflecting orders and executed transactions. This stream of data is supplemented with value added content (e.g. dividends, earnings) and packaged by TMX Datalinx into real-time market data products and delivered to end users directly or via more than 100 Canadian and global redistributors that sell data feeds and desktop market data.

For our cash equities markets, we offer our subscribers Level 1 real-time services for Toronto Stock Exchange and TSX Venture Exchange, including NEX and Level 2 real-time services for Toronto Stock Exchange, TSX Venture Exchange and TMX Select. Level 1 provides trades, quotes, corporate actions and index level information. Level 2 provides a more in-depth look at the order book and allows distributors to obtain Market Book® for Toronto Stock Exchange, TSX Venture Exchange and TMX Select. Market Book is an end user display service which includes MarketDepth by Price, MarketDepth by Order and MarketDepth by Broker for all committed orders and trades. We offer direct data feeds to clients with trading strategies that require lower latency. Our Quantum Binary Feed provides clients with predictable latency for Level 1 and Level 2 binary data translated to a standard, high frequency format for Toronto Stock Exchange and TSX Venture Exchange.

We also provide market participants with low-latency access to real-time Level 1 and Level 2 market data consolidated to include all domestic equities marketplaces, by way of our TMX

Information Processor Consolidated Data Feed (CDF™), Canadian Best Bid and Offer (CBBO®), Consolidated Last Sale (CLS™) and Consolidated Depth of Book (CDB™) services.

TMX Datalinx market data is available globally through TMX Atrium, our low latency financial network, through connectivity to NYSE Technologies' Secure Financial Transaction Infrastructure® (SFTI®) locations across the United States and Europe, through NASDAQ OMX Global Data Products distribution services and through a host of network carriers and extranets.

Online, Historical, Other Market Data Products

Historical market data products include market information (such as historical pricing, index constituents and weightings) and corporate information (such as dividends and corporate actions) used in research, analysis and trade clearing.

Third Party Data

In addition to providing consolidated Canadian equities data, we also redistribute exchange data from other markets in North America. We also provide live inter-bank foreign exchange rates, fixed income rates from CanDeal and offer a TSX/CP Equities News service in partnership with The Canadian Press.

Real-Time Derivative Market Data Products

TMX Datalinx distributes MX real-time trading and historical data to market participants on a global basis.

The SOLA High Speed Vendor Feed (HSVF) is a real-time service for MX's real-time trading and statistical information (comprised of trades, quotes, market depth, strategies, bulletins, summaries and other statistics). The MX Data Feed provides access to both Level 1 and Level 2 real-time data.

Information services revenue is also generated by the sale of data to resellers of information as well as the sale of individual data delivery real-time subscriber products delivered through browser-based and mobile services.

BOX distributes its market data, like the other U.S. options markets, through a marketplace service known as OPRA (Options Price Reporting Authority), which collects data from the options exchanges and disseminates it to entities which then resell it.

Data Delivery Solutions - Co-location, TMXnet and TMX Atrium[6]

TMX Datalinx provides co-location services to a broad range of domestic and international market participants. TMX co-location services clients benefit from stable, low latency access to the Toronto Stock Exchange, TSX Venture Exchange, TMX Select and MX trading engines and market data feeds, as well as a broad range of other market data sources and technology providers.

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[6] The "Data Delivery Solutions" 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.

TMX co-location services offering was introduced in 2008 and has expanded since then. In 2012, we expect to incur capital expenditures of approximately $4.0 million associated with building Co-location Services Phase 4 bringing the total number of co-location spaces to 190, and expect to generate incremental revenues commencing in Q2/12.

Index Products – Equities and Derivatives

TMX Datalinx has an arrangement with Standard & Poor's Financial Services LLC (S&P) under which we share license fees received from organizations that create products, such as mutual funds and ETFs, based on the S&P/TSX[≠] indices. In general, these license fees are based on a percentage of funds under management in respect of those products.

Together with S&P, we launched new indices in 2011 to complement our core S&P/TSX suite of indices, including the benchmark S&P/TSX Composite Equal Weight. Also new to the mix were two S&P/TSX Venture indices, S&P/TSX Venture Select Index and S&P/TSX Venture 30, upon which ETFs were launched in 2011, allowing both Canadian and US investors to track the performance of smaller-cap Canadian stocks trading on TSX Venture Exchange.

Fixed Income - Index and Analytics Products

Our PC-Bond fixed income indices are widely used fixed income performance benchmarks in Canada. The best known of these indices is the Universe Bond Index, which tracks the broad Canadian bond market. In addition to this index, we now publish a variety of sub-indices for different term and credit sectors, as well as indices for tracking other segments of the market, including high yield bonds, Euro Canadian bonds, maple bonds (Canadian dollar bonds issued by a non-Canadian issuer), yankee bonds, inflation-indexed real return bonds, treasury bills and residential and commercial mortgage-backed securities.

In November 2011, PC-Bond launched an arrangement with NASDAQ OMX® to offer a new family of U.S. Treasury Fixed Income indexes, the RBC Insight Total Return U.S. Treasury (TRUST) indexes.

Key Statistics

- Overall, there was a 1% decrease in the number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (157,255[+] professional and equivalent real-time market data subscriptions at December 31, 2011 compared with 159,572[+] at December 31, 2010).

- There was a 19% increase in the number of MX market data subscriptions (28,238[+] MX market data subscriptions at December 31, 2011 compared with 23,718[+] at December 31, 2010).

[≠] "S&P" is the trade-mark of Standard & Poor's and "TSX" is the trade-mark of TSX Inc.

[+] Includes a base number of subscriptions for customers that have entered into enterprise agreements.

Pricing

Subscribers to TMX Datalinx data generally pay fixed monthly rates for access to real-time streaming data, which differ depending on the number of end users and the depth of information accessed. In addition to streaming data, many individual investors consume real-time quote data, for which we charge on a per quote basis. Real-time data fees are primarily driven by the number of market data subscriptions and therefore are partly related to industry employment. We charge market data vendors and direct feed clients a fixed monthly fee for access to data feeds.

Generally, we sell historical data products for a fixed amount per product accessed. Fees vary depending on the type of end use. Data products to be used for commercial purposes require an enterprise-wide license for internal and external redistribution. We produce two electronic reference data publications for each equity exchange, a Daily Record and a Monthly Review, both of which are sold on a subscription and firm license basis.

Real-time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales allowances from the same customers. Fixed income indices revenue is recognized over the period the service is provided. Other information services revenue is recognized when the services are provided.

In 2011, approximately 34% of our information services revenue was billed in U.S. dollars. We do not currently hedge this revenue and are therefore subject to foreign exchange fluctuations.

We benchmark our market data fees against those of our peers in the global exchange industry.

Prior to becoming effective, changes to certain TMX Datalinx market data fees related to Toronto Stock Exchange, TSX Venture Exchange, TMX Select and MX market data are filed with the OSC, BCSC, ASC and the AMF, as required, for a 45-day notice period before becoming effective. It is possible that the regulators may object, or require revisions to, the proposed fee changes.

2011 and 2012 Pricing

In May 2011, TMX Datalinx announced both a fee reduction and unbundling of its TSX Level 1 product, reducing the professional subscription fee from $38.00 to $32.00, which came into effect October 1, 2011. The index level data will be removed from the TSX Level 1 product and the fee will be reduced further, to $30.00 effective April 1, 2012, giving users the flexibility to subscribe to only the data they require. Users will subsequently be able to subscribe to S&P/TSX index level data for $1.50 per month.

Competition

With the advent of a multi-marketplace environment in Canada, we face competition in market data, from these trading venues. Market data is generated from trading activity and the success of certain data products is linked to maintaining order flow.

We have continued to diversify and target new data customers with recent initiatives such as the consolidation of our equities and derivatives data centres and the expansion of our co-location services.

Technology Services and Other Revenue

We provide technology solutions to exchanges and other industry participants in circumstances where there is a financial or strategic interest. Our team of exchange technology professionals have extensive industry experience in designing, building, installing and operating trading and related systems at our exchanges as well as other global exchanges. Technology services and other revenue is recognized when the license is sold or when the service is provided.

In keeping with our strategy to diversify revenue, offer our customers leading technology services and support our internal platforms, in November 2011, TMX Group and Razor announced a Takeover Bid Implementation Agreement under which a subsidiary of TMX Group has made a takeover bid for all of the issued shares in Razor.

Cash Markets Technology Services

We currently provide technology and related services to IIROC for the purposes of its review and real-time monitoring of trading on equity marketplaces. IIROC pays us fees for these services, negotiated on an arm's length basis, in accordance with a five-year agreement dated June 1, 2008, which also details service levels. Most services under this arrangement are expected to terminate on March 31, 2012.

Derivatives Markets Technology Services

In May, 2011, we announced that LSEG's pan-European derivatives market, Turquoise Derivatives, had successfully migrated to the SOLA trading system. SOLA, which was created by Montréal Exchange, is also the trading technology platform for Borsa Italiana's IDEM market and the Oslo Bors. The SOLA technology is designed for scalability to efficiently meet ever expanding capacity and performance requirements.

YEAR ENDED DECEMBER 31, 2011 COMPARED WITH YEAR ENDED DECEMBER 31, 2010

Net income attributable to TMX Group shareholders of $237.5 million, or $3.18 per common share ($3.17 on a diluted basis) for 2011 decreased slightly compared with $237.7 million, or $3.20 per common share ($3.19 on a diluted basis) for 2010. The decrease in net income attributable to TMX Group shareholders was largely due to increased expenses due to $37.2 million (pre-tax) in LSEG and Maple related costs, a commodity tax adjustment[*], lower cash markets trading revenue, and higher compensation and benefits expenses. This was partially offset by higher revenue from issuer services, derivatives markets trading and clearing and information services as well as lower income tax expense in 2011 compared with 2010.

[*] See "*General and Administration*" section.

Adjusted Earnings per Share Reconciliation for 2011 and 2010

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

	Basic	Diluted	Basic	Diluted
Earnings per share	$3.18	$3.17	$3.20	$3.19
Adjustment:				
Adjustment related to LSEG and Maple related costs, net of income tax	$0.37	$0.37	-	-
Adjustment related to commodity tax adjustment, net of income tax*	$0.03	$0.03	-	-
Adjustment related to a write-down of our 19.9% interest in EDX London Limited (EDX) to its estimated fair value, net of income tax	-	-	$0.02	$0.02
*Adjusted earnings per share***	$3.58	$3.57	$3.22	$3.21

Adjusted earnings per share** of $3.58 per common share ($3.57 on a diluted basis), was higher than adjusted earnings per share of $3.22 per common share ($3.21 on a diluted basis) for 2010. The increase in adjusted earnings per share** was largely due to higher revenue from issuer services, derivatives markets trading and clearing, issuer services and information services, including TMX Atrium, acquired July 29, 2011, somewhat offset by lower cash markets trading revenue. There were higher compensation and benefits expenses in 2011 compared with 2010, partially offset by reduced income tax expense.

Revenue

Revenue was $673.5 million in 2011, up $47.9 million, or 8% compared with $625.6 million in 2010, reflecting higher revenue from derivatives markets trading and clearing, issuer services and information services, including revenue from TMX Atrium, acquired July 29, 2011, somewhat offset by lower cash markets trading revenue.

** The terms adjusted earnings per share and adjusted diluted earnings per share do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of LSEG and Maple-related costs incurred in 2011, a commodity tax adjustment in 2011 and the adjustment related to the write-down of our 19.9% interest in EDX to its estimated fair value in 2010. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

Issuer services revenue

(in millions of dollars)

	2011	2010	$ increase	% increase
Initial listing fees	$ 29.4	$ 28.7	$ 0.7	2%
Additional listing fees	$ 110.8	$ 106.1	$ 4.7	4%
Sustaining listing fees	$ 76.8	$ 65.0	$ 11.8	18%
Other issuer services	$ 13.5	$ 13.3	$ 0.2	2%
Total	$ 230.5	$ 213.1	$ 17.4	8%

- Initial listing fees in 2011 increased over 2010 primarily due to an increase in the number of issuers who converted from income trusts to corporate entities, partially offset by a decrease in the value of initial financings on Toronto Stock Exchange and TSX Venture Exchange in 2011 compared with 2010.

- Additional listing fees increased over 2010 due to an increase in the value of additional financings on Toronto Stock Exchange and TSX Venture Exchange, and fee changes which were effective January 1, 2011.

- The increase in sustaining listing fees was due to the overall higher market capitalization of listed issuers on both exchanges at the end of 2010 compared with the end of 2009, and fee changes on TSX Venture Exchange which were effective January 1, 2011.

Trading, clearing and related revenue

(in millions of dollars)

	2011	2010	$ increase/ (decrease)	% increase/ (decrease)
Cash markets revenue	$ 105.5	$ 113.1	($ 7.6)	(7%)
Derivatives markets revenue	$ 112.7	$ 83.7	$ 29.0	35%
Energy markets revenue	$ 44.4	$ 45.4	($ 1.0)	(2%)
Total	$ 262.6	$ 242.2	$ 20.4	8%

Cash Markets

- The decrease in cash markets equity trading revenue was primarily due to changes to our equity trading fee schedule:

Effective date	Description of the fee change
March 1, 2010	Active trading fees on securities trading at less than $1.00 in the post-open continuous market were reduced;
April 1, 2010	Trading fees for securities trading at $1.00 and higher were reduced;
March 1, 2011	Trading fees for significant usage of our MOO facility were reduced Net credit payments for trading in our continuous limit order book were introduced
April 1, 2011	Additional changes were made that provided cost savings to participants that trade equities where the trade price per-share is lower than $1.00
October 1, 2011	Changes were introduced to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.

- The decrease in revenue was also due to a 4% decrease in the volume of securities traded on TSX Venture Exchange in 2011 compared with 2010 (64.98 billion securities in 2011 versus 67.89 billion securities in 2010). Cash markets equity trading revenue also decreased from Toronto Stock Exchange due to a 1% decrease in the volume of securities traded on Toronto Stock Exchange in 2011 compared with 2010 (103.59 billion securities in 2011 versus 104.56 billion securities in 2010), partially offset by a favourable change in product mix. Cash markets revenue included revenue from TMX Select, which was launched in July 2011, with 1.19 billion securities traded in the period.
- Revenue from Shorcan fixed income trading in 2011 decreased from 2010, due to lower volumes.

Derivatives Markets

- The increase in derivatives markets revenue reflects an increase in trading and clearing revenue from MX and CDCC. Volumes increased by 40% (61.98 million contracts traded in 2011 versus 44.30 million contracts traded in 2010) reflecting increased trading across all major products. The increase in revenue was partially offset by a change in customer and product mix. Open interest was up 26% at December 31, 2011 compared with December 31, 2010.
- The increase in derivatives markets revenue also reflects an increase in BOX revenues. There was a 52% increase in BOX volumes (139.68 million contracts in 2011 versus 91.75 million contracts traded in 2010). The increase in revenue was also due to price increases which were effective in Q3/10, Q3/11 and Q4/11, as well as increased revenue from option regulatory fees charged in the U.S. in respect of BOX in 2011, partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2011 compared with 2010.

Energy Markets

- The decrease in energy markets revenue reflects a 7% decrease in total energy volume[#] on NGX in 2011 compared with 2010 (15.47 million terajoules in 2011 compared to 16.72 million terajoules in 2010). The lower volumes were largely as a result of lower natural gas prices and less price volatility in the market during 2011 compared with 2010. NGX crude oil revenues were also lower. There has been limited traction following the launch of crude oil products in March 2011 under the NGX/ICE alliance and increased competition from voice brokers, including Shorcan Energy Brokers.
- The lower revenue was also as a result of the impact of depreciation of the U.S. dollar against the Canadian dollar in 2011 compared with 2010.
- The decreased revenue was partly offset by higher revenue from Shorcan Energy Brokers due to higher volumes in 2011 compared with 2010.

Information services revenue

(in millions of dollars)

2011	2010	$ increase	% increase
$ 165.1	$ 154.4	$10.7	7%

- The increase in revenue was due to the addition of revenue from TMX Atrium, acquired July 29, 2011 and higher revenue from co-location services and TMXnet.
- The increase in revenue was also due to higher revenue from fixed income indices, index data licensing and BOX's share of U.S. market data revenue.
- The increased revenue was partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in 2011 compared with 2010, price reductions that were effective October 1, 2011 and the effect of customer enterprise agreements.
- Overall, there was a 4% increase in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (160,436[+] professional and equivalent real-time market data subscriptions in 2011 compared with 154,039[+] in 2010). There was also an 11% increase in the average number of MX market data subscriptions (25,770[+] MX market data subscriptions in 2011 compared with 23,191[+] in 2010).

[#] NGX total energy volume includes trading and clearing in natural gas, crude oil and electricity.

[+] Includes a base number of subscriptions for customers that have entered into enterprise agreements.

Technology services and other revenue

(in millions of dollars)

2011	2010	$ (decrease)	% (decrease)
$ 15.3	$ 15.9	($0.6)	(4%)

- Technology services revenue decreased primarily due to lower SOLA technology services, this decrease was partially offset by realized and unrealized net foreign exchange gains in 2011 compared with 2010.

Operating Expenses

Operating expenses in 2011 were $301.5 million, up $14.9 million, or 5%, from $286.6 million in 2010 due to higher costs associated with employee performance incentive plans, an overall increase in salary and benefits costs, the inclusion of costs related to TMX Atrium, acquired July 29, 2011, as well as a commodity tax adjustment[*]. These increases were partially offset by higher capitalization of costs associated with technology initiatives.

Compensation and Benefits

(in millions of dollars)

2011	2010	$ increase	% increase
$ 147.9	$ 133.5	$ 14.4	11%

- The higher costs are related to an overall increase in salary and benefits costs relating to increased headcount and merit increases, as well as the loss of certain exemptions related to the Québec tax holiday which ended on December 31, 2010 (see **Income Tax Expense**). There were 906 employees at December 31, 2011, including 24 from TMX Atrium, acquired July 29, 2011, versus 841 employees at December 31, 2010. The increased headcount attributable to TMX Atrium contributed in part to the higher costs. We continue to invest in our leading technologies, and over the past year we have also added resources to support the growth of our business.
- Compensation and benefits costs also increased due to higher costs associated with short-term employee performance incentive plans and long-term employee performance incentive plans that are tied to share price appreciation.
- The increases were partially offset by higher capitalization of costs associated with technology initiatives in 2011 compared with 2010.

[*] See "*General and Administration*" section.

Information and Trading Systems

(in millions of dollars)

2011	2010	$ (decrease)	% (decrease)
$ 49.8	$ 50.7	($0.9)	(2%)

- *Information and trading systems* expenses were lower due to reduced on-going operating costs, following the replacement and decommissioning of legacy hardware.

- The reduction in expenses was partially offset, by expenses associated with new technology initiatives. During 2011, we invested in a number of new projects, including the second phase of enterprise expansion, market order protection, storage consolidation, TMX Quantum XA™ and the expansion of our co-location facility.

- The reduction in expenses was further offset by the inclusion of costs related to TMX Atrium, acquired July 29, 2011.

General and Administration

(in millions of dollars)

2011	2010	$ increase	% increase
$ 75.7	$ 73.0	$2.7	4%

- *General and administration* costs increased largely due to recording a $5.2 million provision related to a commodity tax adjustment, which includes $2.9 million for prior periods. The commodity tax adjustment is related to ruling requests that we have submitted to the Canada Revenue Agency (CRA) and Revenu Québec (RQ) relating to the application of Harmonized Sales Tax and Goods and Services Tax (collectively, HST) and Québec Sales Tax (QST) on our trade execution fees on equities and derivatives. Effective February 2011, we stopped charging HST/QST on these trade execution fees for both Toronto Stock Exchange and TSX Venture Exchange. Effective August 2011, we stopped charging HST/QST on these trade execution fees for the Montréal Exchange. TMX Select has also submitted a ruling request to the CRA and to RQ and as such we do not charge HST/QST on any of its trade execution fees. We are confident that the ruling requests will be approved and as such, have not provided for HST/QST not charged to customers in 2011. If the ruling requests are approved, we may be required to repay to the taxation authorities the input tax credits for HST (ITCs) claimed prior to February 2011 on the affected businesses. TMX Group firmly believes that the liability related to these ITCs should be $0; however, a repayment of up to four years of ITCs previously claimed may be required. As a result, we have estimated the range of possible outcomes to be between $0 and $6.0 million. Future estimates may be different and a change in the provision may be required.

- In addition to the commodity tax adjustment we have incurred higher marketing and new initiatives costs and have included costs related to TMX Atrium, acquired July 29, 2011.

- These increases were partially offset by lower bad debt expenses and lower corporate development costs.

Depreciation and Amortization

(in millions of dollars)

2011	2010	$ (decrease)	% (decrease)
$ 28.1	$ 29.4	($1.3)	(4%)

- Depreciation and amortization costs decreased due to reduced amortization relating to assets that were fully depreciated by December 31, 2011.
- This decrease was partially offset by increased amortization of intangible assets related to newly launched products, including on-book Dark Order types and Quantum feeds.

LSEG and Maple Related Costs

(in millions of dollars)

2011	2010	$ increase	% increase
$ 37.2	-	$37.2	-

- LSEG and Maple Related Costs include a $10.0 million fee paid to LSEG following termination of our merger agreement on June 29, 2011.
- LSEG and Maple Related Costs also include legal, advisory and other costs incurred during 2011.

Finance Income (formerly Investment Income)

(in millions of dollars)

2011	2010	$ increase	% increase
$ 10.1	$5.2	$4.9	94%

- *Finance income* increased primarily due to increased cash available for investment in 2011 compared with 2010.

Finance Costs (formerly Interest Expense)

(in millions of dollars)

2011	2010	$ increase	% increase
$9.5	$6.0	$3.5	58%

- *Finance costs* increased as a result of higher interest rates and fees on the Term loan outstanding (see **Term Loan**).

Income Taxes

(in millions of dollars)

		Effective tax rate (%)	
2011	**2010**	**2011**	**2010**
$93.0	$100.1	28%	30%

- The effective tax rate for 2011 was lower than 2010 reflecting a decrease in federal and Ontario corporate income tax rates, somewhat offset by a higher Québec corporate income tax rate that resulted from the expiry of a provincial tax holiday related to the financial sector on December 31, 2010.

- The decrease in effective tax rate was also due to BOX reporting a significant increase in the amount of income earned in 2011, as compared to the prior year, with no corresponding tax expense reported due to the availability of prior year tax loss carryforwards.

Net Income/(Loss) Attributable to Non-Controlling Interests

(in millions of dollars)

2011	2010	$ increase	% increase
$6.1	($0.2)	$6.3	-

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Income Statement.

- Net income/(loss) attributable to non-controlling interests represents the other BOX unitholders' share of BOX's net income or loss in the period. The increase in net income from 2010 to 2011 of $6.3 million reflected higher overall trading volumes and increased pricing on BOX.

SEGMENT ANALYSIS - PRODUCT

Cash Markets – Equities and Fixed Income (includes LSEG and Maple Related Costs)

(in millions of dollars)

	2011	2010	$ increase/ (decrease)	% increase/ (decrease)
Revenue	$496.1	$475.3	$20.8	4%
LSEG and Maple Related Costs	$37.2	-	$37.2	-
Net Income attributable to TMX Group shareholders	$188.5	$199.0	($10.5)	(5%)

The increase in revenue primarily reflects higher issuer services revenue from additional and sustaining listing fees as well as from information services in 2011 compared with 2010. The increase was partially offset by a decline in cash markets trading revenue. Net income decreased due to the LSEG and Maple related costs, a commodity tax adjustment and higher compensation and benefits expenses. This decrease was partially offset by higher revenue, the impact of a lower effective tax rate and lower allocation of corporate costs.

(in millions of dollars)

	December 31, 2011	December 31, 2010	$ increase
Total Assets	$582.8	$484.9	$97.9
Total Liabilities	$557.0	$534.9	$22.1

Total Assets increased primarily due to an increase in cash and marketable securities at December 31, 2011 compared with December 31, 2010. Total Liabilities increased at December 31, 2011 compared with December 31, 2010 due to an increase in liabilities arising from higher costs associated with long-term employee performance incentive plans that are tied to share price appreciation and a commodity tax adjustment in 2011.

Derivative Markets – MX and BOX

(in millions of dollars)

	2011	2010	$ increase	% increase
Revenue	$132.8	$104.3	$28.5	27%
Net income attributable to TMX Group shareholders	$37.7	$26.3	$11.4	43%

The increase in revenue largely reflects higher volume on MX and BOX and price increases on BOX which were effective in Q3/10, Q3/11 and Q4/11.

Net income attributable to TMX Group shareholders for 2011 increased due to the increased revenue, lower general and administration costs and lower depreciation and amortization in 2011 compared with 2010 partially offset by higher compensation and benefits expenses, a higher allocation of corporate costs compared with 2010 and the higher effective tax rate due to the expiry of a Québec tax holiday tax on December 31, 2010, BOX's higher income was not subject to tax due to the availability of prior year tax loss carryforwards (see **Income Tax Expense**).

(in millions of dollars)

	December 31, 2011	December 31, 2010	$ increase
Total Assets	$1,854.0	$1,439.1	$414.9
Total Liabilities	$784.4	$415.0	$369.4

Total Assets increased primarily due to an increase in Daily Settlements and Cash Deposits of $357.7 million at December 31, 2011 compared with December 31, 2010. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $357.7 million higher at December 31, 2011 compared with December 31, 2010. The increase was also due to an increase in cash and marketable securities.

Energy Markets – NGX and Shorcan Energy Brokers

(in millions of dollars)

	2011	2010	$ (decrease)	% (decrease)
Revenue	$44.6	$46.0	($1.4)	(3%)
Net income attributable to TMX Group shareholders	$11.3	$12.4	($1.1)	(9%)

The decrease in revenue in 2011 was due to a decrease in volumes at NGX in 2011 compared with 2010 and the negative impact of the depreciation of the U.S. dollar against the Canadian dollar. The lower volumes were largely as a result of lower natural gas prices and less price volatility in the market along with lower NGX crude oil volumes during 2011 compared with 2010. These decreases were partially offset by higher revenue from Shorcan Energy Brokers.

The decrease in net income reflected the lower overall revenue and an increase in compensation and benefits costs, including higher organizational transition costs and higher costs associated with long-term employee performance incentive plans that are tied to share price appreciation. These reductions in net income were partially offset by the impact of a lower effective tax rate in 2011 compared with 2010.

(in millions of dollars)

	December 31, 2011	December 31, 2010	$ (decrease)
Total Assets	$958.0	$1,041.8	($83.8)
Total Liabilities	$831.4	$926.5	($95.1)

Total Assets decreased due to a decrease in energy contracts receivable of $109.2 million due to lower gas prices compared with the end of December 2010 and lower volumes delivered. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were also $109.2 million lower at the end of December 2011. The decrease was partially offset by an increase of $17.1 million in the fair value of open energy contracts receivable compared with the end of December 2010. As the clearing counterparty to every trade, NGX also carries offsetting liabilities related to the fair value of open energy contracts which were also $17.1 million higher at December 31, 2011 compared December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$ 490.4	$ 331.5	$158.9

- The increase was largely due to cash generated from operating activities of $303.5 million, net of $33.8 million of cash outlays related to LSEG and Maple related costs, partially offset by dividend payments of $119.3 million, additions to intangible assets of $17.8 million and capital expenditures of $8.8 million.

Total Assets

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$ 3,394.8	$ 2,965.8	$429.0

- *Total assets* increased due to an increase in MX daily settlements and cash deposits of $357.7 million, an increase in cash and marketable securities of $158.9 million and a $17.1 million increase in current assets related to the fair value of open energy contracts at December 31, 2011 compared with December 31, 2010.

- The overall increase was partially offset by a decrease in energy contracts receivable of $109.2 million related to the clearing operations of NGX.

CREDIT FACILITIES AND GUARANTEE

Term Loan

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$429.8	$429.8	$ -

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million (the Term Loan). On April 30, 2008, we borrowed $430.0 million in Canadian funds under the Term Loan to satisfy the cash consideration of the purchase price for MX. On December 16, 2011, we extended and amended this facility. The revised credit facility remains at $430.0 million and will expire on June 29, 2012.

- This credit facility contains customary covenants, including a requirement that TMX Group maintain:
  - a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization, all determined in accordance with IFRS;
  - a minimum consolidated net worth covenant based on a pre-determined formula; and
  - a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

At December 31, 2011, all covenants were met.

Other Credit Facilities and Guarantee

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian Schedule I bank which includes a US$100.0 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million. This facility had not been drawn upon at December 31, 2011.

NGX also has an Electronic Funds Transfer (EFT) Daylight facility of $300.0 million in place with a Canadian Schedule I bank.

In 2011, CDCC had a $50.0 million revolving standby credit facility with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. This facility had not been drawn upon at December 31, 2011.

In 2011, CDCC arranged additional credit facilities. A $300.0 million daylight liquidity facility and a $50.0 million call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

In January 2012, CDCC increased its revolving standby credit facility from $50.0 million to $100.0 million, signed an additional daylight facility for $400.0 million with a Canadian Schedule 1 bank and closed the above mentioned $50.0 million call loan facility. These facilities were put in place in relation to the launch of CDCC's repo clearing business, scheduled for 2012.

CDCC is currently in negotiation with a syndicate of banks to establish additional credit facilities as part of its initiative to clear fixed income repos, expected to be launched in Q1/12.

Total Equity attributable to Shareholders of TMX Group

(in millions of dollars)

December 31, 2011	December 31, 2010	$ increase
$ 1,196.5	$ 1,070.6	$ 125.9

- We earned $237.5 million of net income attributable to TMX Group shareholders during 2011 and paid $119.3 million in dividends. In addition, we received $7.2 million in proceeds from share options exercised.

- At December 31, 2011, there were 74,640,033 common shares issued and outstanding. In 2011, 269,563 common shares were issued on the exercise of share options. At December 31, 2011, 3,792,383 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At December 31, 2011, there were 1,826,729 options outstanding.

- At February 6, 2012, there were 74,640,033 common shares issued and outstanding and 1,826,729 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

	2011	2010	Increase in cash
Cash Flows from Operating Activities	$ 303.5	$ 277.6	$25.9

Cash Flows from Operating Activities were $303.5 million in 2011, which were net of $33.8 million of cash outlays related to LSEG and Maple related costs, compared with $277.6 million of cash flows from operating activities in 2010. The increase of $25.9 million was due to:

(in millions of dollars)

	2011	2010	Increase/ (decrease) in cash
Income before income taxes	$ 336.6	$ 337.6	($ 1.0)
Depreciation and amortization	$ 28.1	$ 29.4	($ 1.3)
Realized (loss) on interest rate swaps	($ 0.8)	($ 5.2)	$ 4.4
Realized gain on marketable securities	$ 0.6	$ 0.7	($ 0.1)
Decrease/(increase) in trade and other receivables and prepaid expenses	$ 12.4	($ 10.9)	$ 23.3
LSEG and Maple related costs	$ 37.2	-	$ 37.2
LSEG and Maple related cash outlays	($ 33.8)	-	($ 33.8)
Net increase in trade and other payables, long-term accrued and other non-current liabilities	$ 21.8	$ 17.4	$ 4.4
(Decrease)/increase in deferred revenue	($ 0.9)	$ 3.7	($ 4.6)
Income taxes paid	($ 106.8)	($ 95.7)	($ 11.1)
Increase/(decrease) in provisions, including commodity tax adjustment (2011)	$ 7.0	($ 1.3)	$ 8.3
Net increase in other items	$ 2.1	$ 1.9	$ 0.2
Cash Flows from Operating Activities	$ 303.5	$ 277.6	$25.9

Cash Flows from (used in) Financing Activities

(in millions of dollars)

	2011	**2010**	**Increase in cash**
Cash Flows from (used in) Financing Activities	($ 113.9)	($ 114.1)	$ 0.2

Cash Flows (used in) Financing Activities were $0.2 million lower in 2011 compared with 2010 due to:

(in millions of dollars)

	2011	**2010**	**Increase/ (decrease) in cash**
Dividends paid on common shares	($ 119.3)	($ 114.3)	($ 5.0)
Proceeds from exercised options	$ 7.2	$ 1.2	$ 6.0
Net (decrease) in other items	($ 1.8)	($ 1.0)	($ 0.8)
Cash Flows from (used in) Financing Activities	($113.9)	($ 114.1)	$ 0.2

Cash Flows from (used in) Investing Activities

(in millions of dollars)

	2011	2010	Increase in cash
Cash Flows from (used in) Investing Activities	($ 172.5)	($ 181.8)	$ 9.3

Cash Flows (used in) Investing Activities were $9.3 million lower in 2011 compared with 2010 due to:

(in millions of dollars)

	2011	2010	Increase/ (decrease) in cash
Capital expenditures primarily related to technology investments and leasehold improvements	($ 8.8)	($ 12.8)	$ 4.0
Additions to intangible assets including TSX Quantum Feeds (2011), TMX Select internal development costs (2011), on book non-displayed order types (2011), development costs related to repo clearing (2011 and 2010), Gateway Feeds (2010), and SOLA internal development costs (2010)	($ 17.8)	($ 9.7)	($ 8.1)
Acquisitions, net of cash acquired	($ 11.2)	-	($ 11.2)
Proceeds on disposal of EDX investment	$ 6.2	-	$ 6.2
Net (purchases) of marketable securities	($ 140.9)	($ 159.3)	$ 18.4
Cash Flows from (used in) Investing Activities	($ 172.5)	($ 181.8)	$ 9.3

Summary of Cash Position and Other Matters[7]

We had $490.4 million of cash and cash equivalents and marketable securities at December 31, 2011. During 2011, with revenues of $673.5 million, we incurred operating expenses of $301.5 million. Cash flows from operations were $303.5 million, net of $33.8 million of cash outlays related to LSEG and Maple related costs, and we paid $119.3 million in dividends in 2011. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business.

We had $429.8 million of debt outstanding under the Term Loan. On December 16, 2011, we extended and amended our $430.0 million credit facility that was due to expire on December 28, 2011. The revised credit facility remains at $430.0 million and will expire on June 29, 2012.

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[7] 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.

In June 2010, we filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. This will enable us to offer and issue up to $1.0 billion of debt, equity or other securities over a 25-month period ending in July 2012. The net proceeds of any such offerings would be used for general corporate purposes, including repaying outstanding indebtedness from time to time, and funding future acquisitions or investments.

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants on TMX Group's existing and future credit facilities, and by our financial viability ratios imposed by securities regulators.

Under the terms of the support agreement with Maple, we are restricted from declaring or making any distribution or dividend payment other than the regular quarterly dividend of $0.40 per common share.

The recognition order of TSX Inc. by the OSC contains certain financial viability tests that must be met. If TSX Inc. fails to meet any of these tests for a period of more than three months, TSX Inc. cannot, without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. TSX Venture Exchange is required by various provincial securities commissions to maintain adequate financial resources for the performance of its functions in a manner that is consistent with the public interest and the terms of its recognition orders. Under its recognition order, MX is also subject to certain financial viability tests set by the AMF that must be met. If MX fails to meet any of these tests for a period of more than three months, MX cannot, without the prior approval of the AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months. NGX is required by the ASC to maintain adequate financial resources to operate its trading system and support its trade execution functions.

As at December 31, 2011, we met all of the above requirements.

Defined Benefit Pension Plans[8]

Based on the most recent actuarial valuations for funding purposes, we estimate a funding deficit of approximately $8.0 million as at December 31, 2011, on a solvency basis, of which $3.9 million was funded in 2011.

MANAGING CAPITAL

Our primary objectives in managing capital, which we define to include our share capital and various credit facilities, include:

- Maintaining sufficient capital for operations to ensure market confidence. Currently, we target to retain a minimum of $100.0 million in cash and marketable securities. This amount is subject to change.

[8] The "*Defined Benefit Pension Plans*" 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 do this by managing our capital subject to capital maintenance requirements imposed on us and our subsidiaries as follows:

  - In respect of TSX Inc., as required by the OSC to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:

    - a current ratio not less than 1.1:1;

    - a debt to cash flow ratio not greater than 4:1; and

    - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1.

  During 2011, we have complied with these externally imposed capital requirements.

  - In respect of TSX Venture Exchange Inc., as required by various provincial securities commissions to maintain adequate financial resources.

  During 2011, we have complied with these externally imposed capital requirements.

  - In respect of NGX, to:

    - maintain adequate financial resources, as required by the ASC; and

    - maintain a current ratio of no less than 1:1 and a tangible net worth of not less than $9.0 million, as required by a Schedule I Canadian chartered bank.

  During 2011, we have complied with these externally imposed capital requirements.

  - In respect of Shorcan;

    - by IIROC which requires Shorcan to maintain a minimum level of shareholder's equity of $0.5 million; and

    - by the OSC which requires Shorcan to maintain a minimum level of excess working capital.

  During 2011, we have complied with these externally imposed capital requirements.

    - In respect of TMX Select, IIROC requires TMX Select to maintain an adequate level of risk adjusted capital.

  During 2011, we have complied with this externally imposed capital requirement.

  - In respect of MX, as required by the AMF to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:

    - a working capital ratio of more than 1.5:1;

    - a cash flow to total debt ratio of more than 20%; and

- a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1.

During 2011, we have complied with these externally imposed capital requirements.

- In respect of CDCC, to maintain certain cash amounts, as follows:
  - $5.0 million as part of the Clearing Member default recovery process plus an additional $5.0 million in the event that the initial $5.0 million is fully utilized during a default; and
  - sufficient cash, cash equivalents and marketable securities to cover 12 months of operating expenses, excluding amortization and depreciation;

During 2011, we have complied with these externally imposed capital requirements.

- Maintaining sufficient capital to meet the covenants imposed in connection with our term loan (see **Term Loan**).

During 2011, we have complied with these externally imposed capital requirements.

- Retaining sufficient capital to invest in, and continue to grow, our business both organically and through acquisitions.
- Returning capital to shareholders through methods such as dividends and purchasing shares for cancellation pursuant to normal course issuer bids.

Our objectives, policies and processes for managing capital have not changed in the current economic environment.

FINANCIAL INSTRUMENTS

Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities which are held to earn investment income. These instruments include units in a money market fund and a short-term bond and mortgage fund, managed by an external advisor, as well as Bankers' Acceptances and Treasury Bills. The primary risks related to these marketable securities are variation in interest rates, liquidity risk and credit risk. For a description of these risks, please refer to **Liquidity Risk – Marketable Securities, Credit Risk – Marketable Securities** and **Interest Rate Risk – Marketable Securities**.

We have designated our marketable securities as fair value through profit and loss. Fair values have been determined by reference to quoted market prices or are based on market information. Unrealized gains of $0.7 million have been reflected in net income in 2011, compared with unrealized losses of $0.7 million in 2010.

Trade Receivables

Our financial instruments include accounts receivable, which represents amounts that our customers owe us. The carrying value is based on the actual amounts owed by the customers, net of a provision for that portion which may not be collectible. The primary risk related to accounts receivable is credit risk. For a description of these risks, please refer to **Credit Risk – Accounts Receivable**.

CDCC - Daily Settlements and Cash Deposits

As part of CDCC's clearing operations, amounts due from and to clearing members as a result of marking to market open futures positions and settling options transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits. Fair value is determined based on market information. There is no impact on the consolidated statements of income. The primary risks associated with these financial instruments are credit risk, liquidity risk and market risk. For a description of these risks, please refer to **Credit Risk – CDCC, Liquidity Risk - CDCC** and **Other Market Price Risk – CDCC.**

Term Loan

We established the Term Loan in connection with the combination with MX. We entered into a series of interest rate swaps to partially manage our exposure to interest rate fluctuations on the Term Loan (see **Credit Facilities and Guarantee - Term Loan**). The Term Loan is subject to interest rate risk. For a description of this risk, please refer to **Interest Rate Risk – Term Loan**.

Total Return Swaps (TRS)

We have entered into a series of TRSs which synthetically replicate the economics of purchasing our shares as a partial fair value hedge to the share appreciation rights of the non-performance element of RSUs. We have also entered into a series of TRSs as a full fair value hedge against the share price appreciation associated with the DSUs. We mark to market the fair value of the TRSs as an adjustment to income, and simultaneously mark to market the liability to holders of the units as an adjustment to income. These TRSs are subject to credit risk and market risk. For a description of these risks, please refer to **Credit Risk- Total Return and Interest Rate Swaps** and **Equity Price Risk - RSUs, DSUs, Total Return Swaps (TRS)**. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the year compared to the price of the TRS. The fair value of the TRSs and the obligation to unit holders are reflected on the consolidated balance sheet. The contracts are settled in cash upon maturity.

Unrealized losses and realized gains of \$6.2 million and \$10.2 million respectively have been reflected in net income in the consolidated financial statements for the year ended December 31, 2011 (2010 - unrealized gains and realized losses of \$5.0 million and \$2.0 million respectively).

NGX - Energy Contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction cleared through its clearing operations. We record NGX's energy contract receivables and offsetting payables for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not been made. There is no impact on the consolidated statements of income as an equivalent amount is recognized in both the assets and liabilities.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward cash settled trading contracts is recognized in the consolidated assets and liabilities as fair value of open energy contracts. Fair value is determined based on observable market information. There is no impact on the consolidated statement of income as an equivalent amount is recognized in both the assets and liabilities.

The primary risks related to these financial instruments are credit risk, liquidity risk and market risk. For a description of these risks, please refer to **Credit Risk – NGX, Liquidity Risk – NGX** and **Other Market Price Risk – NGX**.

FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk of financial loss associated with a counterparty's failure to fulfill its financial obligations and arises principally from the clearing operations of NGX and CDCC, cash and cash equivalents, marketable securities, total return swaps, accounts receivable and the brokerage operations of Shorcan, and Shorcan Energy Brokers.

Credit Risk - NGX

We are exposed to credit risk in the event that contracting parties of NGX fail to settle on the contracted settlement date.

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a Schedule I Canadian chartered bank. This collateral may be accessed by NGX in the event of default by a contracting party. NGX measures total potential exposure for both credit and market risk for each contracting party on a real-time basis as the aggregate of:

- outstanding energy contracts receivable;
- "Variation Margin", comprised of the aggregate "mark to market" exposure for all forward purchase and sale contracts with an adverse value from the perspective of the customer; and
- "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

As a result of these calculations of contracting party exposure, at December 31, 2011, NGX held cash collateral deposits of $835.4 million and letters of credit of $2,047.7 million, compared with cash collateral deposits of $835.7 million and letters of credit of $1,941.4 million at December 31, 2010. These amounts are not included in our consolidated balance sheets.

See **Other Credit Facilities and Guarantee** for a description of NGX's credit facilities.

Credit Risk – CDCC

We are exposed to credit risk in the event that clearing members fail to settle on the contracted settlement date.

CDCC is exposed to the risk of default of its clearing members. CDCC is the central counterparty of all transactions carried out on MX's markets and on the OTC market when the transaction is cleared through CDCC. It primarily supports the credit risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

CDCC's principal risk management practice is the collection of risk-based margin deposits in the form of cash, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be seized and would then be available to apply against the costs incurred to liquidate the clearing member's positions.

CDCC's margining system is complemented by a Daily Capital Margin Monitoring (DCMM) process that permits it to evaluate the ability of a clearing member to meet its margining requirements. On a daily basis, CDCC monitors the margin requirement of a clearing member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin is equal to the excess of the ratio over 100%.

CDCC also maintains a clearing fund of deposits of cash and securities from all Clearing Members. The aggregate level of clearing funds required from all Clearing Members must cover the worst loss that CDCC could face if one counterparty is failing under various extreme but plausible market conditions. Each Clearing Member contributes to the clearing fund in proportion to its margin requirements. If, by a Clearing Member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other Clearing Members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC's cash margin deposits and cash clearing fund deposits are held at a Schedule I Canadian chartered bank. CDCC's non-cash margin deposits and non-cash clearing fund deposits are pledged to CDCC under irrevocable agreements and are held by approved depositories. This collateral may be seized by CDCC in the event of default by a Clearing Member. As a result of these calculations of Clearing Member exposure at December 31, 2011, non-cash margin deposits of $3,959.8 million and non-cash clearing fund deposits of $279.7 million had been pledged to CDCC, held primarily in government and equity securities. These amounts are not included in our consolidated balance sheet.

CDCC experienced a member default in October 2011. All positions were transferred or liquidated without a loss to the clearinghouse. All excess margin was returned to the appointed trustee at the end of the default management process.

See **Other Credit Facilities and Guarantee** for a description of CDCC's credit facilities.

Credit Risk – Marketable Securities

TMX Group manages exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. Our investment policy will only allow excess cash to be invested within money market securities or fixed income securities. Fixed income securities must compose less than 70% of the overall portfolio. The majority of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund manages credit risk by limiting its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund manages credit risk by limiting its investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS Limited at the time of purchase. Mortgages may not comprise more than 40% of the portfolio and must be either multi-residential conventional first mortgages or multi-residential government guaranteed mortgages. TMX Group does not have any investments in non-bank asset-backed commercial paper.

Credit Risk – Total Return Swaps (TRS)

We have entered into a series of TRSs which synthetically replicate the economics of purchasing our shares as a partial economic hedge to the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees, respectively. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. To manage credit risk, we entered into these TRS with a Schedule I Canadian chartered bank.

Credit Risk – Shorcan and Shorcan Energy Brokers

We are exposed to credit risk in the event that customers of Shorcan and Shorcan Energy Brokers fail to settle on the contracted settlement date.

Shorcan and Shorcan Energy Broker's risk is limited by their status as agents, in that they do not purchase or sell securities for its own account. As agents, in the event of a failed trade, Shorcan or Shorcan Energy Brokers has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

Credit Risk – Accounts Receivable

Our exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of our customers, many of whom are banks and financial institutions. We invoice our customers on a regular basis and maintain a collections team to monitor customer accounts and minimize the amount of overdue receivables. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading, clearing and data access privileges.

Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect our income or the value of our holdings of financial instruments.

Equity Price Risk – RSUs, DSUs, TRS

We are exposed to market risk when we grant DSUs and RSUs to our directors and employees, respectively, as our obligation under these arrangements are partly based on our share price. We utilize total return swaps to partially hedge this exposure. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the reporting period compared with the price of the TRSs. The change in the fair value of the total return swaps is generally offset by the change in the obligation to DSU and RSU holders. As at December 31, 2011, a 25% increase in the share price of the Company would result in a net $1.2 million decrease in income before income taxes. A 25% decrease in the share price of the Company would result in a net $1.3 million increase in income before income taxes.

Interest Rate Risk – Marketable Securities

We are exposed to interest rate risk on our marketable securities. We have engaged external investment fund managers to manage the asset mix and the risks associated with these investments. At December 31, 2011, we held $403.2 million in these funds, compared with $261.6 million at December 31, 2010, of which 51% and 57% were held in fixed rate money market investments at December 31, 2011 and December 31, 2010. The approximate impact of a 1% rise in interest rates is a decrease of $4.1 million on income before income taxes and the approximate impact of a 1% fall in interest rates is an increase of $4.1 million on income before income taxes.

Interest Rate Risk – Term Loan

We are exposed to interest rate risk on our Term Loan. The approximate impact on income before income taxes of a 1% rise and a 1% fall in interest rates with respect to this facility is a decrease of $4.3 million and an increase of $4.3 million respectively.

Foreign Currency Risk

(*See* **Risks and Uncertainties – Currency Risk**)

Other Market Price Risk – NGX, CDCC, Shorcan, and Shorcan Energy Brokers

We are exposed to other market price risk from the activities of Shorcan, Shorcan Energy Brokers, NGX and CDCC if a customer, contracting party or clearing member, as the case may be, fails to take or deliver either securities, energy products or derivatives products on the contracted settlement date where the contracted price is less favourable than the current market price.

Both NGX's and CDCC's measure of total potential exposure, as described previously, includes measures of market and credit risk which are factored into the collateral required from each contracting party or clearing member.

Shorcan and Shorcan Energy's risk is limited by their status as agents, in that they do not purchase or sell securities or commodities for their own account, the short period of time between trade date and settlement date and the defaulting customer's liability for any difference between the amounts received upon sale and the amount paid to acquire the securities or commodities.

We are also exposed to other market price risk on a portion of our sustaining listing fee revenue, which is based on the quoted market values of listed issuers as at December 31 of the previous year.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our cash and cash equivalents and marketable securities, all of which are held in short term instruments, and our revolving and non-revolving credit facilities. The contractual maturities of our financial liabilities are as follows:

($ millions)

			At December 31, 2011
	Less than 1 year	**Between 1 and 5 years**	**Greater than 5 years**
Fair value of open energy contracts	**$ 159.0**	**$ -**	**$ -**
Total return swaps	**1.0**	**0.7**	**-**
Trade and other payables	**65.1**	**-**	**-**
Obligation under finance leases	**0.8**	**0.3**	**-**
Energy contracts payable	**645.7**	**-**	**-**
Daily settlements and cash deposits	**550.8**	**-**	**-**
Term loan payable	**430.0**	**-**	**-**
Non-current data license and other payables	**-**	**2.5**	**2.5**

	Less than 1 year	Between 1 and 5 years	At December 31, 2010 Greater than 5 years
Fair value of open energy contracts	$ 141.9	$ -	$ -
Interest rate swaps	0.7	-	-
Trade and other payables	51.4	-	-
Obligation under finance leases	0.7	1.1	-
Energy contracts payable	754.9	-	-
Daily settlements and cash deposits	193.1	-	-
Term loan payable	430.0	-	-
Non-current data license and other payables	-	3.1	2.9

Daily settlements and cash deposits

The margin deposits and clearing fund margins are held in liquid instruments. Cash margin deposits and cash clearing fund deposits from clearing members, which are recognized on the consolidated balance sheet, are held by CDCC with a major Canadian bank. Non-cash margin deposits and non-cash clearing fund deposits pledged to CDCC under irrevocable agreements are in government securities, letters of credit (up to March 1, 2011) and other securities and are held with approved depositories. Clearing members may also pledge letters of credit (up to March 1, 2011) and escrow receipts directly with CDCC.

Fair value of open energy contracts and Energy contracts payable

NGX requires each contracting party to provide sufficient collateral, in the form of cash or letters of credit, to exceed its outstanding credit exposure as determined by NGX in accordance with its margining methodology. The cash collateral deposits and letters of credit are held by a Schedule I Canadian chartered bank.

Credit facilities

In response to the liquidity risk that CDCC is exposed to through its clearing operations, it has arranged various facilities (see ***Other Credit Facilities and Guarantee***). The Daylight liquidity facilities are in place to provide liquidity in exchange for securities that have been received by CDCC. The Daylight liquidity facilities must be cleared to zero at the end of each day.

The revolving standby credit facility is in place to provide end of day liquidity in the event that CDCC is unable to clear the Daylight liquidity facilities to zero. This event would only occur in the event of a clearing member default. The revolving standby facility will provide liquidity in exchange for collateral in the form of clearing member deposits.

Similarly, in response to the liquidity risk that NGX is exposed to through it clearing and settlement operations, it maintains an unsecured clearing backstop fund of US$100.0 and an EFT daylight facility.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments.

Marketable securities

Our investment policy will only allow excess cash to be invested within money market securities or fixed income securities. Fixed income securities must compose less than 70% of the overall portfolio. The majority of the portfolio is held within a money market fund and a specific short-term bond and mortgage fund. The money market fund limits its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund limits its investments to high-quality Canadian corporate bonds, government bonds and up to 40% of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Fund units can be redeemed on any day that Canadian banks are open for business. Funds will be received the day following the redemption.

Contractual Obligations

(in thousands of dollars)

	Total	Less than 1 year	1 – 3 years	4-5 years	5+ years
Financial Lease Obligation	1,160	830	330		
Operating Leases	69,885	15,429	19,752	17,642	17,063
Debt and Other Obligations	432,035	430,000	116	-	1,919
	503,080	446,259	20,198	17,642	18,982

Selected Annual Information

(in thousands of dollars, except per share amounts)

	IFRS		Pre-conversion Canadian GAAP
	2011	**2010**	**2009**
Revenue	$ 673.5	$ 625.6	$ 560.1
Net income attributable to TMX Group shareholders	$ 237.5	$ 237.7	$ 104.7
Total assets (as at December 31)	$3,394.8	$2,965.8	$3,524.5
*Non-current liabilities**** (as at December 31)*	$273.8	$ 270.0	$708.3
Earnings per share:			
Basic	$ 3. 18	$ 3.20	$ 1.41
Diluted	$ 3. 17	$ 3.19	$ 1.41
*Adjusted earnings per share**:*			
Basic	$3.58	$ 3.22	$ 2.59
Diluted	$3.57	$ 3.21	$ 2.59
Cash dividends declared per common share	$ 1.60	$ 1.54	$ 1.52

**** Excludes deferred revenue.

** The terms adjusted earnings per share and adjusted diluted earnings per share do not have standardized meanings prescribed by Canadian GAAP (which for 2011 and 2010 means IFRS and for 2009 means pre-conversion Canadian GAAP) and are therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of LSEG and Maple-related costs incurred in 2011, a commodity tax adjustment in 2011, the adjustment related to the write-down of our 19.9% interest in EDX to its estimated fair value in 2010, the non-cash goodwill impairment charge in 2009 related to our investment in BOX and an income tax charge related to lower Ontario corporate income tax rates, which reduced the value of future tax assets and liabilities in 2009. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

Adjusted Earnings per Share Reconciliation for 2011, 2010 and 2009[**]

	IFRS				Pre-conversion Canadian GAAP	
	2011		2010		2009	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Earnings per share	$3.18	$3.17	$3.20	$3.19	$1.41	$1.41
Adjustment related to LSEG and Maple related costs, net of income tax	$0.37	$0.37	-	-	-	-
Adjustment related to commodity tax adjustment, net of income tax	$0.03	$0.03	-	-	-	-
Adjustment related to non-cash impairment of goodwill pertaining to BOX	-	-	-	-	$1.04	$1.04
Adjustment related to a reduction in the value of future tax assets and liabilities	-	-	-	-	$0.14	$0.14
Adjustment related to a write-down of our 19.9% interest in EDX to its estimated fair value, net of income tax	-	-	$0.02	$0.02	-	-
Adjusted earnings per share	$3.58	$3.57	$3.22	$3.21	$2.59	$2.59

Revenue, Net Income and Earnings per Share

2011

- *(See* **Year Ended December 31, 2011 Compared with Year Ended December 31, 2010**)

2010

- It is not possible to compare total revenue for 2010 (IFRS basis) with revenue for 2009 (pre-conversion Canadian GAAP basis) as issuer services revenue was recognized on a different basis. On an IFRS basis, issuer services revenue was $39.8 million higher in 2010 compared with 2009. However, excluding issuer services revenue, revenue was lower in 2010 compared with 2009, reflecting lower revenue from cash markets equity

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[**] The terms adjusted earnings per share and adjusted diluted earnings per share do not have standardized meanings prescribed by Canadian GAAP (which for 2011 and 2010 means IFRS and for 2009 means pre-conversion Canadian GAAP) and are therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of LSEG and Maple-related costs incurred in 2011, a commodity tax adjustment in 2011, the adjustment related to the write-down of our 19.9% interest in EDX to its estimated fair value in 2010, the non-cash goodwill impairment charge in 2009 related to our investment in BOX and an income tax charge related to lower Ontario corporate income tax rates, which reduced the value of future tax assets and liabilities in 2009. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

trading, U.S. derivatives markets trading and technology services, partially offset by increased cash markets fixed income trading, Canadian derivatives markets trading and clearing, information services and energy markets trading and clearing revenue. In 2009, technology services revenue included a one-time license fee of $13.5 million from the London Stock Exchange Group plc.

- It is also not possible to compare net income attributable to TMX Group shareholders and earnings per share for 2010 (IFRS basis) with net income and earnings per share for 2009 (pre-conversion Canadian GAAP basis) as a number of items are accounted for differently, the most significant being issuer services revenue described above and an impairment charge related to BOX in 2009.

Total Assets

2011

- *(See* **Year Ended December 31, 2011 Compared with Year Ended December 31, 2010**)

2010

- It is not possible to compare total assets for 2010 (IFRS basis) with total assets for 2009 (pre-conversion Canadian GAAP basis) as the accounting treatment is different for a number of balance sheet items, the most significant being Future Income Tax Assets and Goodwill.

Non-current Liabilities

2011

- Long-term liabilities increased slightly in 2011 over 2010 due to increases in accrued employee benefits payable and other non-current liabilities, partially offset by a decrease in deferred income tax liabilities.

2010

- Long-term liabilities decreased in 2010 over 2009 primarily due to a reclassification of the Term Loan of $429.8 million (as of December 31, 2010), as short-term debt rather than long-term debt.

QUARTERLY INFORMATION

(in thousands of dollars except per share amounts)

	IFRS							
	Dec. 31/11	**Sept. 30/11**	**June 30/11**	**Mar. 31/11**	**Dec. 31/10**	**Sept. 30/10**	**June 30/10**	**Mar. 31/10**
Revenue	$161.7	$167.8	$169.3	$174.7	$174.1	$146.0	$156.1	$149.4

Net income attributable to TMX Group shareholders	52.7	67.0	54.7	63.1	67.0	55.2	58.4	57.1
Earnings per share:								
Basic	0.70	0.90	0.73	0.85	0.90	0.74	0.79	0.77
Diluted	0.70	0.90	0.73	0.84	0.90	0.74	0.79	0.77

2011

IFRS

- Revenue in Q1/11 increased over revenue in Q4/10 due to higher derivatives trading and clearing revenue and cash equity trading revenue largely offset by lower issuer services, energy trading as well as technology services and other revenue. Net income attributable to TMX Group shareholders for Q1/11 decreased over Q4/10 primarily due to costs associated with the proposed merger with LSEG and an increase in general and administration expenses related to a commodity tax adjustment.

- Revenue in Q2/11 decreased compared with revenue in Q1/11 due to lower cash markets and energy trading revenue partially offset by higher technology services and other revenue and increased revenue from issuer services and information services. Net income attributable to TMX Group shareholders for Q2/11 decreased over Q1/11 primarily due to the decreased revenue and LSEG and Maple related costs partially offset by lower general and administration costs related to a commodity tax adjustment and lower compensation and benefits costs. Finance income was somewhat higher in Q2/11 compared with Q1/11.

- Revenue in Q3/11 decreased compared with revenue in Q2/11 due to lower issuer services revenue partially offset by higher revenue from derivatives markets trading and clearing, information services and net foreign exchange gains on U.S. dollar accounts receivables. Net income attributable to TMX Group shareholders for Q3/11 increased over Q2/11 primarily due to decreased LSEG and Maple related costs as well as lower general and administration costs, partially offset by higher compensation and benefits costs.

- Revenue in Q4/11 decreased compared with revenue in Q3/11 primarily due to lower cash markets trading revenue and reduced derivatives markets trading and clearing revenue, somewhat offset by increased issuer services and information services revenue as well as higher energy trading and clearing revenue. In addition, other revenue included net foreign exchange gains on U.S. dollar receivables in Q3/11 and net foreign exchange losses in Q4/11. Net income attributable to TMX Group shareholders for Q4/11 decreased from Q3/11 primarily due to the lower revenue, increased Maple related costs, higher compensation and benefits costs, increased information and trading systems costs as well as higher general and administration expenses.

2010

IFRS

- It is not possible to compare revenue for Q1/10 (IFRS basis) with revenue for Q4/09 (pre-conversion Canadian GAAP basis) as issuer services revenue was recognized on a different basis. However, excluding issuer services revenue, in Q1/10 revenue decreased compared with Q4/09 due to the higher technology services revenue in Q4/09 from the one-time license fee of $13.5 million from the London Stock Exchange (LSE), lower cash markets equity trading and energy trading revenue. This was somewhat offset by increased revenue from cash markets fixed income trading and information services. Also excluding the impact of recognizing issuer services revenue on a different basis, net income attributable to TMX Group shareholders for Q1/10 increased over the net loss reported in Q4/09 largely as a result of the noncash goodwill impairment charge of $77.3 million related to BOX and the write-down in the value of future tax assets and liabilities of $10.4 million.

- Revenue in Q2/10 increased over revenue in Q1/10 due to higher revenue from issuer services, information services, energy trading and Canadian derivatives trading, somewhat offset by lower revenue from cash equities trading and U.S. derivatives trading. Net income attributable to TMX Group shareholders for Q2/10 increased over net income attributable to TMX Group shareholders in Q1/10 largely due to higher revenue partially offset by higher expenses as we continued to invest in technology initiatives, corporate development and marketing.

- Revenue in Q3/10 decreased over revenue in Q2/10 primarily due to lower revenue from issuer services. The decrease was also as a result of lower cash markets trading revenue and technology services revenue, partially offset by higher energy trading revenue. Net income attributable to TMX Group shareholders for Q3/10 decreased over Q2/10 due to lower revenue. The impact was partially offset by lower information and trading systems costs as well as reduced general and administration expenses.

- Revenue in Q4/10 increased over revenue in Q3/10 primarily due to significantly higher issuer services and cash markets trading revenue as well as higher derivatives trading and clearing revenue, partially offset by lower technology services revenue. Net income attributable to TMX Group shareholders was higher in Q4/10 compared with Q3/10. The increase in revenue was partially offset by higher compensation and benefits costs, information and trading systems costs and general and administration costs and lower finance income (formerly investment income). In addition, there was a write-down to estimated fair value of $1.7 million on our 19.9% interest in EDX in Q4/10.

REVIEW OF FOURTH QUARTER RESULTS

Compared with Q4/10

- Revenue in Q4/11 decreased over revenue from Q4/10 for the following reasons:
    - Issuer services revenue was lower due to a decrease in the number and value of new listings on Toronto Stock Exchange and TSX Venture Exchange and a decrease

in the value of additional financings on Toronto Stock Exchange and TSX Venture Exchange.

- There was a decrease in cash markets equities trading revenue due a decrease in the volume of securities traded on TSX Venture Exchange and Toronto Stock Exchange. The decrease was also as a result of changes to our equity trading fee schedule in 2011.

- There was also a decrease in Shorcan cash markets fixed income trading revenue reflecting lower volumes.

- Energy trading revenue was lower due to a decrease in NGX crude oil volumes due to increased competition from voice brokers.

- There were several factors which partially offset the decreases in revenue in Q4/11 compared with Q4/10:

  - Derivatives markets revenue from MX and BOX increased primarily due to higher volumes of contracts traded.

  - Information services revenue increased due to revenue from TMX Atrium, acquired on July 29, 2011, and higher revenue from co-location services, TMXnet and PC-Bond.

- Operating expenses in Q4/11 were higher than in Q4/10 primarily due to higher costs associated with short-term employee performance incentive plans, an overall increase in salary and benefits costs and the inclusion of expenses related to TMX Atrium, acquired on July 29, 2011, offset by higher capitalization of costs associated with technology initiatives and lower organizational transition costs and bad debt expenses.

- Net income decreased in Q4/11 compared with Q4/10 primarily due to the lower revenue, increased operating expenses and Maple related costs, partially offset by reduced income tax expense.

- Cash flows from operating activities in Q4/11 of $71.1 million decreased by $4.9 million compared with $76.0 million in Q4/10 largely due to a decrease in net income. Cash flows used in financing activities in Q4/11 of $30.0 million increased by $0.8 million compared with $29.2 million in Q4/10. Cash flows used in investing activities in Q4/11 of $39.6 million increased by $9.7 million compared with $29.9 million of cash flows from investing activities in Q4/10, due to increased additions to intangible assets and additional capital expenditures.

Compared with Q3/11

- Revenue in Q4/11 decreased compared with revenue in Q3/11 primarily due to lower cash markets equity trading revenue and reduced derivatives markets trading and clearing revenue, somewhat offset by increased issuer services and information services revenue as well as higher energy trading and clearing revenue. In addition, other revenue included net foreign exchange gains and net foreign exchange losses in Q4/11. Net income attributable to TMX Group shareholders for Q4/11 decreased from Q3/11 primarily due to the lower revenue, increased Maple related costs, higher compensation and benefits costs, increased information and trading systems costs as well as higher general and administration expenses.

- Cash flows from operating activities in Q4/11 of $71.1 million increased by $18.0 million compared with $53.1 million in Q3/11 largely due to an increase in trade payables, partially offset by lower net income in Q4/11 compared with Q3/11. Cash flows used in financing activities in Q4/11 of $30.0 million increased by $0.2 million compared with $29.8 million in Q3/11 primarily due to increased fees on the Term Loan. Cash flows used in investing activities in Q4/11 of $39.6 million increased by $0.2 million compared with $39.4 million in Q3/11, primarily due to higher capital expenditures and additions to intangible assets, partially offset by the costs of an acquisition in Q3/11.

ACCOUNTING AND CONTROL MATTERS

CRITICAL ACCOUNTING ESTIMATES

Goodwill and Other Intangible Assets[9]

Goodwill is recognized at cost on acquisition less any subsequent impairment in value. We measure goodwill arising on a business combination as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Other intangible assets are recognized at cost less accumulated amortization, where applicable, and any impairment in value. Cost includes any expenditure that is directly attributable to the acquisition of the asset. The cost of internally developed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Assets are considered to have indefinite lives where management believes that there is no foreseeable limit to the period over which the assets are expected to generate net cash flows.

We test for impairment as follows:

The carrying amounts of our goodwill and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually even if there is no indication of impairment, and the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that

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[9] The "*Identifiable Intangible Assets and Goodwill*" 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.

are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses are recognized in the income statement.

MX

Goodwill and indefinite life intangible assets

Included with the MX CGU is $898.0 million of goodwill and indefinite life intangible assets recognized as part of the acquisition of MX in 2008.

MX activity and growth was affected by the credit crisis and the follow on economic conditions. Specifically, the deleveraging of balance sheets and historically low and stable interest rates reduced fixed income and overall derivatives activity. However, the view of management is that this reduction was temporary and that the fundamental growth opportunities that were included in the original valuation of MX are still valid. In 2011, MX set records for contracts traded and open interest. In addition, the size of the Canadian derivatives market relative to the size of the underlying cash market is still substantially below that of global peers, thus leaving much room for growth if new technology, products and participants are added to the marketplace. Lastly, the global push from regulators and market participants to move over the counter derivatives products to exchange traded and/or centrally cleared models suggests further upside potential.

It is the combination of the foregoing that resulted in management maintaining the growth projections and discount rates at levels that were in line with the original assumptions, such that MX goodwill and indefinite life intangible assets are not impaired. These assumptions include:

- a cash flow projection period of eight years, which is consistent with the original acquisition economics, and reflects the stage of its product life cycle with significant long-term growth potential remaining beyond a five-year forecast

- a terminal value for MX determined using an estimated long-term growth rate of 4.5%, which is based on our estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry

- a recoverable amount applying a pre-tax discount rate to MX of 11.9%, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

Based on current assumptions, the fair value of MX goodwill and indefinite life intangible assets remains above carrying value.

No impairment was identified as a result of the tests discussed above for 2011 or 2010.

NTP

Definite life intangible assets

Included within the NGX CGU is $28.7 million definite life intangible assets relating to the crude oil customer list recognized as part of the acquisition of NTP in 2009. We converted NTP to NGX's fully backstopped clearing model in 2009, but a number of customers have not maintained their level of activity in these crude oil products. There has also been limited traction following the launch of crude oil products in March 2011 under the NGX/ICE alliance, and increased competition from voice brokers, including Shorcan Energy Brokers. This asset was tested as part of the 2011 impairment review process using a value-in-use calculation, using certain key assumptions, and was found not to be impaired.

The calculation is sensitive to changes in the key assumptions used and the impact of such changes is as follows:

($ millions)	Impact on value-in-use		
	10% reduction in cash flows	1% reduction in long-term growth rate	1% increase in pre-tax discount rate
NTP customer list	(3.3)	(0.7)	(1.6)

CHANGES IN ACCOUNTING POLICIES - INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Detailed explanations and additional reconciliations for each quarter of 2010 are available in our Q1/11 MD&A. The following is a supplementary reconciliation of the impact of the conversion to IFRS on our Consolidated Income Statement for 2010.

Reconciliation of Consolidated Income Statement for the year ended December 31, 2010

	Pre-conversion Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Revenue:				
Issuer services	$ 163.0	$ 50.1	$ -	$ 213.1
Trading, clearing and related	242.2	-	-	242.2
Information services	154.4	-	-	154.4
Technology services and other	15.9	-	-	15.9
Total revenue	575.5	50.1	-	625.6
Expenses:				
Compensation and benefits	133.5	-	-	133.5
Information and trading systems	47.8	2.9	-	50.7
General and administration	73.0	-	-	73.0
Depreciation and amortization	32.3	(2.9)	-	29.4
Total operating expenses	286.6	-	-	286.6
Income from operations	**288.9**	**50.1**	**-**	**339.0**
Share of net income of equity accounted investee	1.3	-	-	1.3
Impairment of investment	(1.7)	-	-	(1.7)
Finance income (costs):				
Finance income	5.2	-	-	5.2
Finance costs	(6.2)	0.2	-	(6.0)
Net mark to market on interest rate swaps	(0.2)	-	-	(0.2)
Income before income taxes	**287.3**	**50.3**	**-**	**337.6**
Income tax expense	90.7	9.4	-	100.1
Non-controlling interests	0.1	-	(0.1)	-
Net income	**$ 196.5**	**$ 40.9**	**$ 0.1**	**$ 237.5**
Net income attributable to:				
Equity holders of the Company	$ 196.5	$ 41.2	$ -	$ 237.7
Non-controlling interests	-	(0.3)	0.1	(0.2)
	$ 196.5	**$ 40.9**	**$ 0.1**	**$ 237.5**
Earnings per share:				
Basic	$ 2.64			$ 3.20
Diluted	$ 2.64			$ 3.19

Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing our financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2013, unless otherwise noted:

- IFRS 9, Financial instruments (January 1, 2015
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- IAS 27, Separate financial statements
- IAS 28, Investments in associates and joint ventures
- IAS 1, Presentation of financial statements: Presentation of items of other comprehensive income – Amendments requiring the grouping of items within other comprehensive income (effective for annual periods beginning on or after July 1, 2012)
- IFRS 7, Financial instruments – disclosure - Amendments regarding transfers of financial assets (effective for annual periods beginning on or after July 1, 2011)
- IAS 12, Income taxes - Amendments regarding deferred income tax - Recovery of underlying assets (effective for annual periods beginning on or after January 1, 2012)
- IAS 19, Employee benefits – Amendments regarding the recognition of gains and losses, the presentation of changes in assets and liabilities, and enhanced disclosure requirements

We are reviewing these new standards and amendments to determine the potential impact, if any, on our financial statements.

In June 2010, the IASB issued an Exposure Draft on Revenue from Contracts from Customers (ED) and requested comments by October 22, 2010. The IASB issued a revised ED in November 2011 based on feedback received and requested comments by March 13, 2012.

The ED proposes an effective date for the standard of no earlier than annual reporting periods beginning on or after 1 January 2015; however, it proposes that the amendments be applied retrospectively. We are currently considering the impact that this ED will have on Issuer Services Revenue. It is possible that it could result in changes to the current revenue standard, IAS 18 Revenue.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

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

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2011. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2011.

Internal Control over Financial Reporting

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

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

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011 using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework. Based on this evaluation, the CEO and CFO have concluded that our internal control over financial reporting was effective as of December 31, 2011.

Changes in Internal Control over Financial Reporting

Notwithstanding our conversion to IFRS, there were no changes to internal control over financial reporting during the quarter beginning October 1, 2011 and ended on December 31, 2011 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

RISKS AND UNCERTAINTIES

We have in place an integrated risk management process in which the Board assumes overall stewardship responsibility for risk; the Finance & Audit Committee of the Board assesses the adequacy of risk management policies and procedures; and the Risk Management Committee (comprised of senior management) oversees the implementation of risk management policies and processes. The management framework supporting the risk management objectives includes regular assessments of principal risks, and implementation of risk management tactics, which are monitored and adjusted as required.

We have identified the most significant risks to which we are exposed to be the following:

- Competition
- Economic
- Regulatory
- Execution/Strategic
- Product/Service Relevance
- Technology
- Human Resources
- Interface/Dependency
- Currency
- Credit
- Litigation/Legal/Regulatory Proceedings
- Integration
- Business Continuity/Geopolitical
- Intellectual Property
- Corporate Structure

These risks are taken into account when developing and implementing TMX Group strategies, tactics, policies, operating procedures and governance processes, including the design and implementation of compensation policies and practices.

The risks and uncertainties described below are not the only ones facing TMX Group. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely affect our business. If any of the following risks actually occur, our reputation, business, financial condition, or operating results could be materially adversely affected.

Competition Risk

We Face Competition from Other Exchanges, ATSs, OTC Markets and Other Sources

Our listing and trading cash equities, derivatives, energy and fixed income markets face competition from other exchanges as well as from other marketplaces, the OTC markets and other sources. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our business, financial condition and operating results.

Our Equity Exchanges Face Increased Competition from Other Exchanges, Other Marketplaces and Trading Mechanisms

We face increased competition for business from other exchanges, especially those in the United States as they consolidate and investing becomes more global. We face competition from foreign exchanges for listings of Canadian-based issuers and trading in their securities. If we are unable to continue to provide competitive trade execution, the volume traded in Canadian-based interlisted issuers on our equity exchanges could decrease in the future and adversely affect our operating results. In Canada, there is currently one exchange competing for junior listings and an exchange that will list both senior and junior securities is expected to launch in 2012. Our listing operations compete with institutions and various market participants that offer alternative forms of financing that are not necessarily traded in public markets including private venture capital and various forms of debt financing.

Domestic competition in our cash equities trading business has intensified with the establishment of ATSs in Canada. Technological advances have lowered barriers to entry and have created a multiple marketplace for trading Toronto Stock Exchange and TSX Venture Exchange listed securities. There are 13 Canadian equity marketplaces which trade or intend to trade Toronto Stock Exchange and TSX Venture Exchange listed securities, including dark and visible trading venues. There are also sophisticated mechanisms to internalize order flow within a PO, liquidity aggregators and smart order routers that also facilitate trading on other venues. New market entrants have fragmented domestic equities market share and we continue to face significant competitive pressure.

Alpha ATS, an alternative trading system formed by a group of Canada's banks and investment dealers, has become a significant competitor in our cash equities trading business. Alpha ATS currently trades Toronto Stock Exchange and TSX Venture Exchange listed issuer securities. In December 2011, the OSC approved the recognition of Alpha LP and Alpha Exchange as an exchange giving them the ability to also list issuers effective in 2012. As of the date of this MD&A, they not received the same recognition from the BCSC or the ASC.

These new entrants may, among other things, respond more quickly to competitive pressures, develop similar products to those Toronto Stock Exchange and TSX Venture Exchange offer that are preferred by customers, or they may develop alternative competitive products, or they may price their trading and data products more competitively in order to gain market share, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. If these trading venues attract significant order flow, or other market structure changes occur in the marketplace, our trading and information services revenue could be materially adversely affected.

There is intense price competition in the cash equities markets. While we have developed a pricing mix to attract greater liquidity to our markets, the competitive environment in which we operate places significant pricing pressures on our trading and market data offerings, and with the entry of a new domestic exchange may place additional competitive pressure on our listing fees. Some competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments, by offering inverted pricing or by offering other forms of financial or other incentives. We have in the past lowered our equity trading fees and we may, in the future, be required to adjust our pricing to respond to competitive pricing pressure. If we are unable to compete successfully with respect to the pricing of our offerings, our business, financial condition and results of operations could be materially adversely affected.

Our Derivatives Markets Face Competition from Other Marketplaces

MX and BOX are in direct competition with, among others, securities, options and other derivatives exchanges as well as ATSs or Electronic Crossing Networks (ECNs) and other trading and crossing venues, some of our clearing member firms and interdealer brokerage firms. This competition exists particularly in the United States, but also in Europe and Asia. In Canada, MX's competition in derivatives trading is the OTC market. In addition, OTC regulatory reform that is underway in Canada could encourage the formation of another clearing house in Canada. In the United States, BOX will continue to face increased competition in the U.S. equity options market. These competitors may, among other things, respond more quickly to competitive pressures, develop similar products to those MX and BOX offer that are preferred by customers or they may develop alternative competitive products, they may price their products more competitively, develop and expand their network infrastructures and offerings more efficiently, adapt more swiftly to new or emerging technologies and changes in customer requirements and use better, more user friendly and reliable technology. Increased competition could lead to reduced interest in MX's and BOX's products which could materially adversely affect our business and operating results.

The derivatives trading industry is characterized by intense price competition. While our derivatives markets have developed a pricing mix to attract greater liquidity to these markets while maintaining our average price per contract, market conditions may result in increased competition which, in turn, may place significant pricing pressures in the future. Some competitors may seek to increase their share of trading by reducing their transaction fees, by offering larger liquidity payments or by offering other forms of financial or other incentives. Our business, financial condition and results of operations could be materially adversely affected as a result of these developments.

Our Energy Markets Face Competition from OTC Markets and Other Sources

NGX's business of trading and clearing natural gas, electricity and crude oil contracts and Shorcan Energy Brokers business face primary competition in Canada and the United States from other exchanges, electronic trading and clearing platforms and from the OTC or bilateral markets (supported by other voice brokers) and competing exchanges listing and clearing energy products. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete more directly with the NGX contracts. Shorcan Energy Brokers also faces competition primarily from other brokerage firms. If NGX or Shorcan Energy Brokers is unable to compete with these platforms and markets including voice brokers, they may not be able to maintain or expand their businesses, which could materially affect their business and operating results.

Our Fixed Income Markets Face Competition from OTC Markets and Other Sources

Shorcan has several competitors in the fixed income IDB market. If Shorcan fails to attract institutional dealer order flow from this market, it would adversely affect its operating results.

Economic Risk

We Depend on the Economy of Canada

Our financial results are affected by the Canadian economy. If the profit growth of Canadian-based companies is generally lower than the profit growth of companies based in other countries, the markets on which those other issuers are listed may be more attractive to investors than our equity exchanges. The threat of a prolonged economic downturn may also have a negative impact on investment performance, which could materially adversely affect the number of new listed issuers, the market capitalization of our listed issuers, additional securities being listed or reserved, trading volumes across our markets and market data sales.

Our Operating Results May be Adversely Impacted by Global Economic Uncertainties

The economic and market conditions in Canada, the United States, Europe and the rest of the world impact the different aspects of our business and our revenue drivers. Because listing, financing and trading activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, the impact the level of listing activity (including IPOs), the market capitalization of our issuers, trading volumes and sales of data across our markets. In addition, our clearing customers are now facing higher credit costs associated with complying with margining regimes which could result in lower volumes.

Global market and economic conditions have been difficult and volatile in recent years and continue to exhibit volatility. While volatile markets can generate increased transactions volume, prolonged recessionary conditions can adversely affect trading volumes and the demand for market data and can lead to slower collections of accounts receivable as well as increased counterparty risk.

We Depend on Market Activity that is Outside of Our Control

Our revenue is highly dependent upon the level of activity on our exchanges, including: the volume of securities traded on our cash markets; the number of transactions, volume of contracts or products traded and cleared on our derivatives and energy markets; the number and market capitalization of listed issuers; the number of new listings; the number of active traders and brokerage firms; and the number of subscribers to market data.

We do not have direct control over these variables. Among other things, these variables depend upon the relative attractiveness of securities traded on our exchanges and the relative attractiveness of our exchanges as a place to trade those securities as compared to other exchanges and other trading mechanisms. Those variables are in turn influenced by:

- the overall economic conditions and monetary policies in Canada, the United States, Europe, and in the world in general (especially growth levels, political stability and debt crisis);
- broad trends in business and corporate finance, including capital market trends and the mergers and acquisitions environment;
- the condition of the resource sector;

- the interest rate environment and resulting attractiveness of alternative asset classes;
- the regulatory environment for investment in securities, including the regulation of marketplaces and other market participants;
- the relative activity and performance of global capital markets;
- investor confidence in the prospects and integrity of our listed issuers, and the prospects of Canadian-based listed issuers in general;
- pricing volatility of global commodities and energy markets; and
- changes in tax legislation that would impact the relative attractiveness of certain types of securities.

We may be able to indirectly influence the volume and value of trading by providing efficient, reliable and low-cost trading; maximizing the availability of timely, reliable information upon which research, advice and investment decisions can be based; and maximizing the ease of access to trading facilities. However, those activities may not have a positive effect on or effectively counteract the factors that are outside of our control.

Our Cost Structure is Largely Fixed

Most of our expenses are fixed and cannot be easily lowered in the short-term if our revenue decreases, which could have an adverse effect on our operating results and financial condition.

Regulatory Risk

We Are Subject to Significant Regulatory Constraints

We operate in a highly regulated industry and are subject to extensive government regulation and we could be subject to increased regulatory scrutiny in the future. Provincial securities regulators in Canada regulate us and our exchanges and in the case of CDCC and NGX, our clearing operations, and regulators in other jurisdictions may regulate our future operations. MX and CDCC are regulated as SROs in Québec. In addition, MX carries on activities in accordance with the regulations of securities regulators in the United States as a foreign board of trade (FBOT) and in France and the U.K. CDCC is also subject to regulatory requirements of the SEC and various U.S. state securities regulators. NGX also currently operates as an exempt commercial market (ECM) under the jurisdiction of the U.S. Commodity Futures Trading Commission (CFTC) and is registered as a derivative clearing organization (DCO) by the CFTC. BOX is an electronic equity options market and is regulated by the SEC. CDCC is expected to be designated by the Bank of Canada (BOC) as being of systemic importance under the *Payment Clearing and Settlement Act* (Canada). Following such designation, the BOC will have broad powers relating to the regulation and oversight of CDCC.

The Canadian securities regulators, regulating our cash equities, derivatives and energy exchanges and clearing operations, the SEC which regulates BOX and the CFTC which regulates NGX's clearing have broad powers to audit, investigate and enforce compliance with their regulations and impose sanctions for non-compliance.

Those Canadian and United States regulators are vested with broad powers to prohibit us from engaging in certain business activities or suspend or revoke approval as a recognized exchange or clearing agency, as the case may be, and, in the case of MX and CDCC, as an SRO. In the case of actual or alleged non-compliance with legal or regulatory requirements, our exchanges or clearing agencies could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of our approval as a recognized exchange, clearing agency and SRO, as applicable. Any such investigation or proceeding, whether successful or not, would result in substantial costs and diversions of resources and might also harm our reputation, any of which may have a material adverse effect on our business, financial condition and results of operations.

In addition, there may be a conflict between our self-regulatory responsibilities and the interests of some of our members or our own commercial interests. Although we have implemented stringent governance measures to avoid such conflicts, any failure to diligently and fairly regulate members or to otherwise fulfill these regulatory obligations could significantly harm our reputation, prompt regulatory scrutiny and materially adversely affect our business, financial condition and results of operations.

This regulation may impose barriers or constraints which limit our ability to build an efficient, competitive organization and may also limit our ability to expand foreign and global access. Securities regulators also impose financial and corporate governance restrictions on us and our equity, derivatives and energy exchanges and clearing operations. Some of the securities regulators must approve or review our exchanges' listing rules, trading rules, fee structures and features and operations of, or changes to, our systems. These approvals or reviews may increase our costs and delay our plans for implementation. There could also be regulatory changes that impact our customers and that could materially adversely affect our business and results of operations.

TMX Group could be subject to increased regulatory scrutiny in the future. The multi-market environment in Canada and the global economic crisis could lead to more aggressive regulation of our businesses by securities and other regulatory agencies both in Canada and the U.S. and could extend to areas of our businesses that to date have not been regulated.

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in Canada and the United States. In some cases we cannot be certain whether or in what form, regulatory changes will take place, and cannot predict with certainty their impact on our businesses and operations. Changes in and additions to the rules affecting our markets and clearing houses could require us to change the manner in which we and our members conduct business or govern ourselves.

Expanding U.S. regulation and proposed initiatives, in particular, the *Dodd-Frank Consumer Protection Act* impacting OTC derivatives markets, ECMs, DCOs and FBOTs, among others, could increase the regulation of and cost of compliance for our markets whose business is impacted by U.S. regulatory developments.

In Canada, the provincial securities regulators are in the process of releasing a series of proposal papers regarding the regulation of the Canadian OTC derivatives markets which could lead to expanded regulation and increase the cost of compliance for our markets whose business is impacted by these developments. The Canadian provincial securities regulators continue to review developments in the structure of the equities market, and in June 2009, they indicated they would be undertaking a review of market data fees.

Unexpected and new regulatory requirements could make it more costly to comply with relevant regulations and for affected markets to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect our business, financial condition and results of operations.

Execution/Strategic Risk

We May Not Be Successful in Implementing Our Strategy

We invest significant resources in the development and execution of our corporate strategy to grow profitability and maximize shareholder returns. We may not succeed in implementing our strategies. We may have difficulty executing our strategies because of, among other things, increased global competition, difficulty developing and introducing products or introducing new products on a timely basis, barriers to entry in other geographic markets, and changes in regulatory requirements. [In addition, we may have difficulty obtaining financing for new business opportunities, due to financial restrictions that currently or may in the future be placed on TMX Group under borrowing facilities.] Any of these factors could materially adversely affect the success of our strategies.

New Business Activities May Adversely Affect Income

We may enter new business activities which, while they could provide opportunities for us, may also impose restrictions on us and/or have an adverse effect on our existing profitability. While we would expect to realize new revenue from these new activities, there is a risk that this new revenue would not be greater than the associated costs or any related decline in existing revenue sources.

Expansion of Our Operations Internationally Involves Special Challenges that We May Not Be Able to Meet

We continue to expand our operations internationally, including by opening offices and by acquiring distribution, technology and other systems in foreign jurisdictions, obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada. We expect that the expansion of access to our electronic markets will continue to increase the portion of our business that is generated from outside Canada. We face certain risks inherent in doing business in international markets, particularly in the regulated exchange and clearing businesses. These risks include:

- restrictions on the use of trading terminals or the contracts that may be traded;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;
- potentially adverse tax consequences;
- enforcing agreements and collecting receivables through certain foreign legal systems; and

- foreign currency fluctuations for international business.

We would be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which we obtain authorizations or exemptions for remote access to our markets. These may include laws, rules and regulations relating to any aspect of the business. International expansion may expose TMX Group to geographic regions that may be subject to greater political, economic and social uncertainties than countries with developed economies.

Any of these factors could have a material adverse effect on the success of our plans to grow our international presence and market products and services and consequently on our business, financial condition and results of operations.

Product/Service Relevance Risk

Our Exchanges Depend on the Development, Marketing and Acceptance of New Products and Services

We are dependent to a great extent on developing and introducing new investment trading and clearing products and services and their acceptance by the investment community. While we continue to review and develop new products and services that respond to the needs of the marketplace, we may not continue to develop successful new products and services or we may not effectively promote and sell our products and services. Our current offerings may become outdated or lose market favour before we can develop adequate enhancements or replacements. Other exchanges, ATSs or ECNs may introduce new products or services or enhancements that make our offerings less attractive. Even if we develop an attractive new product, we could lose trading activity to another marketplace that introduces a similar or identical offering which offers greater liquidity or lower cost. We also may not receive regulatory approval (in a timely manner or at all) for our new offerings. Any of these events could materially adversely affect our business, financial condition and operating results.

Human Resources Risk

We Need to Retain and Attract Qualified Personnel

Our success depends to a significant extent upon the continued employment and performance of a number of key management personnel whose compensation is partially tied to vested share options and long-term incentive plans that mature over time. The value of this compensation is dependent upon total shareholder return performance factors, which includes appreciation in our share price. The loss of the services of key personnel could materially adversely affect our business and operating results. We also believe that our future success will depend in large part on our ability to attract and retain highly skilled technical, managerial and marketing personnel. There can be no assurance that we will be successful in retaining and attracting the personnel we require.

Technology Risk

We Depend Heavily on Information Technology, Which Could Fail or Be Subject to Disruptions, including Cyber Attack

We are extremely dependent on our information technology systems. Trading and data on our cash equities markets and trading and clearing on our derivatives and energy markets are conducted exclusively on an electronic basis. SOLA, the MX proprietary trading system, is currently in use at BOX and other venues. In addition, we provide the technical operations services related to BOX's trading and surveillance platforms.

We have incident and disaster recovery and contingency plans as well as back-up procedures to manage, mitigate and minimize the risk of an interruption, failure or disruption due to cyber attack on the critical information technology of Toronto Stock Exchange, TSX Venture Exchange, TMX Select, TMX Datalinx, NGX, MX, CDCC and BOX. We also test and exercise our disaster recovery plans for trading on Toronto Stock Exchange, TSX Venture Exchange, MX and CDCC, and, in the case of our cash equities markets, include customers in that process. However, depending on an actual failure or disruption, those plans may not be adequate as it is difficult to foresee every possible scenario and therefore we cannot entirely eliminate the risk of a system failure or interruption. We have experienced occasional information technology failures and delays in the past, and we could experience future information technology failures, delays or other interruptions.

The current technological architecture for our cash equities, energy, derivatives trading and clearing and market data information technology systems may not effectively or efficiently support our changing business requirements. Over the past several years, we have made hardware and software upgrades in response to increases in order message and quote message volumes and to reduce overall average response time to optimize execution speeds of our cash equities, derivatives, energy and market data platforms.

We are continually improving our information technology systems so that we can handle increases and changes in our trading and clearing activities and market data volumes to respond to customer demand for improved performance. This requires ongoing expenditures which may require us to expend significant amounts of resources in the future. While system changes may introduce risk, we have and follow, standard deployment processes for managing and testing these changes.

If the TSX Quantum trading enterprise, the SOLA derivatives trading enterprise, the SOLA Clearing platform or NGX's clearing system fails to perform in accordance with expectations, our business, financial condition and operating results may be materially adversely affected.

If our systems are significantly compromised or disrupted or if we suffer repeated failures, this could interrupt our cash equities trading services, MX's trading and CDCC's and NGX's clearing services, as well as the services we provide to BOX; cause delays in settlement; cause us to lose data; corrupt our trading and clearing operations, data and records; or disrupt our business operations, including BOX's operations. This could undermine confidence in our exchanges and materially adversely affect our reputation or operating results, and may lead to customer claims, litigation and regulatory sanctions.

Our Networks and Those of Our Third Party Service Providers May be Vulnerable to Security Risks

Our networks and those of our third party service providers, our POs and approved participants and our customers may be vulnerable to cyber risks, including unauthorized access, computer viruses and other security issues. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations which could damage the integrity of our markets and data provision, any of which could have a material adverse effect on our business, financial condition and results of operations. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. Although we intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower trading volume and have a material adverse effect on our business, financial condition and results of operations.

Interface/Dependency Risk

We Depend on Adequate Numbers of Customers

If we determine that there is not a fair market, the markets will be shut down. There will not be a fair market if too few POs, or approved participants are able to access our cash equity or derivatives exchanges, including market data information generated from these exchanges, or if too few contracting parties are able to access NGX's market. If trading on our exchanges is interrupted or ceases, it could materially adversely affect our equity, derivatives or energy operations, our financial condition and our operating results.

Our Trading Operations Depend Primarily on a Small Number of Clients

During 2011, approximately 51% of our trading and related revenue on Toronto Stock Exchange and approximately 60% of our trading and related revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange based on volumes traded. Our business, financial condition or operating results could be materially adversely affected if any one of these POs significantly reduced or stopped trading on our exchanges, or if two or more POs consolidated.

Approximately 67% of MX's trading revenue in 2011 was accounted for by the top ten participants based on volume of contracts traded.

Approximately 91% of BOX's trading revenue in 2011 was accounted for by the top ten participants based on volumes traded.

Approximately 45% of NGX's trading and clearing revenue in 2011 was accounted for by the top ten customers.

We Depend on Third Party Suppliers and Service Providers

We depend on a number of third parties, such as CDS, IIROC, data processors, software and hardware suppliers, communication and network suppliers and suppliers of electricity, for elements of our businesses including trading, routing, providing market data and other products and services. These third parties may not be able to provide their services without interruption, or in an efficient, cost-effective manner. In addition, we may not be able to renew our agreements with these third parties on favourable terms or at all. These third parties also may not be able to adequately expand their services to meet our needs. If a third party suffers an interruption in or stops providing services and we cannot make suitable alternative arrangements, or if we fail to renew certain of our agreements on favourable terms or at all, our business, financial condition or operating results could be materially adversely affected.

Currency Risk

We Are Subject to Fluctuations in Exchange Rates

We are exposed to foreign currency risk on cash and cash equivalents, trade receivables and trade payables, principally denominated in U.S. dollars. We are also exposed to foreign currency risk on revenue and expenses where we invoice or procure in U.S. dollars. At December 31, 2011, cash and cash equivalents and trade receivables net of current liabilities, excluding BOX, include U.S. $18.5 million (compared with U.S. $20.8 million at December 31, 2010) and GBP £0.4 million (compared with GBP £nil at December 31, 2010), which are exposed to changes in the U.S.-Canadian dollar and GBP-Canadian dollar exchange rates. In addition, net assets related to BOX and TMX Atrium are denominated in U.S. dollars and Euros, respectively, and the effect of exchange rate movements on TMX Group's share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise and a 10% decline in the Canadian dollar compared to the U.S dollar, GBP, and Euro on these transactions as at December 31, 2011 is a $1.9 million decrease or increase in income before income taxes, respectively. The approximate impact of a 10% rise and a 10% decline in the Canadian dollar compared to the U.S dollar, GBP, and Euro on these transactions as at December 31, 2011 is a $7.6 million decrease or increase in other comprehensive income respectively.

We do not currently employ hedging strategies and therefore significant moves in exchange rates, specifically a strengthening of the Canadian dollar against the US dollar can have an adverse affect on the value of our revenue, expenses, or assets in Canadian dollars.

Credit Risk

We Could Suffer Losses as a Result of NGX's Clearing Activities

NGX is the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. By providing a clearing and settlement facility, NGX is subject to the risk of a counterparty defaulting simultaneously with an extreme market price movement. NGX manages this risk by applying standard rules and regulations, and using a conservative margining regime based on globally-accepted margin concepts. This margining regime involves valuing the market stress of client portfolios in real-time and requiring participants to deposit liquid collateral in excess of those valuations. NGX conducts market stress scenarios regularly to test the ongoing integrity of its clearing operation. NGX also relies on established policies, instructions, rules and regulations as well as procedures specifically designed to actively manage and mitigate risks. There is no assurance that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default.

To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank which includes a US$100.0 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million. In addition, NGX has covenanted under the agreement to maintain a minimum of $9.0 million of tangible net assets. If NGX suffers a loss on its clearing operations, it could lose its entire net worth. The bank could also realize up to a maximum of US$100.0 million on our unsecured guarantee, to the extent required to cover the loss.

NGX faces operational and other risks associated with the clearing business, which, if realized, could materially affect its business and operating results.

We cannot assure that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default.

We Could Suffer Losses as a Result of CDCC's Clearing Activities

CDCC acts as the central counterparty of all transactions executed on MX's markets and on some OTC products. As a result, CDCC is exposed to the risk of default of its clearing members. CDCC primarily supports the risk of one or more counterparties, meeting strict financial and regulatory criteria, defaulting on their obligations, in which case the obligations of that counterparty would become the responsibility of CDCC. This risk is greater if market conditions are unfavourable at the time of the default.

In order to manage the risks associated with the default of its clearing members, CDCC's principal technique is the collection of risk-based margin deposits in the form of cash, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be seized and would then be available to apply against the costs incurred to liquidate or transfer the clearing member's positions.

CDCC's margining system is complemented by a Daily Capital Margin Monitoring (DCMM) process that permits it to evaluate the ability of a clearing member to meet its margining requirements. On a daily basis, CDCC monitors the margin requirement of a clearing member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100%. The additional margin is equal to the excess of the ratio over 100%.

CDCC also maintains a clearing fund through deposits of cash and highly liquid securities from all clearing members. The aggregate level of clearing funds required from all clearing members must cover the worst loss that CDCC could face if one counterparty was failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund. From a legal perspective, the maximum loss that we could face is limited to CDCC's net worth.

We cannot assure that these measures will be sufficient to protect us from a default or that our business, financial condition and results of operations will not be materially adversely affected in the event of a significant default.

Our Derivatives Business Could be Harmed by a Systemic Market Event

In case of sudden, large price movements, certain market participants may not be able to meet their obligations to brokers who, in turn, may not be able to meet their obligations to their counterparties. The impact of such an event could have a material adverse effect on CDCC's business. In such cases, it could be possible that clearing members default with CDCC. As referred to in the **Credit Risk – CDCC** section CDCC would use its risk management mechanisms to manage such a default. In extreme situations such as large scale market price moves or multiple defaults occurring at the same time, all these mechanisms may prove insufficient to cover losses and this would result in a loss.

Litigation/Legal/Regulatory Proceedings Risk

We Are Subject to Risks of Litigation and Regulatory Proceedings

Some aspects of our business involve risks of litigation. Dissatisfied customers, among others, may make claims with respect to the manner in which we operate or they may challenge our regulatory actions, decisions or jurisdiction. Although we benefit from certain contractual indemnities and limitations on liabilities, these rights may not be sufficient. In addition, with the introduction of civil liability for misrepresentations in our continuous disclosure documents and statements and the failure to make timely disclosures of material changes in Ontario and certain other jurisdictions, dissatisfied shareholders can more easily make claims against us. We could incur significant legal expenses defending claims, even those without merit. If a lawsuit or claim is resolved against us, it could materially adversely affect our reputation, business, financial condition and operating results.

Integration Risk

We Face Risks Associated with Integrating the Operations, Systems and Personnel of New Acquisitions

As part of our strategy to sustain growth, we have and expect to continue to pursue appropriate acquisitions of other companies and technologies. An acquisition will only be successful if we can integrate the acquired businesses' operations, products and personnel; retain key personnel; and expand our financial and management controls and our reporting systems and procedures to accommodate the acquired businesses. It is possible that integrating an acquisition could result in less management time being devoted to other parts of our core business. If an investment, acquisition or other transaction does not fulfill expectations, we may have to write down its value in the future or sell at a loss.

Business Continuity/Geopolitical Risk

Geopolitical and Other Factors Could Interrupt Our Critical Business Functions

The continuity of our critical business functions could be interrupted by geopolitical upheaval, including terrorist, criminal, political and cyber, or by other types of external disruptions, including human error, natural disasters, power loss, telecommunication failures, theft, sabotage and vandalism. Given our position in the Canadian capital markets, we may be more likely than other companies to be a target of such activities.

We have a series of integrated disaster recovery and business continuity plans for critical business functions to mitigate the risk of an interruption. We currently maintain duplicate facilities to provide redundancy and back-up to reduce the risk and recovery time of system disruptions for key systems at Toronto Stock Exchange, TSX Venture Exchange, MX, CDCC, BOX and NGX. However, not all systems are duplicated, and any major disruption may affect our existing and back-up facilities. Any interruption in our services could impair our reputation, damage our brand name, and negatively impact our financial condition and operating results.

Intellectual Property Risk

We May Be Unable to Protect Our Intellectual Property

To protect our intellectual property rights, we rely on a combination of trade-mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements, and other contractual arrangements with our affiliates, customers, strategic partners, and others. This protection may not be adequate to deter others from misappropriating our proprietary information. We may not be able to detect the unauthorized use of, or take adequate steps to enforce, our intellectual property rights. We have registered, or applied to register, our trade-marks in Canada and in some other jurisdictions. If we fail to protect our intellectual property adequately, it could harm our brand, affect our ability to compete effectively and may limit our ability to maintain or increase information services revenue. It could also take significant time and money to defend our intellectual property rights, which could adversely affect our business, financial condition, and operating results.

We license a variety of intellectual property from third parties. Others may bring infringement claims against us or our customers in the future because of an alleged breach of such a license. If someone successfully asserts an infringement claim, we may be required to spend significant time and money to develop or license intellectual property that does not infringe upon the rights of that other person or to obtain a license for the intellectual property from the owner. We may not succeed in developing or obtaining a license on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if it is successful.

Corporate Structure Risk

We May Not be Able to Meet Cash Requirements Because of Our Holding Company Structure and Restrictions on Paying Dividends

As a holding company, our ability to meet our cash requirements and pay dividends on our shares depends in large part upon our subsidiaries paying dividends and other amounts to us. Our subsidiaries must comply with corporate and securities laws and with their agreements before they can pay dividends to us. In particular, the recognition order of TSX Inc. provides that if TSX Inc. fails to maintain any of its financial viability tests for more than three months, TSX Inc. will not, without the prior approval of the Director of the OSC, pay dividends (among other things) until the deficiencies have been eliminated for at least six months or a shorter period of time as agreed by OSC staff. In addition, the recognition order of MX imposes similar restrictions on the payment of dividends. If MX fails to meet the financial viability ratios for more than three months, MX will not, without the prior approval of Quebec's AMF, pay dividends (among other things) until the deficiencies have been eliminated for at least six months.

Restrictions on Ownership of TMX Group Shares May Restrict Trading and Transactions

Under the Securities Act (Ontario) and related regulations and orders, and pursuant to an undertaking we provided to the AMF as a condition to obtaining approval of the combination with MX, no person or company may own or exercise control or direction over more than 10% of any class or series of our voting shares, without obtaining the prior approval of the OSC and the AMF. Each of the OSC and the AMF will have complete discretion to grant its approval and may also change the 10% threshold in the future. A shareholder (or shareholders acting together) who contravenes these provisions may have its shares redeemed and have dividend and voting entitlements on its shares suspended. These restrictions may discourage trading in and may limit the market for our shares, may discourage potential acquisition and strategic alliance proposals, and may prevent transactions in which our shareholders could receive a premium for their shares.

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 such forward-looking information in this MD&A include, but are not limited to, factors relating to stock, derivatives and energy exchanges and clearing houses and the business, strategic goals and priorities, market condition, pricing, proposed technology and other initiatives, financial condition, operations and prospects of TMX Group, which are subject to significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; failure to implement our strategies; regulatory constraints; risks of litigation or regulatory proceedings; dependence on adequate numbers of customers; failure to develop, market or gain acceptance of new products; currency risk; adverse effect of new business activities; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence on third party suppliers and service providers; dependence of trading operations on a small number of clients; risks associated with our clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group shares; inability to protect our intellectual property; adverse effect of a systemic market event on our derivatives business; risks associated with the credit of customers; cost structures being largely fixed; risks associated with integrating the operations, systems, and personnel of new acquisitions; and dependence on market activity that cannot be controlled.

The forward looking information contained in this MD&A is presented for the purpose of assisting readers of this document in understanding our financial condition and results of operations and our strategies, priorities and objectives and may not be appropriate for other purposes. Actual results, events, performances, achievements and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions in connection with the ability of TMX Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar - Canadian dollar exchange rate), 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 & development activities; the successful introduction and client acceptance of new products; successful introduction of various technology assets and capabilities; the impact on TMX Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items is contained in this MD&A under the heading **Risks and Uncertainties**.