

TMX Group Limited

2012 Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 5, 2013

This management's discussion and analysis (MD&A) of TMX Group Limited's (TMX Group), formerly Maple Group Acquisition Corporation (Maple), financial condition and financial performance is provided to enable a reader to assess our financial condition, material changes in our financial condition and our financial performance, including our liquidity and capital resources, for and as at the year ended December 31, 2012 compared with the year ended December 31, 2011.

This is TMX Group's first annual MD&A following its completion of the two-step acquisition of TMX Group Inc. on September 14, 2012 and the acquisitions of The Canadian Depository for Securities Limited (CDS) and Alpha Trading Systems Inc. and Alpha Trading Systems Limited Partnership (collectively, Alpha) on August 1, 2012 (collectively, the Maple Transaction). The TMX Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board and include the operating results of TMX Group Inc., CDS and Alpha from August 1, 2012. Comparative financial statements for, and as at, the year ended December 31, 2011 include TMX Group Limited only.

Maple was a special acquisition corporation. The most significant aspect of the Maple Transaction was the purchase of TMX Group Inc., which was the publicly traded company. The approach taken in this MD&A is intended to provide readers with a more complete view of the operating performance and cash flows of TMX Group. Our discussion of revenue, operating expenses, net income attributable to non-controlling interests and cash flows for the year ended December 31, 2012 includes the operating results of TMX Group Inc. from January 1, 2012 along with those of CDS and Alpha from August 1, 2012. These measures are compared with TMX Group Inc. for the year ended December 31, 2011. For the most part, the operational comparison has been prepared as if TMX Group Inc. acquired CDS and Alpha on August 1, 2012. Management believes that this is the most meaningful presentation for the purpose of discussion of our results of operations and cash flows. Because Q4/12 was the first full quarter for TMX Group Limited, following the completion of the Maple Transaction, we are also providing a detailed Results of Operations for TMX Group Limited for the period from October 1, 2012 to December 31, 2012 compared with October 1, 2011 to December 31, 2011 for TMX Group Inc.

Our financial statements for the year ended December 31, 2012 and our MD&A are 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 is available through www.sedar.com and on our website, www.tmx.com. We are not incorporating information contained on this website in this MD&A.

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

- The Maple Transaction
- Overview of the Business - a discussion of our business segments and key revenue drivers;
- Vision and Corporate Strategy - our vision and strategic initiatives for future growth;
- 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 results;
- 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, an evaluation of our disclosure controls and procedures and 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.

THE MAPLE TRANSACTION

Maple was incorporated under the laws of the Province of Ontario on April 28, 2011, and was formed to acquire all of the issued and outstanding common shares of TMX Group Inc., while preserving a publicly-traded exchange and clearing group focused on the Canadian capital markets. The investors in Maple (the Investors) include five of Canada's largest public pension funds, four Canadian bank-owned investment dealers, or their affiliates, a Canadian independent broker-dealer, Canada's largest financial cooperative group and a leading Canadian-based global financial services group. The Investors are comprised of Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Desjardins Financial Corporation, Dundee Capital Markets Inc., Fonds de solidarité des travailleurs du Québec (F.T.Q.), The Manufacturers Life Insurance Company, National Bank Financial & Co. Inc., an affiliate of National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and 1802146 Ontario Limited, an affiliate of TD Securities Inc.

On June 13, 2011, Maple made a formal offer, as subsequently varied and extended (the Maple Offer), to purchase a minimum of 70% to a maximum of 80% of the outstanding common shares of TMX Group Inc. for \$50.00 in cash per TMX Group Inc. share. The Maple Offer was part of an integrated acquisition transaction to acquire 100% of the TMX Group Inc. outstanding common shares (the Maple Acquisition) involving the first step Maple Offer followed by a second step share exchange transaction pursuant to a court-approved and shareholder-approved plan of arrangement

(the Subsequent Arrangement) under which the remaining TMX Group Inc. shares (other than those held by Maple) were exchanged for common shares of Maple (each a TMX Group Limited Share) on a one-for-one basis.

On July 31, 2012, Maple took up 80% of TMX Group Inc. shares under the Maple Offer and extended the offer for an additional ten days. On August 10, 2012, Maple acquired a total of 59,759,757 TMX Group Inc. common shares, representing 80% of all TMX Group Inc. common shares outstanding on that date. On August 1, 2012, Maple completed the acquisitions of each of CDS and Alpha (collectively, the CDS and Alpha Acquisitions, individually the CDS Acquisition and the Alpha Acquisition). Maple completed the CDS Acquisition for aggregate cash consideration of \$167.5 million.

The aggregate purchase price payable by Maple under the agreement to acquire all of the outstanding equity interests in Alpha was \$175.0 million. However, some securityholders of Alpha were entitled to seek payment from Maple of the fair value of the Alpha securities held by it pursuant to a binding arbitration process. On July 25, 2012, Maple received a request for arbitration in accordance with the terms and conditions of the agreement from holders holding approximately 26% of the equity interests in Alpha. In no event will the arbitration process result in a price payable below a pro rata portion of \$175.0 million. The exercise of these arbitration rights may result in Maple being required to pay additional consideration for the Alpha Acquisition in excess of the Alpha purchase price to those holders. Maple changed its name to TMX Group Limited on August 10, 2012.

On September 14, 2012, TMX Group Inc. and TMX Group completed the second step Subsequent Arrangement. Pursuant to the Subsequent Arrangement, TMX Group acquired 14,939,964 common shares of TMX Group Inc. representing all of the outstanding TMX Group Inc. shares (other than the 59,759,757 TMX Group Inc. shares already held by TMX Group) in exchange for common shares of TMX Group, on a one-for-one basis. As a result, TMX Group Inc. is a wholly-owned subsidiary of TMX Group.

As at December 31, 2012, there were 53,763,464 common shares issued and outstanding in TMX Group. While in aggregate the Investors own a significant portion of the common shares outstanding of TMX Group, under the recognition order, no person or combination of persons acting jointly or in concert is permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of TMX Group without the prior approval of the Ontario Securities Commission (OSC) and the Autorité des marchés financiers (AMF).

Integration¹

The process of integrating TMX Group Inc., CDS and Alpha has begun. We are targeting to achieve annual cost synergies of approximately \$20.0 million (net of incremental costs of regulation), on a run-rate basis in the first quarter of 2014. The preliminary estimate of the one-time costs to achieve these synergies is \$24.0 million. In October 2012, we announced that, as a result of these integration plans, we will eliminate approximately 100 positions across TMX Group over the course of the next 12 months, some of which are currently vacant. Affected employees were notified and expenses related to severance, expected to amount to approximately \$8.4 million, were recognized

¹ The “*TMX Group Integration and Business Strategies*” 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.






































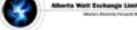

in the year ended December 31, 2012. Further, during Q4/12, we recognized provisions for onerous contracts as a result of various integration activities. Total integration costs amounted to \$12.8 million during the period ended December 31, 2012. The one-time cost estimates and the targeted synergies will be further refined as we execute our integration plan. These synergies are expected to come from consolidation of existing operations and realization of efficiencies in overlapping functions. From a business perspective, we are working to incorporate Alpha into our suite of trading and market data products in order to enhance the value of trading on our equity markets and are focused on maintaining leading standards of customer service at CDS and Alpha throughout the integration process. As part of our integration plan, we will move Alpha into existing TMX Group Inc. data centres, and have decided not to pursue a listings strategy for Alpha. Regulatory approvals for the Alpha and CDS integrations have been received. Participants in the Alpha market have been notified of our plan to migrate Alpha to TMX's Quantum trading system by the end of Q2/13.

OVERVIEW OF THE BUSINESS

Summary

TMX Group's businesses operate equities, fixed income, derivatives and energy markets. We provide services encompassing listings for our issuers, trading, clearing, settlement and depository facilities, data delivery solutions and products as well as technology services for the international financial community.

TMX Group Limited

	Issuer Services	Trading	Clearing & Settlement	Depository	Information services	Technology services & other
Cash Equities	   	   			   	   
Cash Fixed Income		 	 			
Derivatives		  			 	 
Commodities		  	 			

*47.0% interest. **53.6% interest.

Our business is represented by the following entities:



- Toronto Stock Exchange (TSX) is Canada's senior equities market, providing issuers with a venue for raising capital and providing domestic and international investors with the opportunity to invest in and trade those issuers' securities.



- TSX Venture Exchange (TSXV) is Canada's premier junior listings market, providing companies at the early stages of growth the opportunity to raise capital and providing investors the opportunity to invest in and trade those issuers' securities.



- TMX Select is a 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.



- Alpha is Canada's newest exchange for equities trading. Alpha offers a continuous limit order book and a non-displayed trading facility, Alpha IntraSpread, featuring price improvement during continuous trading hours.



- CDS is Canada's national securities depository, clearing and settlement hub. CDS supports Canada's equity, fixed income and money markets and is accountable for the safe custody and movement of securities, accurate record keeping, the processing of post-trade transactions, and the collection and distribution of entitlements relating to securities deposited by participants.



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



- Shorcan Brokers Limited (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 indirectly own 47%. CanDeal provides online access to a large pool of liquidity for Canadian government bonds, money market instruments and interest rate swaps.



(53.8% Ownership)



- 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.
- Canadian Derivatives Clearing Corporation (CDCC) offers clearing and settlement services for all MX transactions and certain over-the-counter (OTC) derivatives, including fixed income repurchase and reverse repurchase agreement (REPO) transactions. It is the only clearinghouse in North America to offer clearing services on equity options, futures, and options on futures products.
- MX has an indirect 53.8% ownership interest in BOX Market LLC, (BOX), a U.S. equity options market for which MX is also the technical operator and technology developer.
- 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.
- Shorcan Energy Brokers Inc. (Shorcan Energy Brokers) is an inter-participant brokerage facility for matching buyers and sellers of crude oil products.
- TMX Datalinx, our information services division, sells real time data, data delivery services and other market information to a global customer base.
- PC-Bond offers the leading Canadian fixed income DEX indices and PC-Bond analytics applications.
- TMX Atrium is a leading provider of low-latency network and infrastructure solutions for the Global financial community.
- TMX Technology Solutions provide software and consulting services to various segments of the financial services industry. These technology products include recognized brands such as, SOLA for the derivatives market and Razor Risk Technologies Limited (Razor Risk) which provides risk management software.

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

Q4/12 Revenue \$181.1M	Cash Markets								Derivatives Markets			Energy Markets		CDS
	TSX	TSXV	TMX Select	Alpha	Equicom	Shorcan Fixed Income	PC Bond	TMX Atrium	MX	BOX	CDCC	NGX	Shorcan Energy Brokers	CDS
Issuer Services \$52.2M	√	√			√									√
Trading, Clearing & Depository \$74.5M	√	√	√	√		√			√	√	√	√	√	√
Information Services \$47.3M	√	√	√	√			√	√	√	√		√		√
Technology Services & Other \$7.1M	√			√					√					√

VISION AND CORPORATE STRATEGY²

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, expand horizontally and vertically and leverage our competitive advantages abroad.

- Enhance our core business domestically by maintaining superior technology, identifying new means and sources of order flow, developing new innovative products and services, adjusting prices for commoditized offerings and maintaining relationships with key clients.
- Expand horizontally and vertically to diversify our revenue base, either organically or through M&A:
 - Horizontally: achieve leadership position in all exchange tradable asset classes and product types in Canada.
 - Vertically: into listed issuer services, new post trade services, risk management services, transaction and information services, and software solutions.
- Leverage our competitive advantages abroad: to attract issuers and trading participants to become the leading global exchange group for small to medium sized enterprises (SMEs) and resource companies, and to sell data, technology and services.

²The "Vision and Corporate Strategy" 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 Group Business Strategies

Issuer Services

- Enhance relationship management and customer service.
- Continue international growth through increased business development efforts in target markets.
- Expand the TMX product and service offering and grow non-traditional revenue sources for the equity marketplaces.

Equity and Fixed Income Trading, Clearing, Settlement and Depository

- Strengthen equity trading customer relationships and service through enhanced services and product responsiveness.
- Attract additional new equity trading business and strengthen international relationships through enhanced business development efforts.
- Continued development of core and new technologies capabilities, including TMX Quantum XA.
- Incorporate Alpha Exchange products into the TMX product suite.
- Grow fixed income product base (including REPOs, Overnight Index Swaps and Swaps), expand client base and accelerate electronic trading.
- Implement initiatives to increase liquidity for both cash and futures markets and develop linkages between asset classes including cross margining.
- Modernize and streamline CDS's ability to process corporate actions.
- Expand CDS's core capabilities and customer base both organically and through partnerships.
- Comply with new national and international regulatory requirements for financial market infrastructure providers.

Derivatives Trading and Clearing

- Maximize international and institutional participation in our markets.
- Expand breadth of product and service offerings to capitalize on OTC reform and global demand.
- Build retail derivatives trading community in Canada.
- Expand BOX positioning within the U.S. options market.

Energy Trading and Clearing

- Help shape and capitalize on the upcoming regulatory changes.
- Position NGX to help the market transition to and comply with proposed regulatory changes.
- Develop new products and expand/enter into new markets by adding additional points of distribution.
- Continue to enhance the clearing system with technological upgrades and margin efficiency improvements.
- Pursue data opportunities.

Information Services

- Acquire global multi-asset content and add value across asset classes: integrate products and operations of Alpha and CDS, add analytics to TMX data, enhance mobile access to TMXmoney and identify wealth management opportunities.
- Provide data delivery solutions: enrich data feeds, expand TMX Atrium locations, broaden service related to co-location offerings, including client hosting solutions in other markets around the world.
- Enhance sales capabilities: cross-train all sales teams to sell full suite of products globally.

Technology Solutions

- Commercialize existing technology, particularly related to risk management.
- Accelerate, enable, and extend our existing technology solutions, including through acquisitions.
- Gain cost effective, established global presence in major financial centers, including through partnerships.

Corporate Development³

There continues to be considerable corporate development activity in the exchange sector. As part of our strategic planning process, management regularly assesses strategic alternatives available to further enhance our competitive position in Canada and the global capital markets. We remain committed to exploring opportunities for growth, both organically as well as in other ways (e.g. acquisitions, investments, joint ventures, partnerships or business combinations) that both fit our strategic plans and provide shareholder value. As part of that process, we may become actively engaged in discussions regarding potential transactions, some of which, if completed, could be

³ The “*Corporate Development*” 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.

material. However, there can be no assurance that any of these projects would proceed and each of them would be subject to the approval of the TMX Group Board.

MARKET CONDITIONS⁴

Market Conditions in 2012

In Q4/12 and throughout 2012, broad market uncertainty affected global business and negatively impacted exchanges around the world, resulting in a continued slowdown in new listings and equity trading activity. The European debt crisis, uncertain recovery of the U.S economy and a low Canadian interest rate environment had adverse effects on various areas of our business. Despite the recent legislation to partially resolve the U.S. fiscal cliff, there remains near term debt and budget challenges that indicate renewed growth could be slow. In addition, the Bank of Canada recently indicated that higher interest rates are now less imminent because Canada's economy is expanding slower than it had forecast a few months ago.

In addition, an increase in the North American supply of natural gas and slower growth of demand has led to lower natural gas prices and less price volatility which contributed to lower volumes on NGX in 2012. NGX's business of trading and clearing physical natural gas, electricity and crude oil contracts and Shorcan Energy Brokers' business face competition primarily 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.

We operate in the highly competitive exchange industry, both domestically and internationally. In addition to competing with North American ATSS and exchanges directly for trading volumes of our listed and interlisted issuers, we also compete internationally with global marketplaces for investment capital and order flow. In Q4/12, total equity volumes traded decreased significantly from Q4/11 levels in North America, including on our exchanges. Revenue from CDS's clearing and settlement operations are also dependent on trading activity on Canadian equity marketplaces. Exchange trades and cross border transactions processed by CDS decreased while non-exchange transactions cleared increased somewhat in the period from August 1, 2012 to December 31, 2012 compared with the same period in 2011 (see **Results of Operations**).

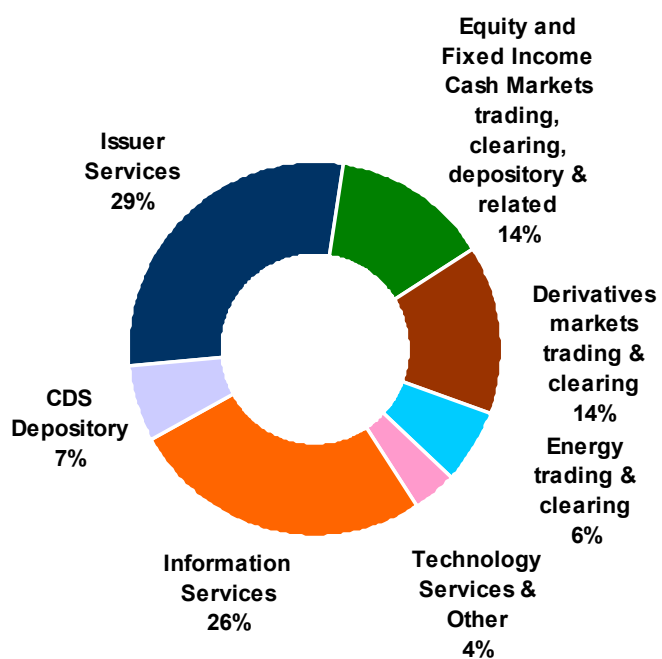
In the first half of 2012, there had been an increase in the use of derivative instruments, which had offset some of the negative impacts on some of our cash markets business. In the second half of 2012, activity in our derivatives business decreased compared with the same period in 2011 (see **Results of Operations**). This may continue, particularly for interest rate swaps, given the recent comments by the Bank of Canada.

⁴ The "Market Conditions" 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.

OUR BUSINESS

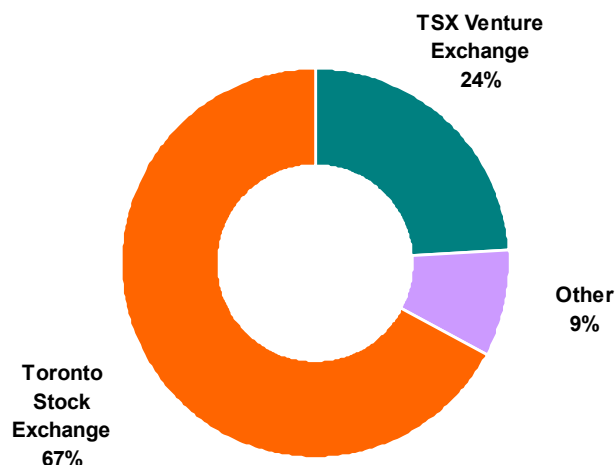
We derive revenue primarily from issuer services, trading, clearing, settlement and depository and information services.

Three months ended December 31, 2012
Total Revenue of \$181.1 million



Issuer Services

Three months ended December 31, 2012 Issuer services revenue of \$52.2 million



Overview and Description of Products and Services

We carry out our core listings operations through Toronto Stock Exchange, our senior market, and TSX Venture Exchange, our junior market. TSX Venture Exchange also provides a market called NEX⁵ for issuers that have fallen below TSX Venture Exchange's ongoing listing standards.

In general, issuers initially list on Toronto Stock Exchange in connection with their Initial Public Offerings (IPOs), by graduating from TSX Venture Exchange or by seeking a secondary listing in addition to a current listing venue. Junior companies generally list on TSX Venture Exchange either in connection with their IPOs or through alternative methods such as TSX Venture Exchange's Capital Pool Company (CPC) program or Reverse Takeovers (RTOs).

The CPC program provides an alternative, two-phased process 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 growth and development stage companies to invest in and when an appropriate fit is identified, they complete a business combination known as a Qualifying Transaction (QT).

Issuers list a number of different types of securities including conventional securities such as common shares, preferred shares, rights and warrants, and a variety of alternative types of structures such as exchangeable shares, convertible debt instruments, limited partnership units as well as exchange traded funds (ETFs) and structured products such as investment funds.

⁵ Unless otherwise indicated, market statistics and financial information for TSX Venture Exchange includes information for NEX.

There are many benefits of being listed on Toronto Stock Exchange or TSX Venture Exchange, including opportunities to efficiently access public capital, providing liquidity for existing investors, numerous products, such as TSX InfoSuite, 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 global leader in listing SMEs, as well as issuers in the Clean Technology sector.

Toronto Stock Exchange and TSX Venture Exchange were first in the world among global exchanges by number of new listings for the fourth consecutive year. The ranking was part of a report from the World Federation of Exchanges (WFE) as of December 31, 2012.

Toronto Stock Exchange welcomed 132 new issuers, including 28 graduates, and TSX Venture Exchange welcomed 161 new issuers for a total of 293 new listings in 2012. TMX Group was third in the world for new international listings in 2012, with 31, as compared to 33 at London Stock Exchange Group and 32 at NYSE Euronext.

TMX Group's equity exchanges also ranked third in the world for equity capital raised, according to the WFE. Issuers listed on Toronto Stock Exchange and TSX Venture Exchange raised a combined \$56.5 billion in 2012 (\$50.5 billion on Toronto Stock Exchange and \$6.0 billion on TSX Venture Exchange). TMX Group's equity exchanges were behind only NASDAQ OMX, which was ranked second and NYSE Euronext, which was ranked first. TMX Group moved up from 2011 when it was sixth in the world.

Our subsidiary Equicom provides investor relations and corporate communications services.

CDS Clearing and Depository Services Inc. (CDS Clearing) offers a book-entry-only (BEO) service to issuers. CDS Securities Management Solutions Inc. (CDS Solutions) provides a Registrar and Paying Agent (RPA) service, a Holders of Record Report and a Confirmation of Registered Holdings. In addition, CDS Solutions is the national numbering agency for Canada for International Security Identification Numbers (ISINs) and provides these numbers to issuers upon request.

In December 2011, TSX Inc. completed the acquisition of the assets of ir2020, LLC (ir2020), a U.S.-based shareholder data and targeting solution provider. The ir2020 product has been integrated into our suite of products available to Toronto Stock Exchange and TSX Venture Exchange issuers.

Key Statistics

(see Results of Operations)

Pricing⁶

We generate issuer services revenue primarily from three main 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

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.

Fees charged to issuers vary based on the type of issuer (corporate, structured product or ETF),

Fee Regulation

Prior to becoming effective, changes to Toronto Stock Exchange and TSX Venture Exchange listing fees are filed with the OSC, British Columbia Securities Commission (BCSC) and Alberta Securities Commission (ASC), as required, for a seven-day period. It is possible that the regulators may require more time to review the fee filing, object, or require revisions to the proposed fee changes.

Competition

We compete for listings in North America across a broad range of sectors and also internationally, particularly for SMEs and resource companies. Domestically, we currently compete for junior listings with CNSX.

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

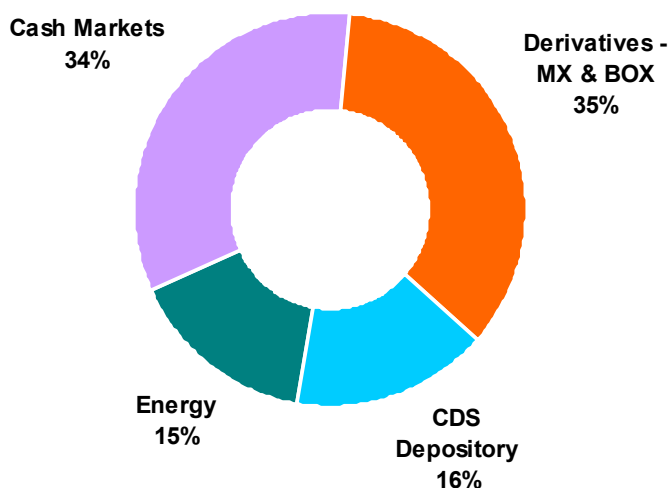
⁶The “Pricing” section above contains certain forward-looking statements. Please refer to “Caution Regarding Forward-Looking Information” for a discussion of risks and uncertainties related to such statements.

TSX Venture Exchange and do not bypass our markets. At December 31, 2012 there were 342 issuers interlisted on other exchanges. There were also 233 issuers quoted on OTCQX, a U.S OTC marketplace. As at December 31, 2012, only 12 Canadian issuers bypassed our markets and were listed solely outside of Canada, compared with 13 at the end of 2011.

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, clearing, depository and related – Toronto Stock Exchange, TSX Venture Exchange, Alpha Exchange, TMX Select, CDS, MX, CDCC, NGX, Shorcan and Shorcan Energy Brokers

Three months ended December 31, 2012
Trading, clearing, depository and related revenue of \$74.5 million



Cash trading, clearing and depository - Toronto Stock Exchange, TSX Venture Exchange, Alpha Exchange, TMX Select, Shorcan and CDS

Overview and Description of Products and Services⁷

Equities - Trading

Trading on Toronto Stock Exchange, TSX Venture Exchange, TMX Select and Alpha Exchange 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 Participating Organizations (POs) who act as principals or agents. Toronto Stock Exchange, TSX Venture Exchange, and Alpha Exchange sessions begin with the market open in an auction format. Toronto Stock Exchange and TSX Venture Exchange continuous sessions end with a closing

⁷ The “**Overview and Description of Products and Services**” 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.

auction which establishes the benchmark closing price for our listed issues. Extended trading sessions after the close on Toronto Stock Exchange, TSX Venture Exchange, and Alpha Exchange allow trades to occur at the closing price, while TMX Select continues to support continuous trading during this time. Non-displayed trading offering price improvement during continuous trading hours also occurs through Alpha Exchange's IntraSpread facility and Toronto Stock Exchange and TSX Venture Exchange non-displayed order types. Trading also occurs through crosses in which POs internally match orders and report them through the exchanges.

On October 5, 2012, the OSC approved Alpha Exchange's amendments to the functionality of IntraSpread. The changes were being made in order to bring IntraSpread's functionality into compliance with Universal Market Integrity Rules provisions respecting dark liquidity effective October 15, 2012. The amendments included the removal of dark orders that provide price improvement of 10% over the best bid and offer and the extension of functionality for active orders so that they can trade with eligible dark and visible orders in the Alpha Exchange order book while not trading through better priced orders on other markets.

In Q1/12, we announced a major step forward in our core technology capability, TMX Quantum XA, which will result in dramatically improved latency and throughput as well as more efficient order processing. We expect to launch it on TMX Select in early Q3/13 followed by implementation on Toronto Stock Exchange, TSX Venture Exchange and Alpha Exchange in 2014, with completion by the end of 2014, subject to regulatory approval.

In Q3/12, we announced that we will be offering equity trading customers a comprehensive pre-trade risk management solution. The TMX Pre-trade Risk Management Solution will provide clients with the seamless connectivity and technology needed for high performance pre-trade risk-filtered access to all Canadian equity marketplaces.

This product is designed to assist our participants in managing the risks associated with electronic trading and to help comply with the upcoming regulatory and risk management obligations. By utilizing the TMX fully managed hosted service, participants can avoid the significant time, costs, and resourcing associated with implementing and supporting our pre-trade risk management technology.

Equities and Fixed Income – Clearing, Settlement and Depository

CDS manages the clearing and settlement of trades in both domestic and cross-border depository-eligible securities.

CDS's domestic clearing and settlement services enable participants to report, confirm or match, reconcile, net and settle exchange and OTC traded equity, debt and money market transactions, as well as derivatives transactions in depository-eligible securities (e.g., the processing of rights and warrants and the settlement of exercised options). CDS also offers related services such as buy-ins, risk controls and reporting and facilitates trading in CDSX (CDS's multilateral clearing and settlement system) eligible securities before they are publicly distributed (trades in these securities settle after public distribution).

CDS Depository is accountable for the safe custody and movement of depository-eligible domestic and international securities, accurate record-keeping, processing post-trade transactions, and collecting and distributing entitlements arising from securities deposited by customers.

Key Statistics

(see **Results of Operations**)

Pricing

Equity Trading

We have volume-based fee structures for issues traded on Toronto Stock Exchange, TSX Venture Exchange and Alpha Exchange (except for IntraSpread). There are differences in our fee structures which provide our customers with multiple execution options. The models are 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. Alpha Exchange's IntraSpread and TMX Select offer differentiated features and pricing in our continued efforts to provide quality services to the trading community. The Alpha Exchange's IntraSpread and TMX Select fee models are structured so that market participants are charged for both the active and the passive side of executed orders on a per security basis. All trading revenue is recognized in the month in which the trade is executed.

Equities and Fixed Income – Clearing and Depository

CDS core business includes clearing, settlement and depository services. Clearing activities include the reporting and confirmation of all trade types within CDSX, CDS's multilateral clearing and settlement system. Clearing activities also include the netting and novation of fixed income trades through FINet and exchange trades through CDS's Continuous Net Settlement (CNS) service prior to settlement.

For reported trades, both exchange trades and OTC trades, CDS charges clearing fees to participants on a per trade basis. Subscribers to FINet, CDS's fixed income netting service pay a base fee per business day. For those trades that are netted in either FINet or CNS, settlement fees are charged on the basis of the number of netted trades settled. Settlement fees for those trades that are not netted (i.e., trades that are settled individually on a trade-for-trade (TFT) basis) are charged on a per transaction basis. Depository fees are charged per transaction and custody fees are charged based on a daily average of volume (i.e., number of shares held for equity securities and nominal value held for fixed income securities) and positions held.

Clearing services

Clearing fees are recognized as follows:

- Reporting fees are recognized when the trades are delivered to CDS.
- Netting/novation fees are recognized when the trades are netted and novated.
- Other clearing related fees are recognized when services are performed.

Settlement services

Settlement related fees are recognized when the trade is settled.

Depository services

Depository fees are charged for custody of securities, depository related activities and processing of entitlement and corporate actions and are recognized when the services are performed.

International

International revenue consists of revenue generated through offering links as channels to participants to effect cross-border transactions and custodial relationships with other international organizations. The related fees are recognized as follows:

- Fees are charged to participants based on participant usage of National Securities Clearing Corporation (NSCC) and Depository Trust Company (DTC) services. Participants are sponsored into NSCC and DTC services via the New York Link service and the DTC Direct Link service respectively.
- Custodial fees and other international services related revenues are recognized when the services are performed.

Fee Regulation

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

CDS Recognition Orders

Under the CDS recognition orders granted by the OSC, the AMF and BCSC, fees for services and products offered by CDS Clearing will be those fees in effect on November 1, 2011 (the 2012 base fees).

CDS cannot adjust fees without the approval of the OSC, AMF and BCSC. In addition, we may only seek approval for fee increases on clearing and other core CDS Clearing services (which services are outlined in the OSC and AMF recognition orders) where there has been a significant change from circumstances as at August 1, 2012, the effective date of the recognition orders.

CDS fees cannot have the effect of unreasonably creating barriers to access its services or discriminating between users or marketplaces.

50:50 Rebates on Core CDS Services

For the period starting November 1, 2012 and subsequent fiscal years starting on January 1, 2013, CDS shares with participants, on a 50:50 basis, any annual increases in revenue on clearing and other core CDS Clearing services, as compared to revenues in fiscal year 2012 (the 12 month period ending October 31, 2012). Rebates are paid on a pro rata basis to participants in accordance with the fees paid by such participants for these services.

Additional Rebates

In addition, CDS will rebate an additional amount to participants in respect of exchange clearing services for trades conducted on an exchange or ATS as follows for each year ending October 31:

- \$2.75 million in the 12 month period ending October 31, 2013
- \$3.25 million in the 12 month period ending October 31, 2014
- \$3.75 million in the 12 month period ending October 31, 2015
- \$4.0 million in the 12 month period ending October 31, 2016
- \$4.0 million annually thereafter.

Rebates will be paid on a pro rata basis to participants in accordance with the fees paid by such participants for these services.

Competition and Market Share

There are currently 12 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, liquidity aggregators and smart order routers that also facilitate trading on other venues. New market entrants have fragmented domestic equities market share and we face significant competitive pressure from existing venues, and potential new entrants. In addition, the variety of other marketplaces and trading venues in the United States that trade Canadian securities, including dark markets and internalization facilities, places increasing competitive pressure on our business.

In 2012, our combined monthly average share of volume, including Toronto Stock Exchange, TSX Venture Exchange, TMX Select and Alpha Exchange, was 85% overall, down from the combined monthly average of 87% in 2011, prior to the Maple Transaction.

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 combined market share (including Toronto Stock Exchange, Alpha and TMX Select) of the total volume traded in Canadian based interlisted issues was 41% versus U.S. exchanges in 2012, compared with 45% in 2011 including Alpha. 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, TSX Venture Exchange, Alpha Exchange and TMX Select.

CDS is Canada's only national securities depository, clearing and settlement hub for equity and fixed income securities.

Fixed Income Trading - Shorcan

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.

Key Statistics

(see **Results of Operations**)

Pricing

Shorcan charges a commission on orders that are matched against existing communicated orders.

Regulation

Shorcan is regulated as an Exempt Market Dealer by the OSC and is subject to certain IIROC rules.

Competition

Shorcan has several competitors in the Canadian fixed income IDB market.

Derivatives Trading and Clearing - MX and BOX⁸

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 and clearing and from trading 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 MX's volume in 2012 was represented by three futures contracts - the Three-Month Canadian Bankers' Acceptance Futures contract (BAX), the Ten-Year

⁸ The "Derivatives Trading and Clearing - MX and BOX" 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.

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 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 is one of a number of equity options markets in the U.S., offering an electronic equity derivatives market on over 1,500 options classes. All BOX trade volume is cleared through the Options Clearing Corporation. BOX's unique Price Improvement Period (PIP) auction, an automated trading mechanism which permits brokers to seek to improve executable client orders, remains attractive for customers. In addition, BOX runs on our SOLA technology, a leading-edge technology for equity options. BOX also recently announced the launch of its Complex Order Offering expected to launch (subject to regulatory approval) by the end of Q1/13.

In April 2012, BOX received U.S. Securities and Exchange Commission (SEC) approval of its application for registration as a national securities exchange and, after a corporate reorganization, newly-created BOX Options Exchange LLC began acting as self-regulatory organization (SRO) to BOX on May 14, 2012. We have a 40% economic interest and a 20% voting interest in the new SRO.

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.

On February 21, 2012, CDCC launched the first phase of fixed income central counterparty services with the clearing of REPOs. CDCC's technology and industry specialists worked with the Investment Industry Association of Canada (IIAC), the Bank of Canada and industry stakeholders to develop the infrastructure for central-counterparty services for the Canadian fixed income market. On April 30, 2012, Canadian Derivatives Clearing Service (CDCS), operated by CDCC, was designated by the Bank of Canada as being subject to Bank of Canada oversight under the Payment Clearing and Settlement Act (Canada). From February 21, 2012 through December 31, 2012, CDCC cleared 20,556 REPO transactions, comprised of 131 eligible ISINs with a notional value of \$919.1 billion.

Derivatives-Regulatory Division

MX is an 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

(see Results of Operations)

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 (Clearing Members) pay fees for clearing and settlement, including OTC fixed income and REPO transactions, on a per transaction basis. Fees for fixed income transactions are based on the size and term of the original agreement, and Clearing Members pay a minimum monthly fee. Clearing Members are also eligible for a revenue share arrangement based on annual cleared volumes of REPO transactions. Clearing and settlement revenues other than for REPO transactions 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. Clearing revenue for fixed income REPO agreements is recognized on the novation date of the related transaction.

BOX participants are charged fees per transaction based on the volume of contracts traded. Options Regulatory Fees, based on the number of customer contracts executed by participant firms, are included for the period from January 1, 2012 to May 13, 2012. As of May 14, 2012, these fees are charged by the BOX SRO entity and not consolidated into TMX Group results (see ***Fee Regulation***).

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. Effective July 1, 2012, BOX modified its tiered pricing schedule on trades executed by market makers and broker dealers.

Effective January 2, 2013, BOX amended certain Professional customer fees, including rates for Improvement Orders in the PIP and surcharges for all transactions in options on the Nasdaq-100[®] Index (NDX) and on the Mini-NDX[®] Index (MNX) to align with the fees broker-dealers are currently charged.

In 2012, all of BOX's revenue was billed in U.S. dollars. We do not currently hedge this revenue and therefore it is subject to foreign exchange fluctuations.

Fee Regulation

Prior to becoming effective, changes to MX trading fees and CDCC fees are filed with the AMF for a seven-day period. It is possible that the AMF may require more time to review the fee filing, object, or require revisions to, the proposed fee changes.

Prior to becoming effective, changes to the BOX trading fees are filed with the SEC. It is possible at any point during this process that the regulators may object or require revisions to the proposed fee changes.

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 headquartered 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 3.3% in 2011 to 3.9% in 2012. BOX competes for market share with 10 options exchanges in the U.S.

Energy Trading and Clearing – NGX and Shorcan Energy Brokers⁹

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 North American natural gas and Canadian power with IntercontinentalExchange, Inc. (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 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.

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

Key Statistics

(see **Results of Operations**)

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 customer who maintains a clearing account with NGX. Energy trading and clearing revenue is recognized over the period the relevant services are provided.

In 2012, approximately 42% of NGX revenue was billed in U.S. dollars. We do not currently hedge this revenue and therefore it is subject to foreign exchange fluctuations.

Shorcan Energy Brokers charges a commission on orders that are matched against existing communicated orders.

Fee Regulation

Fee changes are self-certified with the U.S. Commodity Futures Trading Commission (CFTC) and filed with the ASC. On October 5, 2012, NGX clarified its position that NGX cleared energy products are futures contracts under U.S. regulations. Changes to the regulation of exempt commercial markets (ECMs) resulting from the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act) for the first time require identification of NGX's contracts as either futures or swaps. Clearing its energy products as futures contracts under U.S. regulations ensures NGX's continued compliance with U.S. requirements.

⁹ The "**Energy Trading and Clearing – NGX and Shorcan Energy Brokers**" 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.

Subject to regulatory approvals, NGX anticipates registration as a Foreign Board of Trade (FBOT) in Q1/13, replacing NGX's current ECM status. NGX plans to continue clearing futures contracts as a derivative clearing organization (DCO). NGX will continue to clear futures energy contracts traded on NGX as well as clearing OTC energy contracts as futures contracts under its exchange-for-physical and exchange-for-swap rules.

Competition

The NGX business faces trading competition in Canada and the U.S. from competing exchanges, OTC electronic trading platforms and from the OTC voice and bilateral markets. NGX's clearing business faces competition from recognized clearing facilities as well as bilateral credit lines between counterparties in the OTC markets. In 2012, NGX faced continued competition from voice brokers, including Shorcan Energy Brokers, a wholly-owned subsidiary of Shorcan. In September, 2012, CME Group announced the launch of 164 natural gas and 48 power contracts at major North American trading hubs listed as Futures on CME Globex and cleared through CME Clearport, with side-by-side listings on CME Direct.

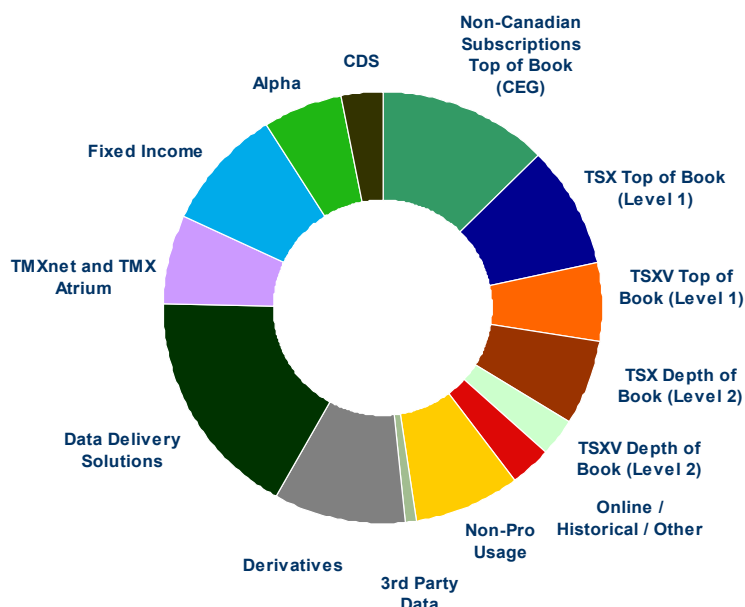
NGX also faces indirect competition from exchanges that provide competing price indices to ETF providers. In 2012, Blackrock discontinued their natural gas ETF for which NGX provided the price index. In addition, NGX had provided clearing services to Blackrock for their natural gas contracts underlying the ETF.

Our alliance with ICE provides access to leading technology and distribution which allows us to compete in the exchange markets and positions us to provide clearing services to the OTC markets. NGX has arrangements with energy voice brokers to provide OTC clearing services for standard off-exchange bilateral energy transactions.

Shorcan Energy Brokers has several competitors in the Canadian crude oil markets.

Information Services - TMX Datalinx, Alpha Exchange, CDS, MX and BOX

Three months ended December 31, 2012
Information services revenue of \$47.3 million



Overview and Description of Products and Services

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

Trading activity on Toronto Stock Exchange, TSX Venture Exchange, TMX Select and Alpha Exchange 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.

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 TMX Quantum Binary Feed provides clients with predictable latency for Level 1 and Level 2 binary data translated to a standard, highly efficient format for Toronto Stock Exchange, TSX Venture Exchange and TMX Select. Alpha Exchange will be available in Quantum Binary Feed format in 2013.

Alpha Market Services Inc. (Alpha Market Services) provides a suite of real-time, low-latency feed products for securities traded on Alpha Exchange. Alpha's real-time products include Alpha Top of Book, which provides Alpha best bid/ask price and aggregated volume and trade information, Alpha Top Five, which displays stocks with the Top 5 price bid and ask price levels with volumes aggregated by price, Alpha Price Depth, which provides the depth of the order book with volumes aggregated by price, and Alpha Full Book which displays order by order information.

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, and through a variety of network carriers and extranets including NYSE Technologies' Secure Financial Transaction Infrastructure[®] (SFTI[®]) NASDAQ OMX Global Data Products.

We also derive information services revenue from MX and BOX.

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, Infrastructure and Managed Services

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.

TMX co-location services offering was introduced in 2008 and has expanded since then. In 2012, we incurred capital expenditures of approximately \$5.4 million associated with building co-location services phase 4 bringing the total number of co-location cabinets to 190, and began generating incremental revenues commencing in Q2/12. At December 31, 2012, over 70% of capacity was contracted or sold.

TMX Atrium is our low latency global financial network which covers 25 points of presence (including the TMX co-location facility) across 11 countries and offers access to multiple marketplaces for all participants in the trading cycle, including exchanges, ATSS, brokers, software vendors and buy-side asset managers.

Index Products – Equities and Derivatives

TMX Datalinx has an arrangement with S&P Dow Jones Indices 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 Dow Jones Indices, we launched the following six new indices in 2012: the S&P/TSX 60 Risk Control, the S&P/TSX Composite Low Volatility Index, the S&P/TSX Composite High Beta Index, the S&P/TSX Preferred Share Laddered Index and the S&P/TSX Equal Weight Global Gold Index, and the S&P/TSX Equal Weight Industrials Index.

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 DEX 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.

CDS Information Services Revenue

CDS Computer Services (Managed Network Services)

Users of CDS Clearing services pay a network services fee to maintain and support network connections to those services.

[†] "S&P" is the trade-mark of Standard & Poor's Financial Services LLC and is used under license. "TSX" is the trade-mark of TSX Inc.

Key Statistics

(see **Results of Operations**)

Pricing

Subscribers to TMX Datalinx and Alpha Market Services 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, TMX Datalinx sells 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 2012, approximately 33% of our information services revenue was billed in U.S. dollars. We do not currently hedge this revenue and therefore it is subject to foreign exchange fluctuations.

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

Fee Regulation

Prior to becoming effective, changes to TMX Datalinx market data fees related to Toronto Stock Exchange, TSX Venture Exchange, TMX Select, Alpha and MX market data and co-location fees are filed with the OSC, BCSC, ASC and the AMF, as required, for a seven-day notice period before becoming effective. It is possible that the regulators may require more time to review the fee filing, object, or require revisions to the proposed fee changes. On November 8, 2012, The Canadian Securities Administrators (CSA) published a consultation paper - *CSA Consultation Paper 21-401 Real-Time Market Data Fees* - that examines the cost of real-time market data. The paper is out for public comment until Feb. 8, 2013.

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 initiatives such as the consolidation of our equities and derivatives data centres and the expansion of our TMX Atrium network and co-location services.

Technology Services and Other Revenue

We provide technology solutions to exchanges and other industry participants around the world. Our team of capital markets technology professionals have extensive industry experience in designing, building, installing and operating trading, risk and related systems at our exchanges as well as other global exchanges. Technology services and other revenue is recognized when the software 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 Q1/12, TMX Australia Pty Ltd, a wholly-owned subsidiary of TMX Group Inc., completed its acquisition of Razor Risk. The acquisition of Razor Risk provides us with a point of entry into the risk management technology sector. Headquartered in Sydney, Razor Risk provides 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.

CDS - SEDAR, SEDI and NRD services

CDS INC. operates the System for Electronic Document Analysis and Retrieval (SEDAR), the System for Electronic Disclosure by Insiders (SEDI), and the National Registration Database (NRD), the electronic database containing information with respect to various registrants under Canadian securities laws.

Revenue related to the operations of the SEDAR, SEDI and NRD services are based on the recovery of the cost of operating these services and include management fees. Revenue is recognized when the services are performed. The current contract is due to expire on October 31, 2013 and a new service provider is being secured to take over these services. We do not expect the operating agreements to be renewed beyond October 31, 2013. Any expenses associated with the wind down of the business operations have not been recorded in the consolidated income statement. Only a portion of the ongoing costs associated with this revenue will be fully eliminated.

CDS Innovations also derives revenue from providing the electronic feeds to SEDAR and SEDI.

Impact of Recognition Orders on Our Business

Constraints on Fees, Fee Models and Incentives

As a result of the various recognition orders issued by the securities regulators with respect to the Maple Transaction (the Final Recognition Orders), we are subject to extensive additional regulation and oversight with respect to, among other things, fees, fee models, discounts and incentives.

With respect to fees charged by TSX Inc., TMX Select Inc. and Alpha Exchange Inc., the OSC has under the Final Recognition Orders the right to require those marketplaces to submit a fee, fee model or incentive that has previously been approved by the OSC for re-approval. In such circumstances, if the OSC decides not to re-approve the fee, fee model or incentive, the previous fee model or incentive must be revoked. This power extends to fees, fee models and incentives that are currently in place for TSX Inc., TMX Select Inc. and Alpha Exchange Inc. and, accordingly, could result in existing fees, fee models and incentives being revoked in the future.

As required by the OSC, by August 31, 2012, TSX Inc., TMX Select Inc. and Alpha Exchange Inc. filed their fee schedules, fee models or other arrangements currently in place that provide any discount, rebate, allowance, price concession or other similar arrangement that is accessible only to, whether as designed or by implication, a class of marketplace participants. This could result, depending on the OSC's response to such filing, in the previous approval of existing fee schedules, fee models, contracts, agreements or other arrangements that meet such criteria being revoked thus prohibiting, as applicable, our ability to offer such discount, rebate, allowance, price concession or other similar arrangement.

With respect to the fees charged by all of our equity marketplaces (TSX Inc., TMX Select Inc., Alpha Exchange Inc. and TSX Venture Exchange Inc.), the Final Recognition Orders also impose prohibitions on arrangements or volume-based discounts or incentives that are accessible only to a particular marketplace participant and also may impose restrictions on arrangements or volume-based discounts or incentives that are accessible only to a class of marketplace participants. Such prohibitions and restrictions may limit the ability of our equity marketplaces to introduce new products in the future or to introduce them on a timely basis, which could materially adversely affect the success of our future strategies, financial condition and results of operations.

Under the CDS recognition orders granted by the OSC, AMF and BCSC, fees for services and products offered by CDS Clearing will be those fees in effect on November 1, 2011 (the 2012 base fees).

CDS cannot adjust fees without the approval of the OSC, AMF and BCSC. In addition, we may only seek approval for fee increases on clearing and other core CDS Clearing services (which services are outlined in the OSC and AMF recognition orders) where there has been a significant change from circumstances as at August 1, 2012, the effective date of the recognition orders.

Increased Cost of Regulation¹⁰

We will also incur increased costs to comply with the additional regulatory requirements that are imposed pursuant to the Final Recognition Orders. These increased costs have been netted against the estimated cost synergies for a net estimate of \$20.0 million (see ***Integration***). The AMF's Final Recognition Order for CDS also requires CDS to reimburse the AMF for the costs and fees incurred by the AMF for the analysis of applications for approval related to fees for CDS Clearing services. In addition, the OSC has proposed amendments to its capital market filing fee structure that are scheduled to come into force on April 1, 2013. When these fees come into effect, increased OSC costs associated with enhanced oversight of TMX Group and its subsidiaries will be recovered from TMX Group and its subsidiaries through new participation and activity fees.

For more information on the regulatory impact on our business, please see the *Maple Notice of Change of Information*, dated July 19, 2012.

¹⁰ The "Increased Cost of Regulation" 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.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2012 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2011

The information in the chart below reflects financial information for TMX Group Limited for the three months ended December 31, 2012, including the operating results of TMX Group Inc., CDS and Alpha and their respective subsidiaries. The comparative financial information for the three months ended December 31, 2011 includes only the accounts of TMX Group Limited.

TMX Group Limited (previously Maple) was formed solely for the purpose of pursuing the Maple Acquisition along with the CDS and Alpha Acquisitions. Prior to the completion of the CDS and Alpha Acquisitions on August 1, 2012 and the take up of 80% of the common shares of TMX Group Inc. on July 31, 2012 under the Maple Offer, TMX Group Limited had no material assets and no history of earnings and had not commenced commercial operations. Management believes that the historical information for TMX Group Limited in this table will be of limited use to investors and other users of our financial information in evaluating the operating performance and cash flows of our company for the comparative periods.

(in millions of dollars, except per share amounts)
(unaudited)

	Q4/12	Q4/11	\$ Increase/ (decrease)
<i>Revenue</i>	\$181.1	-	\$181.1
<i>Operating expenses</i>	\$105.3	-	\$105.3
<i>Net income (loss) attributable to TMX Group shareholders</i>	\$32.8	\$(10.2)	\$43.0
<i>Earnings/(loss) per share[▽]:</i>			
<i>Basic</i>	\$0.61	\$(54.77)	\$55.38
<i>Diluted</i>	\$0.61	\$(54.77)	\$55.38
<i>Cash flows from (used in) operating activities</i>	\$29.8	-	\$29.8

Non-IFRS Financial Measure

Adjusted earnings per share and adjusted diluted earnings per share provided below are Non-IFRS measures and do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. We present adjusted earnings per share and adjusted diluted earnings per share to indicate operating performance exclusive of Maple Transaction costs, integration costs related to the Maple Transaction and the amortization of intangible assets related to acquisitions, which are adjusted because they are not indicative of underlying business performance. Management uses these measures to assess our financial performance, including our ability to generate cash, exclusive of these costs, and to enable comparability across periods.

[▽] Earnings (loss) per share information is based on net income attributable to TMX Group shareholders.

Adjusted Earnings per Share Reconciliation for Q4/12 and Q4/11[°]

The following is a reconciliation of earnings/(loss) per share to adjusted earnings per share[°]:

	Q4/12		Q4/11	
	Basic	Diluted	Basic	Diluted
Earnings/(loss) per share [▽]	\$0.61	\$0.61	(\$54.77)	(\$54.77)
Adjustment:				
Adjustment related to amortization of intangibles related to acquisitions, net of income tax	\$0.16	\$0.16	-	-
Adjustment related to Maple transaction and integration related costs, net of income tax	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$54.80</u>	<u>\$54.80</u>
Adjusted earnings per share [°]	<u>\$0.95</u>	<u>\$0.95</u>	<u>\$0.03</u>	<u>\$0.03</u>

Weighted average number of basic common shares outstanding in Q4/12 53,744,564

Weighted average number of diluted common shares outstanding in Q4/12 53,876,809

SUPPLEMENTARY INFORMATION FOR THREE MONTHS ENDED DECEMBER 31, 2012 COMPARED WITH THREE MONTHS ENDED DECEMBER 31, 2011

The table below contains TMX Group Limited revenue and operating expenses, income from operations and net income attributable to non-controlling interests which include the accounts of TMX Group Limited and the operating results of TMX Group Inc. and its subsidiaries and the operating results of CDS and Alpha and their subsidiaries for the period from October 1, 2012 to December 31, 2012. In order to provide a meaningful discussion of the results of operations in this MD&A, we have compared TMX Group Limited consolidated revenue and operating expenses, income from operations and net income attributable to non-controlling interests of Q4/12 with TMX Group Inc. information of Q4/11. This approach is similar to how the results would be reported if TMX Group Inc. was the acquirer of CDS and Alpha.

This Q4/11 information differs from the TMX Group Limited consolidated financial statements. The TMX Group Limited consolidated financial statements reflect only the accounts of TMX Group Limited during 2011.

[°] See discussion under the heading **Non-IFRS Financial Measure**.

[▽] Earnings (loss) per share information is based on net income attributable to TMX Group shareholders.

(In millions of Canadian dollars) (Unaudited)

	TMX Group Limited Q4/12	TMX Group Inc. Q4/11 ^β
Revenue:		
Issuer services	\$ 52.2	\$ 53.9
Trading, clearing, depository and related	74.5	62.1
Information services	47.3	43.3
Technology services and other	7.1	2.4
REPO interest:		
Interest income	12.3	-
Interest expense	(12.3)	-
Net REPO interest	-	-
Total revenue	181.1	161.7
Expenses:		
Compensation and benefits	42.1	40.1
Information and trading systems	20.1	15.1
General and administration	23.5	18.2
Depreciation and amortization	19.6	7.2
Total operating expenses	105.3	80.6
Income from operations	75.8	81.1
Net income attributable to non-controlling interests	1.9	1.5

Revenue

Revenue was \$181.1 million in Q4/12, up \$19.4 million, or 12% compared with \$161.7 million in Q4/11 due to the inclusion of \$22.4 million of revenue from CDS and \$4.7 million of revenue from Alpha. The increase was partially offset by lower revenue from derivatives trading and clearing, cash markets trading, and issuer services.

Issuer services revenue

(in millions of dollars)

	Q4/12 ^α	Q4/11 ^β	\$ increase/ (decrease)	% increase/ (decrease)
<i>Initial listing fees</i>	\$5.6	\$6.1	(\$0.5)	(8%)
<i>Additional listing fees</i>	\$23.8	\$24.5	(\$0.7)	(3%)
<i>Sustaining listing fees</i>	\$18.0	\$19.9	(\$1.9)	(10%)
<i>Other issuer services</i>	<u>\$4.8</u>	<u>\$3.4</u>	<u>\$1.4</u>	41%
<i>Total</i>	<u>\$52.2</u>	<u>\$53.9</u>	<u>(\$1.7)</u>	(3%)

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

- *Initial listing fees* in Q4/12 were lower primarily due to a 38% decrease in the number of new listings on TSX Venture Exchange (35 in Q4/12 compared with 56 in Q4/11). This decrease was partially offset by a 15% increase in the number of new listings on Toronto Stock Exchange (47 in Q4/12 compared with 41 in Q4/11).
- *Additional listing fees* in Q4/12 decreased compared with Q4/11 mainly due to Toronto Stock exchange where fees for non financing activities were lower (ie. NCIB, filings). An increase in the number of financing related transactions was offset by lower average value of these transactions.
- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual *sustaining listing fees* primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The decrease in sustaining listing fees was due to the overall lower market capitalization of listed issuers on both exchanges (combined \$2,051.1 billion at the end of 2011 compared with \$2,278.1 billion at the end of 2010). The decrease was also due to a reduction in certain fees effective January 1, 2012.
- *Other issuer services* revenue included higher revenue from Equicom, which provides investor relations and corporate communications services and \$0.7 million of revenue from CDS Solutions.

Trading, clearing, depository and related revenue

(in millions of dollars)

	Q4/12 ^α	Q4/11 ^β	\$ increase/ (decrease)	% increase/ (decrease)
<i>Cash markets trading and clearing</i>	\$25.1	\$22.6	\$2.5	11%
<i>CDS Depository</i>	\$12.1	-	\$12.1	-
<i>Derivatives markets trading and clearing</i>	\$25.8	\$27.7	(\$1.9)	(7%)
<i>Energy markets trading and clearing</i>	<u>\$11.5</u>	<u>\$11.8</u>	<u>(\$0.3)</u>	(3%)
<i>Total</i>	<u>\$74.5</u>	<u>\$62.1</u>	<u>\$12.4</u>	20%

Cash Markets

- The increase in *cash markets* equity trading and clearing revenue reflected the inclusion of \$3.9 million of revenue from CDS clearing and settlement revenue. CDS processed 77.1 million exchange trades and 4.4 million non-exchange/OTC trades from October 1, 2012 to December 31, 2012.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

- The increase was also due to \$2.1 million of revenue from Alpha. There were 7.2 billion securities traded on Alpha from October 1, 2012 to December 31, 2012.
- Partially offsetting the increase in *cash markets* equity trading revenue was a 21% decrease in the volume of securities traded on Toronto Stock Exchange in (19.1 billion securities in Q4/12 versus 24.1 billion securities traded in Q4/11); an 11% decrease in the volume of securities traded on TSX Venture Exchange (10.5 billion securities in Q4/12 versus 11.8 billion securities in Q4/11); and a 36% decrease in the volume of securities traded on TMX Select (0.45 billion securities traded in Q4/12 versus 0.70 billion securities in Q4/11).
- The increase in overall *cash markets* revenue was also partially offset by a price decrease in Shorcan fixed income trading that was effective April 18, 2012 which more than offset higher volumes in Q4/12 compared with Q4/11.

CDS Depository

- CDS Depository revenue was \$12.1 million. CDS held a daily average of approximately 321,000 equities positions with an average of 276.2 billion shares and a daily average of approximately 180,000 debt positions with an average par value of \$2.3 trillion on deposit from October 1, 2012 to December 31, 2012.

Derivatives Markets

- The decrease in derivatives markets revenue reflects lower revenues from BOX primarily as a result of a 20% decrease in BOX volumes (29.3 million contracts in Q4/12 versus 36.4 million contracts traded in Q4/11). The decrease was also due to the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q4/12 compared with Q4/11. Revenue from BOX was also higher in Q4/11 due to the inclusion of Options Regulatory Fees. As of May 14, 2012, the fees charged, and the related costs incurred, by the BOX SRO entity are not consolidated into TMX Group results.
- The decrease in derivatives markets revenue for Q4/12 was somewhat offset by fees earned by CDCC for providing the clearing service on REPO transactions as well as bank fees that are charged back to Clearing Members (see **Other Credit and Liquidity Facilities and Guarantee**). This service was launched on February 21, 2012.
- The decrease in derivatives markets revenue was also partially offset by an increase in trading and clearing revenue from MX and CDCC. Volumes increased by 3% over Q4/11 (14.8 million contracts traded in Q4/12 versus 14.4 million contracts traded in Q4/11) largely due to increased trading in the BAX contract and index derivatives. Open interest was down 7% at December 31, 2012 compared with December 31, 2011.

Energy Markets

- The decrease in energy markets revenue reflects a 21% decrease in total energy volume[#] on NGX in Q4/12 compared with Q4/11 (3.4 million terajoules in Q4/12 compared to 4.3 million terajoules in Q4/11), primarily due to a 24% decrease in natural gas volumes.
- The decrease in revenue was largely offset as a result of NGX having deferred less revenue in Q4/12, on a net basis, than in Q4/11 due to a decreased level of forward contracts.
- The decreased revenue was also due to the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q4/12 compared with Q4/11.
- This decrease was also partially offset by higher revenue from Shorcan Energy Brokers driven by higher volumes in Q4/12 compared with Q4/11.

Information services revenue

(in millions of dollars)

Q4/12^α	Q4/11^β	\$ increase	% increase
\$47.3	\$43.3	\$4.0	9%

- The increase in revenue was due to the inclusion of \$2.6 million of revenue from Alpha and \$1.5 million of revenue from CDS. The increase in revenue is also attributable to higher revenue from co-location services, TMX Atrium and PC-Bond. The increase was also due to higher revenue recoveries related to under-reported usage of real-time quotes in prior periods during Q4/12 compared with Q4/11.
- There was also a 4% increase in the average number of MX market data subscriptions (28,359⁺ MX market data subscriptions in Q4/12 compared with 27,261⁺ in Q4/11) and a price increase effective April 1, 2012 related to data feeds.
- The increased revenue was partially offset by the impact of the depreciation of the U.S. dollar and the Euro against the Canadian dollar in Q4/12 compared with Q4/11; net price reductions on TSX market data subscriptions effective April 1, 2012, and lower revenue from usage based quotes.
- Overall, there was a 5% decrease in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (150,633⁺ professional and equivalent real-time market data subscriptions in Q4/12 compared with 157,830⁺ in Q4/11).

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

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

⁺ Prior to August 1, 2012, data includes a base number of subscriptions for customers that had entered into enterprise agreements.

Technology services and other revenue

(in millions of dollars)

	Q4/12 ^α	Q4/11 ^β	\$ increase	% increase
<i>Technology services and other revenue</i>	\$3.0	\$2.4	\$0.6	25%
<i>SEDAR, SEDI & NRD revenue</i>	<u>\$4.1</u>	=	<u>\$4.1</u>	-
<i>Total</i>	<u>\$7.1</u>	<u>\$2.4</u>	<u>\$4.7</u>	196%

- *Technology services and other revenue* includes \$4.1 million of revenue from CDS services relating largely to SEDAR, SEDI and NRD. The current contract is due to expire on October 31, 2013 and a new service provider is being secured to take over these services. We do not expect the operating agreements to be renewed beyond October 31, 2013. Any expenses associated with the wind down of the business operations have not been recorded in the consolidated income statement. Only a portion of the ongoing costs associated with this revenue will be fully eliminated.
- *Technology services and other revenue* also included the consolidated revenue from Razor Risk effective from February 14, 2012.
- The increase in *technology services and other revenue* also included net foreign exchange gains on U.S. dollar accounts receivable in Q4/12 whereas we recorded net foreign exchange losses in Q4/11.
- These increases were somewhat offset by the loss in revenue from IIROC following the termination of our contract to provide services effective March 31, 2012, which amounts to approximately \$6.7 million on an annual basis. In addition, revenue from prior periods included revenue related to services provided to CDS which have been eliminated upon consolidation effective August 1, 2012. This revenue from CDS was approximately \$0.4 million in Q4/11.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

REPO interest

(in millions of dollars)

	Q4/12 ^α	Q4/11 ^β	\$ increase/ (decrease)	% increase/ (decrease)
<i>Interest income</i>	\$12.3	-	\$12.3	-
<i>Interest expense</i>	<u>(\$12.3)</u>	<u>-</u>	<u>(\$12.3)</u>	-
<i>Net REPO interest</i>	-	-	-	-

- On February 21, 2012, CDCC launched the clearing of fixed income REPO agreements. The interest income and interest expense arising from the REPO agreements are equal. However, as CDCC does not have a legal right to offset these amounts, they are recognized separately on the consolidated income statement.
- In Q4/12, CDCC cleared 8,337 REPO transactions, comprised of 99 eligible ISINs with a notional value of \$368.1 billion.
- Fees earned by CDCC for providing the clearing service for the REPO agreements are included in *Derivatives Markets Trading, clearing and related revenue*.

Operating Expenses

Operating expenses in Q4/12 were \$105.3 million^α, up \$24.7 million, or 31%, from \$80.6 million^β due to the additional operating expenses included from acquisitions. These included \$16.7 million of expenses from CDS and \$3.8 million of expenses from Alpha. There was also an increase related to the incremental amortization of intangible assets related to TMX Group Limited's acquisitions of TMX Group Inc., CDS and Alpha of \$9.8 million. In addition, the increase was attributable to the inclusion of an aggregate of \$3.1 million of incremental expenses related to Razor Risk, consolidated from February 14, 2012 and ir2020, the assets of which were acquired December 23, 2011. These increases were partially offset by lower costs associated with short-term and long-term employee performance incentive plans and higher capitalization of costs associated with technology initiatives.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

Compensation and Benefits

(in millions of dollars)

Q4/12 ^α	Q4/11 ^β	\$ increase	% increase
\$42.1	\$40.1	\$2.0	5%

- *Compensation and benefits* costs were higher due to an overall increase in salary and benefits costs relating to increased headcount primarily from acquisitions and merit increases, including \$7.6 million of costs related to CDS and \$0.9 million of costs related to Alpha, as well as costs related to Razor Risk and ir2020. There were 1,310 TMX Group Limited employees at December 31, 2012 versus 906 employees for TMX Group Inc. and its subsidiaries at December 31, 2011 largely due to the net additions of CDS (319) and Alpha (40), Razor Risk (36) and ir2020 (4). In addition, there were 79 contractors for TMX Group Limited at December 31, 2012 versus 51 contractors for TMX Group Inc. at December 31, 2011 primarily due to the additions of 25 CDS contractors. We continue to invest in our leading technologies, and over the past year we have continued to add resources to generate future revenue growth. For example, there have been 10 new employees engaged in the REPO initiative since Q2/11.
- Largely offsetting the increases, there were lower costs associated with short-term and long-term employee performance incentive plans and higher capitalization of costs associated with technology initiatives.

Information and Trading Systems

(in millions of dollars)

Q4/12 ^α	Q4/11 ^β	\$ increase	% increase
\$20.1	\$15.1	\$5.0	33%

- *Information and trading systems* expenses were higher primarily due to the inclusion of \$4.3 million of expenses from CDS and \$2.4 million of expenses from Alpha.
- The increase was offset by reduced spending on projects, including corporate software conversions, enterprise expansion and pre-trade risk management along with other operational savings.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

General and Administration

(in millions of dollars)

Q4/12 ^α	Q4/11 ^β	\$ increase	% increase
\$23.5	\$18.2	\$5.3	29%

- The increase in *general and administration* costs was primarily due to the inclusion of \$3.7 million of expenses from CDS and \$0.4 million of expenses from Alpha, as well as costs related to Razor Risk. In addition, we incurred bank fees relating to the REPO initiative, almost all of which have been charged back to the Clearing Members on a pro rated basis based on service usage, and are included in *Derivatives Markets Trading, clearing and related revenue*.
- These increases were partially offset by lower net BOX expenses due to the establishment of the BOX SRO entity and collection of fines. Also, there was a reduction in marketing and bad debt expenses compared with Q4/11.

Depreciation and Amortization

(in millions of dollars)

Q4/12 ^α	Q4/11 ^β	\$ increase	% increase
\$19.6	\$7.2	\$12.4	172%

- *Depreciation and amortization* costs increased by \$9.8 million due to the amortization of intangible assets related to TMX Group Limited's acquisitions exclusive of amortization related to intangible assets previously held by TMX Group Inc., Alpha and CDS. In addition, amortization further increased due to \$1.0 million in depreciation and amortization costs associated with the business operations of CDS.
- *Depreciation and amortization* costs also increased due to increased amortization of intangible assets related to REPO clearing and acquisitions including Razor Risk and ir2020. In addition, there was increased depreciation of fixed assets related to co-location services and TMX Quantum XA.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

Net Income Attributable to Non-Controlling Interests

(in millions of dollars)

Q4/12 ^α	Q4/11 ^β	\$ increase	% increase
\$1.9	\$1.5	\$0.4	27%

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Income Statement.
- Net income attributable to non-controlling interests represents the other BOX members' share of BOX's net income or loss in the period. The increase in net income in Q4/12 from Q4/11 reflected an accounting adjustment relating to the BOX SRO.

ADDITIONAL INFORMATION

The following information regarding Maple Transaction and Integration Costs and Net Finance Costs has been derived from TMX Group Limited consolidated financial statements for 2012 compared with 2011. The TMX Group Limited consolidated financial statements reflect the accounts of TMX Group Limited for the year ended December 31, 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012, and only the accounts of TMX Group Limited for the comparative period of the year ended December 31, 2011.

Maple Transaction and Integration Costs

(in millions of dollars)

Q4/12 ^α	Q4/11 ^δ	\$ increase	% increase
\$13.1	\$10.2	\$2.9	28%

- *Maple Transaction and Integration costs* were higher due to expenses associated with executing our integration plan for TMX Group Inc., CDS and Alpha (see **Integration**).
- The increase was offset by lower legal, advisory and other costs in Q4/12 after the completion of the Maple Transaction in Q3/12.

^α Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^β TMX Group Inc. results for October 1, 2011 to December 31, 2011.

^δ Includes TMX Group Limited results for October 1, 2011 to December 31, 2011.

Net Finance (Income) Costs

(in millions of dollars)

	Q4/12 ^a	Q4/11 ^δ	\$ increase/ (decrease)
Finance (income)	(0.9)	-	(0.9)
Finance costs	16.4	-	16.4
Net settlement on interest rate swaps	<u>0.7</u>	-	<u>0.7</u>
Net finance costs	\$16.2	-	\$16.2

- *Net finance costs* primarily relate to interest expense and fees incurred during the period from October 1, 2012 to December 31, 2012 on the Loans Payable (see **CREDIT FACILITIES AND GUARANTEES**).

YEAR ENDED DECEMBER 31, 2012 COMPARED WITH YEAR ENDED DECEMBER 31, 2011

The information below reflects the financial statements of TMX Group Limited for the year ended December 31, 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012. The comparative financial statements for the year ended December 31, 2011 include only the accounts of TMX Group Limited.

TMX Group Limited was formed solely for the purpose of pursuing the Maple Acquisition along with the CDS and Alpha Acquisitions. Prior to the completion of the CDS and Alpha Acquisitions on August 1, 2012 and the take up of 80% of the common shares of TMX Group Inc. on July 31, 2012, under the Maple Offer, TMX Group Limited had no material assets and no history of earnings and had not commenced commercial operations. Management believes that the required historical information for TMX Group Limited in this table and contained in the financial statements will be of limited use to investors and other users of our financial information in evaluating the operating performance and cash flows of our company for the comparative periods.

^a Includes TMX Group Limited results for October 1, 2012 to December 31, 2012.

^δ Includes TMX Group Limited results for October 1, 2011 to December 31, 2011.

(in millions of dollars, except per share amounts)

	2012	2011	\$ Increase/ (decrease)
<i>Revenue</i>	\$294.5	-	\$294.5
<i>Operating expenses</i>	\$179.1	-	\$179.1
<i>Net income (loss) attributable to TMX Group shareholders</i>	\$15.3	(\$37.3)	\$52.6
<i>Earnings (loss) per share[▽]:</i>			
<i>Basic</i>	\$0.73	(\$327.56)	\$328.29
<i>Diluted</i>	\$0.73	(\$327.56)	\$328.29
<i>Cash flows from (used in) operating activities</i>	(\$76.1)	(\$5.0)	(\$71.1)

Basic and diluted weighted average number of common shares outstanding in the year ended December 31, 2012

Common shares outstanding in 2012

Dates	Common shares outstanding
(Jan 1-Feb 29, 2012)	185,718
(Mar 1-July 16, 2012)	835,702
(July 17-July 31, 2012)	827,980
(Aug 1-Sept 13, 2012)	38,786,006
(Sept 14-Oct 14, 2012)	53,725,970
December 31, 2012	<u>53,763,464</u>
<i>Weighted average number of basic common shares outstanding</i>	21,047,309
<i>Weighted average number of diluted common shares outstanding</i>	21,098,979

**SUPPLEMENTARY INFORMATION FOR YEAR ENDED DECEMBER 31, 2012
COMPARED WITH YEAR ENDED DECEMBER 31, 2011**

The table below contains TMX Group Limited consolidated revenue and operating expenses, income from operations and net income attributable to non-controlling interests which include the accounts of TMX Group Limited and the operating results of TMX Group Inc. and its subsidiaries for the period from January 1, 2012 to December 31, 2012, and the operating results of CDS and Alpha and their subsidiaries for the period from August 1 to December 31, 2012. In order to provide a meaningful discussion of the results of operations in this MD&A, we have compared TMX Group Limited information for 2012 with TMX Group Inc. information for January 1, 2011 to December 31, 2011. This approach is similar to how the results would be reported if TMX Group Inc. was the acquirer of CDS and Alpha.

This information differs from the TMX Group Limited consolidated financial statements for the year ended December 31, 2012. The TMX Group Limited consolidated financial statements reflect the

[▽] Earnings (loss) per share information is based on net income attributable to TMX Group shareholders.

accounts of TMX Group Limited for the year ended December 31, 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012, and only the accounts of TMX Group Limited for the comparative period of the year ended December 31, 2011.

(in millions of Canadian dollars)

	TMX Group Limited Jan-Dec/12 TMX Group Inc. Jan-Dec/12 CDS/Alpha Aug-Dec/12 (Unaudited)	TMX Group Inc. Jan-Dec/11^β (Audited)
Revenue:		
Issuer services	\$ 197.4	\$ 230.5
Trading, clearing, depository and related	272.6	262.6
Information services	179.3	165.1
Technology services and other	23.8	15.3
REPO interest:		
Interest income	35.7	-
Interest expense	(35.7)	-
Net REPO interest	-	-
Total revenue	673.1	673.5
Expenses:		
Compensation and benefits	167.4	147.9
Information and trading systems	66.5	49.8
General and administration	83.8	75.7
Depreciation and amortization	53.0	28.1
Total operating expenses	370.7	301.5
Income from operations	302.4	372.0
Net income attributable to non-controlling interests	15.4	6.1

Revenue

Revenue was \$673.1 million for 2012, down \$0.4 million compared with \$673.5 million for 2011, reflecting lower revenue from issuer services and cash markets trading. These decreases were largely offset by the inclusion of \$37.1 million of revenue from CDS and \$7.9 million of revenue from Alpha, effective August 1, 2012, and increased revenue from information services (including revenue from TMX Atrium, acquired July 29, 2011), derivatives trading and clearing and technology services and other.

^β TMX Group Inc. results for January 1, 2011 to December 31, 2011.

Issuer services revenue

(in millions of dollars)

	2012 ^ε	2011 ^φ	\$ increase/ (decrease)	% increase/ (decrease)
<i>Initial listing fees</i>	\$16.4	\$29.4	(\$13.0)	(44%)
<i>Additional listing fees</i>	\$94.6	\$110.8	(\$16.2)	(15%)
<i>Sustaining listing fees</i>	\$70.7	\$76.8	(\$6.1)	(8%)
<i>Other issuer services</i>	<u>\$15.7</u>	<u>\$13.5</u>	<u>\$2.2</u>	16%
<i>Total</i>	<u>\$197.4</u>	<u>\$230.5</u>	<u>(\$33.1)</u>	(14%)

- *Initial listing fees* in 2012 were lower primarily due to a 34% decrease in the number of new listings on Toronto Stock Exchange (132 in 2012 compared with 199 in 2011) and a 25% decrease in the number of new listings on TSX Venture Exchange (161 in 2012 compared with 216 in 2011). Initial listing fees on Toronto Stock Exchange in 2011 included approximately \$2.8 million of revenue as a result of a large number of issuers converting from income trusts to corporate entities in the period.
- *Additional listing fees* in 2012 on both exchanges decreased compared with 2011 with the majority coming from the TSX Venture Exchange. The decreases on both exchanges were primarily due to the lower number of total transactions in 2012 (both financing related transactions and non financing activities).
- Issuers listed on Toronto Stock Exchange and TSX Venture Exchange pay annual *sustaining listing fees* primarily based on their market capitalization at the end of the prior calendar year, subject to minimum and maximum fees. The decrease in sustaining listing fees was due to the overall lower market capitalization of listed issuers on both exchanges (combined \$2,051.1 billion at the end of 2011 compared with \$2,278.1 billion at the end of 2010). The decrease was also due to a reduction in certain fees effective January 1, 2012.
- *Other issuer services* revenue included \$1.1 million of revenue from CDS Solutions effective August 1, 2012 and higher revenue from Equicom, which provides investor relations and corporate communications services.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^φ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

Trading, clearing, depository and related revenue

(in millions of dollars)

	2012 ^ε	2011 ^φ	\$ increase/ (decrease)	% increase/ (decrease)
<i>Cash markets trading and clearing</i>	\$92.9	\$105.5	(\$12.6)	(12%)
<i>CDS Depository</i>	\$20.6	-	\$20.6	-
<i>Derivatives markets trading and clearing</i>	\$115.5	\$112.7	\$2.8	2%
<i>Energy markets trading and clearing</i>	<u>\$43.6</u>	<u>\$44.4</u>	(\$0.8)	(2%)
<i>Total</i>	<u>\$272.6</u>	<u>\$262.6</u>	\$10.0	4%

Cash Markets

- *Cash markets* equity trading revenue decreased primarily due to a 20% decrease in the volume of securities traded on Toronto Stock Exchange (82.5 billion securities in 2012 versus 103.6 billion securities traded in 2011) and a 33% decrease in the volume of securities traded on TSX Venture Exchange (43.6 billion securities in 2012 versus 65.0 billion securities in 2011). Cash markets revenue also included revenue from TMX Select, which was launched in July 2011 (2.3 billion securities traded in 2012 versus 1.2 billion in 2011).
- The decrease was also as a result of changes to our equity trading fee schedule effective March 1, 2011, which reduced the fees for significant usage for our Market on Open (MOO) facility and introduced net credit payments for trading in our continuous limit order book as well as additional changes effective April 1, 2011, which provided cost savings to participants that trade equities where the trade price per security is lower than \$1.00. Effective October 1, 2011, we also made changes to our market making fee schedule for Toronto Stock Exchange, including introducing monthly credits.
- Partially offsetting the decrease was the inclusion of \$6.4 million of revenue from CDS clearing and settlement effective August 1, 2012. CDS processed 126.6 million exchange trades and 7.1 million non-exchange/OTC trades from August 1, 2012 to December 31, 2012.
- The decrease was also partially offset by the inclusion of \$3.5 million of revenue from Alpha effective August 1, 2012. There were 12.0 billion securities traded on Alpha from August 1, 2012 through December 31, 2012.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^φ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

CDS Depository

- CDS Depository revenue of \$20.6 million is included from August 1, 2012. CDS held a daily average of approximately 321,000 equities positions with an average of 276.0 billion shares and a daily average of 180,000 debt positions with an average par value of \$2.3 trillion on deposit from August 1, 2012 to December 31, 2012.

Derivatives Markets

- The increase in derivatives markets revenue reflects an increase in trading and clearing revenue from MX and CDCC. Volumes increased by 4% (64.4 million contracts traded in 2012 versus 62.0 million contracts traded in 2011) largely as a result of increased volumes in the Ten-Year Government of Canada Bond Futures, or CGB contract, as well as increased volumes in ETF options. The increase in revenue was partially offset by the impact of price changes since 2011. Open interest was down 7% at December 31, 2012 compared with December 31, 2011.
- Derivatives markets revenue for 2012 also includes fees earned by CDCC for providing the clearing service on REPO transactions as well as bank fees that are charged back to Clearing Members (see **Other Credit and Liquidity Facilities and Guarantee**). This service was launched on February 21, 2012.
- The increase in derivatives markets revenue also reflects a 4% increase in BOX volumes (145.0 million contracts in 2012 versus 139.7 million contracts traded in 2011) and the impact of the depreciation of the Canadian dollar against the U.S. dollar in 2012 compared with 2011.
- The increase in derivatives markets revenue was partially offset by lower BOX revenue from Options Regulatory Fees. As of May 14, 2012, the fees charged, and related costs incurred, by the BOX SRO entity are not consolidated into TMX Group results.

Energy Markets

- There was an 8% decrease in total energy volume[#] traded on NGX in 2012 (14.3 million terajoules in 2012 compared to 15.5 million terajoules in 2011) primarily due to a 9% decrease in natural gas volumes.
- There was a 79% decline in NGX crude oil volumes (previously NetThruPut Inc.'s, or NTP's, business) due to limited acceptance of NGX's crude oil clearing services and increased competition from voice brokers, including from Shorcan Energy Brokers. This decrease in NGX crude oil revenue was essentially offset by higher revenue from Shorcan Energy Brokers driven by higher volumes in 2012 compared with 2011. TMX Group Inc. recorded a non-cash impairment charge on the intangible assets related to NTP in Q2/12.
- The decrease in revenue was largely offset as a result of NGX having deferred less revenue in 2012, on a net basis, than in 2011 due to a decreased level of forward contracts.

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

- The decrease in revenue was somewhat offset by the impact of the depreciation of the Canadian dollar against the U.S. dollar in 2012 compared with 2011.

Information services revenue

(in millions of dollars)

2012^ε	2011^φ	\$ increase	% increase
\$179.3	\$165.1	\$14.2	9%

- The increase was partially due to the inclusion of \$4.4 million of revenue from Alpha and \$2.5 million of revenue from CDS, effective August 1, 2012. Revenue from TMX Atrium, which was acquired July 29, 2011, has also grown, partially offset by the depreciation of the Euro against the Canadian dollar in 2012 compared with the period following acquisition in 2011. The increase was also due to revenue from co-location services, data feeds and PC-Bond and higher revenue recoveries related to under-reported usage of real-time quotes in prior periods during 2012 compared with 2011. There was also an 8% increase in the average number of MX market data subscriptions (27,748.6⁺ MX market data subscriptions in 2012 compared with 25,769.7⁺ in 2011) and a price increase effective April 1, 2012 related to data feeds.
- The increase in revenue was also attributable to the impact of the depreciation of the Canadian dollar against the U.S. dollar in 2012 compared with 2011.
- The increases were partially offset by net price reductions on TSX market data subscriptions effective October 1, 2011 and April 1, 2012, and lower revenue from usage based quotes.
- Overall, there was a 5% decrease in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (151,799⁺ professional and equivalent real-time market data subscriptions in 2012 compared with 160,436⁺ in 2011).

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^φ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

⁺ Prior to August 1, 2012 data includes a base number of subscriptions for customers that had entered into enterprise agreements.

Technology services and other revenue

(in millions of dollars)

	2012 ^ε	2011 ^ϕ	\$ increase	% increase
<i>Technology services and other revenue</i>	\$17.0	\$15.3	\$1.7	11%
<i>SEDAR, SEDI & NRD revenue</i>	<u>\$6.8</u>	=	<u>\$6.8</u>	-
<i>Total</i>	<u>\$23.8</u>	<u>\$15.3</u>	<u>\$8.5</u>	56%

- *Technology services and other revenue* includes \$6.8 million of revenue from CDS services relating largely to SEDAR, SEDI and NRD effective August 1, 2012. The current contract is due to expire on October 31, 2013 and a new service provider is being secured to take over these services. We do not expect the operating agreements to be renewed beyond October 31, 2013. Any expenses associated with the wind down of the business operations have not been recorded in the consolidated income statement. Only a portion of the ongoing costs associated with this revenue will be fully eliminated.
- In addition, we consolidated revenue from Razor Risk, effective from February 14, 2012.
- *Technology services and other revenue* increased primarily due to receipt of a one-time termination fee, recovery of disposal and severance costs, and recognition of previously deferred revenue from IIROC of approximately \$5.0 million.
- Offsetting these increases in revenue was the loss in revenue from IIROC following the termination of our contract to provide services effective March 31, 2012, which amounts to approximately \$6.7 million on an annual basis. In addition, revenue from prior periods included revenue related to services provided to CDS which have been eliminated upon consolidation effective August 1, 2012. This revenue from CDS was approximately \$1.7 million in 2011.
- In addition, we recorded net foreign exchange losses on U.S. dollar accounts receivable in 2012 whereas we recorded net foreign exchange gains in 2011.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^ϕ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

REPO interest

(in millions of dollars)

	2012 ^ε	2011 ^φ	\$ increase/ (decrease)	% increase/ (decrease)
<i>Interest income</i>	\$35.7	-	\$35.7	-
<i>Interest expense</i>	<u>(\$35.7)</u>	=	<u>(\$35.7)</u>	=
<i>Net REPO interest</i>	-	-	-	-

- On February 21, 2012, CDCC launched the clearing of fixed income REPO agreements. The interest income and interest expense arising from the REPO agreements are equal. However, as CDCC does not have a legal right to offset these amounts, they are recognized separately on the consolidated income statement.
- From February 21, 2012 through December 31, 2012, CDCC cleared 20,556 REPO transactions, comprised of 131 eligible ISINs with a notional value of \$919.1 billion.
- Fees earned by CDCC for providing the clearing service for the REPO agreements are included in *Derivatives Markets Trading, clearing and related revenue*.

Operating Expenses

Operating expenses in 2012 were \$370.7 million, up \$69.2 million, or 23%, from \$301.5 million in 2011 primarily due to the inclusion of \$29.9 million of expenses from CDS and \$6.7 million of expenses from Alpha, effective August 1, 2012. There was also an increase of \$16.6 million related to the incremental amortization of intangible assets related to TMX Group Limited's acquisition of TMX Group Inc., CDS and Alpha. In addition, the increase was attributable to the inclusion of an aggregate of \$19.2 million of incremental expenses related to TMX Atrium, acquired July 29, 2011, Razor Risk, consolidated from February 14, 2012 and ir2020, the assets of which were acquired on December 23, 2011. There was also an overall increase in salary and benefits costs, information and trading systems costs and depreciation and amortization, somewhat offset by lower general and administration costs due to the inclusion in 2011 of a commodity tax adjustment of \$4.8 million relating to prior periods.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^φ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

Compensation and Benefits

(in millions of dollars)

2012 ^ε	2011 ^φ	\$ increase	% increase
\$167.4	\$147.9	\$19.5	13%

- *Compensation and benefits* costs were higher due to an overall increase in salary and benefits costs relating to increased headcount primarily from acquisitions and merit increases, including \$14.5 million of costs related to CDS and \$2.2 million of costs related to Alpha, as well as costs related to TMX Atrium, Razor Risk and ir2020. There were 1,310 TMX Group Limited employees at December 31, 2012 versus 906 employees for TMX Group Inc. and its subsidiaries at December 31, 2011 largely due to the net additions of CDS (319) and Alpha (40), Razor Risk (36) and ir2020 (4). In addition, there were 79 contractors for TMX Group Limited at December 31, 2012 versus 51 contractors for TMX Group Inc. at December 31, 2011 primarily due to the additions of 25 CDS contractors. We continue to invest in our leading technologies, and over the past year we have continued to add resources to generate future revenue growth. For example, there have been 10 new employees engaged in the REPO initiative since Q2/11.
- There was also an increase in costs associated with long-term employee performance incentive plans due to share price appreciation.
- The higher costs were partially offset by higher capitalization of costs associated with technology initiatives and lower costs associated with short-term employee performance incentive plans.

Information and Trading Systems

(in millions of dollars)

2012 ^ε	2011 ^φ	\$ increase	% increase
\$66.5	\$49.8	\$16.7	34%

- *Information and trading systems* expenses were higher primarily due to the inclusion of \$7.4 million of expenses from CDS and \$3.6 million of expenses from Alpha, as well as expenses related to TMX Atrium and Razor Risk.
- The increase was also due to higher spending on new technology initiatives in 2012 compared with 2011. We invested in a number of new projects, including TMX Quantum XA. These increases were partially offset by other operational savings, including lower NGX fees paid to ICE due to lower natural gas volumes in the U.S.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^φ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

General and Administration

(in millions of dollars)

2012 ^ε	2011 ^φ	\$ increase	% increase
\$83.8	\$75.7	\$8.1	11%

- The increase in *general and administration* costs was due to the inclusion of \$6.5 million of expenses from CDS and \$0.9 million of expenses from Alpha, as well as costs related to TMX Atrium and Razor Risk.
- In addition, we incurred bank fees relating to the REPO initiative, almost all of which have been charged back to the Clearing Members on a pro rated basis based on service usage, and are included in *Derivatives Markets Trading, clearing and related* revenue.
- Somewhat offsetting these increases, *general and administration* costs in 2011 included a commodity tax adjustment of \$4.8 million relating to prior periods. We also incurred lower bad debt expenses and lower marketing costs in 2012 compared with 2011. Also offsetting these increases were lower net BOX expenses due to the establishment of the BOX SRO entity and collection of fines.

Depreciation and Amortization

(in millions of dollars)

2012 ^ε	2011 ^φ	\$ increase	% increase
\$53.0	\$28.1	\$24.9	89%

- *Depreciation and amortization* costs increased by \$16.6 million due to the incremental amortization of intangible assets related to TMX Group Limited's acquisition of TMX Group Inc., Alpha and CDS, exclusive of amortization related to intangible assets previously held by TMX Group Inc., Alpha and CDS. In addition, amortization further increased due to \$1.9 million in depreciation and amortization costs associated with the business operations of CDS.
- *Depreciation and amortization* costs also increased due to increased amortization of intangible assets related to REPO clearing and acquisitions including TMX Atrium, Razor Risk, ir2020 and the Equicom portal. In addition, there was increased depreciation of fixed assets related to co-location services, and TMX Quantum XA.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^φ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

Net Income Attributable to Non-Controlling Interests

(in millions of dollars)

2012 ^ε	2011 ^ϕ	\$ increase	% increase
\$15.4	\$6.1	\$9.3	152%

TMX Group Inc.

- The net income attributable to non-controlling interests includes \$3.5 million related to the period prior to September 14, 2012, when TMX Group Limited owned 80% of TMX Group Inc. TMX Group Limited owned 80% of TMX Group Inc., from July 31, 2012 to September 13, 2012.

BOX

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Income Statement.
- The net income attributable to non-controlling interests includes \$11.9 million related to BOX, an increase of \$5.8 million from \$6.1 million for 2011.
- Net income attributable to non-controlling interests represents the other BOX members' share of BOX's net income or loss in the period. The increase reflects the non-controlling interests' share of a non-cash reversal of an impairment loss on the intangible asset related to BOX in Q2/12, which was \$6.2 million. In addition, the increase in net income for 2012 over 2011 reflected higher revenue due to an increase in volumes and an accounting adjustment relating to the BOX SRO.

ADDITIONAL INFORMATION

The following information regarding Maple Transaction and Integration Costs and Net Finance Costs has been extracted from the TMX Group Limited consolidated financial statements for 2012 compared with 2011. The TMX Group Limited consolidated financial statements reflect the accounts of TMX Group Limited for the year ended December 31, 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012, and only the accounts of TMX Group Limited for the comparative period of the year ended December 31, 2011.

^ε Includes TMX Group Limited results for January 1, 2012 to December 31, 2012, TMX Group Inc. results for January 1, 2012 to December 31, 2012 and CDS and Alpha results for August 1, 2012 to December 31, 2012.

^ϕ TMX Group Inc. results for January 1, 2011 to December 31, 2011.

Maple Transaction and Integration Costs

(in millions of dollars)

2012 ^γ	2011 ^η	\$ increase	% increase
\$49.9	\$37.3	\$12.6	34%

- *Maple Transaction Costs* reflects legal, advisory and other expenses related to the Maple Transaction.
- *Maple Transaction and Integration costs* include expenses associated with executing our integration plan for TMX Group Inc., CDS and Alpha (see **Integration**).

Net Finance (Income) Costs

(in millions of dollars)

	2012 ^γ	2011 ^η	\$ increase/ (decrease)
Finance (income)	\$(2.4)	-	\$(2.4)
Finance costs	\$26.7	-	\$26.7
Net settlement on interest rate swaps	<u>\$1.2</u>	-	<u>\$1.2</u>
Net finance costs	\$25.5	-	\$25.5

- *Net finance costs* relate primarily to interest expense and fees incurred during the period from August 1, 2012 to December 31, 2012 on the **Loans payable** (see **CREDIT FACILITIES AND GUARANTEES**).

^γ Includes TMX Group Limited accounts from January 1, 2012 to December 31, 2012, and TMX Group Inc., CDS and Alpha results for August 1, 2012 to December 31, 2012.

^η Includes TMX Group Limited accounts from January 1, 2011 to December 31, 2011.

SEGMENTS

The following information reflects TMX Group Limited financial statements for the year ended December 31, 2012 compared with the year ended December 31, 2011. The financial statements reflect the accounts of TMX Group Limited for the year ended December 31, 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012, and only the accounts of TMX Group Limited for the year ended December 31, 2011. TMX Group has certain corporate costs and other balances not allocated across the other disclosed segments which are included within the Corporate segment.

Q4/12

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group Limited
Revenue	\$ 118.1	\$ 30.8	\$ 11.8	\$ 22.3	\$ (1.9)	\$181.1
Net Income (Loss) Attributable to TMX Group Shareholders	\$ 28.7	\$ 7.7	\$ 3.9	\$ (1.1)	\$ (6.4)	\$ 32.8

- *Revenue* includes the accounts of TMX Group Limited for Q4/12, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries.
- *Net Income Attributable to TMX Shareholders* includes the accounts of TMX Group Limited for Q4/12, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries.

2012

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group Limited
Revenue	\$ 189.5	\$ 52.5	\$ 18.6	\$ 37.1	\$ (3.2)	\$294.5
Net Income (Loss) Attributable to TMX Group Shareholders	\$ 48.5	\$ 13.2	\$ 5.7	-	\$ (52.1)	\$ 15.3

- *Revenue* includes the accounts of TMX Group Limited for 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012.
- *Net Income Attributable to TMX Shareholders* includes the accounts of TMX Group Limited for 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012.

As at December 31, 2012

(in millions of dollars)

	Cash Markets	Derivatives Markets	Energy Markets	CDS	Corporate	TMX Group Limited
Total assets	\$ 2,003.5	\$ 8,867.1	\$ 844.3	\$ 513.5	\$ 1,814.5	\$14,042.9
Total liabilities	\$ 1,114.6	\$ 7,829.3	\$ 795.2	\$ 457.5	\$ 946.6	\$11,143.2

- Total assets in our various segments includes goodwill and other intangible assets acquired in connection with the Maple Transaction. In addition, the Derivative Markets, Energy Markets, and CDS segments hold assets related to their clearing operations (see **Total Assets**).
- Total liabilities in our various segments includes the segments' share of **Loans Payable**, which was \$1,453.1 million at December 31, 2012. In addition, the Derivatives Markets, Energy Markets and CDS segments carry offsetting liabilities related to the clearing assets described above (see **Total Assets**).

LIQUIDITY AND CAPITAL RESOURCES

The following information reflects TMX Group Limited consolidated financial statements as at and for the year ended December 31, 2012 compared with the year ended December 31, 2011. The consolidated financial statements reflect the accounts of TMX Group Limited for the year ended December 31, 2012, including the operating results of TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012, and only the accounts of TMX Group Limited for the comparative period of the year ended December 31, 2011.

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

December 31, 2012	December 31, 2011 ^π	\$ increase
\$313.4	\$5.0	\$308.4

- The increase was due to the inclusion of cash and marketable securities held by TMX Group Inc.

^π Includes TMX Group Limited results only.

Total Assets

(in millions of dollars)

December 31, 2012	December 31, 2011 ^π	\$ increase
\$14,042.9	\$5.0	\$14,037.9

- Our consolidated balance sheet as at December 31, 2012 includes outstanding balances on open REPO agreements within Balances with Clearing Members and participants. These balances have equal amounts included within Total Liabilities. Balances with Clearing Members and participants relating to CDCC were \$7,403.0 million at December 31, 2012.
- Total assets includes goodwill of \$1,321.0 million and other intangible assets of \$3,630.8 million acquired in connection with the Maple Transaction.
- *Total assets* also includes energy contracts receivable of \$696.4 million and fair value of open energy contracts of \$65.7 million related to the clearing operations of NGX, as well as Balances with Clearing Members and participants relating to CDS of \$370.9 million. As is the case with CDCC, NGX and CDS carry equivalent amounts as liabilities.

CREDIT FACILITIES AND GUARANTEES

Loans payable

(in millions of dollars)

December 31, 2012	December 31, 2011 ^π	\$ increase
\$1,453.1	-	\$1,453.1

- On July 31, 2012, TMX Group signed a credit agreement (Credit Agreement) with a syndicate of Canadian and global financial institutions. The maturity date of the Credit Agreement is July 31, 2016 and the aggregate amount that can be drawn under the agreement is \$1,560.0 million. On August 1, 2012, TMX Group drew \$1,538.0 million under the Credit Agreement and paid an aggregate amount of \$31.1 million in financing and other associated fees. These fees are amortized over the term of the Credit Agreement. As of December 31, 2012, the balance of financing fees prepaid was \$27.9 million, and \$57.0 million was repaid on the facilities, which leaves a net loan payable of \$1,453.1 million.
- The Applicable Rates and Fee Rates and corresponding Total Leverage Ratios under the Credit Agreement are set out in the table below. Total Leverage Ratio at any time is the ratio of consolidated debt as at such time to adjusted EBITDA for the period comprised of the four most recently completed financial quarters. Adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization.

^π Includes TMX Group Limited results only.

Total Leverage Ratio:	Applicable Rate for Standby Fee		Applicable Rate for Prime Rate Loans and U.S. Base Rate Loans	Applicable Rate for BA Instruments, LIBOR Loans and Letters of Credit
	Revolving Facility	Delayed Draw Term Facility and Term Facility		
< 2.0	37.50 bps	52.50 bps	50 bps	150 bps
> 2.0 but < 2.5	43.75 bps	61.25 bps	75 bps	175 bps
> 2.5 but < 3.0	50.00 bps	70.00 bps	100 bps	200 bps
> 3.0 but < 3.5	56.25 bps	78.75 bps	125 bps	225 bps
> 3.5	68.75 bps	96.25 bps	175 bps	275 bps

- On August 3, 2012, TMX Group entered into a series of interest rate swaps, to hedge the interest rate risk associated with the initial amount drawn under the Credit Agreement, totalling \$1.4 billion where TMX Group will receive floating rate interest based on 1 month Canadian Dealer Offered Rate (CDOR) bankers' acceptances (BA) and TMX Group will pay fixed rate interest at rates ranging from 1.232% to 1.499%.
- As of December 31, 2012 the Delayed Draw Term and Term Facility were fully drawn and as such no Standby Fee was payable. As of December 31, 2012, TMX Group had drawn \$71.0 million of the \$150.0 million Revolving Facility.
- From October to December 2012, we paid interest at the following rates on \$1.4 billion of the Loans payable:

Swaps	Notional Value	Maturity	Interest rate the Company will pay	Corporate spread	Effective interest rate
Series 1	\$200,000,000	September 30, 2013	1.232%	2.75%	3.982%
Series 2	\$200,000,000	September 30, 2014	1.312%	2.75%	4.062%
Series 3	\$300,000,000	September 30, 2015	1.416%	2.75%	4.166%
Series 4	\$700,000,000	July 31, 2016	1.499%	2.75%	4.249%

- The Credit Agreement contains various covenants, including a requirement that TMX Group maintain:
 - an Interest Coverage Ratio of more than 4.0:1, where Interest Coverage Ratio at any time means the ratio of adjusted EBITDA for the period comprised of the four most recently completed financial quarters to the consolidated interest expense for such four financial quarters;
 - a Total Leverage Ratio of not more than:
 - 4.25:1 until March 30, 2013;
 - 4.0:1 on and after March 31, 2013 until June 29, 2013;
 - 3.90:1 on and after June 30, 2013 until September 29, 2013;
 - 3.75:1 on and after September 30, 2013, until December 30, 2013;
 - 3.65:1 on and after December 31, 2013, until March 30, 2014;
 - 3.50:1 on and after March 31, 2014 until June 29, 2014; and
 - 3.25:1 on June 30, 2014 and thereafter.

As at December 31, 2012, all covenants were met.

- ♦ Certain of our material operating subsidiaries have entered into a guarantee agreement with regards to the Credit Agreement whereby they jointly and severally guarantee payment of all of our present and future indebtedness, liabilities and obligations under the Credit Agreement and under the related interest rate swap agreements subsequently entered into.

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. TMX Group Inc. is 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, 2012.

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

CDCC maintains daylight liquidity facilities for a total of \$700.0 million to provide liquidity on the basis of collateral in the form of securities that have been received by CDCC. The daylight liquidity facilities must be cleared to zero at the end of each day.

CDCC also maintains a \$100.0 million syndicated revolving standby liquidity facility to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. Advances under the facility will be secured by collateral in the form of securities that have been pledged to or received by CDCC. In Q3/12, CDCC drew on this facility to cover a failed REPO settlement. The balance was settled and the facility was repaid the next day.

CDCC maintains a \$4,800.0 million repurchase facility with a syndicate of 6 Canadian Schedule 1 chartered banks. This facility is comprised of \$1,200.0 million in committed liquidity and \$3,600.0 million in uncommitted liquidity and is in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. The facility will provide liquidity in exchange for securities that have been pledged to or received by CDCC.

In addition, CDCC has signed an agreement that would allow the Bank of Canada to provide emergency last-resort liquidity to CDCC at the discretion of the Bank of Canada. This liquidity facility is intended to provide end of day liquidity only in the event that CDCC is unable to access liquidity from the revolving standby liquidity facility and the syndicated REPO facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

CDS maintains unsecured operating demand loans totalling \$11.0 million to support short-term operating requirements. To support processing and settlement activities of participants, an unsecured overdraft facility and demand loan of \$15.0 million and an overnight facility of US\$5.5 million are available. The borrowing rates for these facilities are the Canadian prime or the U.S. base rate, depending on the currency drawn. No amounts were drawn on these credit facilities as at December 31, 2012.

CDS maintains a US\$200.0 million or Canadian dollar equivalent secured standby credit arrangement that can be drawn in either U.S. or Canadian currencies. This arrangement is available to support processing and settlement activities in the event of a participant default.

Borrowings under the secured facility are obtained by pledging or providing collateral pledged by participants primarily in the form of debt instruments issued or guaranteed by federal, provincial and/or municipal governments in Canada or U.S. treasury instruments. Depending upon the currency drawn, the borrowing rate for the secured standby credit arrangement is the U.S. base rate or the Canadian prime rate. No amounts were drawn on these credit facilities as at December 31, 2012.

In addition, CDS has signed agreements that would allow the Bank of Canada to provide emergency last-resort liquidity to CDS at the discretion of the Bank of Canada. This liquidity facility is intended to provide end of day liquidity for payment obligations arising from CDSX, and only in the event that CDS is unable to access liquidity from its standby liquidity facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

Total Equity (Deficit) attributable to Shareholders of TMX Group

(in millions of dollars)

December 31, 2012	December 31, 2011 ^π	\$ increase
\$2,816.5	\$(27.3)	\$2,843.8

- On August 1, 2012, 37,958,026 common shares of TMX Group Limited were issued for \$2,044.1 million of cash. On September 14, 2012, an additional 14,939,964 common shares were issued in exchange for 14,939,964 common shares of TMX Group Inc. for \$743.3 million.
- At December 31, 2012, there were 53,763,464 common shares issued and outstanding and 1,064,883 options outstanding under the share option plan.
- At February 4, 2013, there were 53,766,637 common shares issued and outstanding and 1,058,189 options outstanding under the share option plan.

Summary of Cash Flows

(in millions of dollars)

	Q4/12	Q4/11 ^π	\$ increase/ (decrease) in cash
Cash Flows from Operating Activities	\$ 29.8	-	29.8
Cash Flows (used) in Financing Activities	(89.8)	-	(89.8)
Cash Flows from Investing Activities	32.0	-	32.0

- Cash Flows from Operating Activities* included \$48.3 million in income before income taxes for TMX Group Limited, including the operations of TMX Group Inc., CDS and Alpha in

^π Includes TMX Group Limited results only.

Q4/12 partially offset by a reduction of \$19.8 million in deferred revenue. TMX Group Limited had no operating activities in Q4/11.

- In Q4/12, *Cash Flows used in Financing Activities* included credit facility repayments of \$57.0 million and \$21.5 million of dividends paid to TMX Group Limited shareholders.
- *Cash Flows from Investing Activities* included \$37.5 million in proceeds from the sale of marketable securities and \$3.5 million in dividends received from CanDeal, partially offset by \$8.2 million of additions to intangible assets.

	2012 ^π	2011 ^π	\$ increase/ (decrease) in cash
Cash Flows (used in) Operating Activities	\$ (76.1)	\$ (5.0)	(71.1)
Cash Flows from Financing Activities	3,047.3	10.0	3,037.3
Cash Flows (used in) Investing Activities	(2,751.9)	-	(2,751.9)

- *Cash Flows used in Operating Activities* included \$105.0 million of Maple Transaction and Integration costs.
- In 2012, *Cash Flows from Financing Activities* included \$2,078.7 million due to the issuance of common shares in connection with the Maple Transaction and \$1,449.9 million related to the establishment of a new credit facility (see **Loans payable**) offset by the repayment of \$430.0 million of TMX Group Inc.'s debt.
- *Cash Flows used in Investing Activities* included \$2,677.1 million due to TMX Group Limited's acquisitions of TMX Group Inc., Alpha and CDS, net of cash acquired.

Summary of Cash Position and Other Matters¹¹

We had \$313.4 million of cash and cash equivalents and marketable securities at December 31, 2012. From August through December 2012, following the acquisitions of TMX Group Inc., CDS and Alpha, we earned operating income of \$115.4 million. For the year ended December 31, 2012, cash flows used in operations were \$76.1 million, net of \$105.0 million of cash outlays pertaining to the Maple Transaction. We paid \$29.9 million in dividends on TMX Group Inc. common shares and \$21.5 million in dividends on TMX Group Limited common shares in 2012. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business, and meet our financial covenants under the Credit Agreement and our capital maintenance requirements imposed by regulators.

Debt financing of future investment opportunities could be limited by current and future economic conditions, the covenants on TMX Group's Credit Agreement, and by capital maintenance requirements imposed by regulators (see **Managing Capital**).

^π Includes TMX Group Limited results only.

¹¹ 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.

The recognition orders of TSX Inc. and Alpha Exchange contain certain financial viability tests that must be met. If either TSX Inc. or Alpha Exchange Inc. fails to maintain or anticipates that it will fail any of its financial viability tests, the OSC can impose additional terms and conditions. This could, for example, include a requirement that TSX Inc. or Alpha Exchange Inc. may 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.

As at December 31, 2012, we met all of the above requirements.

SUPPLEMENTARY CASH FLOW INFORMATION FOR THE QUARTER AND YEAR ENDED DECEMBER 31, 2012 COMPARED WITH THE QUARTER AND YEAR ENDED DECEMBER 31, 2011

The tables below contain combined TMX Group Limited summary cash flow information which includes the accounts of TMX Group Limited and the cash flow information for TMX Group Inc. and its subsidiaries for the period from January 1, 2012 to December 31, 2012, and the cash flow information for CDS and Alpha and their subsidiaries for the period from August 1 to December 31, 2012. In order to provide a meaningful discussion of the cash flow information in this MD&A, we have compared TMX Group Limited information for Q4/12 and 2012 with TMX Group Inc. information of Q4/11 and 2011. This approach is similar to how the results would be reported if TMX Group Inc. was the acquirer of CDS and Alpha.

This information differs from the TMX Group Limited consolidated financial statements for the year ended December 31, 2012. The TMX Group Limited consolidated financial statements reflect the accounts of TMX Group Limited for the year ended December 31, 2012, including the cash flow information for TMX Group Inc., Alpha, CDS and their respective subsidiaries from August 1, 2012, and only the accounts of TMX Group Limited for the comparative period of the year ended December 31, 2011.

TMX Group Limited was formed solely for the purpose of pursuing the Maple Acquisition along with the CDS and Alpha Acquisitions. Prior to the completion of the CDS and Alpha Acquisitions on August 1, 2012 and TMX Group's take up of 80% of the common shares of TMX Group Inc. on July 31, 2012 under the Maple Offer it had no material assets and no history of earnings and had not commenced commercial operations.

Summary of Cash Flows

(in millions of dollars)

	Q4/12	Q4/11^B	\$ increase/ (decrease) in cash
Cash Flows from Operating Activities	\$ 29.8	\$ 71.1	\$ (41.3)
Cash Flows (used) in Financing Activities	(89.8)	(30.0)	(59.8)
Cash Flows from Investing Activities	32.0	(39.6)	71.6

- *Cash Flows from Operating Activities* were \$41.3 million lower in Q4/12 compared with Q4/11 primarily due to a decrease of \$27.1 million in income before income taxes.
- *Cash Flows (used in) Financing Activities* were \$59.8 million higher in Q4/12 compared with Q4/11 primarily due to credit facility repayments of \$57.0 million.
- *Cash Flows from Investing Activities* were \$71.6 million higher in Q4/12 compared with Q4/11 primarily due to a net increase in sales of marketable securities of \$61.7 million.

(in millions of dollars)

	2012 [§]	2011 [¶]	\$ Increase/ (decrease) in cash
Cash Flows from Operating Activities	\$ 53.3	\$ 303.5	\$ (250.2)
Cash Flows from (used in) Financing Activities	2,984.9	(113.9)	3,098.8
Cash Flows (used in) Investing Activities	(2,383.7)	(172.5)	(2,211.2)

- *Cash Flows from Operating Activities* were \$53.3 million in 2012, a decrease of \$250.2 million primarily due to \$130.5 million in Maple Transaction related cash outlays and \$32.8 million of interest paid related to these acquisitions and TMX Group Inc.'s \$430.0 million of debt.
- *Cash Flows from Financing Activities* were \$2,984.9 million in 2012, an increase of \$3,098.8 million primarily due to the inclusion of \$2,078.7 million related to the issuance of common shares in connection with the Maple Transaction and \$1,449.9 million related to the establishment of a new credit facility (see **Loans payable**) offset by the repayment of \$430.0 million of TMX Group Inc.'s debt.
- *Cash Flows (used in) Investing Activities* were \$2,383.7 million in 2012, an increase of \$2,211.2 million largely due to the inclusion of \$2,677.1 million from TMX Group Limited's acquisitions of TMX Group Inc., Alpha and CDS, net of cash acquired.

Defined Benefit Pension Plans¹²

TMX Group Inc.

Based on the most recent actuarial valuations for funding purposes, we estimate a funding deficit of approximately \$12.2 million as at December 31, 2012, on a solvency basis, of which \$6.5 million was funded in 2012.

CDS

Based on Jan 1, 2012 valuation, the funding deficit is estimated to be \$1.6 million on a going concern basis. On a wind-up basis, the funding deficit is estimated to be \$2.2 million as at Jan 1, 2012. Prior to August 1, 2012, CDS funded the plan in the amount of \$2.3 million.

MANAGING CAPITAL

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

- I Maintaining sufficient capital for operations to ensure market confidence and to meet regulatory requirements and credit facility requirements (see **Credit Facilities and Guarantees**). Currently, we target to retain a minimum of \$250.0 million in cash, cash equivalents and marketable securities. This amount is subject to change.
- II Reducing the debt levels to meet the credit limits which decrease over time.
- III Using excess cash to invest in and continue to grow the business;
- IV Returning capital to shareholders through methods such as dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids; and

We achieve the above objectives while managing our capital subject to capital maintenance requirements imposed on us and our subsidiaries as follows:

- ♦ In respect of TSX, as required by the OSC to maintain certain financial ratios on both a consolidated and non-consolidated basis, as defined in the OSC recognition order, as follows:
 - a current ratio of greater than or equal to 1.1:1;
 - a debt to cash flow ratio of less than or equal to 4:1; and
 - a financial leverage ratio of less than or equal to 4:1.
- ♦ In respect of TSX Venture Exchange Inc., as required by various provincial securities commissions to maintain adequate financial resources.
- ♦ In respect of NGX, to:
 - maintain adequate financial resources, as required by the ASC;
 - maintain a current ratio of not 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;
 - maintain sufficient financial resources to cover 12 months of operating expenses as required by the CFTC; and
 - maintain sufficient financial resources to cover the failure of its single largest contracting party under extreme but plausible market conditions as required by the CFTC.
- ♦ 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 of less than 4.0.
- ♦ In respect of CDCC, to maintain certain amounts, as follows:
 - \$5.0 million cash and cash equivalents or marketable securities 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; and
 - \$20.0 million total shareholders' equity.
- ♦ 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.
- In respect of TMX Select, IIROC requires TMX Select to maintain an adequate level of risk adjusted capital.
- ♦ In respect of CDS and CDS Clearing, as required by the OSC and the AMF to maintain certain financial ratios as defined in the OSC recognition order, as follows:
 - a debt to cash flow ratio of less than or equal to 4.0; and
 - a financial leverage ratio of less than or equal to 4.0.
 - In addition, the OSC requires CDS and CDS Clearing to maintain working capital to cover 6 months of operating expenses (excluding, in the case of CDS, the amount of shared services fees charged to CDS Clearing).
- ♦ In respect of Alpha Exchange Inc, a subsidiary of Alpha, as required by the OSC to maintain certain financial ratios on both a consolidated and non-consolidated basis as defined in the OSC recognition order, as follows:
 - a current ratio of greater than or equal to 1.1:1;
 - a debt to cash flow ratio of less than or equal to 4.0:1; and
 - a financial leverage ratio of less than or equal to 4.0:1.

As of December 31, 2012, we were in compliance with all of these externally imposed capital requirements.

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 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.

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**.

CDS – Participant collateral

As part of CDS's clearing operations, CDS Participant Rules require participants to pledge collateral to CDS in the form of cash or securities in amounts calculated in relation to their activities. Cash pledged and deposited with CDS is recognized as an asset and an equivalent and offsetting liability is recognized as these amounts are ultimately owed to the participants. There is no impact on the consolidated income statement. Securities pledged do not result in an economic inflow to CDS, and therefore, are not recognized.

Securities held in custody by CDS for participants and associated non-cash entitlement transactions on these securities are not financial assets of the corporation nor do these transactions give rise to a contractual or constructive obligation. All cash dividends, interest, and other cash distributions received by the corporation on securities held in custody awaiting distribution are recognized as an asset and offsetting liability as these amounts are ultimately owed to participants.

CDCC - Daily Settlements due to and due from Clearing Members

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 Balances with Clearing Members and participants. 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**.

CDCC - Clearing Members' cash margin deposits and clearing fund cash deposits

These balances represent the cash deposits of Clearing Members held in the name of CDCC as margins against open positions and as part of the clearing fund. The cash held is recognized as an asset and an equivalent and offsetting liability is recognized as these amounts are ultimately owed to the Clearing Members. There is no impact on the consolidated income statement.

CDCC - Net amounts receivable/payable on open REPO agreements

In February 2012, CDCC launched the clearing of fixed income REPO agreements. OTC REPO agreements between buying and selling Clearing Members are novated to CDCC whereby the rights and obligations of the Clearing Members under the REPO agreements are cancelled and replaced by new agreements with CDCC. Once novation occurs, CDCC becomes the counterparty to both the buying and selling Clearing Member. As a result, the contractual right to receive and return the principal amount of the REPO as well as the contractual right to receive and pay interest on the REPO is thus transferred to CDCC.

These balances represent outstanding balances on open REPO agreements. Receivable and payable balances outstanding with the same Clearing Member are offset when they are in the same currency and are to be settled on the same day, as CDCC has a legally enforceable right to offset. The balances include both the original principal amount of the REPO and the accrued interest, both of which are carried at amortized cost. As CDCC is the central counterparty, an equivalent amount is recognized in both assets and liabilities.

Credit Agreement

We established the Credit Agreement in connection with the acquisition of TMX Group Inc., Alpha and CDS. We entered into a series of interest rate swaps to partially manage our exposure to interest rate fluctuations on the loans payable (see **Credit Facilities and Guarantees - Loans payable**). The loans payable are subject to interest rate risk. For a description of this risk, please refer to **Interest Rate Risk – Loans payable**.

Interest Rate Swaps (IRS)

We have entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the Loans payable, effective August 3, 2012 (see Loans payable). Interest rate swaps are subject to credit risk. For a description of this risk, please refer to **Credit Risk – Interest Rate Swaps**. We mark to market the fair value of the interest rate swaps, which is determined by using observable market information. At December 31, 2012, the fair value of the interest rate swaps was a liability of \$1.7 million. The counterparties on these interest rate swaps are Schedule I Canadian chartered banks. The unrealized fair value loss on these interest rate swaps designated as cash flow hedges was \$2.1 million for 2012 (net of \$0.8 million of tax). This is reflected in the calculation of Total comprehensive income (loss). In addition there was a charge of \$1.2 million to net income related to the net settlement on these interest rate swaps. The approximate impact on income before income taxes of a 1% rise and a 1% fall in interest rates with respect to the interest rate swaps is an increase of \$14.0 million and a decrease of \$14.0 million, respectively.

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 Restricted share units (RSUs). We have also entered into a series of TRSs as a full fair value hedge against the share price appreciation associated with the Deferred share units (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. 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 on a quarterly basis.

Unrealized losses and realized gains of \$4.4 million and \$4.6 million respectively have been reflected in net income in the consolidated financial statements for the year ended December 31, 2012 (unrealized losses and realized gains of \$nil and \$nil respectively from April 28 to December 31, 2011).

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 CDS, NGX and CDCC, cash and cash equivalents, marketable securities, interest rate swaps, total return swaps, accounts receivable and the brokerage operations of Shorcan, and Shorcan Energy Brokers.

Credit Risk - CDS

The primary credit risk of CDS and its subsidiaries is the risk of loss due to the failure of a participant in CDS Clearing's clearing and settlement services to honour its financial obligations. To

a lesser extent, CDS is exposed to credit risk through the performance of services in advance of payment.

Through the clearing and settlement services operated by CDS Clearing, credit risk exposures are created. During the course of each business day, transaction settlements can result in a net payment obligation of a participant to CDS Clearing or the obligation of CDS Clearing to pay a participant. The potential failure of the participant to meet its payment obligation to CDS Clearing results in payment risk, a specific form of credit risk. Payment risk is a form of credit risk in securities settlement whereby a seller will deliver securities and not receive payment, or that a buyer will make payment and not receive the purchased securities. Payment risk is mitigated by delivery payment finality in CDSX, CDS's multilateral clearing and settlement system, as set out in the CDS Participant Rules.

In the settlement services offered by CDS Clearing, payment risk is transferred entirely from CDS Clearing to participants who accept this risk pursuant to the contractual rules for the settlement services. This transfer of payment risk occurs primarily by means of participants acting as extenders of credit to other participants through lines of credit managed within the settlement system or, alternatively, by means of risk-sharing arrangements whereby groups of participants cross-guarantee the payment obligations of other members of the group. Should a participant be unable to meet its payment obligations to CDS Clearing, these surviving participants are required to make the payment. Payment risk is mitigated on behalf of participants through the enforcement of limits on the magnitude of payment obligations of each participant and the requirement of each participant to collateralize its payment obligation. Both of these mitigants are enforced in real time in the settlement system.

Through New York Link (NYL) and DTC Direct Link (DDL), credit risk exposures are created. During the course of each business day, settlement transactions by NSCC/DTC can result in a net payment obligation from NSCC/DTC to CDS Clearing or the obligation of CDS Clearing to make a payment to NSCC/DTC. As a corollary result, CDS has a legal right to receive the funds from sponsored participants in a debit position or has an obligation to pay the funds to sponsored participants in a credit position.

The potential failure of the participant to meet its payment obligation to CDS Clearing in CDS Clearing's NYL or DDL services results in a payment risk. To mitigate the risk of default, CDS Clearing has in place default risk mitigation mechanisms to minimize losses to the surviving participants as set out in the CDS Participant Rules. The process includes participants posting collateral with CDS Clearing and NSCC/DTC.

The risk exposure of CDS Clearing in these central counterparty services is mitigated through a daily mark-to-market of each participant's obligations as well as risk-based collateral requirements calculated daily. These mitigants are intended to cover the vast majority of market changes and are tested against actual price changes on a regular basis. This testing is supplemented with analysis of the effects of extreme market conditions on a collateral valuation and market risk measurements. Should the collateral of a defaulter in a central counterparty service be insufficient, either because the value of the collateral has declined or the loss to be covered by the collateral exceeded the collateral requirement, the surviving participants in the service are required to cover any residual losses.

CDS may receive payment from securities issuers for entitlements, for example, maturity or interest payments, prior to the date of payment to the participants holding those securities. In these cases, these funds are invested in accordance with CDS's investment policy as described in the section

entitled "**Credit Risk-CDS's Marketable Securities**". In rare circumstances, due to the timing of receipt of these payments or due to market conditions, these funds may be held with a Schedule 1 chartered Canadian bank. As a result, CDS could be exposed to the credit risk associated with the potential failure of the bank.

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

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 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.

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, 2012, NGX had access to cash collateral deposits of \$675.4 million and letters of credit of \$785.0 million. These amounts are not included in our consolidated balance sheet.

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 evaluates the financial strength of a Clearing Member against its margining requirements. 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 holds \$10.0 million of its cash and cash equivalents and marketable securities to cover the potential loss incurred due to Clearing Member defaults. This \$10.0 million would be accessed in the event that a defaulting Clearing Members' margin and clearing fund deposits are insufficient to cover the loss incurred by CDCC. The \$10.0 million is allocated into two separate tranches. The first tranche of \$5.0 million is intended to cover the loss resulting from the first defaulting Clearing Member. If the loss incurred is greater than \$5.0 million, and as such the first tranche is fully depleted, CDCC will fully replenish the first tranche using the second tranche of \$5.0 million. This second tranche is in place to ensure there is \$5.0 million available in the event of an additional Clearing Member default.

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. From a legal perspective, the maximum loss that we could face is limited to CDCC's net worth. CDCC is currently the sole clearer for MX contracts and MX would need to develop alternative arrangements if CDCC were unable to operate.

CDCC's cash margin deposits and cash clearing fund deposits are held at the Bank of Canada. 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, 2012, non-cash margin deposits of \$3,310.7 million and non-cash clearing fund deposits of \$258.1 million had been pledged to CDCC, held in government and equity securities. These amounts are not included in our consolidated balance sheet.

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

Credit Risk – Cash and cash equivalents

We manage our exposure to credit risk on our cash and cash equivalents by holding the majority of our cash and cash equivalents with Schedule 1 chartered Canadian banks.

Credit Risk – Marketable Securities

We manage exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk or by holding high-grade individual fixed income securities with credit ratings of AA/R1-Middle or better. In addition, when holding individual fixed income securities, we will limit our exposure to any non-government security. Our investment policy will only allow excess cash to be invested within money market securities or fixed income securities.

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 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 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)

To manage credit risk, we entered into these TRS with a Schedule I Canadian chartered bank

Credit Risk – Interest Rate Swaps (IRS)

To manage credit risk, we entered into IRS with Schedule 1 Canadian chartered banks.

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 have entered into TRSs as a partial fair value hedge to the share appreciation rights of these RSUs and DSUs.

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 the majority of these investments. At December 31, 2012, TMX Group held \$89.0 million in marketable securities of which 38% were held in a short term bond and mortgage fund, 12% were held in treasury bills, 39% were held in a money market fund and 11% were held in other term deposits.

Interest Rate Risk – Term Loan and Other Facilities

We are exposed to interest rate risk on our Term Loan and Other Facilities. 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 \$14.8 million and an increase of \$14.8 million respectively.

Foreign Currency Risk

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 a foreign currency, principally in U.S. dollars. At December 31, 2012, cash and cash equivalents and trade receivables net of current liabilities, excluding BOX, include U.S. \$19.9 million, which is exposed to changes in the U.S.-Canadian dollar exchange rates. The approximate impact of a 10% rise and a 10% decline in the Canadian dollar compared to the U.S. dollar, AUD and Euro on these transactions as at December 31, 2012 is a \$2.0 million decrease or increase in income before income taxes, respectively. In addition, net assets related to BOX, Finexeo S.A., which operates TMX Atrium, and Razor Risk are denominated in U.S. dollars, Euros, and Australian dollars 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, AUD and Euro on these transactions as at December 31, 2012 is a \$12.5 million decrease or increase in other comprehensive income attributable to equity holders respectively.

NGX offers contracts denominated in both Canadian and US dollars and accepts collateral in either currency. Settlement always occurs in the contracted currency. Foreign exchange risk could be

created if there is a default and the currency of the required payment obligation is different from the currency of the collateral supporting that payment obligation. This risk is mitigated by converting the foreign denominated collateral at current foreign exchange rates and then adjusting collateral positions to mitigate any foreign exchange risk present.

Settlements in the clearing and settlement services offered by CDS occur in both Canadian and US dollars. Foreign exchange risk could be created if there is a default and the currency of the payment obligation is different from the currency of the collateral supporting that payment obligation. This risk is mitigated by discounting the collateral value of securities where these mismatches occur.

We do not currently employ currency 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 or assets in Canadian dollars.

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

We are exposed to other market price risk from the activities of CDS, NGX, CDCC, Shorcan, and Shorcan Energy Brokers 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.

CDS is exposed to market risk as a result of its role as central counterparty in its continuous net settlement and FINet services. In these services, CDS is obligated to fulfill security delivery and receipt and payment obligations to participants who are members of those services. The potential for security prices to change between trade execution and settlement creates replacement cost risk, a form of market risk. Should a participant counterparty to a transaction be ultimately unable to meet its security receipt and payment obligation or security delivery, the surviving counterparty can be exposed to replacement cost risk by having to execute a replacement transaction at a less favourable price.

Replacement cost risk exposure of CDS in these central counterparty services is mitigated through a daily mark-to-market of each participant's obligations as well as risk-based collateral requirements calculated daily. These mitigants are intended to cover the vast majority of market changes and are tested against actual price changes on a regular basis. This testing is supplemented with analysis of the effects of extreme market conditions on a collateral valuation and market risk measurements. Should the collateral of a defaulter in a central counterparty service be insufficient, either because the value of the collateral has declined or the loss to be covered by the collateral exceeded the collateral requirement, the surviving participants in the service are required to cover any residual losses.

Settlements in the clearing and settlement services occur in both Canadian and U.S. dollars. Foreign exchange risk is created when the currency of the payment obligation is different from the valuation currency of the collateral supporting that payment obligation. This risk is mitigated by discounting the collateral value of securities where these mismatches occur.

CDS Clearing is exposed to risk of loss due to errors in processing transactions, particularly complex corporate actions, on behalf of its participants. The risk exposure associated with these potential errors is often related to changes in market prices of the associated securities and can be very time sensitive. This risk is mitigated primarily through comprehensive internal controls and reconciliations as well as by insurance coverage.

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 credit and liquidity facilities. In the clearing and depository services, liquidity risk results from the requirement to convert collateral to cash in the event of the default of a participant.

Balances with Clearing Members and participants

The margin deposits of CDCC and CDS and clearing fund margins of CDCC 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 the Bank of Canada. Non-cash margin deposits and non-cash clearing fund deposits pledged to CDCC under irrevocable agreements are in government securities and other securities and are held with approved depositories. Cash collateral from CDS's participants, which is recognized on the consolidated balance sheet, is held by CDS at the Bank of Canada and NSCC/DTC. Non-cash collateral, which is not recognized on the consolidated balance sheet, pledged by participants under Participant Rules is held by CDS in liquid government and fixed income securities.

Fair value of open energy contracts and Energy contracts payable - NGX

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 and liquidity facilities

In response to the liquidity risk that CDS and CDCC are exposed to through their clearing operations, they have arranged various facilities (see ***Other Credit Facilities and Guarantee***).

CDS maintains unsecured operating demand loans to support short-term operating requirements. To support processing and settlement activities of participants, an unsecured overdraft facility and demand loans of \$15.0 million and an overnight facility of US \$5.5 million are available.

CDS maintains secured standby credit arrangement that can be drawn in either U.S. or Canadian currencies. This arrangement is available to support processing and settlement activities in the event of a participant default. Borrowings under the secured facility are obtained by pledging or providing collateral pledged by participants primarily in the form of debt instruments issued or guaranteed by federal, provincial and/or municipal governments in Canada or U.S. treasury instruments.

In addition, CDS has signed agreements that would allow the Bank of Canada to provide emergency last-resort liquidity to CDS at the discretion of the Bank of Canada. This liquidity facility

is intended to provide end of day liquidity for payment obligations arising from CDSX, and only in the event that CDS is unable to access liquidity from its standby liquidity facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

CDCC has daylight liquidity facilities in place to provide liquidity on the basis of collateral in the form of 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. Advances under the facility will be secured by collateral in the form of securities that have been received by CDCC. The syndicated REPO facility is also in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. The facility will provide liquidity in exchange for securities that have been received by CDCC. CDCC also maintains a \$4,800.0 million repurchase facility with a syndicate of 6 Canadian Schedule 1 chartered banks. This facility is comprised of \$1,200.0 million in committed liquidity and \$3,600.0 million in uncommitted liquidity and is in place to provide end of day liquidity in the event that CDCC is unable to clear the daylight liquidity facilities to zero. The facility will provide liquidity in exchange for securities that have been received by CDCC.

Finally, the Bank of Canada liquidity facility is intended to provide end of day liquidity only in the event that CDCC is unable to access liquidity from the revolving standby liquidity facility and the syndicated REPO facility or in the event that the liquidity under such facilities is insufficient. Use of this facility would be on a fully collateralized basis.

Similarly, in response to the liquidity risk that NGX is exposed to through its 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. 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 our investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short term bond and mortgage fund limits our 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.

Individual fixed income securities held will have credit ratings of AA/R1-Middle or better and are highly liquid.

CDS marketable securities are composed of Canadian and US government-issued or government backed fixed income securities with maturities of less than one year.

Contractual Obligations

(in thousands of dollars)

	Total	Less than 1 year	1 – 3 years	4-5 years	5+ years
Debt	1,481,000	-	1,481,000	-	-
Financial Lease Obligation	1,443	980	463	-	-
Operating Leases	78,472	21,336	26,450	18,930	11,756
Clearing and Other Obligations ¹³	<u>8,558,921</u>	<u>8,534,432</u>	<u>14,576</u>	<u>8,082</u>	<u>1,831</u>
	10,119,836	8,556,748	1,522,489	27,012	13,587

QUARTERLY AND SELECT ANNUAL FINANCIAL INFORMATION

TMX Group Limited was formed solely for the purpose of pursuing the Maple Transaction along with the CDS and Alpha Acquisitions. Prior to the completion of the CDS and Alpha Acquisitions on August 1, 2012 and the acquisition of 80% of the common shares of TMX Group Inc. on July 31, 2012 it had no material assets and no history of earnings and had not commenced commercial operations. Management believes that the required historical information for TMX Group Limited contained in the quarterly and select annual information tables would not be useful to investors and other users of our financial information in evaluating the operating performance and profitability for the prior quarters and years.

ACCOUNTING AND CONTROL MATTERS

CRITICAL ACCOUNTING ESTIMATES

Goodwill and Other Intangible Assets – Valuation and Impairment Testing

As a result of the Maple Transaction, we recorded goodwill and other intangible assets valued at \$1,321.0 million and \$3,630.8 million respectively as at December 31, 2012. Management has determined that the fair value measurement and the testing for impairment for certain of these assets are critical accounting estimates.

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 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 along with any related deferred income tax effects are recognized in the consolidated income statement.

Cash Markets - TSX and TSXV

Goodwill and Indefinite Life Intangible Assets

Included with the TSX and TSXV CGU's are \$1,858.3 million and \$518.3 million respectively of goodwill and indefinite life intangible assets recognized as a result of the acquisitions under the Maple transaction in 2012.

Market uncertainty has impacted exchanges globally resulting in a reduction in new listings and equity trading activities. Specifically, the European debt crisis and uncertain recovery of the U.S. economy have had an adverse impact on the business. Despite these conditions, Toronto Stock Exchange and TSX Venture Exchange together led the world in the number of new listings for the fourth year in a row and ranked third in the world by equity financing raised. While total financings on TSX Venture Exchange decreased by 41% and the year-end market capitalization of listed issuers decreased by over 18%, total financings on Toronto Stock Exchange did increase by 23% in 2012 over 2011, and the year-end market capitalization of listed issuers increased by over 7% over the same periods.

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 original assumptions such that Toronto Stock Exchange and TSX Venture Exchange goodwill and indefinite life intangible assets are not impaired. These assumptions of the respective CGUs include:

- a cash flow projection period of five years;
- a terminal value for Toronto Stock Exchange and TSX Venture Exchange determined using an estimated long-term growth rate of 2.0%, 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 Toronto Stock Exchange and TSX Venture Exchange of 12.8% to 15.5%, 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 TSX and TSXV goodwill and indefinite life intangible assets remains above carrying value.

No impairment was identified as a result of the tests discussed above for 2012.

Derivative Markets - MX

Goodwill and indefinite life intangible assets

Included with the MX CGU is \$937.2 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 is temporary and that the fundamental growth opportunities that were included in the original valuation of MX are still valid. MX set a quarterly record for contracts traded in Q2/12 and a record for open interest in January 2012. 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 of the CGU 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 pre-tax discount rates to MX of 12.9%, 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 2012.

The above calculations are subject to changes in the key assumptions used and the estimated impacts of such changes are as follows:

Impact on Enterprise Value (\$M)			
CGU	10% reduction in cash flows	0.5% reduction in long-term growth rate	0.5% increase in discount rate
TSX	\$ (182.0)	\$ (45.0)	\$ (70.0)
TSXV	(48.0)	(10.0)	(17.0)
MX	(88.0)	(30.0)	(50.0)

As at December 31, 2012, management believes that the goodwill and indefinite life intangibles are unlikely to be impaired under any reasonable changes in the key assumptions used.

CHANGES IN ACCOUNTING POLICIES

On July 31, 2012, upon take-up of 80% of TMX Group Inc's shares under the Maple Offer, we adopted TMX Group Inc's accounting policies. These policies are described in *Note 2 - Significant accounting policies* of our annual audited consolidated financial statements.

Future Changes in Accounting Policies

The following two amendments to IFRS were effective for TMX Group from January 1, 2012, but there was no impact on the financial statements as a result of their application:

- IFRS 7, Financial instruments – disclosure - Amendments regarding transfers of financial assets
- IAS 12, Income taxes – Amendments regarding deferred income tax - Recovery of underlying assets

A number of other new standards and amendments to standards and interpretations are not yet effective for the year ending December 31, 2012, and have not been applied in preparing the 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 (effective for annual periods beginning on or after 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)
- IAS 19, Employee benefits – Amendments regarding the recognition of actuarial gains and losses, past service costs and termination benefits, the calculation of the expected return on plan assets and enhanced disclosure requirements
- IFRS 7, Financial instruments – disclosure - Amendments relating to the offsetting of financial assets and financial liabilities
- IAS 32, Financial Instruments – presentation – Amendments relating to the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after January 1, 2014).

We intend to adopt each of the above standards, as applicable, in the year in which they are effective. We are reviewing these new standards and amendments to determine the potential impact, if any, on our financial statements once they are adopted. At this time, no significant impact is expected.

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 revised standard of no earlier than annual reporting periods beginning on or after January 1, 2015; however, it proposes that the amendments be applied retrospectively. We are currently considering the impact that this ED would have on our recognition of Issuer Services Revenue in particular. It is possible that the final revised standard once released may result in changes to our current revenue recognition policies.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

TMX Group's disclosure controls and procedures as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109) are designed to provide reasonable assurance that information required to be disclosed in our filings under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is accumulated and communicated to management,

including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as appropriate, to allow timely decisions regarding public disclosure. We regularly review our disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in control systems to prevent or detect all misstatements due to error or fraud.

Our management, including the CEO and CFO, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2012. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2012.

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, 2012 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, 2012.

Changes in Internal Control over Financial Reporting

TMX Group Limited has adopted TMX Group Inc.'s (which in October 2012 ceased to be a reporting issuer) compliance program and extended it to include Alpha and CDS. There were no changes to internal control over financial reporting during the quarter beginning October 1, 2012 and ended on December 31, 2012 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Related party relationships and transactions

Key management personnel compensation:

Compensation for key management personnel, including TMX Group's Board of Directors, was as follows for the year:

(in millions of dollars)

	2012	2011 (from April 28 to December 31)
Salaries and other short-term employee benefits	\$ 2.9	\$ -
Post-employment benefits	0.5	-
Share-based payments including RSUs, DSUs and options	6.1	-
	\$ 9.5	\$ -

Related party transactions

In aggregate, the Investors hold a significant proportion of our common shares outstanding. TMX Group and its subsidiaries transact with a number of the Investors on a regular basis through their normal operations. Transactions are conducted at prevailing market prices and on general market terms and conditions.

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
- Currency
- Credit
- Interest Rate¹⁴
- Liquidity
- Litigation/Legal/Regulatory Proceedings

- Human Resources
- Interface/Dependency
- 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 Competition from Other Exchanges, Other Marketplaces and Trading Mechanisms

We face competition for business from other exchanges, especially those in the United States as they continue to consolidate and investing becomes more global. Recently, it was announced that ICE had reached an agreement to acquire NYSE Euronext. We face competition from foreign exchanges for listings of Canadian-based issuers and trading in their securities. In addition, the variety of other marketplaces and trading venues in the United States that trade Canadian securities, including dark markets and internalization facilities, places increasing competitive pressure on our business. 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. 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 environment for trading Toronto Stock Exchange and TSX Venture Exchange listed securities. There are 12 Canadian equity marketplaces which 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, 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 from existing venues, and potential new entrants.

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

There is also intense price competition in the cash equities markets where competitors may price their trading and data products more competitively. 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. 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 ATs or Electronic Crossing Networks (ECNs) and other trading and crossing venues, some of our Clearing Members 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

The NGX business faces trading competition in Canada and the U.S. from competing exchanges, OTC electronic trading platforms and from the OTC voice and bilateral markets. NGX's clearing business faces competition from recognized clearing facilities as well as bilateral credit lines between counterparties in the OTC markets. In 2012, NGX faced continued competition from voice brokers, including Shorcan Energy Brokers, a wholly-owned subsidiary of Shorcan. In September, 2012, CME Group announced the launch of 164 natural gas and 48 power contracts at major North American trading hubs listed as Futures on CME Globex and cleared through CME Clearport, with side-by-side listings on CME Direct.

NGX also faces indirect competition from exchanges that provide competing price indices to ETF providers. In 2012, Blackrock discontinued their natural gas ETF for which NGX provided the price index. In addition, NGX had provided clearing services to Blackrock for their natural gas contracts underlying the ETF.

Shorcan Energy Brokers faces competition primarily from other brokerage firms. If NGX or Shorcan Energy Brokers is unable to compete with these platforms and markets, 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. 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, the number of transactions related to our equity and fixed income clearing and settlement, depository, custodial and entitlement services 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, trading and clearing activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, they 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 face 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 which in turn, could adversely affect our business, financial condition and operating results.

We Depend on Market Activity that is Outside of Our Control

Our revenue is highly dependent upon the level of activity on our exchanges and clearing houses, 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 the number of transactions related to our equity and fixed income clearing and settlement, depository services; 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 trends in the exchange industry, capital market trends and the mergers and acquisitions environment;
- the condition of the resource sector;
- the level and volatility of interest rates 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, our exchanges and clearing houses and NGX clearing operations and regulators in other jurisdictions may regulate our future operations. MX is regulated as an SRO in Québec and CDCC is regulated as a clearing house. In addition, MX carries on activities in accordance with the regulations of securities and commodities regulators in the United States as an 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 ECM under the jurisdiction of the CFTC and is registered as a DCO by the CFTC. Subject to regulatory approvals, NGX anticipates registration as an FBOT in Q1/13, replacing NGX's current ECM status. NGX plans to continue clearing contracts as a DCO. BOX is an electronic equity options market and is regulated by the SEC. CDSX and CDCS have been designated by the Bank of Canada (BOC) as being of systemic importance under the Payment Clearing and Settlement Act (Canada). Under such designation, the BOC has broad powers relating to the regulation and oversight of CDS Clearing and CDCC. The OSC has also informed CDCC of its intention to exercise regulatory oversight over CDCC in the near future.

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, 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, ATS or clearing agency, as the case may be, and, in the case of MX, as an SRO. In the case of actual or alleged non-compliance with legal or regulatory requirements, our marketplaces 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, ATS, 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.

There may be a conflict between our regulatory responsibilities and the interests of some of our participants or our own business activities. Given our ownership structure, there may be conflicts or potential conflicts arising from the involvement of, among others, directors, officers or employees of certain Investors in the management or oversight of our exchanges or clearing houses or in the interaction between certain Investors and certain of our marketplaces, when the marketplace exercises discretion that may affect the Investor, either directly or indirectly. While we have implemented stringent governance measures and have or are in the process of putting into place policies and procedures to manage conflicts, any failure to diligently and fairly regulate participants

and manage conflicts or potential conflicts could significantly harm our reputation, prompt regulatory action 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 and other regulators also impose financial and corporate governance restrictions on us and our equity, derivatives and energy exchanges and clearing houses and operations. Some of our regulators must approve or review our exchanges' listing rules, trading rules, clearing, settlement and depository 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 Act impacting OTC derivatives markets, ECMs, DCOs and FBOTs, among others, will increase the regulation of and cost of compliance for our markets whose business is impacted by U.S. regulatory developments. Implementation of certain regulatory changes may have a cost and other impacts on NGX participants, who may as a result, choose to restructure their trading and clearing activity. Market reaction may present opportunities for market infrastructures such as exchanges and clearing houses. However, any opportunities will depend on, in addition to other factors, market infrastructures' ability to align their products and services with these market changes in order to retain liquidity.

In Canada, the provincial securities regulators are in the process of releasing a series of rule proposals 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.

CDS Clearing and CDCC operate financial market infrastructures including central counterparties for cash and derivative markets, securities settlement systems and central securities depositories which are subject to international standards for these types of services which are reflected in the requirements of CDS's and CDCC's regulators. These international standards have recently been revised (CPSS-IOSCO Principles for Financial Market Infrastructures) and will impact the cost of regulatory compliance.

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.

Our recognition orders impose significant regulatory constraints to our ongoing business

Under the Final Recognition Orders, TMX Group Limited and its regulated subsidiaries are subject to extensive additional regulation and regulatory oversight. The additional regulatory and oversight provisions provided for in the Final Recognition Orders provide the applicable regulators with broad powers that could, depending on how such powers are exercised in the future, impose barriers or constraints which limit TMX Group Limited's ability to build an efficient, competitive organization which could have a material adverse effect on TMX Group Limited's business, financial condition and results of operations.

With respect to fees charged by TSX Inc., TMX Select Inc. and Alpha Exchange Inc., the OSC has, under the Final Recognition Orders, the right to require those marketplaces to submit a fee, fee model or incentive that has previously been approved by the OSC for re-approval. In such circumstances, if the OSC decides not to re-approve the fee, fee model or incentive, the previous fee model or incentive must be revoked. This power extends to fees, fee models and incentives that are currently in place for TSX Inc., TMX Select Inc. and Alpha Exchange Inc. and, accordingly, could result in existing fees, fee models and incentives being revoked in the future, which could have a material adverse effect on our business, financial condition and results of operations.

As required by the OSC, by August 31, 2012, TSX Inc., TMX Select Inc. and Alpha Exchange Inc. filed their fee schedules, fee models or other arrangements currently in place that provide any discount, rebate, allowance, price concession or other similar arrangement that is accessible only to, whether as designed or by implication, a class of marketplace participants. This could result, depending on the OSC's response to such filing, in the previous approval of existing fee schedules, fee models, contracts, agreements or other arrangements that meet such criteria being revoked thus prohibiting, as applicable, the marketplace's ability to offer such discount, rebate, allowance, price concession or other similar arrangement. Such prohibitions and restrictions may limit the ability of our equity marketplaces to introduce new products in the future or to introduce them on a timely basis, which could materially adversely affect the success of our future strategies, financial condition and results of operations.

With respect to the fees charged by all of our equity marketplaces (TSX Inc., TMX Select Inc., Alpha Exchange Inc. and TSX Venture Exchange Inc.), the Final Recognition Orders also impose prohibitions on arrangements or volume-based discounts or incentives that are accessible only to a particular marketplace participant and also impose restrictions on arrangements or volume-based discounts or incentives that are accessible only to a class of marketplace participants. Such prohibitions and restrictions may limit the ability of our equity marketplaces to introduce new products in the future or to introduce them on a timely basis, which could materially adversely affect the success of our future strategies, financial condition and results of operations.

With respect to CDS, under the applicable Final Recognition Orders all fees are subject to approval of the applicable regulators. In addition, we may only seek approval for fee increases on clearing and other core CDS Clearing services (which services are outlined in the OSC and AMF recognition orders) where there has been a significant change from circumstances as at August 1, 2012, the effective date of the recognition orders, and approval may or may not be granted. Accordingly, even where CDS costs may be rising in the future (including as a result of trading volumes falling in the future), we would only be permitted to seek a fee increase on such services if we could establish to the applicable regulators that there has been a significant change. Such

constraints on the ability to raise CDS fees could have a material adverse impact on our business, financial condition and results of operations in the future.

We will also incur increased costs to comply with the additional regulatory requirements that will be imposed pursuant to the Final Recognition Orders. The AMF's Final Recognition Order for CDS also requires CDS to reimburse the AMF for the costs and fees incurred by the AMF for the analysis of applications for approval related to fees for CDS Clearing services. In addition, the OSC has proposed amendments to its capital market filing fee structure that are scheduled to come into force on April 1, 2013. When these fees come into effect, increased OSC costs associated with enhanced oversight of TMX Group and its subsidiaries will be recovered from TMX Group and its subsidiaries through new participation and activity fees. The overall scope of the additional regulatory costs that we will incur as a result of the Final Recognition Orders may have a material adverse effect on our business, financial condition and results of operations.

Pursuant to the Final Recognition Orders, prior regulatory approval is also required before we can implement changes to a number of aspects of our operations. This includes prior regulatory approval of (a) changes to internal cost allocation models and any transfer pricing between affiliated entities, (b) significant integration, combination or reorganization of businesses, operations or corporate functions between TMX Group Limited entities, (c) non-ordinary course changes to TSX Venture Exchange Inc.'s operations and (d) any outsourcing of key functions. Regulatory approvals for the Alpha and CDS integrations have been received. The requirement to obtain the other approvals may restrict or delay our ability to make planned changes to these aspects of our operations in the future which could have a material adverse effect on 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 and our Final Recognition Orders. 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 opening offices and 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, trading and clearing on our derivatives and energy markets and clearing, settlement and depository activity 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, CDS and BOX. We also test and exercise our disaster recovery plans for trading on Toronto Stock Exchange, TSX Venture Exchange, MX and CDCC, CDS, 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, clearing, settlement and depository 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, CDS's clearing, settlement and depository 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. Failure of CDS's systems could also affect other systemically important financial infrastructures such as the Large Value Transfer System operated by the Canadian Payments Association.

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 2012, approximately 43% of our trading and related revenue on Toronto Stock Exchange and approximately 53% 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 85% of TMX Select's trading and related revenue in 2012 was accounted for by the top ten participants based on volumes traded.

Approximately 31% of Alpha's trading revenue for August to December 2012 was accounted for by the top ten POs based on volumes traded.

Approximately 52% of CDS's revenue for August to December 2012 was accounted for by the top ten customers.

Approximately 65% of MX and CDCC's trading and clearing revenue in 2012 was accounted for by the top ten participants based on volume of contracts traded.

Approximately 89% of BOX's trading revenue in 2012 was accounted for by the top ten participants based on volumes traded.

Approximately 37% of NGX's trading and clearing revenue in 2012 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 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

(See Foreign Currency Risk under the heading **Financial Risk Management**)

Liquidity Risk

(See Liquidity Risk under the heading **Financial Risk Management**)

Risks related to our level of indebtedness

We have incurred approximately \$1.5 billion of indebtedness, guaranteed by TMX Group Inc. and its material subsidiaries, in connection with the Maple Offer

We have incurred approximately \$1.5 billion of indebtedness as a result of its entering into the Credit Agreement in connection with the Maple Offer. It is a condition of the Credit Agreement that TMX Group Inc. and certain of its material subsidiaries guarantee our obligations under the Credit

Agreement. Our ability to make payments of the principal and interest as required by the Credit Agreement will depend upon the ability of our business to generate cash. If cash generated from our business is insufficient to meet the obligations to pay interest and principal when due under the Credit Agreement, or if we or such guarantors fail to comply with any terms or conditions thereof, the lenders thereto may exercise their rights under the Credit Agreement, which could have a material adverse effect on us. In addition, the financial covenants included in the Credit Agreement place restrictions on our ability to pay dividends or make other distributions. A breach of loan covenants or undertakings could result in a significant loss to us.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly / Our hedging arrangements could also increase indebtedness

Borrowings under the Credit Agreement incur interest at a variable rate and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing the indebtedness, would correspondingly decrease. Although we have entered into various interest rate hedging arrangements to partially mitigate this risk, there is no assurance that such hedging arrangements will be effective. In addition, if interest rates decrease, we will accrue indebtedness in connection with these hedging arrangements which may impact our ability to meet our financial ratios under the Credit Agreement. See “*We are subject to ongoing covenants under the Credit Agreement*”, below.

We are subject to ongoing covenants under the Credit Agreement

The Credit Agreement requires us to satisfy and maintain an interest coverage ratio and a leverage ratio, among other covenants. Our ability to meet these financial ratios depends on our cash flows and earnings, level of indebtedness and other financial performance measures, which are affected by prevailing interest rates and general economic, market, financial, competitive, regulatory and other factors, such as the volume of securities traded on our equity markets; the number of transactions cleared and settled in our cash market clearing, settlement and depository services; the number of transactions, volume of contracts or products traded and cleared on our cash, derivatives and energy markets; the number of new and additional listings on our equity markets; the number and market capitalization of listed issuers; the number of subscribers to market data; fee regulation by securities regulatory authorities and increased competition from other exchanges and marketplaces, all of which are beyond our control, as well as on our ability to control our expenses. Based on the current level of operations and anticipated growth, we believe that our cash flows from operations and our available cash are adequate to meet our current liquidity needs. However, we cannot guarantee that our businesses will generate sufficient earnings or cash flows from operations or that anticipated growth will be realized or that we will be able to control our expenses in an amount sufficient to enable us to satisfy the financial ratios or pay our indebtedness or fund our other liquidity needs. If we do not have sufficient funds, we may be required to renegotiate the terms of, restructure or refinance all or a portion of our indebtedness on or before our stated maturity, reduce or delay capital investments and acquisitions, reduce or eliminate our dividends or sell assets. Our ability to renegotiate, restructure or refinance our indebtedness will depend on the condition of the financial markets and our financial condition at that time. Failure to comply with the financial ratios as well as other terms of the Credit Agreement could result in a default under the Credit Agreement, which, if not cured or waived, could result in us being required to repay these borrowings before their due date. If we fail to comply or are reasonably likely to fail to comply with any financial covenant or ratio contained in any Final Recognition Order such failure

could result in a default under the Credit Agreement, if a governmental authority issues a decision or orders restrictions on us or any of our subsidiaries as a result of the non-compliance where a requisite majority of the lenders determine that the restrictions have or will have a material adverse effect as defined in the Credit Agreement. It will also be a default under the Credit Agreement if a governmental authority issues a decision or orders restrictions on our ability or any of our subsidiaries to move cash or cash equivalents among TMX Group Limited and our subsidiaries where a requisite majority of the lenders determine that the restrictions have or will have a material adverse effect. If we are forced to refinance these borrowings on less favourable terms or cannot refinance these borrowings, our business, results of operations and financial condition would be adversely affected.

Credit Risk

(See Credit Risk under the heading **Financial Risk Management**)

Our Derivatives and Cash Markets Clearing Businesses 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 and CDS's businesses. In such cases, it could be possible that Clearing Members and/or participants default with CDCC and/or CDS. As referred to in the section *Financial Risk Management – Credit Risk – CDS and Credit Risk - CDCC sections*, CDCC and/or CDS 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

The Integration of TMX Group Inc., Alpha and CDS May Not Occur as Planned

The anticipated benefits of the integration of TMX Group, Alpha and CDS will depend in part on whether the operations, systems and management of TMX Group, Alpha and CDS can be integrated in an efficient and effective manner. The integration of the three companies may present

significant challenges to management, including the integration of systems and personnel of the three companies, and special risks, including possible unanticipated liabilities, restructuring charges, unanticipated costs and the loss of key employees. There can be no assurance that there will be operational or other synergies realized by the combined company, or that the integration of the operations, systems, management and cultures of the combined entities will be timely or effectively accomplished, or ultimately will be successful in increasing earnings and reducing costs.

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. In addition, pursuant to the Final Recognition Orders, prior regulatory approval is required before TMX Group Limited can implement significant integration, combination or reorganization of businesses, operations or corporate functions among TMX Group Limited entities. The requirement to obtain these approvals may restrict or delay TMX Group Limited's ability to make planned changes to these aspects of its operations in the future which could have a material adverse effect on TMX Group Limited's business, financial condition and results of operations. If an investment, acquisition or other transaction does not fulfill expectations, we may have to write down its value in the future and/or sell at a loss.

CDS is exposed to the risk of the loss or theft of securities

CDS Clearing holds securities on behalf of its participants in safe keeping. A portion of this securities inventory is held in physical form. As a result, CDS is exposed to the risk of the loss or theft of these securities. This risk is mitigated through layers of physical security arrangements as well as insurance coverage.

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, CDS, 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 we are 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 orders of TSX Inc. and Alpha Exchange Inc. provide that if either TSX Inc. or Alpha Exchange Inc. fails to maintain or anticipates that it will fail any of its financial viability tests, the OSC can impose additional terms and conditions. This could, for example, include a requirement that TSX Inc. or Alpha Exchange Inc. may 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 the AMF recognition order of TMX Group, 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.

The shareholdings of the Investors may adversely affect the liquidity of TMX Group Limited shares

In aggregate the Investors hold a significant proportion of the common shares outstanding of TMX Group. In addition, each of CIBC World Markets, National Bank Financial & Co. Inc., Scotia Capital Inc. and 1802146 Ontario Limited, an affiliate of TD Securities Inc., has agreed to maintain a specified minimum ownership interest in TMX Group Limited for a period of five years following completion of the Maple Acquisition. The substantial number of common shares that are held by these investors may adversely affect the liquidity of the common shares held by the public. Based on the criteria for eligibility in the S&P/TSX Composite Index, there is a risk that we could be removed from the index if there is no improvement in the liquidity for our common shares which could make our shares less attractive to certain investors, particularly index funds.

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, the intention to integrate the business of TMX Group Inc. with CDS and Alpha and the anticipated benefits and synergies from the CDS and Alpha Acquisitions 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 including changes in business cycles that impact our sector; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; 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 common shares; inability to protect our intellectual property; adverse effect of a systemic market event on certain of our businesses; risks associated with the credit of customers; cost structures being largely fixed; dependence on market activity that cannot be controlled; the inability to successfully integrate TMX Group Inc.'s operations with those of Alpha and CDS including, without limitation incurring and/or experiencing unanticipated costs and/or delays or difficulties; inability to reduce headcount, eliminate or consolidate contracts, technology, physical accommodations or other operating expenses, and the failure to realize the anticipated benefits from the acquisitions of TMX Group Inc., Alpha and CDS, including the fact that synergies are not realized in the amount or the time frame anticipated or at all; the regulatory constraints that apply to the business of TMX Group and its regulated subsidiaries, costs of on exchange clearing and depository services, trading volumes (which could be higher or lower than estimated) and revenues; future levels of revenues being lower than expected or costs being higher than expected.

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. The forward-looking information relating to targeted cost synergies is being provided to help demonstrate the benefits of the CDS and Alpha Acquisitions, but readers are cautioned that such information 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 under the heading **Risks and Uncertainties**.