Integrate

Enhance

Innovate

TMX Group Inc.
2008 Annual Report

On May 1, 2008, TSX Group and Montreal Exchange took a dramatic step forward in the evolution of our companies and joined forces to become TMX Group, a fully-integrated exchange organization.

TMX Group grew from a vision that both companies shared: to create a unified exchange group that not only continues to serve the needs of global investors and companies, but also gives Canada more competitive clout in an increasingly borderless economy.

More than an important business transaction, the decision to create TMX Group opened a new chapter in the nation's financial history. And today, as this Annual Report demonstrates, our company is now bigger, stronger, more diversified and even better positioned to compete effectively and grow.

Our Group

TMX Group's businesses operate cash and derivative markets for multiple asset classes including equities, fixed income and energy. We also provide clearing facilities, data products and other services to the international financial community. Each of these businesses now has a new identity. The TMX logos both honour the history and brand equity of each exchange and business, while conveying that we have created a new unified and integrated family of companies.

TMX | Toronto Stock Exchange

senior equities exchange

TMX | NGX

trades and clears physical natural gas and electricity contracts

TMX | Montréal Exchange

financial derivatives exchange

TMX | TSX Venture Exchange

public venture capital marketplace

TMX

TMX | Shorcan

fixed income inter-dealer bond broker

TMX | Equicom

investor relations and corporate communications services

TMX | Datalinx

provides data products on capital markets

TMX | CDCC

clearing, settlement and risk management services

Our Results

Revenue ↑ 26 %*

Net Income ↑ 22 %*

Diluted EPS ↑ 14 %*

Trading, Clearing & Related

TMX Group offers trading across multiple asset classes, including cash, derivatives, energy and fixed income. Trading Clearing and Related revenue – which comprises the trading and clearing operations of Toronto Stock Exchange, TSX Venture Exchange, Montreal Exchange[1], Boston Options Exchange[2], Natural Gas Exchange and Shorcan – represented 42% of overall revenue in 2008 and increased **32%** compared to 2007.

↑32%*

Issuer Services

TMX Group's equity exchanges offer issuers a platform for growth that is unrivaled in the world. TSX Venture Exchange acts as an incubator for emerging companies. Many companies then go on to graduate to Toronto Stock Exchange where more mature businesses can continue to grow and succeed. Issuer services revenue, which also includes Equicom, grew **14%** in 2008 compared to 2007. It accounted for 29% of overall 2008 revenue.

↑14%*

Market Data

TMX Datalinx offers real-time, historical and index data as well as corporate information, news, derivatives, fixed income and foreign exchange data to help investors make investment decisions on the Canadian capital markets. This information is available through a variety of global distribution channels and data vendors as well as through www.tsx.com. Market Data revenue grew **23%** over 2007 and it accounted for 25% of total TMX Group revenue in 2008.

↑23%*

* Compared to 2007

[1] MX results included in TMX results as of May 1, 2008

[2] BOX results consolidated in TMX results as at August 29, 2008

Our Operations

Even in a challenging economic and competitive environment, TMX Group companies excelled operationally. Here are some of the 2008 business highlights:

4,013	Issuers on Toronto Stock Exchange and TSX Venture Exchange and NEX
359	New listings on Toronto Stock Exchange and TSX Venture Exchange, including 45 graduations to Toronto Stock Exchange
153.3B	Combined securities traded on Toronto Stock Exchange and TSX Venture Exchange
38.1M	Contracts traded on Montreal Exchange[1]
178.7M	Contracts traded on BOX[2]
29%	Increase in the volume of natural gas and electricity contracts traded or cleared on NGX compared to 2007
162,460	Professional and equivalent real-time data subscriptions to TMX Datalinx products
28,461	Montreal Exchange market data subscriptions

Our Priorities

TMX Group has a comprehensive strategy that is guiding our business activities. Our strategy is to expand our integrated business, both domestically and internationally, by offering innovative cash and derivatives products across multiple asset classes.

Our continuing priorities are to Integrate, Enhance and Innovate. We are continuing to **integrate** the Montreal Exchange and its derivatives business with the rest of TMX Group and its cash markets. We will continue to strengthen and **enhance** our current product and services offering to compete for increased market share in cash, derivatives and energy markets. We plan to **innovate** by introducing new, customer-focused products, services and solutions to our marketplaces.

	Integrate Enhance Innovate
Derivatives Trading	– Development of combined cash and derivatives trading strategies – Development of new derivatives products including futures contracts based on a Canadian volatility index and mini-sized equity index futures contracts
Equity Trading	– Trading initiatives, including full implementation of our smart order router and new order types – Fee incentives to attract liquidity such as the Electronic Liquidity Provider program
Trading Technology	– An enhanced equity engine gateway is being introduced – Continuing focus on increasing capacity and reducing latency – New phases for co-location services
Energy Trading	– Expansion of NGX's natural gas and electricity footprint, particularly in the United States – Expansion of crude oil trading and clearing services through the planned acquisition of NetThruPut
Issuer Services	– Growth initiatives in listings with a focus on international small and mid-size companies and cleantech companies – Service expansion for listed companies including tailored financing vehicles, education and investor relations services
Market Data	– Focus on reducing latency and providing more content – Development of new products to meet changing client data requirements, including the Consolidated Data Feed and Canadian Best Bid and Offer products

Contents

Forward-Looking Statements

This annual report contains forward-looking statements, which are not historical facts but are based on certain assumptions and reflect TMX Group's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Please see Forward-Looking Information, Risks and Uncertainties in the 2008 Management's Discussion and Analysis for a description of some of the risk factors that could cause actual events or results to differ materially from current expectations.

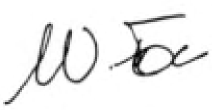
Letter from the Chair

It is again my pleasure to report to you on behalf of TMX Group's Board of Directors. This past year was a difficult one for capital markets in Canada and around the world. Despite these challenging times, TMX Group continues to move forward and evolve. The integration of the Montreal Exchange is well underway and we are already seeing the benefits of the combination. In our view, the unification of Canada's cash and derivatives markets represents a compelling growth opportunity for TMX Group.

In 2008, the Board entered into a process to appoint a new chief executive officer for the organization, following Richard Nesbitt's departure early in the year. We were very pleased to name Thomas Kloet as our CEO last June. Tom brings a wealth of experience in the financial services and public exchange sectors, with particular expertise in derivatives markets. On behalf of all shareholders, I would like to thank interim Co-CEOs, Michael Ptasznik and Rik Parkhill, for their leadership in guiding the operations and advancing the strategic initiatives of the company throughout the first half of the year.

I want to thank my fellow TMX Group Directors for their contributions at the Board's regular and special meetings last year, and particularly throughout the CEO selection process. On behalf of the Board of Directors, I would also like to express gratitude to three of our members, Raymond Garneau, Owen McCreery and Carmand Normand who will step down at our annual meeting. The Board continues to work with our senior management team to build on our track record of strong operating performance and execute on our long term strategy for growth.

In closing, I would like to thank TMX Group management and employees for their diligence in 2008 and express my confidence in their ability to move us towards a promising future.



Wayne Fox
Chair, Board of Directors

Letter from the CEO

As the year progressed, the global economic condition changed considerably, most dramatically over the second half of the year. Virtually every country across the globe has been impacted, with businesses around the world dealing with the dual challenges of a locked credit market coupled with significant destabilization in the real economy. Governments around the world have intervened with strong and immediate action, the success of which remains to be seen. The Canadian economy has weakened in the past year and TMX Group is certainly feeling the effects. Like any business, our operations are subject to economic factors that are beyond our control.

However, I remain excited by the opportunity to be heading up an exchange group in Canada, despite the fragile environment. Great opportunities exist for our newly combined company. We believe that over the long term, exchanges and clearing houses will become even more critical by providing transparent markets for price discovery, well regulated venues for capital formation and effectively collateralized central clearing mechanisms for managing counterparty credit risk.

Another reason for my optimism is that although we are not immune to market fluctuations, the diversification of our company over the last few years has reduced our dependence on purely equity market performance. Our 2008 financial results display signs that our diversification is beginning to provide results.

In May 2008, we took the latest and most important step in this diversification as we completed our business combination with Canada's derivatives exchange, Montreal Exchange, or MX, to form TMX Group. By achieving this milestone, TMX Group became Canada's capital markets trading centre, offering cash and derivatives products across multiple asset classes. For the year ended December 31, 2008, trading revenue from the Toronto Stock Exchange accounted for only 20% of our total revenue compared with 32% just three years ago. This was achieved with compound annual growth in revenue of over 22% during that same period. This diversification opens new avenues for growth and better positions us to face the challenges of the future.

Despite the market environment, overall results for 2008 were positive. Revenue increased 26%, net income increased by 22% and diluted earnings per share was up 14% over 2007. Much of the year over year revenue increase was due to the inclusion of revenue from MX. But the results also reflected the strong performances of our energy market and core business market data operations. Revenue from Natural Gas Exchange (NGX) was up 38% over 2007 due to higher transaction volumes from adding new products, more customers and an improved distribution network. NGX continues to increase its presence in the U.S. market, now offering physical natural gas clearing services at thirteen U.S. hubs. Revenue from market data grew 23% over 2007, due to the combination with MX and also due to our success in selling direct data feeds to U.S. clients, increases in our index business and the launch of co-location services.

The achievements of 2008 are evidence that our strategy of offering leading-edge technology, innovative products and competitive pricing across each area of our business is beginning to work. I am confident that we have a strong team in place to continue to execute this strategy.

A major priority for 2008 was the development of an integration plan subsequent to the acquisition of MX. With the plan developed, we are now in the execution phase of this plan. We also advanced a number of our other initiatives during the year including the work our technology team began in meeting the demands of record-breaking trading activity through our Quantum matching engine. In September 2008, Toronto Stock Exchange set a daily record for the number of transactions and in December 2008, we set a daily high for volume traded. Overall, despite the uncertain market conditions we faced, TSX trading volumes were up 14% and transactions were up 54% in 2008 compared with 2007, largely due to our efforts in attracting new participants to our marketplace.

In August, we completed the acquisition of an additional 21.9% of the Boston Options Exchange (BOX). As a result, TMX Group is now the majority owner of BOX, further diversifying our derivative product and geographic base. We believe BOX's market structure, coupled with its use of our SOLA technology, positions BOX well for growth in the competitive US equity options market.

In October, we announced the launch of a new Electronic Liquidity Provider (ELP) program, which offers significant fee incentives to high-velocity traders. We think the ELP program will benefit equity markets by tightening spreads, reducing friction costs, increasing overall turnover and attracting more liquidity from outside of Canada. We're very pleased with the new liquidity that we are already seeing as a result of this program.

In December, we launched our smart order routing solution for FIX connectivity on a pilot basis. This product has been designed to help market participants efficiently meet their best price regulatory obligations by routing trades to any exchange or alternative trading system in Canada. Full roll-out is scheduled for the first half of 2009.

In market data, we continued to make strides in our on-going effort to deliver low-latency, marketplace neutral solutions for market participants. We launched the Consolidated Data Feed of pre and post-trade data for equity marketplaces in Canada, reducing the costs of building multiple feed formats for vendors and clients, and helping our trading customers meet best execution and trade-through obligations. The second phase of the Consolidated Data Feed, the Canadian Best Bid and Offer real-time data feed, was launched in November 2008.

In order to deliver the ultra-low latency required by our algorithmic and high velocity traders, we began to offer clients the opportunity to locate their trading applications in the same physical data centre as the TSX Quantum equity trading engine and the TSX market data content provider. In November, we announced that following the completion of the integration of Montreal Exchange and TSX data centres, co-location services will be expanded to include derivatives trading and data clients in 2009.

Despite the downturn in markets, our business development teams continued to promote TMX Group exchanges as listing destinations worldwide, particularly in areas of our expertise, the energy and mining sectors and small to medium-sized enterprises. In 2008, we visited Australia, Argentina, Chile, Peru, Hong Kong, South Africa, U.K., Russia and Israel. And in November we completed our 2008 U.S. Campaign, which focused on increasing awareness among small to medium sized businesses of Toronto Stock Exchange and TSX Venture Exchange as listing destinations. At December 31, 2008, we were the listing venue of 273 international issuers and we remain optimistic about the pipeline of potential future issuers both in Canada and beyond.

This past year has been a difficult and even calamitous one for global markets and it is unclear when market conditions will improve. I believe the steps we have taken in 2008 to integrate Canada's cash and derivatives markets will benefit Canada's capital markets in both the short and long term.

Our vision remains focused – to be a leading Canadian public company that is the best operator of electronic marketplaces on a global standard. We are also keenly aware that we operate in a dynamic and competitive environment. Our competitive response is in our daily work to best serve our customers and to continue to deliver efficient, responsive and adaptable products and services.

While this year has been challenging, we have experienced a number of successes in keeping with our priorities to integrate, enhance and innovate across our business. TMX Group's foundation is built on the effort of a tireless team guided by a dedicated Board of Directors, along with the support of our customers, intermediaries, shareholders and regulators. I look forward to updating you on our progress as our effort continues.

Thomas Kloet
CEO

Statement of Corporate Governance Practices

Overview

Our Board of Directors (*Board*) and management are committed to remaining at the forefront of good governance and to ensuring the highest standard of corporate governance. TMX Group's corporate governance policies and practices are designed to support the Board in discharging its responsibilities and to enhance shareholder value. We regularly review these policies and practices with a view to enhancing our governance structure and practices in an ever-evolving corporate governance environment.

TMX Group's corporate governance system complies with National Policy 58-201—Corporate Governance Guidelines *(NP 58-201)*, National Instrument 58-101—Disclosure of Corporate Governance Practices (*NI 58-101*) and National Instrument 52-110—Audit Committees (*NI 52-110*). In addition, we continue to review our corporate governance practices with reference to corporate governance guidelines recommended by institutional and other shareholder organizations.

Board Responsibilities

The Board is responsible for TMX Group's governance and stewardship and overseeing its corporate strategy, operations and management. The Board discharges its responsibilities, either directly or, where appropriate, through committees, and by selecting and holding management accountable for TMX Group's operations and for implementing its corporate strategy. The Board sets clear policies and direction for management's responsibilities and authority. Among its many specific duties, the Board annually monitors the performance of the Chief Executive Officer (CEO) against corporate objectives (established by the Board with the CEO), and sets the CEO's compensation. The Board also approves strategic plans and corporate objectives that the CEO is responsible for meeting, provides advice and counsel to the CEO, oversees ethical and legal conduct of senior management, and assesses the financial performance of TMX Group. In addition, the Board approves the adequacy and form of compensation paid to members of the Board (*Directors*). The Board Charter that describes the Board's responsibilities is available on our website.

At each regularly scheduled Board meeting, Directors and senior management examine, review and discuss a broad range of issues relevant to TMX Group's strategy, business interests and growth initiatives. In addition, management provides the Board with timely, periodic reports on operational and financial performance. During fiscal 2008, the Board held ten regular meetings and four special meetings. Attendance by Directors at these meetings was more than 91%, either in person, by teleconference or by video conference. The Board plans to hold eight regular meetings in 2009. At each of these meetings, the Board will meet without management and non-independent Directors to ensure it provides independent assessment and oversight. Each of the Finance and Audit Committee, Governance Committee and the Human Resources Committee can, in its discretion, retain an outside advisor or expert. An individual Director or any other committee of the Board can retain an outside advisor or expert with the approval of the Governance Committee.

Board Independence and Composition

As at February 27, 2009, the Board has a non-executive Chair and knowledgeable and experienced Directors, and 16 out of 18 (89%) members of the Board, including the Chair, are "independent" within the meaning of section 1.4 of NI 52-110 and our recognition order issued by the Ontario Securities Commission (*Recognition Order*). The Recognition Order requires at least 50% of Directors to be "independent", within the meaning of section 1.4 of NI 52-110. Furthermore, pursuant to the Recognition Order the Board adopted more restrictive standards than those imposed by NI 52-110 to determine whether individual members of the Board are independent from TMX Group. Those standards are available on our website.

The Board also derives strength from the background, qualities, skills and experience of its Directors. The Governance Committee recommends candidates to the Board who are suitable for nomination to the Board on an annual basis. Nominees are selected for qualities such as integrity, business judgment, financial acumen, independence, business, professional or board expertise and capital markets experience. The Board also takes into consideration representation from geographic regions relevant to TMX Group's strategic priorities.

Director Education and Access to Management

We provide new Directors with a Directors' Manual, which serves as a corporate reference, as well as with orientation materials describing our business, strategy, objectives and initiatives, so new Directors understand the nature and operations of our business and the role of the Board and its committees, as well as the contribution individual Directors are expected to make. To assist in the integration and orientation of new Directors, the Governance Committee assigns a member of the Board as a mentor to each new Director. Furthermore, Directors are invited to spend time at our offices and also have timely, periodic one-on-one meetings with the CEO and members of the senior management team. The Chair sets the agenda for Board meetings and Directors receive a comprehensive package of information prior to each Board and committee meeting. As well, each committee delivers a report to the full Board on its work after each committee meeting. TMX Group also provides the Directors with a variety of other materials and presentations on an ad hoc basis, to keep them informed about internal developments as well as developments in, or which affect, our industry. All of these materials and other corporate materials are also accessible by Directors on a permanent, secure intranet.

Evaluation

The Governance Committee annually evaluates the overall performance and effectiveness of the Board, its committees and all Directors. This evaluation is conducted by written self-assessment and peer questionnaires and through formal interviews of each Director (other than the Chair) by the Chair of the Board and of the Chair by the chair of the Governance Committee. The Chair of the Board reports summary findings to the Governance Committee and to the full Board.

Code of Conduct

The Board's Code of Conduct (*Board Code*) for Directors sets standards for ethical behaviour of the Board. The Board monitors compliance with the Board Code and is responsible for considering and granting waivers from compliance with the Board Code, if any. No waivers have been granted nor have there been any violations of the Board Code. A copy of the Board Code is available on our website.

Committees

The Board has four standing committees with specific areas of responsibility to effectively govern TMX Group: Finance and Audit Committee, Governance Committee, Human Resources Committee and Public Venture Market Committee. All of the members of the Finance and Audit Committee, Governance Committee, Human Resources Committee and Public Venture Market Committee are independent. All of the committees also consist solely of non-management Directors. The Board believes that the composition of its committees ensures that they operate independently from management to protect all shareholders' interests. The Board also believes that the members of the Finance and Audit Committee are financially literate, given their education and experience. Each standing Board committee has a formal written Charter, approved by the Board. These Charters are reviewed at least annually and are available on our website.

Majority Voting

The Board has adopted a policy that provides that in an uncontested election of directors, any nominee of TMX Group who does not receive the support of a majority of the votes cast at an annual meeting of the shareholders will tender his or her resignation to the Board, to be effective when accepted by the Board. The Governance Committee will consider the resignation and recommend to the Board the action to be taken. The Board will have 90 days following the annual meeting to make its decision and announce it by way of press release.

Risk Management

TMX Group recognizes that risk management is integral to its business, operations and financial performance, and we follow a comprehensive integrated risk management program to identify, assess and prioritize principal business risks, and consider the likelihood and potential impact of each risk. We develop strategies to manage and mitigate each identified risk. In addition, we have a plan to mitigate the risk of interruptions to our critical business functions. The plan integrates disaster recovery and business continuity for critical functions to protect personnel and resources and to enable us to continue critical business functions if a disaster occurs. The Board provides oversight with respect to our risk management program and our strategies to mitigate such risks. Also, we have an internal audit function, which reports to the Finance and Audit Committee, and which independently assesses the adequacy and effectiveness of internal controls and recommends corrective action.

Communication

TMX Group and the Board are committed to open and proactive investor communication. Our investor relations staff provides information to current and potential investors and responds to their inquiries. We broadcast quarterly earnings conference calls live and archive these calls on our website. We also make recordings available via telephone to interested investors, the media and members of the public for three months after each call. Audio webcasts of such recordings are also available on our website for six months after each call. We promptly make available presentations from investor conferences on our website. We also make disclosure documents available via our website.

Additional Information

For a full report on our corporate governance practices, please refer to our Management Information Circular, which may be accessed through www.sedar.com or through our website at www.tsx.com. The Circular also describes our corporate governance practices, and provides information about Directors, and the composition, responsibilities and activities of the Board's standing committees. All information about corporate governance practices in our Annual Report and in the Management Information Circular was adopted and approved by our Board.

2008 Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) of TMX Group Inc.'s (TMX Group)[1] financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the year ended December 31, 2008, compared with the year ended December 31, 2007. This MD&A is dated January 28, 2009 and should be read carefully together with our 2008 audited annual financial statements, including notes, which are prepared in accordance with Canadian generally accepted accounting principles (GAAP). Each of these documents is filed with Canadian securities regulators and can be accessed through **www.sedar.com**, or our website at **www.tsx.com**. The financial measures included in this MD&A are based on financial statements prepared in accordance with Canadian GAAP, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

On May 1, 2008, we completed our business combination with Montréal Exchange Inc. (MX or Montréal Exchange) to create TMX Group, a leading, integrated, multi-asset class exchange group. The business combination was completed by TMX Group acquiring all of MX's outstanding common shares for a total consideration of 15.3 million TMX Group common shares and $428.2 million in cash. For those MX shareholders who elected to receive cash or were deemed to have so elected, this represents an amount, for each MX common share, of $16.26 in cash and 0.4540 of a TMX Group common share. Those who elected to receive shares of TMX Group received 0.7784 of a TMX Group common share for each MX common share. The consideration was distributed to MX shareholders on May 2, 2008. The results of MX are included in TMX Group's consolidated results from May 1, 2008.

On August 29, 2008, MX acquired an additional 21.9% interest in the Boston Options Exchange Group, LLC (BOX) from the Boston Stock Exchange (BSE), giving MX a majority ownership interest of 53.3% in, and control of, the U.S. equity options exchange. Prior to the completion of this transaction, MX's 31.4% investment in BOX was accounted for under the equity method under which our 31.4% of the earnings from BOX was reported as income from investment in an affiliate. From the acquisition of control on August 29, 2008, the results of BOX have been fully consolidated into TMX Group's consolidated results, with an adjustment made for the non-controlling interests. In October 2008, as a result of a buy back of units by BOX, MX's ownership increased to 53.8%.

Certain comparative figures have been reclassified in order to conform with the financial presentation adopted in the current year.

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

Non-GAAP Financial Measures

Toronto Stock Exchange customers are billed for initial and additional listing fees, and with this system, there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities. In order to reflect these activities, we have adopted the terms "issuer services fees billed", "initial listing fees billed" and "additional listing fees billed".

Certain measures used in this MD&A, specifically "initial listing fees billed", "additional listing fees billed", "total revenue based on initial and additional listing fees billed" and "issuer services revenue based on initial and additional listing fees billed" do not have standardized meanings prescribed by Canadian GAAP and therefore are unlikely to be comparable to similar measures presented by other issuers. We present these non-GAAP revenue measures as an indication of how initial and additional listing activity and the fees billed or received in connection with the listing or reserving of securities impact the financial performance and cash flows of our business. Management uses these measures to assess the effectiveness of our strategy to serve our listed issuers and to manage the listings portion of our business.

We present "earnings per share prior to a reduction in the value of the future tax asset" as an indication of operating performance exclusive of tax charges, which primarily relate to lower federal corporate income tax rates and other adjustments. This measure does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Management uses this measure to assess financial performance excluding the reduction of the future tax asset.

We present "adjusted earnings per share prior to a reduction in the value of the future tax asset in 2007 and prior to loss on termination of joint venture in 2008" as an indication of operating performance exclusive of the adjustment to the value of the future tax asset (see above) and the payment made on April 1, 2008 to ISE Ventures, LLC (ISE Ventures), a wholly-owned subsidiary of International Securities Exchange Holdings, Inc. (ISE), related to terminating our proposed derivatives joint venture. This measure does not have a standardized meaning prescribed by Canadian GAAP and therefore is unlikely to be comparable to similar measures presented by other issuers. Management believes this measure allows it to assess operating performance excluding the reduction of the future tax asset and the type of payment made to ISE Ventures.

1 Following shareholder approval on June 11, 2008, we amended our Restated Articles of Incorporation to change our name from TSX Group Inc. / Groupe TSX Inc. to TMX Group Inc. / Groupe TMX Inc.

Executive Summary of Vision, Strategies and Priorities[2]

Our vision: To be a leading Canadian public company that is the best operator of electronic marketplaces on a global standard.

Our strategy: To expand our integrated business, both domestically and internationally, by offering innovative cash and derivatives products across multiple asset classes.

Our priorities:

- *Integrate:*

  We completed our combination with MX to further diversify our revenue base and to realize revenue and cost synergies. The combination also creates a substantially larger entity that is better positioned to compete.

- *Enhance:*

  We will continue to enhance our product and services offering to compete for increased market share in cash, derivatives and energy markets.

- *Innovate:*

  We plan to innovate by continuing to introduce new, customer-focused products, services and solutions to our marketplaces, including those that combine the cash and derivatives markets.

Market Conditions and Outlook[3]

Capital markets across the world experienced severe volatility in 2008. The deterioration of the U.S. residential mortgage market that began in 2007 precipitated a global credit crisis prompting unprecedented responses from governments and central banks.

Our revenue is highly dependent upon the level of market activity on our exchanges, including: volumes/contracts traded in cash equities and fixed income products, as well as derivatives and energy products; the number and market capitalization of listed issuers; the number and value of new and additional listings; as well as the number of subscribers to market data. The contraction of credit has resulted in a reduction in corporate financing and fixed income activity. While it is not possible to quantify the potential decline in some of these measures, current and future economic and market conditions may result in a decrease in some or all of these revenue drivers, which would negatively impact future revenue and net income since we have limited ability to substantially alter our cost structure, given its fixed nature.

Though we face these challenging economic and market conditions in Canada, the U.S. and internationally in the near term, we believe that over the long term, exchanges and clearing houses will become even more important in providing transparent markets for price discovery, well regulated venues for capital formation and effectively collateralized clearing mechanisms for managing counterparty credit risk.

Overview of the Business

We own and operate cash, derivatives, energy, fixed income markets and clearing houses in Canada and the U.S.

- Our cash markets, Toronto Stock Exchange and TSX Venture Exchange, are the primary venues for capital formation and liquidity in Canada. The total market capitalization of the 4,013 issuers listed on our equity exchanges at December 31, 2008 was $1.3 trillion, making our combined equity exchanges the third largest in North America and the eighth largest in the world. The total volume of securities traded on our two equity exchanges in 2008 was 153.3 billion compared with 149.2 billion in 2007. The information from trading and other sources was supplied through over 162,000 professional and equivalent subscriptions to our TSX Datalinx real-time market data at the end of 2008 compared with over 160,000 at the end of 2007.
- Our derivatives exchange, MX, is Canada's only standardized financial derivatives exchange. Headquartered in Montreal, MX offers interest rate, index and equity derivatives. Through the Canadian Derivatives Clearing Corporation (CDCC), MX's wholly-owned subsidiary, we provide clearing, settlement and risk management services, as well as being the issuer of every option traded on MX's markets. CDCC is the central counterparty and guarantor of all transactions carried out on MX's markets and of some over-the-counter, or OTC products. MX has a 53.8% ownership interest in BOX, a U.S. automated equity options market for which MX is the technical operator and technology developer. MX has a 51% ownership in the Montréal Climate Exchange Inc., or MCeX, a market for environmental products in Canada, jointly created with the Chicago Climate Exchange Inc. On May 30, 2008, MCeX launched trading of futures contracts on Canadian carbon dioxide equivalent units. Our derivatives markets derive revenue from MX's trading, clearing, market data and business services activities as well as from trading on BOX.

2 The "***Executive Summary of Vision, Strategies and Priorities***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

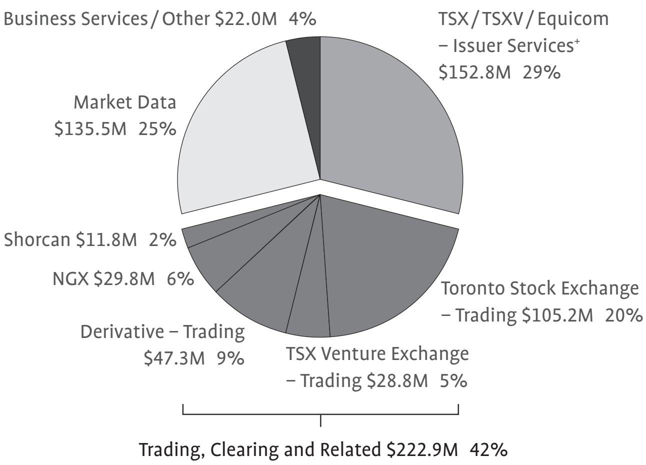
3 The "***Market Conditions and Outlook***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

- Our energy market, NGX, is a Canadian-based exchange that provides customers with an electronic platform that trades and provides clearing and settlement services for natural gas and electricity contracts across North America. During 2008, 14.5 million terajoules in natural gas and electricity contracts were traded or cleared on NGX compared with 11.2 million terajoules in 2007. In October 2006, we added to our energy business when we acquired Oxen Inc. (Oxen), which owns the Alberta Watt Exchange Limited (Watt-Ex), a provider of ancillary services to the Alberta Electric System Operator which is used to balance supply and demand on the Alberta grid.
- We acquired our fixed income market, Shorcan Brokers Limited (Shorcan), Canada's first fixed income inter-dealer broker (IDB) in December 2006. This complemented the October 2006 purchase of PC-Bond, which offers the leading Canadian fixed income indices and PC-Bond analytics applications.

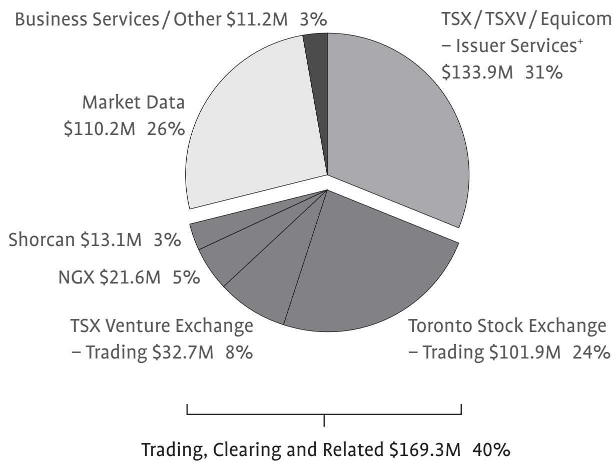
Core Business of TMX Group

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

2008 revenue reported of $533.2 million[4]



2007 revenue reported of $424.6 million



Canadian GAAP requires that we recognize initial and additional listing fees over an estimated service period related to the fees, which we have determined to be ten years, even though we receive these fees upon completion of the transaction and they are non-refundable to customers. We believe it is helpful to also show total revenue based on initial and additional listing fees billed* as this measure links these listing fees more closely with the listing transactions and cash flows we generate from these transactions. This is how our international peers, who report using International Financial Reporting Standards (IFRS), currently account for these fees.

The following is a reconciliation of total revenue based on initial and additional listing fees billed* to total revenue based on initial and additional listing fees reported:

(in millions of dollars)		**2008**		**2007**
Total revenue based on initial and additional listing fees billed*	**$**	**561.4**	$	503.2
Initial and additional listing fees billed* and deferred to future periods	**$**	**(90.0)**	$	(129.0)
Recognition of initial and additional listing fees billed* and previously included in deferred revenue	**$**	**61.8**	$	50.4
Total revenue based on initial and additional listing fee revenue reported	**$**	**533.2**	$	424.6
Excess of initial and additional listing fees billed* over initial and additional listing revenue reported	**$**	**28.2**	$	78.6

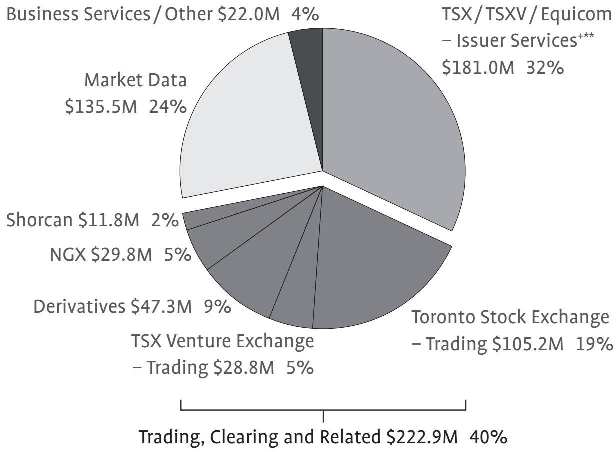
4 Includes revenue from Montréal Exchange from May 1, 2008.

+ Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

* See discussion under the heading Non-GAAP Financial Measures.

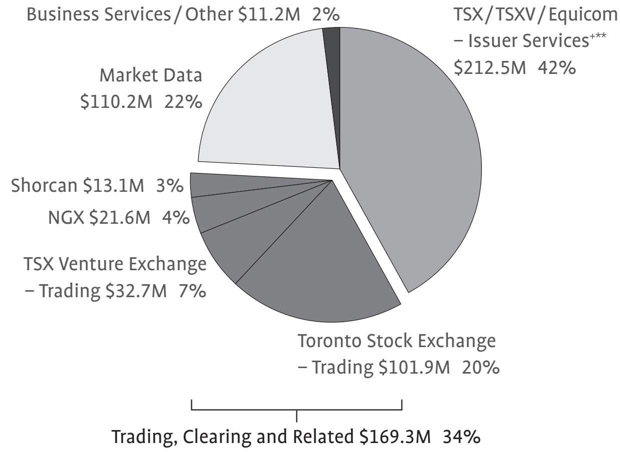
2008 revenue of $561.4 million[5]

(total revenue based on initial and additional listing fees billed*)



2007 revenue of $503.2 million

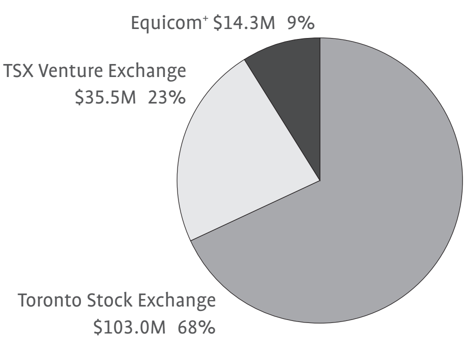
(total revenue based on initial and additional listing fees billed*)



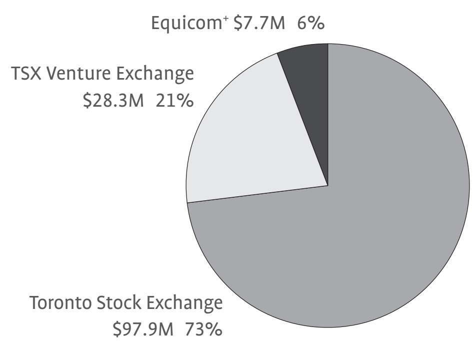
Issuer Services

Revenue Composition

2008 issuer services revenue reported of $152.8 million



2007 issuer services revenue reported of $133.9 million



The following is a reconciliation of issuer services revenue based on initial and additional listing fees billed* to issuer services revenue based on initial and additional listing fees reported:

(in millions of dollars)		**2008**		2007
Issuer services revenue based on initial and additional listing fees billed*	**$**	**181.0**	$	212.5
Initial and additional listing fees billed* and deferred to future periods	**$**	**(90.0)**	$	(129.0)
Recognition of initial and additional listing fees billed* and previously included in deferred revenue	**$**	**61.8**	$	50.4
Issuer services revenue based on initial and additional listing fee revenue reported	**$**	**152.8**	$	133.9
Excess of initial and additional listing fees billed* over initial and additional listing revenue reported	**$**	**28.2**	$	78.6

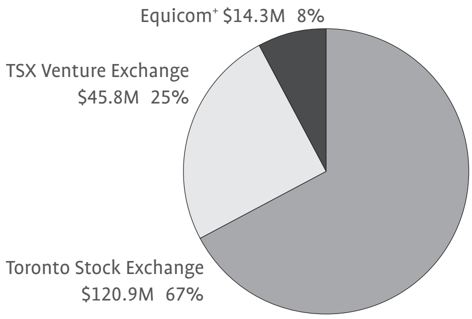
5 Includes revenue from Montréal Exchange from May 1, 2008.

+ Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

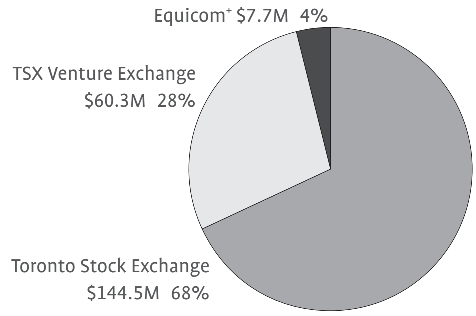
* See discussion under the heading Non-GAAP Financial Measures.

** See discussion under the heading Non-GAAP Financial Measures. The composition of issuer services revenue based on initial and additional listing fee revenue billed is available in our Review of Operations 2008 under the heading "***Issuer Services Revenue***", and a reconciliation to issuer services revenue based on initial and additional listing fee revenue reported is located on Page 13.

2008 issuer services revenue of $181.0 million based on initial and additional listing fees billed[*]



2007 issuer services revenue of $212.5 million based on initial and additional listing fees billed[*]



Overview and Description of Products and Services

Our listings operations take place through Toronto Stock Exchange, our senior market, and TSX Venture Exchange, our junior market. TSX Venture Exchange also offers a board called NEX[6] for issuers that have fallen below TSX Venture Exchange's ongoing listing standards.

In general, issuers initially list on Toronto Stock Exchange either in connection with their initial public offerings (IPOs), or by graduating from TSX Venture Exchange. Junior companies generally list on TSX Venture Exchange either in connection with their IPOs or through alternative methods such as TSX Venture Exchange's Capital Pool Company (CPC) program or reverse takeovers.

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 securities such as exchangeable shares, convertible debt instruments, limited partnership units, exchange-traded fund units, income trust units and structured products.

Issuers that meet initial and ongoing listing requirements of Toronto Stock Exchange or TSX Venture Exchange receive a range of benefits, including opportunities to efficiently access public capital, liquidity for existing investors, mentorship programs and the prestige and market exposure associated with being listed on one of Canada's premier national stock exchanges.

On June 1, 2007, we further expanded our service offerings to issuers with the purchase of The Equicom Group Inc. (Equicom), a leading provider of investor relations and related corporate communication services to public companies in Canada.

Key Statistics

- At December 31, 2008, 1,570 issuers with an aggregate market capitalization of $1.3 trillion were listed on Toronto Stock Exchange, compared with 1,613 issuers at December 31, 2007 with an aggregate market capitalization of $2.1 trillion.
- At December 31, 2008, 2,443 issuers with an aggregate market capitalization of $17.1 billion were listed on TSX Venture Exchange, compared with 2,338 issuers at December 31, 2007 with an aggregate market capitalization of $58.5 billion.

Pricing

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

Initial Listing Fees

Toronto Stock Exchange and TSX Venture Exchange issuers pay initial fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial listing fees billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period. For accounting purposes, we recognize revenue from initial listing fees on a straight-line basis over a ten year period. Unamortized balances are recorded as part of "Deferred revenue – initial and additional listing fees" on the consolidated balance sheet.

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 billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period. For accounting purposes, we recognize additional listing fees on a straight-line basis over a ten year period. Unamortized balances are recorded as part of "Deferred revenue – initial and additional listing fees" on the consolidated balance sheet.

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

* See discussion under the heading Non-GAAP Financial Measures.

\+ Includes $7.7 million in revenue from Equicom for the seven months from acquisition on June 1, 2007 and full year 2008.

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 provide a recurring revenue stream that typically fluctuates with the number of companies listed and their market capitalization. Most issuers listed on Toronto Stock Exchange and TSX Venture Exchange will pay a lower sustaining fee in 2009 as a result of a decrease in their market capitalization at the end of 2008 when compared with 2007. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis.

Prior to becoming effective, changes to Toronto Stock Exchange listing fees are filed with the Ontario Securities Commission (OSC). Any changes to TSX Venture Exchange listing fees must receive approval from the British Columbia Securities Commission (BCSC) and the Alberta Securities Commission (ASC).

2009 Pricing[7]

Toronto Stock Exchange

On November 20, 2008, we announced a revised listing fee schedule for Toronto Stock Exchange. The new fee schedule was effective January 1, 2009. TSX expects most of its individual listed issuers to experience a reduction in sustaining fees in 2009, due to their lower market capitalization at December 31, 2008. Overall, we anticipate this reduction will be partially offset by an increase in sustaining fees, as a result of the introduction of the new schedule. Listing fees at all major exchanges were reviewed to ensure TSX fees remain competitive with those marketplaces.

The amendments to the listing fee schedule include changes to the base and maximum sustaining fees for corporate issuers (variable fee rates remain unchanged); the fees payable for corporate reorganizations, which include income trust conversions; and the maximum fees payable for security-based compensation arrangements (minimum fees and the variable fee rates remain unchanged). The original listing and additional listing fee schedules (other than for security-based compensation arrangements) remain unchanged.

TSX Venture Exchange

On December 16, 2008 we announced certain amendments to TSX Venture Exchange's listing fee schedule, which came into effect on January 1, 2009. The fee increases apply to all original listings transactions and all additional listings transactions that involve a financing. All other fees remain unchanged.

Overall, based on data as of December 8, 2008, we expect that the impact from the lower market capitalization of issuers on both of our exchanges, somewhat offset by higher sustaining fees on Toronto Stock Exchange, will result in an estimated $11.0 to $13.0 million reduction in total sustaining fees for 2009.

Competition

We compete for listings both in North America and internationally, particularly for small to medium-sized enterprises (SMEs) and resource companies. Domestically, we compete for junior listings with Canadian National Stock Exchange (CNSX).

In Canada, TSX Venture Exchange has designed specific financing vehicles like the CPC product and implemented a mentorship program to support early stage companies in their first experience of being public. In December 2008, we obtained approval from the OSC to launch a program for Toronto Stock Exchange to list Special Purpose Acquisition Corporations (SPACs).

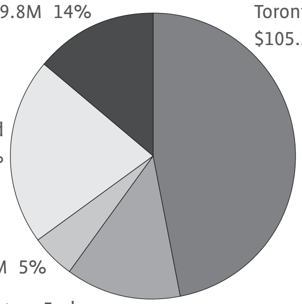
While many Canadian companies seek a listing on another major North American or international exchange, the vast majority of these issuers tend to list on Toronto Stock Exchange or TSX Venture Exchange and do not bypass our markets. At December 31, 2008 there were 266 issuers interlisted on other exchanges, including 83 on NYSE, 44 on NASDAQ, 35 on AIM and 22 on ASX. Only 23 Canadian issuers bypassed our markets to list solely outside of Canada.

In 2008 we completed our second annual U.S. roadshow promoting TMX Group equity exchanges in seven cities. We also took our roadshow to six cities in China and visited Australia, Argentina, Chile, Peru, Hong Kong, South Africa, U.K., Russia and Israel in 2008. These international campaigns have been a success, as we added 48 new international issuers (excluding TSX Venture Exchange graduates) in 2007 and 42 issuers in 2008, despite difficult market conditions.

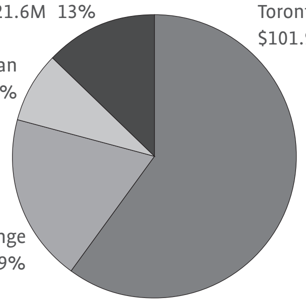
7 The "***2009 Pricing-Toronto Stock Exchange***" section above contains certain forward-looking statements. Please refer to "Forward-Looking Information, Risks and Uncertainties" for a discussion of risks and uncertainties related to such statements.

Trading – TSX Markets, MX, NGX and Shorcan

2008 trading, clearing and related revenue of $222.9 million



2007 trading and related revenue of $169.3 million



TSX Markets – Cash Equities Trading

Overview and Description of Products and Services

Our cash equities trading operations for both Toronto Stock Exchange and TSX Venture Exchange are conducted by TSX Markets. Participating Organizations and Member Firms (collectively, POs), acting as principals or agents for retail and institutional investors, place orders to buy or sell listed securities using our fully electronic trading systems.

Trading occurs on a continuous basis throughout the day but begins at market open in an auction format and ends with an extended trading session in which trades occur at the closing price, referred to as a single price closing call market. Trading also occurs through crosses in which POs internally match orders and report them through the exchanges. All trades are cleared and settled through The Canadian Depository for Securities Limited (CDS), a recognized clearing agency in which we have an approximate 18% ownership interest. The other shareholders are the major Canadian chartered banks and the Investment Industry Regulatory Organization of Canada (IIROC).

We meet market demands by offering superior technology distribution, innovative products and competitive trading fees.

Technology – TSX Quantum[8]

We began a phased roll-out of our next generation trading engine, TSX Quantum, in December 2007 and the migration of all Toronto Stock Exchange symbols was completed in June 2008.

The advent of algorithmic trading has intensified the exchange industry focus on increasing capacity and reducing latency of the trading enterprise. The peak ratio of messages sent to trades executed has continued to grow on Toronto Stock Exchange, from 3:1 in 2002 to 60:1 in 2008. We have worked to decrease response times while meeting the spike in activity. In December 2008, we set a daily record for volume traded and in September, 2008 we set a daily record for number of transactions. Overall, Toronto Stock Exchange trading volumes were up 14% while transactions were up 54% in 2008 compared with 2007, further evidence we believe, of the growth of algorithmic trading in Canada.

We have a business continuity plan designed to provide continuous operations in the event of a disruption to our main facility. As part of this plan, we operate two data centres in separate locations, allowing for back-up recovery in the event that one of the centres experiences a failure. Unrelated to TSX Quantum, on December 17, 2008, our systems experienced complications with data synchronization, which impacted the delivery of our Level 1 equity market data feeds. Because not all investors could access information about trading on the market, the decision was made to halt trading on Toronto Stock Exchange and TSX Venture Exchange to ensure fair and equal treatment for all participants. Trading resumed without incident the following day.

Products and Services[9]

Part of our strategy to compete with new market entrants is to continue to implement new, innovative trading features and methodologies to meet diverse customer requirements for trade execution. The following products and services were launched in 2008:

- In October 2008, we announced the launch of a new Electronic Liquidity Provider incentive program, offering significant fee incentives to experienced high-velocity traders. The addition of experienced Electronic Liquidity Providers should benefit the Canadian equity markets by tightening spreads, reducing friction costs, increasing overall turnover and attracting more liquidity from outside of Canada.

8 The "***Technology***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

9 The "***Products and Services***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

- In December 2008, we launched a smart order routing solution (SOR) powered by Lava ColorBook® II technology on a pilot basis. This marketplace neutral solution has been designed to assist POs to efficiently meet their best price regulatory obligations by routing trades to any exchange or alternative trading systems (ATSs) in Canada. Full roll-out is scheduled for February 2009.

Key Statistics

- The volume of securities traded on Toronto Stock Exchange in 2008 increased by 14% over 2007 (109.2 billion securities in 2008 versus 96.1 billion securities in 2007). Transactions increased by 54% in 2008 compared with 2007 (182.9 million in 2008 versus 118.6 million in 2007).
- The volume of securities traded on TSX Venture Exchange in 2008 decreased by 17% over 2007 (44.1 billion securities in 2008 versus 53.2 billion securities in 2007). Transactions decreased by 32% in 2008 compared with 2007 (5.9 million in 2008 versus 8.7 million in 2007).

Pricing

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

Prior to becoming effective, changes to Toronto Stock Exchange and TSX Venture Exchange trading fees are filed with the OSC, BCSC and ASC.

2009 Pricing[10]

We implemented trading fee changes for Toronto Stock Exchange and TSX Venture Exchange effective January 1, 2009. These changes were designed to provide savings for market participants and are intended to attract additional participants and volume to our marketplaces by introducing further incentives for adding liquidity to our central limit order books. In addition, revised pricing models for Toronto Stock Exchange market makers and exchange traded funds are expected to improve liquidity and promote trading growth in these areas.

Given that many of the changes are structured to respond to customer needs, it is expected that the impact of the proposed changes will be to improve TMX Group's competitive position in North America. Based on historical trading activity, patterns, and product mix, changes to the trading fee structure could reduce trading revenue by approximately $11.0 to $14.0 million on an annual basis if offsetting benefits, including increased volumes, are not realized. However, actual trading revenue will depend on future trading activity, patterns and product mix. It is possible that trading volumes could decline in 2009 depending on future economic and market conditions.

Competition

On December 1, 2001, regulatory changes permitting the creation of ATSs in Canada were introduced. There are currently a number of ATSs operating in Canada, both dark and visible trading venues including a new ATS formed by a group of Canada's leading banks and investment dealers. In Q4/08, Toronto Stock Exchange held a 95% share of senior equities volume traded in Canada.

We also compete for trading activity in the United States in those issuers which 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 as well as on 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. TSX Markets has a sales team focused on U.S. accounts with the goal of attracting more participants and order flow by raising the level of awareness regarding the benefits of trading on Toronto Stock Exchange and TSX Venture Exchange.

MX and BOX – Derivatives Trading and Clearing

Overview and Description of Products and Services

Our financial derivatives trading is conducted through MX, Canada's only standardized financial derivatives exchange. In addition, MX owns 53.8% of BOX, a U.S. automated equity options market. Our derivatives markets derive revenue from MX's trading, clearing, market data and business services activities as well as from trading on BOX.

Technology – SOLA[11]

MX developed a state-of-the-art robust, scalable, reliable and portable electronic trading platform, called SOLA, currently in use at MX and at BOX. During 2007, MX completed the development and implementation of SOLA Surveillance, a market surveillance software, for BOX.

10 The "***2009 Pricing***" above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

11 The "***Technology – SOLA***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

MX also implemented SOLA Surveillance for its own regulatory environment and full product deployment is planned for 2009. In June 2008, the MX Information Technology Services team released the first stages of SOLA Clearing, a clearing software which is intended to provide increased performance and functionality to CDCC and its members. SOLA Clearing is expected to be completely operational by the end of Q2/09.

We have a business continuity plan designed to provide continuous operations in the event of a disruption to our main facility. As part of this plan, we operate two data centres in separate locations, allowing for back-up recovery in the event that one of the centres experiences a failure.

Products and Services

Derivatives-Trading

MX offers interest rate, index and equity derivatives. Currently, the most important of these products are the Three-Month Canadian Bankers' Acceptance Futures contract (BAX), the Ten-Year Government of Canada Bond Futures contract (CGB) and the S&P Canada 60 Index Futures contract (SXF). 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.

BOX is one of the seven options exchanges in the U.S., offering an electronic equity derivatives market on almost 1,500 options classes.

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 and guarantor for options and futures contracts traded on MX markets and for some products on the OTC market. CDCC reduces investor risk by guaranteeing all contractual commitments made between parties for transactions executed on MX's markets. CDCC received a long-term rating of AA and a short-term rating of A1 from Standard and Poor's.

Derivatives-Regulatory Division

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

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

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

Key Statistics

- MX volumes decreased by 11% (24.8 million contracts traded from May 1, 2008 – December 31, 2008 versus 27.9 million contracts traded from May 1, 2007 – December 31, 2007).
- BOX volumes increased by 29% (62.8 million contracts from September 1, 2008 – December 31, 2008 versus 48.7 million contracts traded from September 1, 2007 – December 31, 2007).
- For the full year 2008, including the period when we did not own MX, volumes decreased by 11% (38.1 million contracts 2008 versus 42.7 million in contracts traded in 2007). While there was reduced trading in fixed income contracts (BAX and CGB), there was increased trading in equity derivatives.
- For the full year 2008, including the period when we did not control BOX, volumes increased by 38% (178.7 million contracts in 2008 versus 129.8 million contracts traded in 2007).

Pricing

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 a per transaction basis, this trading revenue is directly correlated to the volume of contracts traded on the derivatives market. Derivatives trading revenue is recognized on the transaction date of the related transaction.

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

Prior to becoming effective, changes to MX trading fees are filed with the Autorité des marchés financiers (AMF). Changes to BOX trading fees are filed with the SEC.

2009 Pricing

There have been no announcements with respect to price changes for 2009.

Competition[12]

In Canada, our competition in derivatives is the over-the-counter, or OTC market.

While MX and CDCC are the only standardized financial derivatives exchange and clearing house in Canada, their various component activities are exposed, in varying degrees, to competition. We compete by offering market participants a state-of-the-art electronic trading platform, an efficient, cost-effective and liquid marketplace for trade execution, transparent market and quotation data and excellent product design. 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 that offer comparable derivatives products, we may in the future also face similar competition from Canadian marketplaces.

If a market were to be established in Canada in competition with MX, CDCC would be prepared to offer clearing services to that market, subject to obtaining the requisite regulatory approvals.

However, insofar as its new mission of providing clearing services for certain OTC-traded contracts is concerned, 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 United States, MX competes for market share of trading single stock options based on Canadian-based interlistings, or dual listings. However, options traded in the U.S. are not fungible with those traded in Canada. BOX operates in the highly competitive U.S. equity options markets and competes with Chicago Board Options Exchange (CBOE), ISE, NASDAQ OMX PHLX (PHLX), NASDAQ Options Market (NOM), NYSE Amex Options (AMEX) and NYSE Arca Options (ARCA). In 2008, BOX daily volumes grew 38% over 2007 and its overall market share in equity products was 5.4% in 2008 compared with 5.0% in 2007.

NGX

Overview and Description of Products and Services[13]

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for natural gas and electricity contracts. On March 28, 2007, we announced the formation of a transformative technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and IntercontinentalExchange Inc. (ICE). Launched in February 2008, the alliance brings together the respective strengths of NGX, North America's leading physical clearing and settlement facility in energy, and ICE, a world leading electronic energy and soft commodities marketplace. 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.

At the end of 2008, NGX was providing physical clearing services at ten key U.S. hubs, or pricing points, in addition to the 14 Canadian hubs. On the current program we plan to provide physical clearing services at additional U.S. hubs as we build up our operational expertise and add committed customers with an objective of 20 U.S. hubs by the end of 2009.

12 The "***Competition***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

13 The "***Overview and Description of Products and Services***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

In September 2007, we purchased an option from Enbridge and Circuit Technology to acquire all the shares of NetThruPut Inc. (NTP), the Calgary-based leading Canadian electronic platform and clearing facility for crude oil. We intend to exercise the option and acquire the shares of NTP in the first half of 2009. NGX plans to start providing trading and clearing services for physical crude oil products in 2009.

Key Statistics

- In 2008, the volumes of natural gas and electricity contracts traded or cleared on NGX increased by 29% over 2007 (14.5 million terajoules in 2008 versus 11.2 million terajoules in 2007). These volumes figures exclude the Watt-Ex volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator. The impact of the global credit crisis is expected to result in much lower growth in energy trading and clearing in 2009.

Pricing

NGX generates trading and clearing revenue by applying fees to all transactions based on the contract volume traded or centrally cleared through the exchange, and charges a monthly fixed subscription fee to each trading customer who trades on NGX.

Fee changes, are filed with the ASC and U.S. Commodity Futures Trading Commission (CFTC), once effective.

2009 Pricing[14]

NGX expects to continue with the same pricing model in 2009 and implemented a nominal increase to transaction fees for certain core products.

Competition

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

Shorcan

Overview and Description of Products and Services

Shorcan provides a facility for matching orders for federal, provincial, corporate and mortgage bonds and treasury bills for anonymous buyers and sellers in the secondary market.

Key Statistics

We estimate that the IDB market represents about 37% of total fixed income trading in Canada and that Shorcan's share of this market is about 31.9% or $656 billion in 2008 versus about 33.6% or $770 billion in 2007.

Pricing

Shorcan charges a commission on orders that are matched against an existing communicated order. These fees are built into the settlement prices of trades and revenues are generated on trade date.

2009 Pricing[15]

In 2009, Shorcan plans to conduct a full review of all commissions charged to customers.

Competition[16]

Shorcan has several competitors in the fixed income IDB market, including Freedom Bond Brokers owned by Cantor Fitzgerald and Tullett Prebon, owned by Collins Stewart. Shorcan continues to work towards increasing market share as well as diversifying revenue.

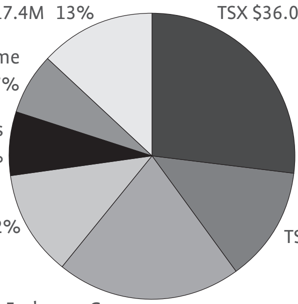
14 The "***Pricing 2009***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

15 The "***Pricing 2009***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

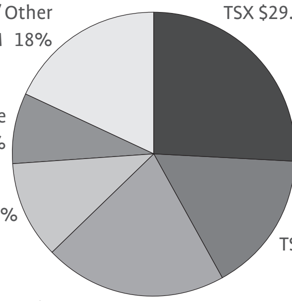
16 The "***Competition***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

Market Data – TSX Datalinx and MX

2008 market data revenue of $135.5 million



2007 market data revenue of $110.2 million



Overview and Description of Products and Services

Real-Time Market Data Products

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

In 2008, we launched The Consolidated Data Feed (CDF) of pre- and post-trade data for equity marketplaces in Canada in order to reduce the time to market and costs of building multiple feed formats for vendors and clients, and to help facilitate best execution and trade through obligations. The second phase of the CDF, the Canadian Best Bid and Offer (CBBO) real-time data feed, was launched in November 2008. CDF and CBBO provide ultra low-latency access to market data from multiple Canadian equity market centres.

Co-Location[17]

As part of our on-going effort to deliver low-latency solutions that support algorithmic and high velocity trading, in 2008 we began to offer clients the opportunity to locate their trading applications in the same physical data centre as the TSX Quantum equity trading engine and the TSX market data content provider. In 2009, with the completion of the integration of MX and TSX data centres, co-location services will be expanded to include derivatives trading and data clients.

Historical Market Data Products and Corporate Information

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.

In June 2007, we expanded our distribution network for TSX market data information across North America by establishing demarcation points in New York and Chicago with connection to the Secure Financial Transaction Infrastructure (SFTI). In June 2008, we launched **www.TMXmoney.com**, a new financial portal for Canadian and North American investors with new features, market information and investment tools. In August 2008, as part of our continuing tradition of market transparency, we became the first North American exchange to offer a daily summary of insider buying and selling with the launch of the Insider Trade Marker Report, which provides information for all Toronto Stock Exchange and TSX Venture Exchange issuers.

Index Products – Equities

TSX Datalinx has an arrangement with Standard & Poor's under which we share license fees received from organizations that create products, such as mutual funds and exchange-traded funds (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.

Index and Analytics Products – Fixed Income

Our fixed income indices are the most widely used fixed income performance benchmarks in Canada. The best known of these indices is the Universe Bond Index, which tracks the broad Canadian bond market. In addition to this index, we now publish a variety of sub-indices for different term and credit sectors, as well as indices for tracking other segments of the market, including high yield bonds, Euro Canadian bonds, maple

17 The "***Co-Location***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

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.

Derivatives Market Data

MX sells real-time trading and quotation data (quotes, prices, size and trades) and historical data to market participants on a global basis. Market data revenue is also generated by the sale of data to resellers of information as well as the sale of individual quotes via the Internet.

BOX also resells its market data. Like the other U.S. options exchanges, it resells such data 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.

The derivatives market data business was integrated into TSX Datalinx in the second quarter of 2008.

Key Statistics

- There were over 162,000 professional and equivalent real-time market data subscriptions to TSX Datalinx products at December 31, 2008 compared with over 160,000 at December 31, 2007.
- There were over 28,000 MX market data subscriptions at December 31, 2008 and at December 31, 2007.

Pricing[18]

Subscribers for TSX Datalinx data generally pay fixed monthly rates for access to real time streaming data, which differ depending on the number of end users and the depth of information accessed. In addition to streaming data, many individual investors consume real time quote data, for which we charge on a per quote basis. Real-time data fees are primarily driven by the number of market data subscriptions and therefore are partly related to industry employment. Given current economic and market conditions that are impacting employment levels in the financial services sector, it is likely that the number of market data subscriptions will decline in 2009. Generally, there is a lag effect between the timing of announced industry employment reductions and subscription cancellations. We charge market data vendors and direct feed clients a fixed monthly fee for access to data feeds.

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

In 2008, approximately 28% of our market data revenue was billed in U.S. dollars. We do not hedge this revenue and are therefore subject to foreign exchange fluctuations.

Prior to becoming effective, changes to certain TSX Datalinx market data fees are filed with the OSC, BCSC and ASC. Changes to MX market data fees are filed with the AMF.

2009 Pricing[19]

In October 2008, we announced changes to MX and TSX Datalinx market data prices which took effect January 1, 2009. This decision followed a review of market data fees on other major global exchanges, and changes in the US currency rate. Based on subscriptions at June 30, 2008, it is anticipated that total market data revenue would have increased by approximately $4.0 to $6.0 million on an annual basis. However, future product mix and usage may vary, which could impact market data revenue.

Competition

We provide the CDF for Canadian equities with data, in a common data format, from a number of market centres including: PURE, MatchNow and Chi-X Canada. The new ATS formed by a group of Canadian leading banks and investment dealers is the only Canadian market centre not currently providing data to the CDF.

Business Services and Other Revenue

We have assembled a team of exchange technology professionals with extensive industry experience in installing and operating trading and related systems at other global exchanges.

- In 2008, business services and other revenue represented $22.0 million, or 4% of our revenue.
- In 2007, business services and other revenue represented $11.2 million, or 3% of our revenue.

18 The "***Pricing***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

19 The "***Changes to Market Data Pricing for 2009***" section above contains certain forward looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

Cash Markets Business Services

We currently provide IIROC technology and related services necessary for it to conduct its review and real-time monitoring of trading on equity marketplaces. IIROC pays us fees for these services, negotiated on an arm's length basis, in accordance with an agreement which also details service levels.

In addition, we provide services to several other customers.

Derivatives Markets Business Services

Business services revenue includes revenue from technology services provided to BOX for the four months prior to August 29, 2008, the date when BOX became a subsidiary of MX. Revenue from BOX from August 29, 2008 to December 31, 2008 is eliminated upon the consolidation of BOX.

MX offers professional services to BOX and Boston Options Exchange Regulation, LLC (BOXR), which include the technical operation and maintenance of BOX's electronic trading and surveillance platforms as well as the development of technology solutions for use both internally and by third parties. SOLA, MX's proprietary trading platform, is currently in use at BOX and BOXR. MX entered into technical operational services agreements with BOX and BOXR pursuant to which MX provides the technical operations services related to BOX's trading and surveillance platforms. MX charges BOX and BOXR for salaries, telecommunication services, computer equipment and other services at rates set out in its agreement with BOX and BOXR. These transactions are undertaken in the ordinary course of business.

TMX Group, TSX Inc., TSX Venture Exchange Inc. and MX, are all regulated as exchanges in Canada. NGX is regulated as an exchange and a clearing agency in Canada. NGX is also registered as a derivatives clearing organization with the U.S. Commodity Futures Trading Commission. CDCC is regulated as a self-regulatory organization in Quebec by the AMF and is subject to regulatory requirements of the SEC and various U.S. state securities regulators. BOX is regulated as an exchange in the United States. Shorcan Brokers Limited is an Ontario Securities Commission registrant under the category of "limited market dealer" and has been approved by the IIROC to act as an inter-dealer broker.

The OSC is the lead regulator for TMX Group and TSX Inc. (which operates Toronto Stock Exchange). The AMF is the lead regulator for MX. The Alberta and British Columbia Securities Commissions are the joint lead regulator for TSX Venture Exchange Inc. (which operates TSX Venture Exchange), and the Alberta Securities Commission is also the lead regulator for NGX in Canada. The U.S. Securities and Exchange Commission regulates BOX.

Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

Net income was $182.0 million or $2.48 per common share for 2008 ($2.47 on a diluted basis), compared with net income of $148.7 million, or $2.19 per common share ($2.17 on a diluted basis) for 2007, representing an increase of 22%. This increase was largely due to higher revenue as a result of the combination with MX, partially offset by higher overall expenses, including interest expense, loss on mark to market of interest rate swaps and acquisition related expenses, primarily relating to a $15.2 million payment to ISE Ventures with respect to the termination of our derivatives joint venture. The adjustment resulted in a reduction in net income for 2008 of $15.2 million, or 21 cents per common share (on a basic and diluted basis).

In 2007, the future tax asset was reduced, and income tax expense increased by $15.1 million, primarily as a result of decreases in federal corporate income tax rates which were enacted in June and December 2007. The adjustment resulted in a reduction in net income for 2007 of $15.1 million, or 22 cents per common share (on both a basic and diluted basis).

The following is a reconciliation of earnings per share to earnings per share prior to a reduction in the value of the future tax asset in 2007 and prior to loss on termination of joint venture in 2008*:

Reconciliation for 2008 and 2007

	2008		2007	
	Basic	**Diluted**	**Basic**	**Diluted**
Earnings per share	**$ 2.48**	**$ 2.47**	$ 2.19	$ 2.17
Adjustment related to loss on termination of joint venture	**$ 0.21**	**$ 0.21**		
Adjustment related to reduction of the future tax asset	**$ –**	**$ –**	$ 0.22	$ 0.22
*Earnings per share prior to a reduction in the value of the future tax asset in 2007 and prior to loss on termination of joint venture in 2008**	**$ 2.69**	**$ 2.68**	$ 2.41	$ 2.39

* See discussion under the heading Non-GAAP Financial Measures.

Revenue

Revenue was $533.2 million for 2008, up $108.6 million, or 26% compared with $424.6 million for 2007, reflecting $63.4 million in revenue related to the business operations of MX which were combined with TMX Group on May 1, 2008, and revenue from the operations of BOX from August 29, 2008 and increased issuer services and market data revenue. In addition, revenue in 2008 included $14.5 million from Equicom, acquired June 1, 2007, compared with $7.7 million in 2007.

Issuer Services Revenue

The following is a summary of issuer services revenue reported based on initial and additional listing fee revenue reported and issuer services revenue based on initial and additional listing fees billed* (reconciled below in this section) in 2008 and 2007.

	Reported				Billed*			
(in millions of dollars)	**2008**	**2007**	**$ increase**	**% increase**	**2008**	**2007**	**$ increase/ (decrease)**	**% increase/ (decrease)**
Initial listing fees	**$ 16.0**	$ 13.8	$ 2.2	16%	**$ 18.6**	$ 32.3	$ (13.7)	(42%)
Additional listing fees	**$ 51.3**	$ 44.0	$ 7.3	17%	**$ 76.9**	$ 104.1	$ (27.2)	(26%)
*Sustaining listing fees***	**$ 69.6**	$ 68.0	$ 1.6	2%	**$ 69.6**	$ 68.0	$ 1.6	2%
Other issuer services	**$ 15.9**	$ 8.1	$ 7.8	96%	**$ 15.9**	$ 8.1	$ 7.8	96%
Total	**$ 152.8**	$ 133.9	$ 18.9	14%	**$ 181.0**	$ 212.5	$ (31.5)	(15%)

Initial and additional listing fees are non-refundable fees paid by listed issuers for the listing or reserving of securities. These fees are recorded as "deferred revenue – initial and additional listing fees" and recognized on a straight-line basis over an estimated service period of ten years.

In the case of Toronto Stock Exchange, listed issuers are billed for initial and additional listing fees, and with this system, there is a lag between the time when securities are issued or reserved and the time when these listing fees are paid by Toronto Stock Exchange listed issuers. For TSX Venture Exchange issuers, fees are paid either prior to, or at the time of, listing or reserving securities. The following is a reconciliation of initial and additional listing fees billed* to initial and additional listing fees reported:

Initial Listing Fees (in millions of dollars)	**2008**	**2007**
Initial listing fees billed*	**$ 18.6**	$ 32.3
Initial listing fees billed* and deferred to future periods	**$ (17.4)**	$ (30.7)
Recognition of initial listing fees billed* and previously included in deferred revenue	**$ 14.8**	$ 12.2
Initial listing fee revenue reported	**$ 16.0**	$ 13.8

Additional Listing Fees (in millions of dollars)	**2008**	**2007**
Additional listing fees billed*	**$ 76.9**	$ 104.1
Additional listing fees billed* and deferred to future periods	**$ (72.6)**	$ (98.3)
Recognition of additional listing fees billed* and previously included in deferred revenue	**$ 47.0**	$ 38.2
Additional listing fee revenue reported	**$ 51.3**	$ 44.0

- *Initial and additional listing fees* reported increased due to capital market activity and listing fee price increases during the period from April 1, 1998 to December 31, 2008 compared with the period from April 1, 1997 to December 31, 2007. *Initial and additional listing fees billed** in 2008, as compared with 2007, reflect deteriorating market conditions during 2008 that resulted in a decline in the value of securities issued and reserved. This was somewhat offset by the impact of changes to the pricing model for each equity exchange that were effective January 1, 2008.
- 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 increase in *sustaining listing fees* was due to fee increases on TSX Venture Exchange that were effective January 1, 2008, and the overall higher market capitalization of listed issuers at the end of 2007 compared with the end of 2006, partially offset by a decrease in *sustaining listing fees* from issuers listed on Toronto Stock Exchange.
- *Other issuer services* includes revenue of $14.5 million from Equicom, compared with $7.7 million in 2007. Equicom was acquired June 1, 2007 and provides investor relations and related corporate communications services to public issuers in Canada.

* See discussion under the heading Non-GAAP Financial Measures.

** Sustaining listing fees billed, as shown in this table, represents the amount recognized for accounting purposes during the period. Sustaining listing fees are billed during the first quarter of the year, recorded as deferred revenue and amortized over the year on a straight-line basis.

Trading, Clearing and Related Revenue

(in millions of dollars)	**2008**	2007	**$ increase/ (decrease)**	**% increase/ (decrease)**
Cash markets:				
Toronto Stock Exchange	**$ 105.2**	$ 101.9	$ 3.3	3%
TSX Venture Exchange	**$ 28.8**	$ 32.7	$ (3.9)	(12%)
	$ 134.0	$ 134.6	$ (0.6)	(1%)
Shorcan	**$ 11.8**	$ 13.1	$ (1.3)	(10%)
Cash markets revenue	**$ 145.8**	$ 147.7	$ (1.9)	(1%)
Derivatives markets revenue	**$ 47.3**	$ –	$ 47.3	–
Energy markets revenue	**$ 29.8**	$ 21.6	$ 8.2	38%
Total	**$ 222.9**	$ 169.3	$ 53.6	32%

Cash Markets

- *Cash markets* equity trading revenue from Toronto Stock Exchange increased as a result of a 14% increase in the volume of securities traded on Toronto Stock Exchange in 2008 over 2007 (109.2 billion securities in 2008 versus 96.1 billion securities in 2007). This was somewhat offset by the impact of changes in our pricing model, which were effective November 1, 2007, as well as changes in trading activity, patterns and product mix.
- *Cash markets* equity trading revenue from TSX Venture Exchange decreased due to a 17% decrease in the volume of securities traded in 2008 over 2007 (44.1 billion securities in 2008 versus 53.2 billion securities in 2007). This was partially offset by the impact of changes in our pricing model, which were effective November 1, 2007, as well as changes in trading activity, patterns and product mix.
- The decrease in revenue from Shorcan primarily reflects a decrease in trading in Government of Canada and provincial bonds in 2008 versus 2007.

Derivatives Markets

- Derivatives markets revenue includes $39.0 million in trading revenue from MX (which was combined with TMX Group on May 1, 2008) and BOX (following MX's acquisition of control on August 29, 2008; MX has a 53.8% ownership interest). In addition, we received $8.3 million in clearing revenue related to MX.
- MX volumes decreased by 11% (24.8 million contracts traded from May 1, 2008 – December 31, 2008 versus 27.9 million contracts traded from May 1, 2007 – December 31, 2007) reflecting reduced trading in both the BAX and CGB contracts, partially offset by an increase in equity derivatives trading.
- BOX volumes increased by 29% (62.8 million contracts from September 1, 2008 – December 31, 2008 versus 48.7 million contracts traded from September 1, 2007 – December 31, 2007).

Energy Markets

- In 2008, the volumes of natural gas and electricity contracts traded or cleared on NGX increased by 29% over 2007 (14.5 million terajoules in 2008 versus 11.2 million terajoules in 2007). This excludes the Watt-Ex volumes, which represent electric operating reserve procurement for the Alberta Electric System Operator.
- The increased transaction volumes are a result of additional products and more customers. NGX Canadian products launched in February 2008 through the ICE alliance and the U.S. products, launched in March 2008 through the ICE alliance, provided a wider distribution to more customers. These launches and the addition of 40 new products contributed to the volume growth.
- The increase in revenue also reflects price increases that were effective in January 2008.
- In 2008, on a net basis, NGX deferred more revenue than in 2007, which somewhat offset the increase in revenue.

Market Data Revenue

(in millions of dollars)	2008	2007	$ increase	% increase
	$ 135.5	$ 110.2	$ 25.3	23%

- *Market data* revenue increased partly due to a 10% increase in the average number of professional and equivalent real-time market data subscriptions to TSX Datalinx products in 2008 compared with 2007. There were over 162,000 professional and equivalent real-time market data subscriptions at December 31, 2008.
- *Market data* revenue included $9.4 million in revenue related to the business operations of MX from May 1, 2008 and BOX, following MX's acquisition of control on August 29, 2008. There were over 28,000 MX market data subscriptions at December 31, 2008 and at December 31, 2007.
- The increase was also attributable to higher data feed revenues, increased equities and fixed income index revenues, the launch of co-location services and fee changes that were effective January 1, 2008.

Business Services and Other Revenue

(in millions of dollars)	2008	2007	$ increase	% increase
	$ 22.0	$ 11.2	$ 10.8	96%

- *Business Services* revenue includes $6.7 million in revenue related to the business operations of MX from May 1, 2008, of which $5.0 million was attributable to technology and other related services provided to BOX from May 1, 2008 to August 28, 2008, prior to BOX becoming a subsidiary of MX. Revenue from BOX from August 29, 2008 to December 31, 2008 is eliminated on the consolidation of BOX.
- The increase was also due to foreign exchange gains on U.S. dollar receivables.

Operating Expenses

Operating expenses in 2008 were $227.8 million, an increase of $46.3 million, or 26%, as compared with $181.5 million in 2007. The increase was primarily due to the inclusion of $43.3 million of expenses related to the business operations of MX, following the combination with TMX Group on May 1, 2008 and the operations of BOX from August 29, 2008. In addition, there were $11.7 million of expenses related to the business operations of Equicom, acquired June 1, 2007, in 2008 compared with $6.9 million in 2007. The overall increase was somewhat offset by lower compensation and benefits costs related to organizational transition costs and short-term and long-term incentive plans.

Compensation and Benefits

(in millions of dollars)	2008	2007	$ increase	% increase
	$ 110.5	$ 96.3	$ 14.2	15%

- *Compensation and benefits* costs increased primarily due to the inclusion of $16.8 million in costs related to MX and BOX. There were $5.7 million in costs related to the business operations of Equicom (acquired on June 1, 2007) in 2008 compared with $3.6 million in 2007.
- The increase was partially offset by lower costs associated with the short-term and long-term incentive plans and lower organizational transition costs.
- There were 845 employees at December 31, 2008, which included 221 MX employees and 23 BOX employees, versus 603 at December 31, 2007.

Information and Trading Systems

(in millions of dollars)	2008	2007	$ increase	% increase
	$ 36.4	$ 26.5	$ 9.9	37%

- *Information and trading systems* costs included $4.7 million in costs related to MX and BOX.
- *Information and trading systems* costs also increased due to ongoing expenses primarily related to NGX's initiative with ICE as well as costs associated with the TSX Quantum trading engine and gateway, smart order router and consolidated data feed.

General and Administration

(in millions of dollars)

	2008	2007	$ increase	% increase
	$ 55.6	$ 43.0	$ 12.6	29%

- *General and administration* costs included $12.3 million in costs related to MX and BOX. There were also $5.5 million in costs associated with the business operations of Equicom (which was acquired June 1, 2007) in 2008 compared with $3.1 million in 2007.
- *General and administration* costs also increased as a result of paying higher fees to Market Regulation Services Inc. (RS) and IIROC for regulation services, as well as higher occupancy costs.
- These increases were somewhat offset by a decrease in fees paid to external advisors and reduced initiative spending.

Amortization

(in millions of dollars)

	2008	2007	$ increase	% increase
	$ 25.3	$ 15.8	$ 9.5	60%

- *Amortization* costs increased reflecting amortization of $9.5 million related to MX and BOX, and increased amortization from intangible assets primarily related to TSX Quantum.

Income from Investments in Affiliates

(in millions of dollars)

	2008	2007	$ increase
	$ 1.4	$ 0.4	$ 1.0

- *Income from investments in affiliates* includes $0.7 million representing MX's share of BOX income based on a 31.4% interest in BOX from May 1, 2008 to August 29, 2008. BOX volumes increased by 26% from May 1, 2008 to August 29, 2008, compared with May 1, 2007 to August 29, 2007 (59.9 million contracts traded from May 1, 2008 to August 29, 2008 versus 47.6 million contracts traded from May 1, 2007 to August 29, 2007).
- *Income from investments in affiliates* also includes $0.7 million, representing TSX Inc.'s share of CanDeal income for 2008 based on a 47% interest in CanDeal, compared with $0.4 million for 2007. CanDeal is an electronic trading system for the institutional debt market.

Investment Income

(in millions of dollars)

	2008	2007	$ increase	% increase
	$ 14.8	$ 14.0	$ 0.8	6%

- *Investment income* includes $5.3 million of *investment income* earned by MX since May 1, 2008.
- This was largely offset by lower investment income due to a decrease in cash available for investment and lower returns on investments during 2008 compared with 2007.

Interest Expense

(in millions of dollars)

	2008	2007	$ increase	% increase
	$ 10.5	$ 0.1	$ 10.4	–

- *Interest expense* increased as a result of financing a portion of the purchase price of the business combination with MX. On April 30, 2008, we drew down $430.0 million in Canadian funds on a three-year term facility related to financing the cash consideration of the purchase price for MX (*see* **Long-term Debt**).

Mark to Market on Interest Rate Swaps

(in millions of dollars)	2008	2007	$ increase	% increase
	$ 13.3	$ –	$ 13.3	–

We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the non-revolving three year term facility, effective August 28, 2008 (*see* **Long-term Debt**). The instruments are intended to partially hedge the interest rate risk that is present within the non-revolving term loan that was put in place in connection with the combination with MX and drawn down on April 30, 2008.

During Q3/08, we designated these interest rate swaps as cash flow hedges, in accordance with Section 3865 of the CICA Handbook. We determined that the hedges were effective and paid and recognized interest expense of $0.2 million, representing the net amount owing on the interest rate swaps. In addition, we recognized an unrealized fair value loss on the swaps of $3.4 million ($2.3 million net of tax) in Other comprehensive income.

While the hedges continued to be effective from an economic perspective, we determined that it was no longer appropriate to designate the interest rate swaps as cash flow hedges for accounting purposes in Q4/08. As a result, the unrealized fair value loss on the swaps of $3.4 million ($2.3 million net of tax) recognized as Other comprehensive income in Q3/08 was recorded as an unrealized loss of $3.4 million in the income statement in Q4/08, as mark to market on interest rate swaps. An additional unrealized loss of $9.1 million related to mark to market on interest rate swaps was also recorded in Q4/08. Realized losses recognized in Q4/08 were $0.8 million, of which $0.2 million was previously recognized as interest in Q3/08.

Other Acquisition Related Expenses

(in millions of dollars)	2008	2007	$ increase
	$ 15.9	$ –	$ 15.9

- In August 2007, TMX Group and ISE Ventures announced the execution of a shareholders' agreement for CDEX Inc. (CDEX), which was created to operate DEX, a new Canadian derivatives exchange scheduled to begin operations in March 2009. In connection with the agreement to combine with MX, we provided ISE Ventures with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement, and subsequently paid ISE Ventures $15.2 million on April 1, 2008.
- When we acquired NGX in 2004, TMX Group entered into an arrangement with MX and paid MX $5.0 million. We amortized this amount over five years, the remaining term in the 1999 Memorandum of Agreement with MX, or $1.0 million per annum. As a result of the May 1, 2008 business combination, we have now expensed the remaining balance in *Other Assets* of $0.7 million.

Income Taxes

(in millions of dollars)			Effective tax rate (%)	
	2008	**2007**	**2008**	**2007**
	$ 98.1	$ 108.7	35%	42%

- The effective tax rate for 2008 was lower than that for 2007 partially due to a lower federal tax rate.
- The effective tax rate in 2008 was higher than our statutory rate of 33% primarily due to making a payment of $15.2 million to ISE Ventures, which is not being deducted for tax purposes.
- The effective tax rate in 2007 was somewhat higher than our statutory tax rate of 35% for 2007 partially due to adjustments to the value of the future income tax asset.

Non-controlling Interest[20]

Upon the acquisition of control of BOX on August 29, 2008, the results of BOX have been fully consolidated into our consolidated statements of income. MX now has a 53.8% ownership interest in BOX. The non-controlling interests represent the other BOX unitholders' share of net income.

20 In October 2008, BOX repurchased some of its common shares thereby increasing MX's ownership interest from 53.3% to 53.8%.

Comprehensive Income

As a result of our combination with MX on May 1, 2008, our consolidated financial statements include Statements of Comprehensive Income not previously included in our consolidated financial statements and accompanying notes for the year ended December 31, 2007.

Comprehensive Income was $206.1 million for 2008 and is comprised of Net Income of $182.0 million and Other Comprehensive Income of $24.1 million.

Other comprehensive income includes the unrealized gain on the foreign currency translation of BOX, a self-sustaining foreign operation, which amounted to $24.1 million for 2008.

Our Accumulated Other Comprehensive Income of $24.1 million as at December 31, 2008 is included as a component of **Shareholders' Equity**.

Related Party Transactions

Upon the acquisition of control of BOX on August 29, 2008, the results of BOX have been fully consolidated into our consolidated statements of income. The non-controlling interests represent the other BOX unitholders' share of net income.

In 2001, MX signed an agreement with BOX to provide, for a fee, the technology and related services required for its electronic trading system. In addition, beginning in February 2004, MX became an official supplier to BOX and charges at the exchange amount, being the amount established and agreed to by BOX, salaries, telecommunication services, computer equipment, and other services. On August 29, 2008, BOX became a subsidiary of MX.

Amounts invoiced for 2008, from May 1, 2008 to August 29, 2008, covering the period before BOX became a subsidiary are $5.0 million. These transactions were undertaken in the normal course of business.

Segment Analysis

Cash Markets –Equities and Fixed Income

(in millions of dollars)

	2008	2007	$ increase	% increase
Revenue	**$ 439.6**	$ 402.6	$ 37.0	9%
Net Income	**$ 155.7**	$ 144.4	$ 11.3	8%

The increase in revenue primarily reflects higher issuer services and market data revenue partially offset by a decline in Shorcan trading revenue. Net income increased as a result of higher revenue, somewhat offset by higher interest expense as well as by the $15.2 million payment to ISE Ventures with respect to the termination of our derivatives joint venture.

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase/ (decrease)
Goodwill	**$ 113.8**	$ 44.6	$ 69.2
Total Assets	**$ 517.4**	$ 647.3	$ (129.9)

The increase in Goodwill was attributable to additional payments related to the acquisitions of Shorcan and Equicom, as well as the allocation of $67.1 million of goodwill from the acquisition of MX. The decrease in Total Assets at December 31, 2008 primarily reflects decreased cash and marketable securities due to the repurchase of common shares under our normal course issuer bid (NCIB). In 2008, we repurchased 7,523,249 common shares at a cost of $285.4 million under our NCIB.

Derivative Markets – MX and BOX

(in millions of dollars)

	2008	2007	$ increase	% increase
Revenue	**$ 63.4**	$ –	$ 63.4	–
Net Income	**$ 18.1**	$ –	$ 18.1	–

The increase in revenue and net income relates to the inclusion of the operations of MX which were combined with TMX Group on May 1, 2008 and BOX from August 29, 2008, following acquisition of control.

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase
Goodwill	$ 515.4	$ –	$ 515.4
Total Assets	$ 1,969.3	$ –	$ 1,969.3

Total Assets increased due to inclusion of the operations of MX which were combined with TMX Group on May 1, 2008 and BOX from August 29, 2008, following acquisition of control. The increase included Goodwill of $515.4 million and Intangible Assets of $827.2 million, primarily comprised of derivatives products and trading participants in the amount of $630.9 million and $148.2 million, respectively. In addition, $67.1 million of goodwill from the acquisition of MX was allocated to the Cash Markets segment Also included were Daily Settlements and Cash Deposits of $497.3 million and Cash and Cash Equivalents and Marketable securities of $99.4 million.

Energy Markets – NGX

(in millions of dollars)

	2008	2007	$ increase	% increase
Revenue	**$ 30.2**	$ 22.0	$ 8.2	37%
Net Income	**$ 8.2**	$ 4.3	$ 3.9	91%

The increase in revenue primarily reflects increased volumes following the successful launch of our arrangement with ICE on February 9, 2008 which provided us with access to substantially more customers and included the launch of new products and price increases that were effective in January 2008. The increase in net income reflects the higher revenue somewhat offset by information and technology expenses related to our arrangement with ICE.

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase
Goodwill	**$ 21.3**	$ 21.3	$ –
Total Assets	**$ 1,185.3**	$ 876.6	$ 308.7

Total Assets increased due to an increase in energy contracts receivable of $231.1 million and an increase of $80.4 million in the fair value of open energy contracts. The increase reflects higher natural gas prices at the end of December 2008 compared with the end of December 2007.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ (decrease)
	$ 198.7	$ 302.8	$ (104.1)

- The decrease was due to four dividend payments of $0.38 per common share, or $114.1 million in aggregate, as well as to payments totalling $285.4 million relating to the repurchase of 7,523,249 common shares under our NCIB program in 2008.
- In addition, the decrease was due to a payment of $15.2 million to ISE Ventures relating to the termination of our previously announced derivatives joint venture, additions to intangible assets of $8.4 million primarily related to TSX Quantum and SOLA internal development costs as well as capital expenditures of $5.3 million.
- The decrease was partially offset by cash generated from operating activities of $244.2 million.
- While the combination with MX was financed with long-term debt and common shares, we did acquire cash and marketable securities when we combined with MX. At December 31, 2008, MX had $99.4 million of cash and cash equivalents and marketable securities, after paying $58.0 million for the increased investment in BOX on August 29, 2008.

Total Assets

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase
	$ 3,672.1	$ 1,523.9	$ 2,148.2

- *Total assets* primarily increased due to the inclusion of $827.2 million of intangible assets and $582.5 million of goodwill related to both the combination with MX on May 1, 2008 and the acquisition of control of BOX on August 29, 2008.
- *Total assets* also increased due to the inclusion of MX daily settlements and cash deposits receivable of $497.3 million as at December 31, 2008 related to MX's clearing operations. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $497.3 million at December 31, 2008. Daily settlements due from/to clearing members consist of amounts due from/to clearing members as a result of marking open futures positions to market and settling option transactions each day that are required to be collected from/paid to clearing members prior to the commencement of the next trading day.
- The overall increase was also due to higher energy contracts receivable of $976.4 million at December 31, 2008 related to the clearing operations of NGX, compared with $745.4 million at the end of 2007. The higher level of receivables reflected higher natural gas prices at the end of December 2008 compared with the end of December 2007 and higher volumes. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $976.4 million at December 31, 2008 compared with $745.4 million at the end of 2007.
- The overall increase also reflected an increase in current assets related to the fair value of open energy contracts ($155.3 million as at December 31, 2008, compared with $74.9 million at December 31, 2007). The higher level of receivables reflected higher natural gas prices at the end of December 2008 compared with the end of December 2007 and higher volumes. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $155.3 million at December 31, 2008 compared with $74.9 million at December 31, 2007.
- Partially offsetting these increases in *Total assets*, cash and cash equivalents and marketable securities decreased by $104.1 million.

Credit Facilities and Guarantee

Long-term Debt

(in millions of dollars)

	December 31, 2008	December 31, 2007	$ increase
	$ 428.3	$ –	$ 428.3

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million with a syndicate of seven financial institutions. In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate. TMX Group may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. Currently, the acceptance fee rate for Bankers' Acceptances and margin for LIBOR loans is 0.45%. On April 30, 2008, we drew down $430.0 million in Canadian funds on the three-year term facility to satisfy the cash consideration of the purchase price for MX.
- We entered into a series of interest rate swap agreements which took effect on August 28, 2008 in order to partially manage our exposure to interest rate fluctuations by fixing the interest rate relating to $300.0 million of principal as follows:

Notional value *(in millions of dollars)*	**Interest rate we will pay under swap** *(excludes 0.45% fee)*	**Maturity date of swap**
Swap #1 – $100.0	3.496%	August 31, 2009
Swap #2 – $100.0	3.749%	August 31, 2010
Swap #3 – $100.0	3.829%	April 18, 2011

These credit facilities contain customary covenants, including a requirement that TMX Group maintain:

- a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, depreciation and amortization, all determined in accordance with GAAP but adjusted to include initial and additional listing fees billed and to exclude initial and additional listing fees reported as revenue;
- a minimum consolidated net worth covenant based on a pre-determined formula; and
- a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

At December 31, 2008, all covenants were met.

Other Credit Facilities and Guarantee

As part of its clearing operations, NGX becomes the counterparty to each transaction conducted through its electronic trading platform. To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian chartered bank which includes a US$100.0 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million.

NGX requires each contracting party to provide collateral in the form of cash or letters of credit based on the margins required for its unsettled contractual obligations, which may be accessed by NGX in the event of a default by such contracting party.

The collateral provided in the form of cash (the cash collateral deposits) is segregated in individually designated bank accounts held by NGX at a major Canadian chartered bank. The cash collateral deposits, together with letters of credit provided by the contracting parties, exceed all of the outstanding credit exposure, as determined by NGX in accordance with its margining methodology, for all its unsettled contractual obligations at any point in time.

CDCC has also arranged a total of $30.0 million in revolving standby credit facilities with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate plus 0.75%.

These facilities have not been drawn upon at December 31, 2008.

Shareholders' Equity

(in millions of dollars)	**December 31, 2008**	December 31, 2007	**$ increase**
	$ 794.6	$ 171.9	$ 622.7

- *Shareholders' equity* increased primarily due to an increase in share capital of $806.6 million relating to the issuance of 15.3 million shares upon our combination with MX. We earned $182.0 million of net income in 2008. In addition, proceeds of $7.0 million were received on the exercise of options in 2008.
- The increase in *shareholders' equity* was partially offset by the repurchase of shares in connection with our NCIB announced on August 1, 2007. There were no repurchases between December 10, 2007 (when we announced the MX transaction) and May 1, 2008 (when we closed the transaction). From May 2, 2008 to July 22 2008, we repurchased 4,441,189 common shares at a cost of $185.2 million under our original NCIB. This completed the expired NCIB under which we repurchased 6,841,051 shares for cancellation at a weighted average price of $42.79, which was the maximum allowable under the plan.
- We renewed our NCIB and from August 18, 2008 to December 31, 2008, we repurchased 3,082,060 common shares at a cost of $100.2 million. Under the new NCIB, we may repurchase up to 7,595,585 of our common shares. All shares purchased by TMX Group under the NCIB have been cancelled. We entered into a pre-defined plan with our designated broker to allow for the repurchase of common shares at times when we would not ordinarily be active in the market due to our own internal trading blackout periods, insider trading rules or otherwise. These purchases will terminate on August 17, 2009 or such earlier date as we complete our permitted purchases. We will make our purchases in accordance with Toronto Stock Exchange requirements and the price we pay for any such common shares will be the market price of such shares at the time of acquisition. We may enter into one or more private agreements to purchase common shares, provided that we first obtain an order from the relevant securities regulatory authority to permit such agreements. All purchased common shares will be cancelled.

- In addition, we paid $114.1 million in dividends during 2008.
- In connection with the combination with MX, on May 1, 2008, we issued 162,194 share options in exchange for 208,400 MX share options.
- We have obtained conditional approval from Toronto Stock Exchange to issue up to 1.5 million common shares to satisfy a portion of the purchase price payable for NetThruPut Inc. (NTP) from Enbridge Inc. (Enbridge) and Circuit Technology Ltd. (Circuit Technology). We expect to exercise the option and acquire the shares of NTP in the first half of 2009.
- At December 31, 2008, there were 74,403,577 common shares issued and outstanding. In 2008, 331,848 common shares were issued on the exercise of share options. At December 31, 2008, 4,252,296 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At December 31, 2008, there were 1,021,819 options outstanding.
- At January 27, 2009, there were 74,403,577 common shares issued and outstanding and 1,021,819 options outstanding under the share option plan.

Cash Flows from Operating Activities

(in millions of dollars)

	2008	2007	Increase in cash
Cash Flows from Operating Activities	**$ 244.2**	$ 221.7	$ 22.5

Cash Flows from Operating Activities were $22.5 million higher in 2008 compared with 2007 due to:

(in millions of dollars)

	2008	2007	Increase/ (decrease) in cash
Net income	**$ 182.0**	$ 148.7	$ 33.3
Amortization	**$ 25.3**	$ 15.8	$ 9.5
Unrealized (gain)/loss on marketable securities	**$ (1.2)**	$ 3.1	$ (4.3)
(Increase) in future income tax asset	**$ (9.3)**	$ (3.1)	$ (6.2)
Payment to ISE Ventures related to termination of joint venture	**$ 15.2**	$ –	$ 15.2
Unrealized loss on interest rate swaps	**$ 12.5**	$ –	$ 12.5
(Increase) in accounts receivable and prepaid expenses	**$ (1.2)**	$ (15.2)	$ 14.0
(Increase)/decrease in other assets	**$ 4.9**	$ (3.1)	$ 8.0
Net (decrease)/increase in accounts payable and accrued liabilities	**$ (27.3)**	$ 7.0	$ (34.3)
Increase in deferred revenue	**$ 34.6**	$ 78.0	$ (43.4)
Net increase/(decrease) in income taxes payable	**$ 5.0**	$ (11.5)	$ 16.5
Net increase in other items	**$ 3.7**	$ 2.0	$ 1.7
Cash Flows from Operating Activities	**$ 244.2**	$ 221.7	$ 22.5

Cash Flows from (used in) Financing Activities

(in millions of dollars)

	2008	2007	Increase in cash
Cash Flows from (used in) Financing Activities	**$ 33.1**	$ (207.4)	$ 240.5

Cash Flows from Financing Activities were $240.5 million higher in 2008 compared with 2007 due to:

(in millions of dollars)

	2008	2007	Increase/ (decrease) in cash
Net proceeds on term loan used to finance cash portion of purchase price for MX	**$ 427.8**	$ –	$ 427.8
Dividends paid on common shares	**$ (114.1)**	$ (103.5)	$ (10.6)
Repurchase of common shares under NCIB	**$ (285.4)**	$ (107.6)	$ (177.8)
Proceeds from exercised options	**$ 7.0**	$ 4.4	$ 2.6
Net (decrease) in other items	**$ (2.2)**	$ (0.7)	$ (1.5)
Cash Flows from (used in) Financing Activities	**$ 33.1**	$ (207.4)	$ 240.5

Cash Flows from (used in) Investing Activities

(in millions of dollars)

		2008		2007		(Decrease) in cash
Cash Flows from (used in) Investing Activities	$	(230.7)	$	2.1	$	(232.8)

Cash Flows (used in) Investing Activities were $232.8 million higher in 2008 compared with 2007 due to:

(in millions of dollars)

		2008		2007		Increase/ (decrease) in cash
Acquisitions of MX, controlling interest in BOX, Shorcan and Equicom, net of cash	**$**	**(405.3)**	$	(8.2)	$	(397.1)
Payment to ISE Ventures related to termination of joint venture	**$**	**(15.2)**	$	–	$	(15.2)
Payments related to option to purchase NetThruPut Inc. shares	**$**	**–**	$	(10.3)	$	10.3
Capital expenditures primarily related to technology investments and leasehold improvements	**$**	**(5.3)**	$	(6.5)	$	1.2
Additions to intangible assets including TSX Quantum and SOLA internal development costs	**$**	**(8.4)**	$	(6.2)	$	(2.2)
Net sale of marketable securities	**$**	**203.5**	$	33.3	$	170.2
Cash Flows from (used in) Investing Activities	**$**	**(230.7)**	$	2.1	$	(232.8)

Summary of Cash Position and Other Matters[21]

We had $198.7 million of cash and marketable securities at December 31, 2008 and have a three-year, $50.0 million revolving credit facility which is undrawn. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business. During 2008, with revenues of $533.2 million, we incurred operating expenses of $227.8 million. We had $430.0 million of debt outstanding under a term loan, which is due in April 2011. It is expected that this loan would either be refinanced in whole or in part, or repaid, prior to that date. Based on current levels of cash flow from operations, we believe that this facility could be largely repaid with existing cash as well as future cash flow from operations. Cash flow from operations was $244.2 million in 2008. In addition, while there are no plans to reduce the existing dividend paid on common shares, we do have the flexibility to change our dividend policy if market conditions were to deteriorate to the point where we felt it necessary to maintain more cash to support operations. We paid $114.1 million in dividends on common shares in 2008. While we repurchased almost 3.1 million common shares of the 7.6 million common shares allowable under our current NCIB during 2008 at a cost of $100.2 million, we could elect to suspend further purchases under the existing pre-defined plan in order to conserve cash.

In the first half of 2009, we expect to exercise our option and acquire NTP, which we estimate will require cash of approximately $20.0 million to $30.0 million in addition to issuing approximately $25.0 to $35.0 million of TMX Group common shares. Future investments opportunities that may require debt financing could be limited by current and future economic conditions, the covenants on TMX Group's existing credit facilities and by our financial viability tests imposed by securities regulators (*see* **Capital Disclosures**).

The recognition order of TMX Group and TSX Inc. contains certain financial viability tests that must be met (*see* **Capital Disclosures**). If TSX Inc. fails to meet any of these tests for a period of more than three months, TSX Inc. will not, without the prior approval of the Director of the Ontario Securities Commission, 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 Ontario Securities Commission staff. TSX Venture Exchange is required by various provincial securities commissions to maintain adequate financial resources for the performance of its functions in a manner that is consistent with the public interest and the terms of its recognition orders (*see* **Capital Disclosures**). Under its recognition order, MX is also subject to certain financial viability tests that must be met (*see* **Capital Disclosures**). If MX fails to meet any of these tests for a period of more than three months, MX will not, without the prior approval of the Autorité des marchés financiers, pay dividends (among other things) until the deficiencies have been eliminated for at least six months. NGX is required by the Alberta Securities Commission to maintain adequate financial resources to operate its trading system and support its trade execution functions (*see* **Capital Disclosures**).

Defined Benefit Pension Plans[22]

The next actuarial valuation for funding purposes is December 31, 2008. We estimate a funding deficit of $15.0 to $25.0 million on a solvency basis.

21 The "***Summary of Cash Position and Other Matters***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

22 The "***Defined Benefit Pension Plans***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

Financial Instruments

Cash, Cash Equivalents and Marketable Securities

Our financial instruments include cash, cash equivalents and investments in marketable securities. This includes units in a money market fund and a short-term bond and mortgage fund, managed by an external advisor. These funds do not have any investments in non-bank, asset-backed commercial paper. Marketable securities also includes the investment portfolio of MX, which is managed by an external advisor, which includes federal, provincial and corporate bonds as well as bank backed asset backed debt securities. The primary risks related to these marketable securities are variation in interest rates and credit risk. For a description of these risks, please refer to **Credit Risk – Marketable Securities** and **Interest Rate Risk – Marketable Securities**.

These investments are recorded at fair value and the unrealized gains of $1.2 million were recorded in investment income in 2008, compared with unrealized losses of $3.1 million in 2007.

CDCC – Daily Settlements and Cash Deposits

Amounts due from and to clearing members as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits. There is no impact on the consolidated statement of income. The primary risks associated with these financial instruments are credit risk and market risk. For a description of these risks, please refer to **Credit Risk – CDCC** and **Market Risk – CDCC**.

Long-term Debt

In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million. In addition, we also established a revolving three-year unsecured credit facility of $50.0 million with the same syndicate (*see* **Long-term Debt**). The long-term debt is subject to interest rate risk. For a description of this risk, please refer to **Interest Rate Risk – Long-term Debt**.

Derivative Financial Instruments

Total Return Swaps

We have entered into a series of total return swaps (TRSs) which synthetically replicate the economics of TSX Inc. purchasing our shares as a partial fair value hedge to the share appreciation rights of deferred share units (DSUs) and restricted share units (RSUs) that are awarded to our directors and employees. 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 share units as an adjustment to income. These TRSs are subject to credit risk and market risk. For a description of these risks, please refer to **Credit Risk – Total Return and Interest Rate Swaps** and **Market Risk – Total Return Swaps**. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the month compared with our share price at the date of entering into the TRSs. The fair value of the TRSs and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The fair values of the TRSs were a liability of $5.8 million at December 31, 2008 and an asset of $4.1 million at December 31, 2007. During 2008, unrealized losses of $10.0 million were reflected as an increase in compensation and benefits costs and general and administration costs. During 2007, unrealized gains of $3.0 million were reflected as a decrease in compensation and benefits costs and general and administration costs.

NGX – Fair Value of Open Energy Contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction. 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. The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income. The primary risks related to these financial instruments are credit risk and market risk. For a description of these risks, please refer to **Credit Risk – NGX** and **Market Risk – NGX**.

Option to Acquire NTP

On September 6, 2007, we entered into an agreement with Enbridge and Circuit Technology granting us the option to acquire all the shares of NTP, at a time after March 15, 2009, for a price between $40.0 million and $95.0 million, subject to certain closing conditions. This agreement also provides Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to the Company, subject to certain closing conditions. The fair value of this option at December 31, 2008 is considered to approximate its carrying value.

Interest Rate Swaps

We have entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on the non-revolving three year term facility, effective August 28, 2008 (*see* **Long-term Debt**). These interest rate swaps are subject to credit risk. For a description of this risk, please refer to "*Credit Risk – Total Return and Interest Rate Swaps*". We mark to market the fair value of these interest rate swaps. At December 31, 2008, the fair value of these interest rate swaps was a liability of $12.5 million. During 2008, unrealized losses of $12.5 million and realized losses of $0.8 million have been reflected in net income, compared with *nil* and *nil* in 2007.

Contractual Obligations

(in thousands of dollars)

	Total	Less than 1 year	1–3 years	4–5 years	5+ years
Capital Lease Obligations	$ 71	$ 42	$ 29	$ –	$ –
Operating Leases	85,321	22,541	27,132	6,840	28,809
Other Obligations	473,949	8,479	434,600	2,300	28,569
Total	559,341	31,062	461,761	9,140	57,378

Selected Annual Information

(in thousands of dollars, except per share amounts)

	2008	2007	2006
Revenue	$ 533,189	$ 424,587	$ 352,847
Net income	$ 181,952	$ 148,697	$ 131,524
Total assets	$ 3,672,086	$ 1,523,919	$ 1,572,838
Long-term liabilities	$ 690,997	$ 42,967	$ 43,450
Deferred revenue – initial and additional listing fees (current and long-term)	$ 452,855	$ 424,674	$ 346,133
Earnings per share:			
Basic	$ 2.48	$ 2.19	$ 1.92
Diluted	$ 2.47	$ 2.17	$ 1.91
Cash dividends declared per common share	$ 1.52	$ 1.52	$ 1.32

Revenue, Net Income and Earnings per Share

2008

- The 2008 results reflect higher revenue, largely due to the inclusion of $63.4 million in revenue related to the business operations of MX which were combined with TMX Group on May 1, 2008 and revenue from the operations of BOX from August 29, 2008 and increased issuer services and market data revenue. This increase was partially offset by higher overall expenses, including $43.3 million of expenses related to the business operations of MX and BOX, higher interest expense, and acquisition related expenses, primarily relating to a $15.2 million payment to ISE Ventures with respect to the termination of our derivatives joint venture. The adjustment resulted in a reduction in net income for 2008 of $15.2 million, or 21 cents per common share (on a basic and diluted basis).

2007

- The 2007 results reflect significantly higher revenue across all of the primary revenue streams in our core business and also include $31.4 million of revenue from the acquisitions Shorcan, Watt-Ex and PC-Bond (acquired in Q4/06) and Equicom (acquired in Q2/07) compared with $2.6 million in 2006. This increase in revenue was partially offset by an increase in overall operating expenses including $28.3 million relating to these acquisitions, compared with $2.2 million in 2006. In 2007, there was a higher income tax expense primarily due to a larger decrease in the value of our future tax asset compared with 2006.

Total Assets

2008

- *Total assets* increased primarily due to inclusion of the operations of MX which were combined with TMX Group on May 1, 2008 and BOX from August 29, 2008, following acquisition of control. The increase included Goodwill of $582.5 million and Intangible Assets of $827.2 million, primarily comprised of derivatives products and trading participants in the amount of $630.9 million and $148.2 million, respectively. Also included were Daily Settlements and Cash Deposits of $497.3 million and Cash and Cash Equivalents and Marketable securities of $99.4 million.

2007

- *Total assets* decreased primarily due to lower energy contracts receivable of $745.4 million at December 31, 2007 related to the clearing operations of NGX, compared with $889.4 million at the end of 2006. The reduced level of receivables reflected lower natural gas prices at the end of December 2007 compared with the end of December 2006. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $745.4 million at December 31, 2007 compared with $889.4 million at the end of 2006.
- The overall decrease was partially offset by an increase to current assets following a change in accounting policy adopted effective January 1, 2007. We recorded $74.9 million related to the fair value of open energy contracts as at December 31, 2007. NGX also carried offsetting liabilities related to the fair value of open energy contracts which were $74.9 million at December 31, 2007.

Long-term Liabilities

2008

- Long-term liabilities increased primarily due to drawing on a non-revolving three-year term unsecured credit facility of $430.0 million to finance the cash consideration of the purchase price for MX (*see* **Long-term Debt**).
- In addition, a future income tax liability of $221.1 million was established in connection with the combination with MX and the acquisition of control of BOX.

Deferred Revenue – Initial and Additional Listing Fees

Deferred revenue-initial and additional listing fees increased from 2006 through 2008 as the fees received from initial and additional listings during this period were higher than the amount of revenue recognized for these fees related to prior periods.

Quarterly Information

(in thousands of dollars except per share amounts)

	Dec. 31 /08	**Sept. 30 /08**	**June 30/08**	**Mar. 31 /08**	**Dec. 31 /07**	**Sept. 30 /07**	**June 30/07**	**Mar. 31 /07**
Revenue	$ 151,395	$ 139,364	$ 130,077	$ 112,353	$ 111,191	$ 105,930+	$ 106,364+	$ 101,102+
Net Income	49,035	50,944	49,227	32,746	30,439	42,682	39,128	36,448
Earnings per share:								
Basic	0.65	0.66	0.65	0.49	0.46	0.63	0.57	0.53
Diluted	0.65	0.66	0.65	0.49	0.45	0.62	0.57	0.53

2007

- Revenue in Q1/07 improved over revenue in Q4/06 primarily due to higher market data and issuer services revenue. Net income for Q1/07 increased over Q4/06 primarily due to the increased revenue partially offset by higher overall expenses.
- Revenue in Q2/07 improved over revenue in Q1/07 primarily due to higher issuer services, trading and market data revenue. Net income for Q2/07 increased over Q1/07 primarily due to the increased revenue and lower overall expenses, somewhat offset by lower investment income.
- Revenue in Q3/07 declined slightly over revenue in Q2/07. Increased revenue from issuer services was more than offset by decreases in other sources of revenue. Net income for Q3/07 increased over Q2/07 primarily due to higher investment income and lower income taxes.
- Revenue in Q4/07 increased over revenue in Q3/07 primarily due to higher issuer services, trading and market data revenue. Net income for Q4/07 decreased over Q3/07 primarily due to increased income taxes and expenses which more than offset the higher revenue.

\+ Revenue adjusted to reflect reclassification of interest income from Business Services and Other Revenue to Investment income.

2008

- Revenue in Q1/08 increased over revenue in Q4/07 primarily due to higher market data and issuer services revenue. Net income for Q1/08 increased over Q4/07 primarily due to a decrease in expenses and higher revenue. Net income for Q1/08 was reduced due to an expense of $15.2 million to ISE Ventures related to exiting our previously announced joint venture to operate DEX, whereas in Q4/07, net income was reduced due to increased income taxes as a result of a $13.3 million reduction to the value of the future income tax asset.
- Revenue in Q2/08 improved over revenue in Q1/08 primarily due to revenue associated with the combination with MX on May 1, 2008 and increased issuer services and market data revenue. Net income for Q2/08 increased over Q1/08 primarily due to the increase in revenue, somewhat offset by an increase in expenses, including interest expense, and a decrease in investment income.
- Revenue in Q3/08 improved over revenue in Q2/08 primarily due to a full quarter of revenue from the combination with MX. In addition, 100% of BOX's revenue is consolidated from acquisition of control on August 29, 2008, with an adjustment made for non-controlling interests. Net income for Q3/08 increased over Q2/08 primarily due to the increase in revenue, somewhat offset by an increase in expenses related to MX and BOX, interest expense, and a decrease in investment income.
- Revenue in Q4/08 increased over revenue in Q3/08 primarily due to higher revenue from cash equity trading, derivatives trading and energy trading and higher market data revenue. Net income for Q4/08 decreased over Q3/08 primarily due to higher operating expenses and a $13.3 million mark to market adjustment on our interest rate swaps, partially offset by higher revenue and investment income.

Review of Fourth Quarter Results

Compared with Q4/07

- Revenue in Q4/08 improved over revenue in Q4/07 primarily due to the inclusion of revenue from MX and BOX, as well as increased issuer services, cash equity trading, energy trading and market data revenue. Net income for Q4/08 increased over Q4/07 primarily due to the increased revenue and lower income taxes, somewhat offset by higher operating expenses, interest expense and a $13.3 million mark to market adjustment on our interest rate swaps. In Q4/07, the future tax asset was reduced, and income tax expense increased by $13.3 million, primarily as a result of decreases in federal corporate income tax rates which were enacted in December 2007. The adjustment resulted in a reduction in net income of $13.3 million. Cash flows from operating activities in Q4/08 of $60.8 million increased by $7.6 million compared with $53.2 million in Q4/07 largely due to higher net income and a larger decrease in deferred revenue. Cash flows used in financing activities of $58.2 million were slightly lower in Q4/08 compared with $59.3 million in Q4/07 primarily due to a reduction in the cost of repurchases of our common shares under the NCIB, largely offset by an increase in dividends paid on common shares. Cash flows from investing activities of $19.9 million were somewhat higher in Q4/08 compared with $13.4 million in Q4/07 primarily due to an increase in cash related to acquisitions.

Compared with Q3/08

- Revenue in Q4/08 increased over revenue in Q3/08 primarily due to higher revenue from cash equity trading, derivatives trading and energy trading and higher market data revenue. Net income for Q4/08 decreased over Q3/08 primarily due to higher operating expenses and a $13.3 million mark to market adjustment on our interest rate swaps, partially offset by higher revenue and investment income. Cash flows from operating activities in Q4/08 of $60.8 million increased by $6.2 million compared with $54.6 million in Q3/08. Net income was $50.4 million in Q3/08 compared with $49.0 million in Q4/08; however, net income in Q4/08 was reduced by an unrealized loss of $12.5 million on the interest rate swaps. There was no similar reduction for this non-cash item in Q3/08. This was somewhat offset by a larger decrease in deferred revenue. Cash flows used in financing activities of $58.2 million in Q4/08 decreased by $94.0 million compared with $152.2 million in Q3/08 primarily due to a reduction in the amount of our common shares repurchased under the NCIB. Cash flows from investing activities of $19.9 million in Q4/08 decreased by $36.7 million compared with $56.6 million in Q3/08, primarily due to decreases in cash from the sale of marketable securities, somewhat offset by a reduction in cash outflows related to acquisitions.

Critical Accounting Estimates

Revenue from Initial and Additional listing fees

We recognize revenue generated from initial and additional listing fees on a straight line basis over an estimated service period of ten years. The estimated service period of ten years was determined by conducting an historical review of listing activity. We determined that the average period of time that an issuer remained listed on Toronto Stock Exchange was approximately ten years. In addition, turnover rates were calculated for a Toronto Stock Exchange listed issuer and for a TSX Venture Exchange listed issuer and were determined to be in the range of ten to twelve years. Examining historical data allowed us to consider the impact of economic cycles and other trends in capital markets over time. The service period selected affects the rate at which deferred revenue is recognized, as well as the value of the future tax asset related to these fees.

Long-term Incentive Plan

We have a long-term incentive plan under which we may grant RSUs. RSUs vest on December 31 of the second calendar year following the year in which the RSUs were granted and the cash award payable is determined by the total shareholder return (appreciation in share price plus dividends paid or TSR) at the end of that period. We accrue our obligations and include them in accounts payable and accrued liabilities and other liabilities. In prior years, these obligations were estimated and recorded at a targeted payout amount which was not necessarily based on the maximum amount that might be paid. The maximum amount to be paid is not known until the RSUs have vested and will be based on TSR at the time of payout. Effective January 1, 2007, we changed our estimate of these obligations. Our accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing share price of our common shares for the period. Having monitored fluctuations in our share price, we concluded that accruing our obligations in this manner provided a better estimate of the payout compared with an estimate based on a target. The impact of this change in methodology for making the estimate was to increase these obligations and compensation and benefits costs by $1.1 million for 2007. We have purchased derivative financial instruments that partially hedge the impact of our share price appreciation.

Impairment of Goodwill and Intangible Assets

As required by CICA Handbook Section 3062 *Goodwill and other Intangible Assets* and Section 3063 *Impairment of long-lived assets*, we performed impairment tests on our reporting units to determine whether our reporting units or their assets could be impaired. The tests required us to make assumptions regarding projected cash flows, including long-term growth rates, for the various reporting units. The tests also required us to apply a discount rate based on our risk adjusted cost of capital. These assumptions are subjective judgments based on our experience, knowledge of operations and knowledge of the economic environment in which we operate. It is possible that, if future cash flow projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in some or all of our reporting units and their associated goodwill and intangible assets being impaired.

Adoption of Accounting Policies

Capital Disclosures

On January 1, 2008, we adopted standards set by the CICA in Handbook Section 1535 “Capital Disclosures”, which establishes standards for disclosing an entity’s objectives, policies and processes for managing capital.

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

- Maintaining sufficient capital for operations to ensure market confidence. Currently, we target to retain a minimum of $100 million in cash and marketable securities. This amount is subject to change. We do this by managing our capital subject to capital maintenance requirements imposed on our subsidiaries:
  - In respect of Toronto Stock Exchange, as required by the OSC to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
    - a current ratio not less than 1.1:1;
    - a debt to cash flow ratio not greater than 4:1; and
    - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders’ equity not greater than 4:1.

We have complied with these externally imposed capital requirements.

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

We have complied with these externally imposed capital requirements.

  - In respect of NGX, to:
    - maintain adequate financial resources, as required by the ASC; and
    - maintain a current ratio of no less than 1:1 and a tangible net worth of not less than $9.0 million, as required by a major Canadian chartered bank.

We have complied with these externally imposed capital requirements.

  - In respect of Shorcan, by IIROC which requires Shorcan to maintain a minimum level of shareholder’s equity of $0.5 million.

We have complied with this externally imposed capital requirement.

- In respect of MX, as required by the AMF to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:
  - a working capital ratio of not less than 1.5:1;
  - a cash flow to total debt ratio of more than 20%; and
  - a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1.

We have complied with these externally imposed capital requirements.

- Maintaining sufficient capital to meet the covenants imposed in connection with our long-term debt (*see* **Long-term Debt**).

We have complied with these externally imposed capital requirements.

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

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

Future Change in Accounting Policy

Goodwill and Intangible Assets

In February 2008, the CICA issued CICA Handbook Section 3064 – Goodwill and Intangible Assets, which replaces CICA Handbook Section 3062 – Goodwill and Other Intangible Assets as well as CICA Handbook Section 3450 – Research and Development. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As this standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, we will adopt this new standard effective January 1, 2009 (the first day of our 2009 fiscal year) retrospectively with a restatement of prior periods. Implementation of this new standard is not expected to have a material impact on our financial statements and disclosures.

International Financial Reporting Standards

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by IFRS for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to our reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

We commenced our IFRS conversion project in 2008. Our IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. We have commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. We have completed a high level scoping exercise, identified priorities, and a high-level conversion plan has been prepared. A project team has been identified and an external advisor has been engaged to assist with the conversion.

A detailed assessment of the impact of adopting IFRS on our consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices we make. We have not completed our quantification of the effects of adopting IFRS.

The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Financial Instruments Disclosure and Presentation

On January 1, 2008, we adopted standards set by the CICA in Handbook Section 3862 “Financial Instruments – Disclosure” and Section 3863 “Financial Instruments – Presentation”. These sections enhance disclosure requirements on the nature and extent of risks arising from financial instruments and how the entity manages these risks.

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 investments in marketable securities, total return swaps, interest rate swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan, NGX and CDCC.

Credit Risk – Marketable Securities

TMX Group, excluding MX, manages exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 70% of the investment portfolio. Corporate bonds must have a minimum credit rating of BBB by DBRS Limited. 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. At December 31, 2008, the investment portfolio was comprised of 62% in short-term bond and mortgage funds and 38% in money market funds, compared with 33% in short-term bond and mortgage funds and 67% in money market funds at December 31, 2007.

MX manages exposure to credit risk arising from investments in marketable securities by limiting total short term investment in bonds to a maximum of 30% in Schedule A Canadian chartered banks (Bank bonds) with the balance in Federal and Provincial bonds, while limiting total medium-term investment in corporate bonds to a maximum of 35% with the balance in Federal and Provincial bonds. Corporate bonds must have a minimum credit rating of AAA by DBRS Limited. At December 31, 2008, the MX investment portfolio was comprised of 7% in Bank bonds, 77% in Federal and Provincial bonds and 16% in Corporate Bonds. At December 31, 2008, MX did not have any investments in non-bank, asset-backed commercial paper.

Credit Risk – Total Return and Interest Rate Swaps

We have entered into total return swaps which synthetically replicate the economics of TSX Inc. purchasing our shares as a partial economic hedge to the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees. The contracts are settled in cash upon maturity. The obligation to unit holders is reflected on the balance sheet. In addition, we entered into interest rate swaps, which took effect on August 28, 2008, in order to partially manage our exposure to interest rate fluctuations on our non-revolving term loan (*see* **Long-term Debt**). To manage credit risk, we entered into these total return and interest rate swaps with major Canadian chartered banks.

Credit Risk – NGX, Shorcan and CDCC

We are exposed to credit risk in the event that customers, in the case of Shorcan, contracting parties, in the case of NGX, or clearing members, in the case of CDCC, fail to settle on the contracted settlement date.

Shorcan’s risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account. As agent, in the event of a failed trade, Shorcan has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

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 major 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, 2008, NGX held cash collateral deposits of $716.5 million and letters of credit of $2,366.3 million, compared with cash collateral deposits of $273.6 million and letters of credit of $2,230.9 million at December 31, 2007. The increases reflected higher volumes and more volatility. These amounts are not included in our consolidated balance sheet.

NGX also maintains an unsecured clearing backstop fund of U.S. $100.0 million. TMX Group is the unsecured guarantor of this fund. This facility has not been drawn upon at December 31, 2008.

Credit Risk – CDCC

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

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

CDCC's margining system is complemented by a stress reporting system. This process evaluates the financial strength of a clearing member to meet margin requirements that might result from a sudden adverse change in the market. Clearing members who fail to meet the criteria are required to deposit a stress margin.

CDCC also maintains a clearing fund through 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 was failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC's margin collateral deposits and clearing fund deposits are held by approved depositories under irrevocable agreements. This collateral may be accessed by CDCC in the event of default by a clearing member. As a result of these calculations of clearing member exposure at December 31, 2008, CDCC held margin collateral deposits of $4,502.0 million and clearing fund deposits of $201.5 million, primarily in collateral securities. These amounts are not included in our consolidated balance sheet.

CDCC maintains $30 million in revolving standby credit facilities in the event of default by a clearing member. Borrowings under these facilities would be required to be collateralized. This facility has not been drawn upon at December 31, 2008.

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. There is no concentration of credit risk attributable to transactions with a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading 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.

Market Risk – Total Return Swaps

We are exposed to market risk arising from our utilization of total return swaps to partially hedge the share appreciation rights of DSUs and RSUs that are awarded to our directors and employees. The fair value of the total return swaps is based upon the excess or deficit of the volume weighted average price of our shares for the last five trading days of the month compared with our share price at the date of entering into the total return swaps. The change in the fair value of the total return swaps is generally offset by the change in the obligation to DSU and RSU holders. As at December 31, 2008, a 25% increase in the share price of the Company would result in a net $0.2 million increase in net income. A 25% decrease in the share price of the Company would result in a net $0.1 million decrease in net income.

Interest Rate Risk – Marketable Securities

We are exposed to interest rate risk on our marketable securities. We have engaged external investment fund managers to manage the asset mix and the risks associated with these investments. At December 31, 2008, we held $96.3 million in these funds, compared with $249.4 million at December 31, 2007. The approximate impact of a 1% rise in interest rates is a decrease of $1.9 million on the carrying value of these investments and the approximate impact of a 1% fall in interest rates is an increase of $2.0 million on the carrying value of these investments.

Interest Rate Risk – Long-term Debt

We are exposed to interest rate risk on our long-term debt. In order to partially manage our exposure to interest rate fluctuations, we have entered into a series of interest rate swap agreements which took effect on August 28, 2008, which fix the interest rate relating to $300.0 million of the principal amount.

Interest Rate Risk – Interest Rate Swaps

We have entered into a series of interest rate swaps agreements to partially manage our exposure to interest rate fluctuations on the non-revolving term loan. At December 31, 2008, the fair value of these interest rate swaps was a liability of $12.5 million. The approximate impact of a 1% rise in interest rates on the fair value of the swaps is a $4.3 million decrease in the liability and the approximate impact of a 1% fall in interest rates on the fair value of the swaps is a $4.4 million increase in the liability respectively.

Foreign Currency Risk

We are exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable principally denominated in U.S. dollars. At December 31, 2008, cash and cash equivalents and accounts receivable excluding BOX, and current liabilities, excluding BOX, include U.S. $15.0 million, compared with U.S. $8.7 million at December 31, 2007, and U.S. $0.4 million at December 31, 2008 compared with nil at December 31, 2007, respectively, which are exposed to changes in the U.S. – Canadian dollar exchange rate. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2008 is a $1.6 million decrease in net income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2008 is a $1.8 million increase in net income. In addition, the net assets related to BOX are denominated in U.S. dollars, and the effect of exchange rate movements on MX's share of these net assets is included within **Other Comprehensive Income**. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2008 is a $14.1 million decrease in other comprehensive income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2008 is a $15.5 million increase in other comprehensive income.

Other Market Price Risk – NGX, Shorcan and CDCC

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

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

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

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 revolving and non revolving credit facilities (*see* **Long-term Debt**) and capital.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures, as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109). Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our filings under securities legislation is accumulated and communicated to management, including the CEO and CFO as appropriate, to allow timely decisions regarding public disclosure. They are also designed to provide reasonable assurance that all information required to be disclosed in these filings is recorded, processed, summarized and reported within the time periods specified in securities legislation. 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, 2008. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective as of December 31, 2008.

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, 2008 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, 2008.

Changes in Internal Control over Financial Reporting

As previously discussed, on May 1, 2008, we completed our business combination with MX, previously a reporting issuer subject to the certification requirements of Canadian securities legislation. Following the combination, we have extended our compliance program to include internal control over financial reporting of MX. There were no changes to internal control over financial reporting during the quarter ended December 31, 2008 that materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Strategy[23]

The landscape of the global exchange sector has changed significantly in the past year. We believe that the market uncertainty has created new challenges, but also certain opportunities for exchanges. We believe that transparent, liquid, price discovering and neutral markets could be in a position to flourish as participants and regulators look for solutions to the current crisis and measures to prevent a similar severe market downturn in the future. Centralized clearing and settlement operations also play an important role in the evolving marketplace, offering participants counterparty risk mitigation solutions.

In our view, Canada needs a strong integrated marketplace that offers trading in cash and derivatives, energy and fixed income with centralized clearing and settlement functions in order to compete globally. Our corporate strategy has evolved through our assessment of the exchange sector and of our business.

Our strategy: To expand our integrated business, both domestically and internationally, by offering innovative cash and derivatives products across multiple asset classes.

Our priorities:

- *Integrate:*
  - We completed our combination with MX to further diversify our revenue base and to realize revenue and cost synergies. The combination also creates a substantially larger entity that is better positioned to compete:
    - The combination allows us to further diversify our revenue base by including revenue from trading and clearing derivatives as well as by distributing MX market data.
    - The combination is anticipated to create value for our shareholders through realizing cost synergies. By the fourth quarter of 2009, we expect to achieve $25.0 million of cost synergies on a run rate basis when compared with the business plans of the separate organizations. As part of the plan, our offices, data centres and certain corporate support functions will be consolidated, and we will eliminate 85 corporate support and operational positions, or approximately 10% of our workforce, through 2009. The rationalization of data centres will enable customers to consolidate their connectivity networks and co-locate at one location which greatly reduce their technology and communication expenditures. We estimate that synergies of approximately $1.0 million per month were realized on a run-rate basis in Q4/08.

23 The "***Strategy***" section above contains certain forward-looking statements. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

- In addition, we plan to reinvest in new products such as a futures contract based on a Canadian volatility index and mini-sized equity index futures contracts. Our plans call for the expansion of clearing of over-the-counter derivatives and further development of the SOLA technology platform. These initiatives are anticipated to eventually generate more than $10.0 million annually in new revenue[24] and will require us to enhance our pool of expertise by adding approximately 30 highly skilled, value-added jobs in clearing, technology application development and product and services development at the MX office in Montreal.

- The combination also allows TMX Group to generate growth prospects outside of Canada, particularly in the U.S. through MX's majority interest in BOX.

- *Enhance:*

  - We will continue to enhance our product and service offering to compete for increased market share in cash, derivatives and energy markets.

    - Leveraging our strengths in the natural resource sector and our SME expertise, we have been promoting Toronto Stock Exchange and TSX Venture Exchange as listing destinations globally. In 2008, we completed a successful seven-city U.S. campaign with a particular focus on SMEs. We remain committed to further establishing our markets in China, as our listings road show visited Beijing (twice), Nanjing, Shenzhen, Shanghai and Qingdao in 2008. We also visited Australia, Argentina, Chile, Peru, Hong Kong, South Africa, U.K., Russia and Israel in 2008.

    - In December 2007, we launched TSX Quantum, our new trading engine. The phased roll-out continued throughout 2008 and has increased the capacity and improved the performance of our senior equity trading platform. The second component of the TSX Quantum program is the launch of the new gateway technology planned for Q3/09. We expect the new gateway will provide reduced latency and greater efficiencies.

    - In order to provide low-latency solutions to better support algorithmic and high velocity trading, we have launched the first phase of our co-location program. Co-location provides the opportunity for Toronto Stock Exchange and TSX Venture Exchange clients to locate their trading applications in the same physical data centre as the TSX Quantum trading engine and the TSX market data content provider, which reduces response times. In November 2008, we announced that our co-location services would be expanded in 2009 to include additional client cabinets for both equity and derivatives clients.

    - In July 2008, we announced an agreement with Citi to develop a smart order routing solution (SOR) powered by Lava ColorBook® II technology, which we launched on a pilot basis in December 2008. This marketplace neutral solution has been designed to assist POs to efficiently meet their best price regulatory obligations by routing trades to any exchange or ATSs in Canada. Full roll-out is scheduled for February 2009.

    - In October 2008, we announced the launch of a new Electronic Liquidity Provider incentive program, offering aggressive fee incentives to experienced high-velocity traders using proprietary capital and passive electronic strategies on the Toronto Stock Exchange central limit order book. The addition of experienced Electronic Liquidity Providers should benefit the Canadian equity markets by tightening spreads, leading to reduced friction costs to trading, increased overall turnover and attracting significant liquidity from outside Canada.

    - In June 2008, the MX Information Technology Services team released the first stages of SOLA Clearing, the most recent addition to SOLA software products. SOLA Clearing is intended to provide increased performance and functionality to CDCC and its members.

    - In November 2008, we launched the CBBO, the second phase of our CDF of pre- and post-trade data for equity marketplaces in Canada. CDF and CBBO provide ultra low-latency access to market data from multiple Canadian equity market centres. The equity markets currently participating in the CDF and CBBO are Toronto Stock Exchange, Chi-X Canada, Pure Trading and Omega ATS. We plan to expand the product offering to include deeper consolidated pre-trade order book information, consolidated trade information and opaque market information.

    - In February 2008, NGX launched an arrangement to combine its strengths in physical clearing with the advanced technology capabilities of ICE, whereby NGX provides the marketplace with a clearinghouse for physical gas transactions across North America and ICE offers NGX access to thousands of trading desks. This alliance has been successful and has expanded NGX's continental footprint for its gas and electricity contracts. NGX now offers their clearing services at ten U.S. hubs with plans to expand to twenty by the end of 2009.

24 The $10 million represents management's estimate of the potential revenue opportunity based on similar products in Canadian and global markets. Actual results could differ materially from the estimates and could result in minimal revenue depending on customer acceptance, market conditions and competitive factors. Please refer to "***Forward-Looking Information, Risks and Uncertainties***" for a discussion of risks and uncertainties related to such statements.

- *Innovate:*
  - We currently offer a broad range of cash and derivatives products, including products based on interest rates, equities, equity indices, foreign exchange, energy and environmental financial products. We plan to innovate by continuing to introduce new, customer-focused products, services and solutions to our marketplaces, including those that combine the cash and derivative markets.
  - We have announced several innovative initiatives across our business:
    - In October 2008, we hosted more than 140 investors, investment bankers and analysts at the Toronto Stock Exchange and Sustainable Development Technology Canada Cleantech Investor Day. More than 20 public and private cleantech companies presented their value propositions at the co-sponsored event. At December 31, 2008 there are 110 cleantech companies listed on either Toronto Stock Exchange or TSX Venture Exchange with a combined market capitalization of approximately $6.4 billion. We believe there could be significant growth in investment in the cleantech area over the coming years, which could represent an opportunity for our integrated equities and derivatives markets, particularly regarding developing equity and derivatives products and also environmental products that would trade on MCeX.
    - In 2008, issuer services continued to expand its national relationship management program to bring more value added products and services to our issuers. Through this program, issuers have been given access to a number of new services. New market data tools such as Anonymous Trading Activity Reports and enhancements to our TSXconnect platform were all introduced in 2008. We also launched the TSX Learning Academy, our online educational platform for information relevant to being or becoming a public company. We continued to develop the On the Radar program and introduced a special pricing tier for the S&P Market Access Program, designed to help TSX and TSX Venture companies improve their profile in the U.S. We also enhanced our investor relations service offerings through Equicom.
    - In a subsequent phase currently scheduled for 2010, the TSX Quantum gateway will be expanded to route derivatives orders as well, giving market participants a single point of access to our equities and derivatives markets.
    - On May 30, 2008, MCeX, the first regulated environmental market in Canada officially launched trading of a new futures contract on Canada carbon dioxide equivalent (CO_2e) units. Our goal is to lead the growth in Canadian environmental markets and deliver market solutions to help Canadian industries efficiently manage greenhouse gas emissions. MX has a 51% interest in MCeX, which was jointly created with Chicago Climate Exchange Inc.
    - On August 29, 2008, MX increased its holdings in BOX when it completed an acquisition giving it a majority ownership interest of 53.3% in, and control of, BOX. MX acquired a 21.9% ownership position from another senior BOX partner, the BSE, as agreed in December 2007. Under the terms of the agreement with the BSE, MX paid US$52.5 million in cash for the 21.9% partnership interest in BOX held by the BSE. This transaction was financed with existing cash resources. In October 2008, BOX bought back some of its shares and as a result, MX's ownership in BOX increased to 53.8%. The principal business activity of BOX is to provide an electronic equity options market. MX is the technical operator and technology developer for BOX. Unlike other bigger U.S. competitors, BOX does not pay for order flow. We believe we are well positioned to capture an increasing market share as the U.S. regulatory climate shifts toward imposing tighter constraints on the options marketplace.
    - In September 2007, we purchased an option from Enbridge and Circuit Technology to acquire all the shares of NTP, the Calgary-based leading Canadian electronic platform and clearing facility for crude oil. We intend to exercise the option and acquire the shares of NTP in the first half of 2009. NTP currently trades in 16 locations in Canada and nine locations in the United States and has approximately 230 products overall.

Forward-Looking Information, Risks and Uncertainties

This MD&A contains “forward looking information” (as defined in applicable Canadian securities legislation) that is based on expectations, estimates and projections 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 involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of TMX Group to be materially different from any future results, performance or achievements expressed or implied by the forward looking information in this MD&A.

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 the business, financial position, operations and prospects of TMX Group, including the creation (through the combination with MX) of opportunities to create cost and revenue synergies, which are subject to significant risks and uncertainties, including competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; failure to implement our strategies; regulatory constraints; risks of litigation; dependence on adequate numbers of customers; failure to develop or gain acceptance of new products; 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 and restrictions imposed by licenses and other arrangements; dependence of trading operations on a small number of clients; new technologies making it easier to disseminate our information; risks associated with NGX's and CDCC's clearing operations; challenges related to international expansion; restrictions on ownership of TMX Group shares; inability to protect our intellectual property; dependence on third party suppliers; adverse effect of a systemic market event on our derivatives business; risks associated with the credit of customers; cost structures being largely fixed; risks associated with integrating the operations, systems, and personnel of MX within TMX Group; and dependence on market activity that cannot be controlled; and the risk that the cost savings, anticipated revenues from new product development; growth prospects and any other synergies expected to result from the combination with MX may not be fully realized or may take longer to materialize than expected. Actual results 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 exchanges; the accuracy, timing and ability to realize the projected synergies in respect of expected cash flows, cost savings and profitability, which will be dependent on, but not limited to, such factors as optimizing technology and data centres, reducing corporate costs and rationalizing premises (cost synergies are presented in this MD&A to provide one strategic rationale to support the benefits of the combination with MX and these estimated cost synergies should not be relied on for any other purpose); 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; 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 of new derivatives and equity products; tax benefits/charges; 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**. See **Risks and Uncertainties** below and risk factors outlined in materials filed with the securities regulatory authorities in Canada from time to time, including our most recent annual information form and the impact upon them of subsequently reported items.

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 Senior Management oversees 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.

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.

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

Our 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. Technological advances have lowered barriers to entry and have facilitated the establishment of new marketplaces and trading mechanisms, such as ATSs and electronic communication networks (ECNs as they are known in the United States), to electronically trade cash equities, derivatives and other financial instruments outside traditional exchanges. This competition may continue to intensify in the future, especially as these technological advances create pressure to develop more efficient and less costly trading in global or regional markets. If we cannot maintain and enhance our ability to compete or respond to competitive threats, this will have an adverse impact on our operating results.

Each of Toronto Stock Exchange, TSX Venture Exchange and MX are required to provide order and trade information to an information processor (IP), or if there is no IP, to an information vendor that meets the standards set by a regulation services provider such as IIROC. In July 2006, the Canadian Securities Administrators (CSA) requested applications from interested parties to become an IP. The IP would consolidate and disseminate real time data from various marketplaces. We submitted a formal application to the CSA in August 2006 to become an IP for equity securities. Since that time, we have responded to various information requests from the CSA. In December 2008, the CSA indicated that it expected to finalize its review of applications by March 31, 2009. If an IP for equity securities other than TSX Inc. is chosen, our market data revenue may be impacted.

The trend for exchanges to form alliances or consolidate and become for-profit and publicly traded is continuing and will result in our competitors becoming stronger. If we are not included in any alliances, these developments could materially adversely affect our business and operating results.

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

We face increased competition for business from other exchanges, especially those in the United States as they consolidate and investing becomes more global. We face competition from foreign exchanges for listings of Canadian-based issuers and trading in their securities. If we are unable to continue to provide competitive trade execution, the volume traded in Canadian-based interlisted issuers on our equity exchanges could decrease in the future and adversely affect our operating results.

ATSs have a framework to operate in Canada under the ATS Rules and may become our significant competitors in our cash equities markets in the future. In November 2008, a group of Canada's leading banks and investment dealers launched an ATS to trade Toronto Stock Exchange listed securities. There are also a number of other ATSs, both dark and visible trading venues, which trade Toronto Stock Exchange listed securities. In the fourth quarter of 2008, Toronto Stock Exchange had a 95% share of senior equities volume traded in Canada.

These ATSs may, among other things, respond more quickly to competitive pressures because they are not subject to the same degree of regulatory oversight as we are, develop similar products to those Toronto Stock Exchange offers 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. If these ATSs are successful in attracting significant order flow, our trading revenue could be materially adversely affected.

MX and BOX Face Competition from Other Marketplaces

MX and BOX are in direct competition with, among others, securities, options and other derivatives exchanges as well as ATSs or ECNs and other trading and crossing venues, some of our clearing member firms and interdealer brokerage firms. This competition exists particularly in the United States, but also in Europe and Asia. In Canada, MX's competition in derivatives trading is the OTC market. These competitors may, among other things, respond more quickly to competitive pressures because they are not subject to the same degree of regulatory oversight as we are, 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 and pressure on transaction prices, among other things, 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 and, in turn, 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.

NGX, CanDeal and Shorcan Face Competition from OTCs and Other Sources

NGX's business of trading and clearing energy contracts faces primary competition in energy markets in Canada and the United States from other marketplaces, electronic trading and clearing platforms and from the OTC or bilateral markets (with support from voice brokers). Voice brokers continue to provide efficient contract matching services for both standardized and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. If NGX is unable to compete with these platforms and markets including voice brokers, NGX may not be able to expand, which could materially affect its business and operating results.

CanDeal faces competition primarily from the telephonic OTC market. If CanDeal fails to attract institutional order flow from this market, it would adversely affect its operating results.

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.

New Technologies Make It Easier to Disseminate Our Information

Technological advances, and in particular the Internet, have made it easier to download and disseminate electronic information. This may cause the value of our information to deteriorate since it is difficult to enforce restrictions on the use of information that is transmitted electronically. We may not be able to maintain or increase market data revenue if we cannot enforce our proprietary rights in the future.

We Depend on the Economy of Canada

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

Our Operating Results May be Adversely Impacted by Global Economic Uncertainties

The recent shortage of liquidity and credit combined with volatility and weakness in global markets could lead to a global economic recession. Since listing, financing and trading activities are significantly affected by economic, political and market conditions and the overall level of investor confidence, a prolonged slowdown in economic activity caused by a recession may reduce listing activity (including a reduction in IPOs), the market capitalization of our issuers, trading volumes and sales of data across our markets.

We Depend on Market Activity that is Outside of Our Control

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

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

- the overall economic conditions in Canada and the United States in particular, and in the world in general (especially growth levels and political stability);
- the condition of the resource sector;
- the interest rate environment and resulting attractiveness of alternative asset classes;
- the regulatory environment for investment in securities;
- 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 if our revenue decreases, which could have an adverse effect on our operating results and financial condition.

We Depend Heavily on Information Technology, Which Could Fail or Malfunction

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

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 or failure of the critical information technology of Toronto Stock Exchange, TSX Venture Exchange, MX and BOX. We also test and exercise our disaster recovery plans for trading on Toronto Stock Exchange, TSX Venture Exchange and MX, and, in the case of our cash equities markets, include customers in that process. However, depending on an actual failure, 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 and delays.

The current technological architecture for our cash equities and derivatives information technology systems may not effectively or efficiently support our changing business requirements. We have, on both our cash equities and derivatives platforms over the past several years, made hardware and software upgrades in response to increases in order message and quote message volumes and transactions and to reduce overall average response time and optimize executed speeds.

We will need to continuously improve our information technology systems for cash equities and derivatives markets so that we can handle increases and changes in our trading activity and to respond to customer demand for improved performance. This will require ongoing expenditures which may require us to expend significant amounts in the future.

In June 2008, we completed the roll out of TSX Quantum, the next generation of our trading engine, for all Toronto Stock Exchange trading symbols. TSX Quantum is designed to provide our customers with greater speed and capacity which we believe will enable us to attract higher volumes and even more liquidity. If the TSX Quantum trading enterprise or the SOLA derivatives trading enterprise fail to perform in accordance with expectations or does not result in the expected higher trading volumes and liquidity, 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 and MX's trading and clearing services, including the services it provides to BOX; cause delays in settlement; cause us to lose data; corrupt our trading and clearing operations, data and records; or disrupt our business operations, including BOX's operations. This could undermine confidence in our exchanges and materially adversely affect our reputation or operating results, and may lead to customer claims, litigation and regulatory sanctions.

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

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our networks and those of our third party service providers, our POs and approved participants and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully use our information or cause interruptions or malfunctions in our operations, 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.

Our Exchanges Depend on the Development and Acceptance of New Products

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

We Face Risks Associated With Integrating the Operations, Systems and Personnel of MX within TMX Group

The success of the combination with MX will depend in large part on the success of the management of TMX Group in integrating the operations and systems of MX, as well as retaining and integrating key personnel of MX. The failure to successfully integrate the operations of TMX Group and MX, or otherwise to realize any of the anticipated benefits of the combination, could impair the operating results, profitability and financial results of TMX Group. In particular, a failure to realize the cost synergies in whole or in part, and the enhanced growth opportunities described (under the section **Strategy**-*Integrate*) could materially adversely affect TMX Group's operating results. Realization of the anticipated benefits of the combination will depend in part on whether the operations, systems and personnel can be completely integrated in an efficient and effective manner. Moreover, the overall integration of the companies may result in unanticipated operational issues, expenses and liabilities.

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 have limited experience pursuing new business opportunities or growth opportunities in new geographic markets. We may have difficulty executing our strategies because of, among other things, increased global competition, difficulty developing and introducing new products, barriers to entry in other geographic markets, and changes in regulatory requirements. Any of these factors could materially adversely affect the success of our strategies.

As part of our strategy to sustain growth, we 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. If an investment, acquisition or other transaction does not fulfill expectations, we may have to write down its value in the future or sell at a loss.

New Business Activities May Adversely Affect Income

We may enter new business activities that could 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 plan to continue our efforts to expand our operations internationally, including by obtaining regulatory authorizations or exemptions to allow remote access to our markets by approved participants outside Canada and by relying on distribution systems established by strategic alliance partners. 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 business. 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.

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.

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.

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. The provincial securities regulators regulate us and our exchanges, and in the case of CDCC and NGX, our clearing operations, and regulators in other jurisdictions may regulate our future operations. In addition, MX carries on activities in accordance with the regulations of securities regulators in the United States, France and the U.K. CDCC is also subject to regulatory requirements of the SEC and various U.S. state securities regulators. NGX is registered as a derivative clearing organization by the U.S. CFTC. BOX is regulated by the SEC.

The Canadian securities regulators regulating our cash equities, derivatives and energy exchanges and the SEC which regulates BOX 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 enforcement powers to prohibit us from engaging in some of our business activities or suspend or revoke approval as a recognized exchange or clearing agency, as the case may be, and, in the case of MX, as an SRO. In the case of actual or alleged non-compliance with legal or regulatory requirements, our exchanges or clearing agency could be subject to investigations and administrative or judicial proceedings that may result in substantial penalties, including revocation of our approval as a recognized exchange, clearing agency and SRO, as applicable. Any such investigation or proceeding, whether successful or not, would result in substantial costs and diversions of resources and might also harm our reputation, any of which may have a material adverse effect on our business, financial condition and results of operations.

In addition, there may be a conflict between MX's self-regulatory responsibilities and some of its market participants. Although MX has implemented stringent governance measures to avoid such conflicts, any failure by them to diligently and fairly regulate their approved participants or to otherwise fulfill their regulatory obligations could significantly harm our reputation, prompt regulatory scrutiny and materially adversely affect our business, financial condition and results of operations.

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

Regulatory trends are not always predictable. Unexpected and new regulatory requirements could materially adversely affect our organization, customers, market position and results of operations.

We Are Subject to Litigation Risks

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.

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, respectively, our financial condition and our operating results.

Our Trading Operations Depend Primarily on a Small Number of Clients

During 2008, approximately 66% of our trading revenue on Toronto Stock Exchange and approximately 57% of our trading revenue on TSX Venture Exchange were accounted for by the top ten POs on each exchange. During 2008, approximately 44% of our trading revenue on Toronto Stock Exchange and approximately 38% of our trading revenue on TSX Venture Exchange was accounted for by the six largest Canadian banks and investment dealers. 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.

We Depend on Third Party Suppliers

We depend on a number of third parties, such as CDS, IIROC, data processors, software and hardware suppliers, communication and network suppliers and suppliers of electricity for elements of our trading, data and other systems. These providers may not be able to provide these services without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services to meet our needs. If a service provider suffers an interruption in or stops providing services and we cannot make suitable alternative arrangements, it could materially adversely affect our business, financial condition and operating results.

We Depend on and Are Restricted by Our Licence Agreements and Other Arrangements

Some of our products and systems depend on license agreements with third parties, which in some cases expire within the next few years. We may not be able to renew these agreements on favourable terms or at all. Any future licence agreement may provide opportunities for us, but it may also impose restrictions on us. If we fail to renew licence agreements on favourable terms or at all, it may materially adversely affect our business.

We are also party to agreements with IIROC and CanDeal under which we provide services for fees. If those agreements terminate or are not renewed, it may have an adverse effect on our operations.

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, sabotage and vandalism.

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 and BOX. 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.

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

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

To backstop its clearing operations, NGX has a credit agreement in place with a Canadian chartered bank which includes a U.S. $100 million clearing backstop fund. We are NGX's unsecured guarantor for this fund up to a maximum of US$100 million. In addition, NGX has covenanted under the agreement to maintain a minimum of $9 million of tangible net assets. If NGX suffers a loss on its clearing operations, it could lose its entire net worth. The bank could also realize up to a maximum of US$100 million on our unsecured guarantee, to the extent required to cover the loss.

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

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

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

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

In order to manage the risks associated with the default of its clearing members, CDCC's principal technique is the collection of risk-based margin deposits in the form of cash, letters of credit, 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 available to apply against the costs incurred to liquidate or transfer the clearing member's positions.

CDCC's margining system is complemented by a stress reporting system. This process evaluates the financial strength of a clearing member to meet margin requirements that might result from a sudden adverse change in the market. Clearing members who fail to meet the criteria are required to deposit a stress margin.

CDCC also maintains a clearing fund through 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 was failing under various extreme but plausible market conditions. Each clearing member contributes to the clearing fund in proportion to its margin requirements. If, by a clearing member's default, further funding is necessary to complete a liquidation, CDCC has the right to require other clearing members to contribute additional amounts equal to their previous contribution to the clearing fund.

CDCC has also arranged a total of $30.0 million in revolving standby credit facilities with a major Canadian chartered bank to provide liquidity in the event of default by a clearing member.

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

Our Derivatives Business Could be Harmed by a Systemic Market Event

Some MX market participants could be overleveraged. In case of sudden, large price movements, such 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 our business. In such cases, it could be possible that clearing members default with CDCC. As referred to in the "Credit Risk – CDCC" section, CDCC would use its risk management mechanisms to manage such a default. In extreme situations such as large scale market price moves or multiple defaults occurring at the same time, all these mechanisms may prove insufficient to cover losses and this would result in a loss.

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

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

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

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

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 and affect our ability to compete effectively. 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 licence. 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 licence for the intellectual property from the owner. We may not succeed in developing or obtaining a licence on commercially acceptable terms, if at all. In addition, any litigation could be lengthy and costly and could adversely affect us even if it is successful.

January 28, 2009

Management Statement

Management is responsible for the preparation, integrity and fair presentation of the consolidated financial statements, management's discussion and analysis, and other information in this annual report. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and, in the opinion of management, fairly reflect the financial position, results of operations and changes in the financial position of TMX Group Inc. Financial information contained throughout this annual report is consistent with the consolidated financial statements.

Acting through the Finance and Audit Committee, comprised of non-management directors, all of whom are independent directors within the meaning of Multilateral Instrument 52-110-Audit Committees, the Board of Directors oversees management's responsibility for financial reporting and internal control systems. The Finance and Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval. To discharge its duties the Committee meets with management and external auditors to discuss audit plans, internal controls over accounting and financial reporting processes, auditing matters and financial reporting issues.

TMX Group's external auditors appointed by the shareholders, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon. The external auditors have full and free access to, and meet periodically with, management and the Finance and Audit Committee to discuss the audit.

Thomas Kloet
Chief Executive Officer
TMX Group Inc.
January 28, 2009

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of TMX Group Inc. (formerly TSX Group Inc.) as at December 31, 2008 and 2007 and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
January 27, 2009

Consolidated Balance Sheets

December 31, 2008 and 2007 *(In thousands of dollars)*	2008	2007
Assets		
Current assets:		
Cash and cash equivalents (note 4)	**$ 102,442**	$ 53,398
Marketable securities (note 21)	**96,251**	249,399
Restricted cash (note 1)	**1,454**	–
Accounts receivable	**63,722**	48,438
Energy contracts receivable (note 21)	**976,431**	745,378
Fair value of open energy contracts (note 21)	**155,331**	74,907
Daily settlements and cash deposits (note 21)	**497,312**	–
Prepaid expenses	**9,050**	6,561
Future income tax assets (note 20)	**34,030**	22,840
	1,936,023	1,200,921
Premises and equipment (note 5)	**27,505**	21,324
Future income tax assets (note 20)	**132,499**	131,613
Other assets (note 6)	**21,105**	25,869
Investment in affiliate (note 7)	**12,424**	11,731
Intangible assets (note 8)	**891,976**	66,578
Goodwill (note 8)	**650,554**	65,883
Total Assets	**$ 3,672,086**	$ 1,523,919
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 59,457**	$ 48,175
Energy contracts payable (note 21)	**976,431**	745,378
Fair value of open energy contracts (note 21)	**155,331**	74,907
Daily settlements and cash deposits (note 21)	**497,312**	–
Deferred revenue	**12,353**	6,032
Deferred revenue – initial and additional listing fees	**69,540**	61,820
Obligation under capital lease	**42**	152
Fair value of interest rate swaps (note 14)	**1,787**	–
Income taxes payable	**13,522**	9,724
	1,785,775	946,188
Accrued employee benefits payable	**12,916**	12,113
Future income tax liabilities (note 20)	**221,101**	–
Obligation under capital lease	**29**	71
Other liabilities	**17,265**	30,331
Deferred revenue	**718**	452
Deferred revenue – initial and additional listing fees	**383,315**	362,854
Fair value of interest rate swaps (note 14)	**10,690**	–
Term loan (note 13)	**428,278**	–
Total Liabilities	**2,860,087**	1,352,009
Non-controlling Interests (note 2)	**17,370**	–
Shareholders' Equity:		
Share capital (note 15)	**1,084,399**	379,370
Share option plan (note 17)	**5,969**	5,060
Deficit	**(319,843)**	(212,520)
Accumulated other comprehensive income (note 1)	**24,104**	–
Total Shareholders' Equity	**794,629**	171,910
Commitments and contingent liabilities (notes 10 and 26)		
Total Liabilities and Shareholders' Equity	**$ 3,672,086**	$ 1,523,919

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Wayne Fox
Chair

J. Spencer Lanthier
Director

Consolidated Statements of Income

Years ended December 31, 2008 and 2007 *(In thousands of dollars, except per share amounts)*		2008		2007
Revenue:				
Issuer services	**$**	**152,793**	$	133,939
Trading, clearing and related		**222,850**		169,237
Market data		**135,533**		110,241
Business services and other		**22,013**		11,170
Total revenue		**533,189**		424,587
Expenses:				
Compensation and benefits		**110,486**		96,251
Information and trading systems		**36,354**		26,505
General and administration		**55,638**		42,951
Amortization		**25,340**		15,838
Total operating expenses		**227,818**		181,545
Income from operations		**305,371**		243,042
Income from investments in affiliates		**1,426**		374
Investment income		**14,824**		14,036
Interest expense (note 13)		**(10,508)**		(55)
Mark to market on interest rate swaps (note 14)		**(13,289)**		–
Other acquisition related expenses (note 2)		**(15,902)**		–
Income before income taxes		**281,922**		257,397
Income taxes (note 20)		**98,149**		108,700
Net income before non-controlling interests		**183,773**		148,697
Non-controlling interests (note 2)		**1,821**		–
Net income	**$**	**181,952**	$	148,697
Earnings per share: (note 19)				
Basic	**$**	**2.48**	$	2.19
Diluted	**$**	**2.47**	$	2.17

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2008 and 2007 *(In thousands of dollars)*	2008	2007
Net income	**$ 181,952**	$ 148,697
Other comprehensive income		
Unrealized gain on translating financial statements of a self-sustaining foreign operation (note 1)	**24,104**	–
Comprehensive income	**$ 206,056**	$ 148,697

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2008 and 2007 *(In thousands of dollars)*	2008	2007
Common shares:		
Balance, beginning of period	**$ 379,370**	$ 387,501
Issuance of common shares (note 2)	**806,573**	–
Proceeds from options exercised	**6,959**	4,416
Cost of exercised options	**1,731**	1,165
Purchased under normal course issuer bid (note 15)	**(110,234)**	(13,712)
Balance, end of period	**1,084,399**	379,370
Share option plan:		
Balance, beginning of period	**5,060**	3,942
Options issued (note 2)	**735**	–
Cost of exercised options	**(1,731)**	(1,165)
Cost of share option plan	**1,905**	2,283
Balance, end of period	**5,969**	5,060
Deficit:		
Balance, beginning of period	**(212,520)**	(164,488)
Transitional adjustment (note 1)	**–**	621
Net income	**181,952**	148,697
Dividends on common shares	**(114,099)**	(103,465)
Shares purchased under normal course issuer bid (note 15)	**(175,176)**	(93,885)
Balance, end of period	**(319,843)**	(212,520)
Accumulated other comprehensive income:		
Balance, beginning of period	**–**	–
Unrealized gain on translating financial statements of a self-sustaining foreign operation (note 1)	**24,104**	–
Balance, end of period	**24,104**	–
Shareholders' equity, end of period	**$ 794,629**	$ 171,910

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2008 and 2007 *(In thousands of dollars)*		2008		2007
Cash flows from (used in) operating activities:				
Net income	**$**	**181,952**	$	148,697
Adjustments to determine net cash flows:				
Amortization		**25,340**		15,838
Unrealized (gain) loss on marketable securities		**(1,206)**		3,142
(Income) from investments in affiliates		**(1,426)**		(374)
Cost of share option plan		**1,905**		2,283
Cost of options issued on acquisition		**568**		–
Payment on termination of joint venture (note 2)		**15,152**		–
Amortized financing fees		**492**		–
Non-controlling interest		**1,821**		–
Unrealized loss on interest rate swaps (note 14)		**12,477**		–
Unrealized foreign exchange loss		**401**		–
Future income tax asset		**(9,307)**		(3,060)
Accounts receivable and prepaid expenses		**(1,175)**		(15,173)
Other assets		**4,954**		(3,122)
Accounts payable and accrued liabilities		**(15,063)**		7,878
Long-term accrued and other liabilities		**(12,263)**		(907)
Deferred revenue		**34,566**		78,027
Income taxes payable, net		**5,001**		(11,549)
		244,189		221,680
Cash flows from (used in) financing activities:				
Restricted cash		**(47)**		–
Reduction in obligation under capital lease		**(177)**		(786)
Proceeds from exercised options		**6,959**		4,416
Dividends on common shares		**(114,099)**		(103,465)
Shares purchased under normal course issuer bid (note 15)		**(285,410)**		(107,597)
Dividend paid to non-controlling interests (note 2)		**(1,946)**		–
Proceeds from term loan, net		**427,786**		–
		33,066		(207,432)
Cash flows from (used in) investing activities:				
Additions to premises and equipment		**(5,306)**		(6,504)
Additions to intangible assets		**(8,451)**		(6,225)
Payment on termination of joint venture (note 2)		**(15,152)**		–
Marketable securities		**203,546**		33,268
Acquisitions, net of cash acquired (note 2)		**(405,283)**		(8,142)
Purchase of option to acquire NetThruPut Inc.		**–**		(10,265)
		(230,646)		2,132
Unrealized foreign exchange gain on cash and cash equivalents held in foreign subsidiary		**2,435**		–
Increase (decrease) in cash and cash equivalents		**49,044**		16,380
Cash and cash equivalents, beginning of period		**53,398**		37,018
Cash and cash equivalents, end of period	**$**	**102,442**	$	53,398
Supplemental cash flow information:				
Interest paid	**$**	**11,038**	$	979
Interest received	**$**	**12,648**	$	16,090
Income taxes paid	**$**	**107,114**	$	124,601

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

TMX Group Inc. (following shareholder approval on June 11, 2008 to reflect the business acquisition of Montréal Exchange Inc. on May 1, 2008, the restated Articles of Incorporation were amended to change the name TSX Group Inc./Groupe TSX Inc. to TMX Group Inc./Groupe TMX Inc.) (the "Company") owns and operates two national stock exchanges, Toronto Stock Exchange, serving the senior equity market and TSX Venture Exchange, serving the public venture equity market, Montreal Exchange Inc. ("MX"), Canada's national derivatives exchange, Natural Gas Exchange Inc. ("NGX"), an exchange providing a platform for the trading and clearing of natural gas and electricity contracts in North America, Shorcan Brokers Limited ("Shorcan"), a fixed income inter-dealer broker, and The Equicom Group Inc. ("Equicom"), providing investor relations and related corporate communications services.

1. Significant Accounting Policies:

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and they include the accounts of the Company's wholly-owned subsidiaries, TSX Inc. ("TSX"), MX from May 1, 2008 (note 2), NGX, Shorcan, Equicom from June 1, 2007, CDEX Inc. ("CDEX") from August 14, 2007, and the wholly-owned or controlled subsidiaries of TSX, MX and NGX.

Intercompany balances and transactions have been eliminated upon consolidation.

(b) Capital maintenance and financial instruments:

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures", which establishes standards for disclosing an entity's objectives, policies and processes for managing capital, Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation".

The adoption of these new recommendations had no significant impact on the Company's financial accounting policies. However additional financial disclosures related to the nature and risks arising from financial instruments have been included in notes 21, 22 and 23.

In 2007, on adoption of CICA Section 3855, "Financial Instruments – Recognition and Measurement", the Company recognised a transitional adjustment which decreased the opening deficit by $621 due to the increase in the fair value of marketable securities less the tax impact in respect thereof.

(c) Amortization:

Amortization is provided over the following useful lives of the assets:

Asset	**Basis**	**Rate**
Premises under capital lease	Straight line	25 Years
Computers and electronic trading equipment	Straight line	3 – 5 Years
Furniture, fixtures and other equipment	Straight line	5 Years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 Years
Intangible assets comprising:		
Customer bases	Declining balance	2.0 – 8.0%
Data licence	Straight line	10 Years
Trading participants	Straight line	26 Years
Open interest	Straight line	6 Months
Capitalized software	Straight line	5 Years

(d) Revenue recognition:

Revenue for goods and services is recognized when the services are provided or the goods are sold.

Trading and related revenues for cash markets are recorded and recognized as revenue in the month in which the trades are executed or when the related services are provided.

Fees relating to NGX trading, clearing and settlement are recognized over the period the services are provided. Revenues and expenses related to the value of energy products traded or swap differential payments made during the year, and unrealized gains and losses on open energy contracts, are not recognized in these consolidated financial statements as NGX does not function as principal in these trading activities.

Derivatives trading revenue is recognized on the transaction date of the related transaction. Derivatives clearing revenue is recognized on the settlement date of the related transaction.

Issuer service revenues are derived primarily from recurring annual sustaining fees and transaction-based fees for initial and additional listings. Sustaining fees for existing issuers are billed during the first quarter of the year and the amount is recorded as deferred revenue and amortized over the year on a straight-line basis. Initial and additional listing fees are recorded as deferred revenue – initial and additional listing fees and are recognized on a straight-line basis over an estimated service period of ten years.

Real time market data revenue is recognized based on usage as reported by customers and vendors. The Company conducts periodic audits of the information provided and records additional revenues, if any, at that time. Fixed income indices revenue is recognized over the period the service is provided. Boston Options Exchange Group, LLC's ("BOX") revenue from the Options Price Reporting Authority ("OPRA") is received quarterly based on its pro-rata share of industry trade (not contract) volume. Estimates of OPRA's quarterly revenue are made and accrued each month. Other market data revenue is recorded and recognized as revenue in the month in which the services are provided.

Revenue from licence fees and maintenance services for licences is recognized on a straight-line basis over the term of the contract.

Business services and other revenue is recorded and recognized as revenue in the month in which the services are provided.

(e) Income taxes:

Future income taxes are provided in recognition of temporary differences between: (i) the carrying amount of assets and liabilities and their respective tax bases, (ii) operating losses, and (iii) tax credit carry forwards made for financial reporting and income tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactments or substantive enactments occur.

(f) Employee future benefits:

TSX, TSX Venture Exchange Inc. and NGX have registered pension plans with a defined benefits tier and a defined contributions tier covering substantially all of their employees, as well as a retirement compensation arrangement ("RCA") for senior management, and MX has a defined benefit registered pension plan for certain officers. Benefits are based on years of service and the employee's compensation. The costs of these programs are being funded currently, except for MX, where a portion is guaranteed by a letter of credit. In addition, the Company provides other employee future benefits, such as supplementary medical and dental coverage, to defined eligible employees ("other benefit plans"). The cost of the other benefit plans is not being funded, however, a provision for this has been made in the accounts.

The Company accrues its obligations under employee defined benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies for its benefit plans:

(i) The cost of defined benefit pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages and expected health care cost.

(ii) For the purpose of calculating expected return on plan assets, those assets are valued at fair value.

(iii) Past service costs from plan amendments or initiation are amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

(iv) Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the accrued benefit obligations and the fair value of plan assets is amortized over the expected average remaining service period of active employees.

(v) When a restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement.

(g) Intangible assets:

Intangible assets are reviewed for impairment at least annually. When the carrying amount of the intangible asset exceeds the fair value of the intangible asset, an impairment loss is recognized as an amount equal to the excess and is identified separately on the statement of income.

(h) Goodwill:

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the effective date of the transaction.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is initially determined as described in the preceding paragraph, using the fair value of the reporting unit as if it were the purchase price. When the carrying amount of the reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is recorded in the statement of income.

(i) Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net income and related disclosures; including deferred revenue, the carrying value of goodwill and intangible assets, pensions and other post-employment benefits, long term incentive plan liabilities, income taxes and the fair value of financial instruments including open energy contracts. Management also makes estimates that affect the reported amounts and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

As required by CICA Handbook Section 3062, "Goodwill and other Intangible Assets", and Section 3063, "Impairment of long-lived assets", the Company performed impairment tests on its reporting units to determine whether its reporting units or their assets could be impaired. The tests required the Company to make assumptions regarding projected cash flows, including long-term growth rates, for the various reporting units. The tests also required the Company to apply a discount rate based on its risk adjusted cost of capital. These assumptions are subjective judgments based on the Company's experience, knowledge of operations and knowledge of the economic environment in which the Company operates. It is possible that, if future cash flow projections or discount rates are significantly different to those used, the outcome of future impairment tests could result in some or all of the reporting units and their associated goodwill and intangible assets being impaired.

(j) Earnings per share:

Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options, if dilutive. The number of additional shares is calculated using the treasury stock method which assumes that outstanding share options were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period.

(k) Related party transactions:

Any transactions entered into between the Company and related parties are on terms and conditions that are at least as favourable to the Company as market terms and conditions and are recorded at the agreed upon exchange amount.

(l) Share-based compensation:

The Company has share-based compensation plans, which are described in notes 17 and 18. The Company accounts for all share-based payments to eligible employees that call for settlement by the issuance of equity instruments, granted on or after January 1, 2003, using the fair value based method. Under the fair value based method, compensation cost attributable to options to employees is measured at fair value at the grant date and amortized over the vesting period. Compensation cost attributable to awards to such employees that call for settlement in cash is measured at intrinsic value and amortized over the vesting period. Changes in intrinsic value between the grant date and the measurement date result in a change in the measure of compensation cost.

For options that vest at the end of the vesting period, compensation cost is recognized on a straight-line basis over the vesting period. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

(m) Other comprehensive income or loss:

Other comprehensive income or loss includes the unrealized gain or loss on the foreign currency translation of BOX, a self-sustaining foreign operation.

(n) Cash and cash equivalents:

Cash and cash equivalents consist of cash and liquid investments having an original maturity of three months or less and are carried at their estimated fair values with changes in their fair values being recorded in net income in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

(o) Restricted cash:

MX operates a separate regulatory division, responsible for the approval of participants and market regulation, and which operates on a cost recovery basis. Restricted cash represents the surplus of this regulatory division. An equivalent and off-setting amount is included in accounts payable and accrued liabilities.

(p) Daily settlements and cash deposits:

The amounts due from and to clearing members of the Canadian Derivatives Clearing Corporation ("CDCC") as a result of marking open futures positions to market and settling option 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 clearing members are presented as an asset in the balance sheet and are not offset against the amounts due to other clearing members, which are presented as a liability.

(q) Foreign currency translation:

MX holds a majority ownership interest in BOX, a limited liability company located in the United States, which is considered to be a self-sustaining foreign operation. Accordingly, the assets and liabilities of this subsidiary are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at the relevant average monthly exchange rates. The resulting unrealized exchange gain or loss is included in accumulated other comprehensive income within shareholders' equity.

(r) Future accounting changes:

(i) Goodwill and intangible assets:

In February 2008, the CICA issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces CICA Handbook Section 3062, "Goodwill and Other Intangible Assets" as well as CICA Handbook Section 3450, "Research and Development". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As this standard applies to interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the Company will adopt this new standard effective January 1, 2009 (the first day of the Company's 2009 fiscal year) retrospectively with a restatement of prior periods. Implementation of this new standard is not expected to have a material impact on the Company's financial statements and disclosures.

(ii) International Financial Reporting Standards ("IFRS"):

In February 2008, the CICA announced that Canadian GAAP for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

The Company commenced its IFRS conversion project in 2008. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise, identified priorities, and a high-level conversion plan has been prepared. A project team has been identified and an external advisor has been engaged to assist with the conversion.

A detailed assessment of the impact of adopting IFRS on our consolidated financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS.

The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

2. Business acquisitions:

a) On May 1, 2008, the Company acquired 100% of the outstanding common shares of MX. The principal business activity of MX is to provide markets for the buying and selling of derivatives products. Its subsidiary, CDCC, is the issuer, clearing house and guarantor for options and futures contracts traded at MX as well as certain other over-the-counter ("OTC") products. In addition to CDCC, as at May 1, 2008, MX also held a 51% interest in Montréal Climate Exchange Inc. ("MCeX"), which was created in partnership with the Chicago Climate Exchange. Inc., a 50% interest in Canadian Resources Exchange Inc. ("CAREX") (note 2c), a joint venture created with NYMEX Holdings Inc. (now CMEG NYMEX Holdings Inc. or "CME") and a 31.4% interest in BOX (note 2b), a U.S. automated equity options market for which MX is the technical operator. The aggregate estimated purchase price consisted of:

Common shares of TMX Group (15,316,608 shares issued)	$	806,573
Cash		428,200
Estimated direct transaction costs		8,208
Estimated restructuring costs		11,429
Fair value of MX share options exchanged		1,417
Aggregate estimated purchase price	**$**	**1,255,827**

The acquisition was accounted for under the purchase method and the results of operations have been included in the consolidated statement of income from the date of acquisition.

The purchase price and the purchase price allocation are estimated at this time and will be finalized in the upcoming months as the estimates for direct transaction costs and restructuring costs become final. The estimated restructuring costs primarily relate to employee termination costs, and the costs associated with the consolidation of the Company's technology data centres and offices.

The TMX Group shares issued as part of the transaction were valued at $52.66 per share. The $52.66 per share represents the volume weighted average market price of TMX Group common shares over a reasonable period before and after December 10, 2007, the day the acquisition of MX was announced. The estimated purchase price has been allocated to the fair values of the assets acquired and liabilities assumed as follows:

	Net assets acquired
Cash and cash equivalents	$ 81,307
Marketable securities	49,192
Restricted cash	1,407
Daily settlements and cash deposits	193,117
Other current assets	11,357
Premises and equipment	7,186
Investment in affiliate (includes $12,972 of intangible assets)	75,895
Other assets	190
Future income tax asset	3,802
Intangible assets	796,977
Goodwill	460,080
Net tangible and intangible assets acquired	**1,680,510**
Less liabilities assumed:	
Current liabilities	19,118
Daily settlements and cash deposits	193,117
Future income tax liability	212,448
Total net assets acquired	**$ 1,255,827**

The Company recognized $1,270,029 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	**Amortization Period**	**Amount**
Goodwill	n/a	$ 460,080
Indefinite life intangible assets:		
Derivatives products	Not amortized	630,926
Trade names	Not amortized	28,214
Regulatory designation	Not amortized	2,000
Definite life intangible assets:		
MX trading participants	30 years	126,466
BOX trading participants (included in investment in affiliate)	30 years	12,972
Capitalized software	5 years	7,942
Open interest	6 months	1,429
Total goodwill and intangible assets		**$ 1,270,029**

In 2008, the Company recognized intangible amortization expense of $5,382 (2007 – $Nil) related to the acquisition of MX.

The goodwill acquired is not deductible for tax purposes.

Other acquisition related expenses represent non-recurring costs associated with the acquisition of MX. During 2008, the Company recognized $15,902 in non-recurring costs, which includes a loss on termination of joint venture of $15,152.

In connection with the acquisition of MX, the Company provided ISE Ventures, LLC (“Ventures”) with a notice of a competing transaction as required under the terms of the CDEX shareholders’ agreement, which was created to operate DEX, a new derivatives exchange. As the parties were unable to agree to an alternative business arrangement, the Company acquired 100% ownership of CDEX and paid Ventures $15,152 on April 1, 2008.

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

b) On August 29, 2008, MX acquired an additional 21.9% interest in BOX, giving it a majority ownership interest of 53.3% in, and control of, BOX.

Prior to this transaction, MX held 31.4% of the common shares and did not control BOX. The investment was previously accounted for under the equity method, according to which the initial cost of the investment was adjusted to include MX's proportionate share of post-acquisition net earnings or losses, less dividends and distributions. The results of operations were included as income from investments in affiliates in the consolidated statement of income.

As a consequence of the additional investment, BOX is now being accounted for under the purchase method. From August 29, 2008, the day on which control was acquired, the results have been fully consolidated within the consolidated statement of income, with an adjustment made for minority interests.

The aggregate estimated purchase price for the 21.9% of the common shares consisted of:

Cash (US$52,533 at an exchange rate of 1.0626)	$	55,821
Estimated direct transaction costs		2,170
Aggregate estimated purchase price	**$**	**57,991**

The purchase price and the purchase price allocation are estimated at this time and will be finalized in the upcoming months as the estimates for direct transaction costs become final.

The estimated purchase price has been allocated to the respective fair values of the assets acquired and liabilities assumed as follows:

		Net assets acquired
Cash and cash equivalents	$	16,651
Other current assets		6,711
Capital assets		5,284
Intangible assets – development costs		7,205
Intangible assets – trading participants		37,750
100% of the tangible and intangible assets		**73,601**
Less liabilities:		
Current liabilities		2,221
Future income tax liability		15,021
100% of the net tangible and intangible assets		**56,359**
21.9% of the net tangible and intangible assets acquired		12,326
Goodwill		45,665
Total net assets acquired	**$**	**57,991**

This acquisition was part of a two step acquisition. The first step of the acquisition occurred on May 1, 2008, when the Company acquired 31.4% of BOX at a fair value of $75,895. The second step of the acquisition occurred on August 29, 2008 when the Company acquired an additional 21.9% interest in BOX and acquired control of BOX.

As a result of the second step of the acquisition and the acquisition of control, the Company reclassified the goodwill and intangible assets previously recognized within the investment in affiliate on May 1, 2008, when the first step of the acquisition was completed. As a result, an additional $61,010 of goodwill was reflected in the consolidated balance sheet of the Company.

The Company recognized $135,514 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	**Amortization Period**		**Amount**
Goodwill	n/a	$	106,675
Definite life intangible assets:			
BOX trading participants	30 years		21,634
Capitalized software	5 years		7,205
Total goodwill and intangible assets		**$**	**135,514**

During 2008, the Company recognized intangible amortization expense of $1,479 (2007 – $Nil) related to this acquisition.

In October 2008, as a result of a buy-back of units by BOX, the Company's ownership in BOX increased to 53.8%.

The goodwill acquired is not deductible for tax purposes.

c) In March 2007, MX and CME announced the creation of CAREX, a new business venture dedicated to the Canadian energy market. Following the Company's combination with MX, MX entered into discussions with CME about terminating the business venture. These discussions ultimately resulted in MX acquiring 100% of CAREX on September 26, 2008 for $925.

Prior to this transaction, MX owned 50% of CAREX, a joint venture that was accounted for using proportionate consolidation. As a consequence of the additional investment, CAREX is now being accounted for under the purchase method, and the results of operations have been fully consolidated within the consolidated statement of income from September 26, 2008.

As of May 1, 2008, the Company planned to wind-up the operations of CAREX and to dispose of the net assets of the entity. As a result, the net assets of CAREX were fair valued as part of the acquisition of MX. The fair value of the net assets as of May 1, 2008 was equivalent to the liquidation value of the assets.

3. Segmented information:

The Company operates in three reportable segments: the Cash Markets ("Cash") segment, the Energy Markets ("Energy") segment, and the Derivatives Markets ("Derivatives") segment. In the Cash segment, the Company owns and operates Canada's two national stock exchanges, Toronto Stock Exchange and TSX Venture Exchange; Shorcan, a fixed income inter-dealer broker; and Equicom, an investor relations and corporate communications services provider. The Energy segment provides a marketplace for the trading and clearing of natural gas and electricity contracts through NGX. The Derivatives segment provides markets for trading derivatives, clearing options and futures contracts and certain OTC products through MX and its subsidiaries, CDCC, MCeX, CAREX and BOX.

The accounting policies of the segments are the same as those described in significant accounting policies in note 1.

	Cash	Energy	Derivatives	Total
2008				
Issuer services	**$ 152,793**	**$ –**	**$ –**	**$ 152,793**
Trading, clearing and related	**145,788**	**29,748**	**47,314**	**222,850**
Market data	**126,043**	**70**	**9,420**	**135,533**
Business services and other	**14,974**	**383**	**6,656**	**22,013**
Total revenue	**439,598**	**30,201**	**63,390**	**533,189**
Net income	**155,671**	**8,173**	**18,108**	**181,952**
Goodwill	**113,847**	**21,279**	**515,428**	**650,554**
Total assets	**517,437**	**1,185,344**	**1,969,305**	**3,672,086**
2007				
Issuer services	$ 133,939	$ –	$ –	$ 133,939
Trading, clearing and related	147,622	21,615	–	169,237
Market data	109,602	639	–	110,241
Business services and other	11,456	(286)	–	11,170
Total revenue	402,619	21,968	–	424,587
Net income	144,395	4,302	–	148,697
Goodwill	44,604	21,279	–	65,883
Total assets	647,291	876,628	–	1,523,919

* Includes results from dates of acquisitions in the year

Notes to the Consolidated Financial Statements

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

4. Cash and cash equivalents and marketable securities:

Cash and cash equivalents and marketable securities are comprised of:

	2008	2007
Cash	**$ 64,533**	$ 53,398
Banker's acceptances	**20,339**	–
Treasury bills	**17,570**	–
Cash and cash equivalents	**$ 102,442**	$ 53,398
Money market funds	**$ 17,270**	$ 166,457
Bonds and bond funds	**78,981**	82,942
Marketable securities	**$ 96,251**	$ 249,399

5. Premises and equipment:

Premises and equipment are comprised of:

As at December 31, 2008	Cost	Accumulated amortization	Net book value
Premises under capital lease	**$ 12,317**	**$ 12,317**	**$ –**
Computers and electronic trading equipment	**78,465**	**62,721**	**15,744**
Furniture, fixtures and other equipment	**18,456**	**16,918**	**1,538**
Leasehold improvements	**45,980**	**35,757**	**10,223**
	$ 155,218	**$ 127,713**	**$ 27,505**

As at December 31, 2007	Cost	Accumulated amortization	Net book value
Premises under capital lease	$ 12,317	$ 12,129	$ 188
Computers and electronic trading equipment	65,262	54,117	11,145
Furniture, fixtures and other equipment	17,722	16,346	1,376
Leasehold improvements	40,599	31,984	8,615
	$ 135,900	$ 114,576	$ 21,324

Amortization charged for the year was $12,200 (2007 – $11,102).

6. Other assets:

As at December 31	2008	2007
Option to acquire NetThruPut Inc.	**$ 10,265**	$ 10,265
Accrued benefit assets (note 9)	**9,631**	9,600
Other assets	**1,209**	6,004
	$ 21,105	$ 25,869

On September 6, 2007, the Company entered into an agreement with Enbridge Inc. ("Enbridge") and Circuit Technology Limited ("Circuit") granting it the option to acquire NetThruPut Inc. ("NTP") at a time after March 15, 2009. The Company paid $9,500 plus acquisition costs of $765 for the right to acquire all the shares of NTP from its shareholders at a price between $40,000 and $95,000 (note 26). A portion of the purchase price will be satisfied by the issuance of the Company's shares, for which Toronto Stock Exchange has granted conditional listing approval. This agreement also provides Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to the Company. Exercise of the option by either the Company or NTP's shareholders is subject to certain closing conditions. The fair value of this option at December 31, 2008 is considered to approximate its carrying value.

7. Investment in affiliate:

The Company owns a 47% equity interest in CanDeal.ca Inc. ("CanDeal"), an electronic trading system for the institutional debt market. The investment is accounted for using the equity method. As part of the investment, the Company and CanDeal entered into an agreement under which the Company would provide technological services in support of CanDeal's electronic trading system. In 2008, the Company charged CanDeal $187 (2007 – $185) for technology services and remitted to CanDeal $695 (2007 – $643) as part of a revenue sharing arrangement and for the supply of technology development.

8. Goodwill and intangible assets:

The Company performed its annual goodwill impairment analysis during the fourth quarter and determined that the fair values of its reporting units were not impaired. Therefore, the second step of the impairment test was not required.

At the time of the respective purchases, the Company recorded intangible assets related to the customer bases of TSX Venture Exchange Inc., NGX, Oxen, Shorcan, and Equicom and, in connection with the acquisition of PC Bond, the customer base and a long-term data licence under which Scotia Capital Inc. provides fixed income pricing data. As part of the Company's acquisition of MX and BOX, the Company recorded additional intangible assets as disclosed in note 2.

During 2008, the Company capitalized $3,671 (2007 – $ 5,725) of software development costs incurred to build TSX Quantum, and $3,913 (2007 – $nil) incurred on SOLA development..

	2008			2007		
	Gross carrying amount	**Accumulated amortization**	**Net book value**	**Gross carrying amount**	**Accumulated amortization**	**Net book value**
Indefinite life intangible assets						
Derivative products	**$ 630,926**	**$ –**	**$ 630,926**	$ –	$ –	$ –
Trade names	**28,214**	**–**	**28,214**	–	–	–
Regulatory designation	**2,000**	**–**	**2,000**	–	–	–
	661,140	**–**	**661,140**	–	–	–
Definite life intangible assets						
Trading participants	**151,436**	**3,260**	**148,176**	–	–	–
Capitalized software and software development	**30,289**	**3,614**	**26,675**	5,725	48	5,677
Customer base	**69,890**	**19,076**	**50,814**	69,890	15,126	54,764
Data and indices licenses	**7,000**	**1,829**	**5,171**	7,000	863	6,137
Open interests	**1,429**	**1,429**	**–**	–	–	–
	260,044	**29,208**	**230,836**	82,615	16,037	66,578
	$ 921,184	**$ 29,208**	**$ 891,976**	$ 82,615	$ 16,037	$ 66,578

During 2008, the Company recognized amortization expense of $13,140 (2007 – $4,735).

9. Employee future benefits:

Information about the Company's benefit plans is as follows:

Total cash amounts recognized as paid or payable for employee future benefits in 2008, consisting of employer contributions to the defined benefit pension plans, employer contributions to the other benefit plans, and employer contributions to the defined contribution plans, was $5,697 (2007 – $5,366).

Defined benefit plans:

Commencing January 1, 2004, the Company, excluding MX, measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at September 30 of each year. The measurement date for MX plan assets and accrued benefit obligations is December 31 of each year. For the Company, excluding MX, the most recent actuarial valuation of the registered pension plan for funding purposes was as at December 31, 2005, and the next required valuation is as at December 31, 2008. For the RCA plan, the most recent actuarial valuation for funding purposes was as at December 31, 2007, and the next required valuation is as at December 31, 2008. For the MX plan, the most recent actuarial valuation for funding purposes was at January 1, 2007 and the next required valuation will be as at January 1, 2010.

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

	Pension and RCA plans		Other benefit plans	
As at December 31	**2008**	**2007**	**2008**	**2007**
Accrued benefit obligation:				
Balance, beginning of year	**$ 55,714**	$ 54,119	**$ 9,215**	$ 12,954
Benefit obligation acquired with MX	**2,001**	–	**–**	–
Current service cost	**2,023**	2,003	**763**	1,200
Interest cost	**3,295**	2,944	**559**	692
Benefits paid	**(2,755)**	(1,962)	**(168)**	(163)
Employee contributions	**264**	290	**–**	–
Actuarial gains	**(9,249)**	(1,854)	**(1,540)**	(535)
Plan amendments	**–**	–	**–**	(4,933)
Net transfers in	**–**	174	**–**	–
Balance, end of year	**$ 51,293**	$ 55,714	**$ 8,829**	$ 9,215

	Pension and RCA plans		Other benefit plans	
As at December 31	**2008**	**2007**	**2008**	**2007**
Plan assets:				
Fair value, beginning of year	**$ 57,948**	$ 52,777	**$ –**	$ –
Plan assets acquired with MX	**330**	–	**–**	–
Actual return on plan assets	**(5,106)**	3,284	**–**	–
Employer contributions	**3,377**	3,424	**168**	163
Employee contributions	**264**	290	**–**	–
Benefits paid	**(2,755)**	(1,962)	**(168)**	(163)
Net transfers in	**–**	135	**–**	–
Fair value, end of year	**$ 54,058**	$ 57,948	**$ –**	$ –
Funded status-plan surplus (deficit)	**$ 2,765**	$ 2,234	**$ (8,829)**	$ (9,215)
Unamortized net actuarial loss	**5,644**	6,669	**190**	1,778
Employer contributions after measurement date	**667**	416	**42**	41
Unamortized transitional obligation	**13**	27	**–**	–
Unamortized past service costs	**542**	254	**(4,319)**	(4,717)
Accrued benefit asset (liability)	**$ 9,631**	$ 9,600	**$ (12,916)**	$ (12,113)

The accrued benefit assets and accrued benefit obligations are included in the Company's consolidated balance sheet as follows:

	Pension and RCA plans		Other benefit plans	
As at December 31	**2008**	**2007**	**2008**	**2007**
Other assets	**$ 9,631**	$ 9,600	**$ –**	$ –
Accrued employee benefits payable	**–**	–	**(12,916)**	(12,113)
Total	**$ 9,631**	$ 9,600	**$ (12,916)**	$ (12,113)

Plan assets consist of:

Asset category	**Percentage of plan assets**	
	2008	**2007**
Equity securities	**47%**	52%
Debt securities	**39%**	34%
Canada Revenue Agency refundable tax account	**14%**	14%
	100%	100%

The elements of the Company's defined benefit plan costs recognized in the year are as follows:

	Pension and RCA plans				Other benefit plans			
As at December 31		**2008**		**2007**		**2008**		**2007**
Current service cost	**$**	**2,023**	$	2,003	**$**	**763**	$	1,200
Interest cost		**3,295**		2,944		**559**		692
Actual return on plan assets		**5,106**		(3,284)		**–**		–
Plan amendments		**–**		–		**–**		(4,933)
Actuarial losses (gains)		**(9,249)**		(1,854)		**(1,540)**		(535)
		1,175		(191)		**(218)**		(3,576)

Elements of employee future benefit costs before adjustments to recognize the long- term nature of employee future benefit costs:

Difference between expected return and actual return on plan assets for the year (a)		**(8,292)**		628		**–**		–
Difference between actuarial (gains) losses recognized for the year and actual actuarial (gains) losses on accrued benefit obligations for the year (b)		**9,474**		2,209		**1,588**		590
Difference between amortization of past service costs for the year and actual plan amendments for the year (c)		**135**		99		**(398)**		4,839
Difference between costs arising in the period and costs recognized in the year in respect of transitional obligation (asset)		**14**		15		**–**		–
Net benefit plan expense	**$**	**2,506**	$	2,760	**$**	**972**	$	1,853

(a) Expected return on plan assets of $3,186 (2007 – $ 2,656) less the actual return on plan assets of $(5,106) (2007 – $ 3,284).

(b) Actuarial (gain) loss recognized for the year of $225 (2007 – $355) less the actual actuarial (gain) loss on accrued benefit obligation of $(9,249) (2007 – $(1,854)).

(c) Amortization of past service costs for the year of $135 (2007 – $99) less the actual plan amendments for the year of $nil (2007 – $Nil).

The significant actuarial assumptions adopted in measuring the obligation are as follows (weighted average):

	Pension and RCA plans		Other benefit plans	
As at December 31	**2008**	**2007**	**2008**	**2007**
Discount rate	**6.80%**	5.65%	**6.80%**	5.65%
Rate of compensation increase	**3.75%**	4.00%	**3.75%**	n/a
Expected long-term rate of return on plan assets	**6.10%**	5.60%	**n/a**	n/a

The assumed health care cost trend rate at December 31, 2008 was 7.1% (2007 – 8.5 %), decreasing to 4.8% (2007 – 4.9%) over 8 years (8 years in 2007).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2008:

		Increase		**Decrease**
Total of service and interest cost	$	349	$	(265)
Accrued benefit obligation	$	1,812	$	(1,416)

In 2008, the Company contributed and expensed $2,152 (2007 – $1,980) to the defined contribution tier, which amounts are not included in the recognized defined benefit costs above.

The average remaining service period of the active employees covered by the pension plans is 13 years (2007 – 13 years). The average remaining service period of the active employees covered by the other retirement benefits plans is 18 years (2007 – 18 years).

MX has provided a letter of guarantee in the amount of $2,093 to the benefit of the trustee of the MX employee future benefit plan, using a part of the operating line of credit in place with its bank (note 13).

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

10. Commitments:

The Company is committed under long-term leases and licences as follows:

(a) The rental of office space, under various long-term operating leases with remaining terms of up to 10 years and a capital lease for an initial term of 25 years with an additional 10-year renewal option.

(b) The rental of computer hardware and software for terms of one to three years.

(c) Certain data licences for terms of up to 10 years.

Current lease and licence obligations over the remaining terms are as follows:

Years ending December 31:		
2009	$	23,691
2010		18,824
2011		10,607
2012		7,990
2013		7,591
Thereafter		25,818
	$	94,521

In addition, the Company is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately $5,500 for 2009.

11. Other liabilities:

Other liabilities include amounts payable under the long-term incentive plan (note 18), liabilities due to the contraction of office space and amounts due on acquisitions made during the previous years.

12. Deferred revenue – initial and additional listing fees:

Deferred revenue – initial and additional listing fees represents non-refundable fees received from listed issuers. This deferred revenue is recognized on a straight-line basis over an estimated service period of ten years.

13. Credit facilities:

The Company has the following credit facilities:

	Interest rate	Year of maturity		Authorized		Amount drawn at December 31, 2008
TMX Group non-revolving three year term facility	30 day and 90 day B.A. + 45 bps	2011	$	430,000	$	430,000
TMX Group revolving three year term facility	–	2011		50,000		–
MX operating line of credit	–	N/A		3,000		–
CDCC revolving standby credit facility	–	N/A		30,000		–
NGX letter of credit	–	N/A	US$	100,000		–
NGX overdraft facility	–	N/A		20,000		–
NGX EFT Daylight facility	–	N/A		300,000		–
Total credit facilities					**$**	**430,000**

In connection with the acquisition of MX, the Company established a non-revolving three-year term credit facility of $430,000 and a revolving three-year credit facility of $50,000. The Company may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances ("B.A.") or in U.S. dollars by way of LIBOR loans and/or U.S. base rate loans. On April 30, 2008, the Company drew $430,000. As at December 31, 2008, the Company has prepaid $1,722 of financing fees, which leaves a net credit facility liability of $428,278. These financing fees will be amortized over the remaining term of the loan.

MX has an outstanding letter of credit for $2,093 issued against the MX operating line of credit. This letter of credit has been issued as a guarantee to the trustee under the MX employee future benefit plan in respect of accrued future employee benefits.

The credit facilities are unsecured and include certain covenants that the Company must maintain (note 23). The Company was in compliance with these covenants at December 31, 2008.

During 2008, the Company recognized interest expense on the facilities of $10,505 (2007 – $Nil) which included $492 of amortized financing fees.

14. Interest rate swaps:

The Company has entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the non-revolving three year term facility, effective August 28, 2008. The interest rate swaps in place as of the balance sheet date are as follows:

Swap number	**Notional value**	**Maturity date**	**Interest rate the Company will receive**	**Interest rate the Company will pay**	**Fair value unrealized gain/(loss) at December 31, 2008**	**Fair value unrealized gain/(loss) at December 31, 2007**
#1	$ 100,000	August 31, 2009	30 day B.A.	3.496%	$ (1,787)	$ –
#2	100,000	August 31, 2010	30 day B.A.	3.749%	(4,598)	–
#3	100,000	April 18, 2011	30 day B.A.	3.829%	(6,092)	–
Total	**$ 300,000**				**$ (12,477)**	**$ –**

The Company marks to market the fair value of these interest rate swaps as an adjustment to income. During 2008, unrealized losses of $12,477 and realized losses of $812 have been reflected in net income (2007 – $nil and $nil). Both amounts have been included within mark to market on interest rate swaps.

15. Share capital:

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. No preference shares have been issued.

Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights and the transferability of the shares. 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 the Company without the prior approval of the Ontario Securities Commission and Quebec's Autorité des marchés financiers.

Each common share of the Company is also entitled to receive dividends if, as and when declared by the Board of Directors of the Company. All dividends that the Board of Directors of the Company may declare and pay will be declared and paid in equal amounts per share on all common shares, subject to the rights of holders of the preference shares. Holders of common shares will participate in any distribution of the net assets of the Company upon liquidation, dissolution or winding-up on an equal basis per share, but subject to the rights of the holders of the preference shares.

There are no pre-emptive, redemption, purchase or conversion rights attaching to the common shares, except for the compulsory sale of shares or redemption provision described in connection with enforcing the restriction on ownership of voting shares of the Company.

The following transactions occurred with respect to the Company's common shares:

	Number of common shares		**Share Capital**	
	2008	**2007**	**2008**	**2007**
Balance, beginning of the period	**66,278,370**	68,421,264	**$ 379,370**	$ 387,501
Issued (note 2)	**15,316,608**	–	**806,573**	–
Repurchased and cancelled	**(7,523,249)**	(2,399,862)	**(110,234)**	(13,712)
Options exercised	**331,848**	256,968	**8,690**	5,581
Balance, end of the period	**74,403,577**	66,278,370	**$ 1,084,399**	$ 379,370

In connection with the Company's normal course issuer bid ("NCIB") approved on August 1, 2007, the Company completed the repurchase of the remaining shares under its pre-defined automatic purchase plan with its designated broker. In 2008, the Company purchased 4,441,189 common shares at an aggregate cost of $185,170 under this plan, of which $64,713 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of $120,457 was charged to deficit.

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In addition, on August 14, 2008, the Company received approval from Toronto Stock Exchange to repurchase up to 7,595,585 of its common shares under a new NCIB. Common shares purchased under the NCIB are cancelled, and purchases may be made over a one year period ending August 17, 2009, or such earlier date as the Company completes its purchases. In connection with this plan, the Company entered into a new pre-defined automatic purchase plan with its designated broker. In 2008, the Company purchased 3,082,060 common shares at an aggregate cost of $100,240 of which $45,521 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of $54,719 was charged to deficit.

16. Employee share purchase plan:

The Company offers an employee share purchase plan for eligible employees of the Company and of its designated subsidiaries. Under the employee share purchase plan, contributions by the Company and by eligible employees will be used by the plan administrator, CIBC Mellon Trust Company, to make purchases of common shares of the Company on the open market. Each eligible employee may contribute up to 10% of the employee's salary to the employee share purchase plan. The Company will contribute to the plan administrator the funds required to purchase one common share of the Company for each two common shares purchased on behalf of the eligible employee, up to a maximum annual contribution of $2. Shareholder approval is not required for this plan or any amendments to the plan.

The Company accounts for its contributions as compensation expense when the amounts are contributed to the plan. Compensation expense related to this plan was $1,106 for the year ended December 31, 2008 (2007 – $914).

17. Share option plan:

The Company established a share option plan in 2002, the year of its initial public offering. All employees of the Company and those of its designated subsidiaries at or above the director level are eligible to be granted share options under the share option plan.

On May 1, 2008, in connection with the acquisition of MX, the Company issued share options to holders of MX share options using an exchange ratio of 0.7784 for each MX share option exchanged. The Company issued 162,194 share options (the "replacement options") in exchange for 208,400 MX share options. The replacement options granted will vest based 50% on the passage of time and 50% on achieving certain performance criteria, if any, as determined by the Human Resources Committee of the Board, over a four year period of time. Only those replacement options not subject to performance criteria have been included in the aggregate purchase price (note 2).

According to the terms of the Company's plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5% of the outstanding common shares issued of the Company. 4,252,296 common shares of the Company remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5% of the outstanding common shares of the Company.

The fair value of each share option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2008: dividend yield of 2.9% (2007 – 2.52%); expected volatility of 23.6% (2007 – 25%); risk-free interest rate of 4.1% (2007 – 4%) and expected life of 7 years (2007 – 7 years).

Share options granted in 2008 have strike prices in the range of $36.46 to $54.50. Share options granted in 2007 had strike prices in the range of $42.80 to $53.04.

Options granted will expire in 2011, 2012, 2013, 2014 and 2015.

Share options:

	2008		2007	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding, beginning of year	**973,522**	**$ 31.64**	1,096,650	$ 25.17
Granted	**526,228**	**44.71**	219,948	52.48
Forfeited	**(146,083)**	**50.46**	(86,108)	45.59
Exercised	**(331,848)**	**20.97**	(256,968)	17.19
Outstanding, end of year	**1,021,819**	**$ 39.14**	973,522	$ 31.64

At December 31, 2008, 466,026 options were fully vested and exercisable at strike prices in the range of $10.53 to $54.50. During 2008, the Company recognized compensation costs of $2,473 in relation to its share option plan (2007 – $2,283).

18. Interim bonus and long-term incentive plan:

Effective January 1, 2001, TSX introduced an interim bonus plan (in lieu of a long-term incentive plan) for employees or officers at or above the director-level of TSX and its designated subsidiaries. The interim bonus plan provided eligible employees with a deferred award based on the annual financial performance of the Company. Amounts earned in 2001 were converted into deferred share units for executive officers and restricted share units for other participants, based on the price of one common share of the Company, in conjunction with the public offering of the Company. Amounts earned in 2002 were converted into deferred share units or restricted share units based on the value of one common share of the Company on December 31, 2002.

Deferred share units vested over a three year period ended December 31, 2005, but can only be redeemed upon termination of employment or retirement by cash payment. Restricted share units vested and were redeemed in cash by December 31, 2005.

In January 2004, the Board approved a long-term incentive plan for employees or officers at or above the director-level of the Company and its designated subsidiaries or employees below the director-level designated by the CEO of the Company, which provides for the granting of restricted share units ("RSUs"). The amount of the award payable at the end of three years will be determined by the total shareholder return at the end of the three year period. Total shareholder return represents the appreciation in share price of the Company plus dividends paid on a common share of the Company, measured at the time RSUs vest.

The Company records its obligation under the long-term incentive plan, if any, in the period in which the award is earned. The Company has purchased swaps to economically hedge against the impact of its share price fluctuations on the non-performance based portion of the long-term incentive plan (note 21). As at December 31, 2008, the total accrual for the Company's long-term incentive plan is $3,255 (December 31, 2007 – $17,139) and this is included in accounts payable and accrued liabilities and other liabilities.

The maximum amount to be paid is not known until the awards have vested and will be based on total shareholder return to the time of payout. The accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing price of the Company's common shares for the period.

19. Earnings per share:

		2008		2007
Net income	$	**181,952**	$	148,697
Weighted average number of common shares outstanding		**73,443,944**		67,970,365
Basic earnings per share	$	**2.48**	$	2.19
Diluted weighted average number of common shares outstanding		**73,540,390**		68,464,095
Diluted earnings per share	$	**2.47**	$	2.17

20. Income taxes:

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 32.60% (2007 – 35.03%) to pre-tax income from operations as a result of the following:

		2008		2007
Income before income taxes, after non-controlling interests	$	**280,101**	$	257,397
Computed expected income tax expense	$	**91,316**	$	90,166
Provincial tax holiday		**(1,770)**		–
Non-deductible expenses		**6,256**		1,076
Share of affiliate loss (income)		**(458)**		(132)
Deferred revenue not affecting income tax expense		**(982)**		(1,846)
Impact of changes in substantively enacted income tax rates		**569**		15,091
Other		**3,218**		4,345
	$	**98,149**	$	108,700

The income tax provisions for the years ended December 31, 2008 and 2007 are as follows:

		2008		2007
Current income tax expense	$	**107,473**	$	111,770
Future income tax benefit		**(9,324)**		(3,070)
	$	**98,149**	$	108,700

Years ended December 31, 2008 and 2007 (In thousands of dollars, except per share amounts)

The tax effects of temporary differences that give rise to significant portions of the future tax asset and liability at December 31, 2008 and 2007 are presented below:

	2008	2007
Non-capital loss carryforwards	**$ 2,229**	$ 325
Premises and equipment	**4,694**	4,445
Cumulative eligible capital/intangible assets	**(205,184)**	15,611
Total return swaps and interest rate swaps	**5,970**	(1,356)
Restructuring	**3,215**	–
Deferred listing revenue	**131,448**	125,341
Other temporary differences	**3,883**	10,087
Valuation allowance	**(827)**	–
	$ (54,572)	$ 154,453
Future tax assets:		
Current	**$ 34,030**	$ 22,840
Long-term	**132,499**	131,613
Future tax liabilities:		
Long-term	**(221,101)**	–
	$ (54,572)	$ 154,453

21. Financial instruments:

The Company has classified the significant impacts of its financial instruments as follows:

(a) Financial instruments – carrying values and fair values:

					December 31, 2008
Asset/(Liability)	**Held for trading**		**Loans and receivables/ (other financial liabilities)**		
	Classified	**Designated**		**Carrying amount**	**Fair value**
Cash and cash equivalents	**$ –**	**$ 102,442**	**$ –**	**$ 102,442**	**$ 102,442**
Marketable securities	**–**	**96,251**	**–**	**96,251**	**96,251**
Restricted cash	**–**	**1,454**	**–**	**1,454**	**1,454**
Accounts receivable – trade	**–**	**–**	**62,076**	**62,076**	**62,076**
Accounts receivable – other	**–**	**–**	**1,646**	**1,646**	**1,646**
Energy contracts receivable	**–**	**–**	**976,431**	**976,431**	**976,431**
Fair value of open energy contracts	**–**	**155,331**	**–**	**155,331**	**155,331**
Daily settlements and cash deposits	**–**	**–**	**497,312**	**497,312**	**497,312**
Option to acquire NetThruPut Inc.	**10,265**	**–**	**–**	**10,265**	**10,265**
Accounts payable and accrued liabilities	**–**	**–**	**(53,619)**	**(53,619)**	**(53,619)**
Total return swaps	**(5,838)**	**–**	**–**	**(5,838)**	**(5,838)**
Interest rate swaps	**(12,477)**	**–**	**–**	**(12,477)**	**(12,477)**
Energy contracts payable	**–**	**–**	**(976,431)**	**(976,431)**	**(976,431)**
Fair value of open energy contracts	**–**	**(155,331)**	**–**	**(155,331)**	**(155,331)**
Daily settlements and cash deposits	**–**	**–**	**(497,312)**	**(497,312)**	**(497,312)**
Term loan payable, net	**–**	**–**	**(428,278)**	**(428,278)**	**(428,278)**

Asset/(Liability)	Held for trading		Loans and receivables/ (other financial liabilities)	Carrying amount	December 31, 2007 Fair value
	Classified	Designated			
Cash and cash equivalents	$ –	$ 53,398	$ –	$ 53,398	$ 53,398
Marketable securities	–	249,399	–	249,399	249,399
Restricted cash	–	–	–	–	–
Accounts receivable – trade	–	–	42,928	42,928	42,928
Accounts receivable – other	–	–	1,384	1,384	1,384
Total return swaps	4,126	–	–	4,126	4,126
Interest rate swaps	–	–	–	–	–
Energy contracts receivable	–	–	745,378	745,378	745,378
Fair value of open energy contracts	–	74,907	–	74,907	74,907
Daily settlements and cash deposits	–	–	–	–	–
Option to acquire NetThruPut Inc.	10,265	–	–	10,265	10,265
Accounts payable and accrued liabilities	–	–	(48,175)	(48,175)	(48,175)
Energy contracts payable	–	–	(745,378)	(745,378)	(745,378)
Fair value of open energy contracts	–	(74,907)	–	(74,907)	(74,907)
Daily settlements and cash deposits	–	–	–	–	–
Term loan payable, net	–	–	–	–	–

(b) Marketable securities:

The investment portfolio includes pooled fund investments, federal, provincial and corporate bonds, and bank-backed asset-backed debt securities, managed by external investment fund managers. Market values for securities held by the pooled funds are determined by reference to quoted market prices. There is no contracted maturity date for the investments.

The Company has designated its marketable securities as held-for-trading. At December 31, 2008, these investments have been measured at fair value and unrealized gains of $1,206 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2008 (2007 – unrealized losses of $3,142).

(c) Total return swaps:

The Company has entered into a series of total return swaps ("TRSs") which synthetically replicate the economics of the Company purchasing the Company's shares as a partial fair value hedge to the share appreciation rights of restricted share units and deferred share units that are awarded to directors and employees of the Company and its designated subsidiaries. The Company marks to market the fair value of the TRSs as an adjustment to income, and simultaneously marks to market the liability to holders of the units as an adjustment to income. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five trading days of the year compared with the Company's share price at the date of entering into the TRSs. The fair value of the TRSs and the obligation to unit holders are reflected on the balance sheet. The contracts are settled in cash upon maturity.

The following tables represent the TRSs which are outstanding:

As at December 31, 2008:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	**1 to 3 years**	**Total**	**Gain**	**Loss**	**Net**
Equity Swap Contract #13	**$ 854**	**$ –**	**$ 854**	**$ –**	**$ (433)**	**$ (433)**
Equity Swap Contract #17	**–**	**407**	**407**	**–**	**(135)**	**(135)**
Equity Swap Contract #18	**4,321**	**–**	**4,321**	**–**	**(1,528)**	**(1,528)**
Equity Swap Contract #19	**5,516**	**–**	**5,516**	**–**	**(2,241)**	**(2,241)**
Equity Swap Contract #20	**3,695**	**–**	**3,695**	**–**	**(1,501)**	**(1,501)**
	$ 14,386	**$ 407**	**$ 14,793**	**$ –**	**$ (5,838)**	**$ (5,838)**

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As at December 31, 2007:

	Remaining term to maturity (notional amount)			Fair value		
	Under 1 year	**1 to 3 years**	**Total**	**Gain**	**Loss**	**Net**
Equity Swap Contract #5	$ 695	$ –	$ 695	$ 627	–	$ 627
Equity Swap Contract #10	664	–	664	82	–	82
Equity Swap Contract #13	–	854	854	10	–	10
Equity Swap Contract #14	5,310	–	5,310	422	–	422
Equity Swap Contract #15	2,453	–	2,453	563	–	563
Equity Swap Contract #16	10,548	–	10,548	2,422	–	2,422
	$ 19,670	$ 854	$ 20,524	$ 4,126	–	$ 4,126

Unrealized losses of $9,964 have been reflected in net income in the consolidated financial statements for the year ended December 31, 2008 (2007 – unrealized gains $3,008).

(d) Interest rate swaps:

The Company has entered into a series of interest rate swap agreements, which commenced on August 28, 2008, to partially manage its exposure to interest rate fluctuations on the non-revolving three year term facility (notes 13 and 14).

The Company marks to market the fair value of the interest rate swaps. Unrealized losses of $12,477 and realized losses of $812 have been reflected within net income, as Mark to market on interest rate swaps, for the year ended December 31, 2008 (2007 – $nil and $nil).

(e) NGX energy contracts:

NGX energy contracts receivable and payable positions are recognized for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end but payments have not yet been made. There is no impact on the consolidated statement of income.

The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognized in the consolidated assets and liabilities as open energy contracts. There is no impact on the consolidated statement of income.

(f) CDCC daily settlements and cash deposits:

Amounts due from and to clearing members as a result of marking open futures positions to market and settling option transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognized in the consolidated assets and liabilities as daily settlements and cash deposits. There is no impact on the consolidated statement of income.

(g) Option to acquire NetThruPut Inc.

On September 6, 2007, the Company entered into an agreement with Enbridge Inc. (“Enbridge”) and Circuit Technology Limited (“Circuit”) granting it the option to acquire all the shares of NetThruPut Inc. (“NTP”), at a time after March 15, 2009, for a price between $40,000 and $95,000 (note 26), subject to certain closing conditions. This agreement also provides Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to the Company, subject to certain closing conditions. The fair value of this option at December 31, 2008 is considered to approximate its carrying value.

22. Risk management:

(a) Credit risk:

Credit risk is the risk of financial loss to the Company associated with a counterparty’s failure to fulfill its financial obligations and arises principally from the Company’s investments in marketable securities, total return swaps and interest rate swaps, accounts receivable and the clearing and/or brokerage operations of Shorcan, NGX and CDCC.

(i) Investments in marketable securities

The Company, excluding MX, manages its exposure to credit risk arising from investments in marketable securities by limiting the investment in short-term bond and mortgage funds to a maximum of 70% of the investment portfolio. Corporate bonds must have a minimum credit rating of BBB by DBRS Limited. 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. The Company does not have any investments in non-bank asset-backed commercial paper.

MX manages its exposure to credit risk arising from investments in marketable securities by limiting total short term investment in bonds to a maximum of 30% in Schedule "A" Canadian chartered banks ("Bank bonds") with the balance in Federal and Provincial bonds, while limiting total medium term investment in corporate bonds to a maximum of 35% with the balance in Federal and Provincial bonds. Corporate bonds must have a minimum credit rating of AAA by DBRS Limited. At December 31, 2008, MX did not have any investments in non-bank asset-backed commercial paper.

(ii) Total Return Swaps

The Company limits its exposure to credit risk on TRSs by contracting with a major Canadian chartered bank.

(iii) Interest rate swaps

The Company limits its exposure to credit risk on the interest rate swaps by contracting with a major Canadian chartered bank.

(iv) Accounts receivable

The Company's exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its customers, many of whom are banks and financial institutions. There is no concentration of credit risk attributable to transactions with a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing or trading privileges.

(v) Clearing and/or brokerage operations

The Company is exposed to credit risk in the event that customers, in the case of Shorcan, or contracting parties, in the case of NGX, or clearing members, in the case of CDCC, fail to settle on the contracted settlement date.

Shorcan's risk is limited by its status as an agent, in that it does not purchase or sell securities for its own account. As agent, in the event of a failed trade, Shorcan has the right to withdraw its normal policy of anonymity and advise the two counterparties to settle directly.

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 major 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:

(a) Outstanding energy contracts receivable;

(b) "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

(c) "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, 2008, NGX held cash collateral deposits of $716,484 (December 31, 2007 – $273,612) and letters of credit of $2,366,318 (December 31, 2007 – $2,230,928). These amounts are not included in the Company's consolidated balance sheet.

CDCC is exposed to the risk of default of its clearing members. CDCC is the central counterparty and guarantor 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 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, letters of credit, equities and liquid government securities. Should a clearing member fail to meet a daily margin call or otherwise not honour their obligations under open futures and options contracts, margin deposits would be available to apply against the costs incurred to liquidate the clearing member's positions.

CDCC's margining system is complemented by a stress reporting system. This process evaluates the financial strength of a clearing member to meet margin requirements that might result from a sudden adverse change in the market. Clearing members who fail to meet the criteria are required to deposit a stress margin.

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

CDCC's margin collateral deposits and clearing fund deposits are held by approved depositories under irrevocable agreements. This collateral may be accessed by CDCC in the event of default by a clearing member. As a result of these calculations of clearing member exposure at December 31, 2008, CDCC held margin collateral deposits of $4,502,024, and clearing fund deposits of $201,478, primarily in collateral securities. These amounts are not included in the Company's consolidated balance sheet.

(vi) Guarantees

NGX maintains an unsecured clearing backstop fund of U.S. $100,000. The Company is the guarantor, on an unsecured basis, of this fund.

CDCC maintains $30,000 in revolving standby credit facilities in the event of default by a clearing member of CDCC. Borrowings under these facilities would be required to be collateralized.

Neither facility has been drawn upon at December 31, 2008.

(b) 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 the Company's income or the value of its holdings of financial instruments.

(i) Foreign currency risk

The Company is exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable principally denominated in U.S. dollars. At December 31, 2008, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding BOX, include US $14,962 (December 31, 2007 – US $8,746), and US $420 (December 31, 2007 – US $nil) respectively, which are exposed to changes in the U.S. – Canadian dollar exchange rate. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2008 is a $1,610 decrease in net income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on these exposed balances at December 31, 2008 is a $1,771 increase in net income. In addition, net assets related to BOX are denominated in US dollars, and the effect of exchange rate movements on the Company's share of these net assets is included in other comprehensive income. The approximate impact of a 10% rise in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2008 is a $14,110 decrease in other comprehensive income. The approximate impact of a 10% decline in the Canadian dollar compared to the US dollar on the translation of the net assets related to BOX at December 31, 2008 is a $15,521 increase in other comprehensive income.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its marketable securities, non-revolving term loan payable and interest rate swaps.

External investment fund managers have been engaged by the Company to manage the asset mix and the risks associated with its marketable securities. At December 31, 2008 the Company held $96,251 in these funds (December 31, 2007 – $249,399). The approximate impact on the carrying value of these investments of a 1% rise and a 1% fall in interest rates is ($1,919) and $1,962 respectively.

The Company has entered into a series of interest rate swaps agreements to partially manage its exposure to interest rate fluctuations on the non-revolving term loan (note 14). At December 31, 2008, the fair value of these interest rate swaps was a liability of $12,477. The approximate impact of a 1% rise and a 1% fall in interest rates on the fair value of the swaps is a $4,261 decrease in the liability and a $4,360 increase in the liability respectively.

(iii) Equity price risk

The Company is exposed to equity price risk arising from its long-term incentive plan, as the Company's obligation under the plan is partly based on the price of the Company's shares. The Company has entered into TRSs as a partial fair value hedge to the share appreciation rights of the restricted and deferred share units awarded under the plan. The fair value of the TRSs is based upon the excess or deficit of the volume weighted average price of the Company's shares for the last five trading days of the month compared with the Company's share price at the date of entering into the TRSs. As at December 31, 2008, a 25% increase in the share price of the Company would result in a net $176 increase in net income. A 25% decrease in the share price of the Company would result in a net $141 decrease in net income.

(iv) Other market price risk

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

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

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

The Company is also exposed to other market price risk on a portion of its sustaining fees revenue, which is based on quoted market values of listed issuers as at December 31 of the previous year.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its revolving and non-revolving credit facilities (note 13) and capital (note 23).

23. Capital maintenance:

In accordance with Section 1535 "Capital Disclosures" of the CICA Handbook, the Company's primary objectives in managing capital, which it defines as including its share capital and various credit facilities, include:

(i) Maintaining sufficient capital for operations, to ensure market confidence and to meet capital maintenance requirements imposed on its subsidiaries:

(a) In respect of TSX, as required by the Ontario Securities Commission ("OSC") to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:

(i) a current ratio not less than 1.1:1;

(ii) a debt to cash flow ratio not greater than 4:1; and

(iii) a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1

The Company has complied with these externally imposed capital requirements;

(b) In respect of TSX Venture, as required by various provincial securities commissions to maintain adequate financial resources;

The Company has complied with these externally imposed capital requirements;

(c) In respect of NGX to:

(i) maintain adequate financial resources as required by the Alberta Securities Commission; and

(ii) maintain a current ratio of no less than 1:1 and a tangible net worth of not less than $9,000 as required by a major Canadian chartered bank

The Company has complied with these externally imposed capital requirements;

(d) In respect of MX, as required by the Autorité des marchés financiers ("AMF") to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:

(i) a working capital ratio not less than 1.5:1;

(ii) a cash flow to total debt ratio of more than 20%; and

(iii) a financial leverage ratio consisting of total assets to shareholders' equity of less than 4:1

The Company has complied with these externally imposed capital requirements;

(e) In respect of Shorcan by the Investment Industry Regulatory Organization of Canada ("IIROC") which requires Shorcan to maintain a minimum level of shareholders' equity of $500;

The Company has complied with these externally imposed capital requirements;

(ii) Providing sufficient capital to meet the covenants imposed in connection with credit facilities (note 13) that require the Company to maintain:

(a) a maximum debt to adjusted EBITDA ratio of 3.5:1;

(b) a minimum consolidated net worth based on a contracted formula; and

(c) a debt incurrence test of not more than 3:1

The Company has complied with these externally imposed capital requirements;

(iii) Retaining sufficient capital to invest and continue to grow our business; and

(iv) Returning capital to shareholders through dividends paid to shareholders and purchasing shares for cancellation pursuant to normal course issuer bids.

The current economic conditions have not changed our objectives, policies or processes for managing capital.

24. Regulatory services:

On June 1, 2008, Market Regulation Services Inc. ("RS"), a private corporation jointly owned by the Company and the Investment Dealers Association of Canada ("IDA") and operated on a not-for-profit basis providing regulatory services to Canadian equity marketplaces, combined with the IDA to form the IIROC. As a result of the combination, the Company relinquished any ownership interest but remains entitled to nominate one of the fifteen member board of directors subject to certain pre-determined conditions. Prior to June 1, 2008, RS was a related party to the Company. For the period up to June 1, 2008, $2,825 of Business services and other revenue was earned for technology service provided to RS (year ended December 31 2007 – $7,184) and $1,435 was paid to RS for services provided by RS (year ended December 31, 2007 – $3,538).

25. Related party transactions:

In 2001, MX signed an agreement with BOX to provide, for a fee, the technology and related services required for its electronic trading system. In addition, beginning in February 2004, MX became a supplier to BOX and charges at the exchange amount, being the amount established and agreed to by BOX, salaries, telecommunication services, computer equipment, and other services. On August 29, 2008, BOX became a subsidiary of the Company (note 2).

Amounts invoiced for the year ended December 31, 2008, covering the period before BOX became a subsidiary, are $4,963 (year ended December 31, 2007 – $nil). These transactions were undertaken in the normal course of business. Starting August 29, 2008, due to the acquisition of control, these amounts are eliminated upon consolidation.

26. Contingent liabilities:

The Company may make additional payments of up to a maximum $3,082 contingent on the results of acquisition operations within the next two years.

In the first half of 2009, the Company expects to exercise its option and acquire NTP, which it estimates will require cash of approximately $20,000 to $30,000, in addition to issuing approximately $25,000 to $35,000 of TMX Group common shares.

From time to time in connection with its operations, the Company or its subsidiaries are named as a defendant in actions for damages and costs sustained by plaintiffs, or as a respondent in court proceedings challenging the Company's or its subsidiaries' regulatory actions, decisions or jurisdiction. In 2005, TSX Venture Exchange was named as a defendant in an action for unspecified damages. The Company believes this claim is without merit and intends to vigorously defend the action. Accordingly, no provision has been set up in the accounts.

27. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial presentation adopted in the current period.

Three-Year Review – Financial Information*

(in thousands of dollars)		**2008[1]**		2007[2]		2006[3]
Revenue:						
Issuer Services	**$**	**152,793**	$	133,939	$	108,483
Trading, clearing and related		**222,850**		169,237		146,253
Market data		**135,533**		110,241		86,941
Business services and other		**22,013**		11,170		11,170
	$	**533,189**	$	424,587	$	352,847
Expenses	**$**	**227,818**	$	181,545	$	148,186
Income from operations	**$**	**305,371**	$	243,042	$	204,661
Income (loss) from investment in affiliate		**1,426**		374		(82)
Investment income		**14,824**		14,036		14,425
Interest expense		**(10,508)**		(55)		(110)
Mark to market on interest rate swaps		**(13,289)**		–		–
Other acquisition related expenses		**(15,902)**		–		–
Non-controlling interests		**(1,821)**		–		–
Income taxes		**(98,149)**		(108,700)		(87,370)
Net Income	**$**	**181,952**	$	148,697	$	131,524
Operating cash flow	**$**	**244,189**	$	221,680	$	189,528
Working capital	**$**	**150,248**	$	254,733	$	267,065
Total Assets	**$**	**3,672,086**	$	1,523,919	$	1,572,838
Shareholders' Equity	**$**	**794,629**	$	171,910	$	226,955

* Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year

1 The financial results of Montreal Exchange Inc., acquired May 1 2008, and Boston Options Exchange Inc., acquired August 29, 2008, have been included in these results from acquisition.

2 The financial results of The Equicom Group Inc., acquired June 1, 2007, have been included in these results from acquisition.

3 The financial results of Oxen Inc., which owns Alberta Watt Exchange Limited (acquired October 2, 2006), Scotia Capital Inc.'s Fixed Income Indices, PC-Bond® and related assets (acquired October 25, 2006) and Shorcan (acquired December 1, 2006), have been included in these results from acquisition.

Three-Year Review – Market Statistics

(Unaudited)	2008	2007	2006
Toronto Stock Exchange:			
Volume *(millions)*	**109,239.7**	96,109.0	82,049.9
Value *($ billions)*	**1,853.2**	1,697.2	1,416.1
Transactions *(000s)*	**182,901.5**	118,578.2	85,651.9
Issuers Listed	**1,570**	1,613	1,598
New Issuers Listed:	**126**	207	197
Number of Initial Public Offerings	**52**	99	108
Number of graduates from TSX Venture/NEX	**45**	72	67
New Equity Financing: *($ millions)*	**35,312.0**	47,613.9	41,793.4
Initial Public Offering Financing *($ millions)*	**1,929.0**	7,321.3	9,927.2
Secondary Offering Financings[1] *($ millions)*	**24,523.8**	23,157.6	19,513.4
Supplementary Financings *($ millions)*	**8,859.3**	17,134.9	12,352.8
Market Cap of Listed Issuers *($ billions)*	**1,279.3**	2,095.3	2,061.3
S&P/TSX Composite Index Close	**8,987.7**	13,833.1	12,908.4
TSX Venture Exchange[2]:			
Volume *(millions)*	**44,052.2**	53,147.4	37,674.5
Value *($ millions)*	**23,796.1**	44,970.4	33,277.9
Transactions *(000s)*	**5,912.6**	8,675.1	6,487.2
Issuers Listed	**2,443**	2,338	2,244
New Issuers Listed:	**233**	273	186
New Equity Financing: *($ millions)*	**5,560.2**	11,652.4	8,047.8
Initial Public Offering Financing *($ millions)*	**225.1**	532.7	369.7
Secondary Offering Financings[1] *($ millions)*	**5,335.1**	11,119.7	7,678.1
Market Cap of Listed Issuers *($ billions)*	**17.1**	58.5	55.3
S&P/TSX Venture Composite Index Close	**797.0**	2,839.7	2,987.1

1 Secondary Offering Financings includes prospectus offerings on both a treasury and secondary basis.

2 TSX Venture Exchange market statistics do not include data for debt securities. 'New Issuers Listed' and 'S&P/TSX Venture Composite Index Close' statistics exclude data for issuers on NEX. All other TSX Venture Exchange market statistics include data for issuers on NEX, which is a board that was established on August 18, 2003 for issuers that have fallen below TSX Venture's listing standards (181 issuers at December 31, 2008, 162 issuers at December 31, 2007).

Board of Directors

As of March 4, 2009

WAYNE C. FOX (CHAIR)

Corporate Director
Committees: Governance, Human Resources
Director since: 1997

LUC BERTRAND

Deputy, Chief Executive Officer,
TMX Group Inc. and
President and Chief Executive Officer, Montréal Exchange Inc.
Director since: 2008

TULLIO CEDRASCHI

Corporate Director
Committees: Governance, Human Resources (Chair)
Director since: 2001

RAYMOND CHAN

Executive Chairman
Baytex Energy Trust
Committees: Finance and Audit
Director since: 2006

DENYSE CHICOYNE

Corporate Director
Committees: Finance and Audit
Director since: 2008

RAYMOND GARNEAU

Corporate Director
Committees: Governance, Human Resources
Director since: 2003

JOHN A. HAGG

Corporate Director
Committees: Human Resources, Public Venture Market
Director since: 2001

HARRY A. JAAKO

Executive Officer and Principal
Discovery Capital Corporation
Committees: Finance and Audit, Public Venture Market (Chair)
Director since: 2001

THOMAS A. KLOET

Chief Executive Officer
TMX Group Inc.
Director since: 2008

J. SPENCER LANTHIER

Corporate Director
Committees: Finance and Audit (Chair), Governance
Director since: 2000

JEAN MARTEL

Senior Partner
Lavery, de Billy
Committees: Finance and Audit, Public Venture Market
Director since: 1999

OWEN McCREERY

Consultant and Corporate Director
Committees: Finance and Audit
Director since: 2002

JOHN P. MULVIHILL

Chairman and Chief Executive Officer
Mulvihill Capital Management Inc.
Committees: Governance (Chair)
Director since: 1996

CARMAND NORMAND

Chairman of the Board
Addenda Capital
Committees: Public Venture Market
Director since: 2008

KATHLEEN M. O'NEILL

Corporate Director
Committees: Finance and Audit, Governance
Director since: 2005

GERRI B. SINCLAIR

Executive Director
Centre for Digital Media
Committees: Human Resources, Public Venture Market
Director since: 2005

JEAN TURMEL

President
Perseus Capital Inc.
Committees: Governance
Director since : 2008

LAURENT VERREAULT

Chief Executive Officer and Chairman
GLV Inc.
Committees: Human Resources
Director since: 2008

Senior Management Team

As of March 5, 2009

THOMAS A. KLOET

Chief Executive Officer
TMX Group

LUC BERTRAND

Deputy, Chief Executive Officer
TMX Group and
President and Chief Executive Officer, Montréal Exchange Inc.

KEVAN B. COWAN

President, TSX Markets and Group Head of Equities and President
TSX Venture Exchange

CHRISTINE ELLISON

Vice President, Human Resources
TMX Group

ROBERT FOTHERINGHAM

Senior Vice President, Trading
TSX Markets

BRENDA L. HOFFMAN

Senior Vice President and Chief Information Officer
TMX Group

PETER KRENKEL

President
NGX

ALAIN MIQUELON

Executive Vice President
Montréal Exchange Inc.

RICHARD NADEAU

Senior Vice President
Toronto Stock Exchange

SHARON C. PEL

Senior Vice President, Legal and Business Affairs
TMX Group

MICHAEL PTASZNIK

Senior Vice President and
Chief Financial Officer
TMX Group

ERIC SINCLAIR

Senior Vice President
TMX Datalinx

Shareholder Information

STOCK LISTING

Toronto Stock Exchange
Share Symbol "X"

AUDITOR

KPMG LLP
Toronto, ON

REGISTERED OFFICE AND HEAD OFFICE OF TMX GROUP

The Exchange Tower
130 King Street West
Toronto, ON
M5X 1J2

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10th Floor
Calgary, AB
T2P 3C4

HEAD OFFICE OF MONTRÉAL EXCHANGE

Tour de la Bourse
800, square Victoria
Montreal, QC
H4Z 1A9

HEAD OFFICE OF NGX

140 – 4th Avenue SW
Suite 2330
Calgary, AB
T2P 3N3

HEAD OFFICE OF SHORCAN

20 Adelaide Street East
Suite 1000
Toronto, ON
M5C 2T6

HEAD OFFICE OF EQUICOM

20 Toronto Street
Suite 500
Toronto, ON
M5C 2B8

REGIONAL OFFICES

MONTREAL
1000 Sherbrooke Street West
Suite 1100
Montreal, QC
H3A 3G4

VANCOUVER
650 West Georgia Street
Suite 2700
Vancouver, BC
V6B 4N9

SHARE TRANSFER AGENT

Requests for information regarding share transfers should be directed to the Transfer Agent:

CIBC Mellon Trust Company
PO Box 7010
Adelaide Street Postal Station
Toronto, ON
M5C 2W9
Tel: (416) 643-5500 (Toronto Area)
1-800-387-0825 (North America)
Fax: (416) 643-5501
E-mail: inquiries@cibcmellon.com

INVESTOR CONTACT INFORMATION

Investor Relations may be contacted at:
Tel: (416) 947-4277 (Toronto Area)
1-888-873-8392 (North America)
Fax: (416) 947-4727
E-mail: shareholder@tsx.com

ANNUAL MEETING

The Annual Meeting of shareholders will be held at 2:00PM. on April 29, 2009 at:

Delta Centre-Ville
Régence A Ballroom
777 University Street
Montréal, Quebec

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