THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice as soon as possible from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under FSMA if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

The release, publication or distribution of this document and any other related documentation in jurisdictions other than the UK may be affected by the laws and regulations of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves of and observe any applicable requirements.

A copy of this document, which comprises a prospectus relating to the Mergeco Shares and has been prepared in accordance with the Prospectus Rules of the FSA made under section 73A of FSMA, has been filed with the FSA and has been made available to the public in accordance with paragraph 3.2 of the Prospectus Rules.

Application will be made to the FSA and to the London Stock Exchange, respectively, for the Existing Shares of $6\frac{79}{86}$ pence each to be re-admitted and the New Shares of $6\frac{79}{86}$ pence each to be admitted to listing on the Official List and to trading on the Main Market of the London Stock Exchange. Admission to trading on the London Stock Exchange's Main Market for listed securities constitutes admission to trading on a regulated market. Subject to the conditions of the Merger Agreement having been satisfied (or, if applicable, waived), it is expected that Admission will become effective and that dealings in the Existing Shares and the New Shares will commence on the London Stock Exchange as soon as reasonably practicable following Completion. The New Shares will rank *pari passu*, in all respects, with the Existing Shares and carry the right to receive all dividends and other distributions (if any) declared, made or paid after the date of issue of the New Shares, except that any dividend to be paid to Mergeco Shareholders after Completion relating to the period between 31 March 2011 and the date of Completion shall, in accordance with the terms of the Merger Agreement, be paid only to the holders of the Existing Shares. In addition, LSEG has applied for the listing of all of the Mergeco Shares and of the Exchangeable Shares on TSX as soon as reasonably practicable following Completion.

Investors should only rely on the information contained in this document and the documents incorporated by reference herein. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference herein and, if given or made, such information or representation must not be relied upon as having been so authorised. LSEG will comply with its obligation to publish a supplementary prospectus containing further updated information required by law or any Governmental Entity, but LSEG assumes no further obligation to publish additional information.

YOU SHOULD READ THE WHOLE OF THIS DOCUMENT AND ANY DOCUMENTS INCORPORATED HEREIN BY REFERENCE. IN PARTICULAR, YOUR ATTENTION IS DRAWN TO PART 2—"RISK FACTORS" IN THIS DOCUMENT.

London
Stock Exchange Group

London Stock Exchange Group plc
(proposed to be renamed LTMX Group plc)

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 5369106)

Proposed issue of up to 230,000,000 New Shares in the London Stock Exchange Group in connection with the proposed Merger with TMX Group

Application for Admission to the Official List and to trading on the London Stock Exchange's Main Market for listed securities of the Existing Shares and the New Shares

---

Morgan Stanley is acting as joint corporate broker and joint adviser exclusively to LSEG and no one else in connection with the production of this document, the Merger and/or Admission and will not be responsible to any other person (whether or not a recipient of this document) for providing the protections afforded to the clients of Morgan Stanley nor for providing advice in connection with the Merger, Admission or any other matters or arrangements referred to in this document. Morgan Stanley is also acting for LSEG as joint sponsor in relation to the LSEG Circular and this document.

Barclays Capital, which is authorised in the UK under FSMA and regulated by the FSA, is acting as joint corporate broker and joint adviser exclusively to LSEG and no one else in connection with the production of this document, the Merger and/or Admission and will not be responsible to any other person (whether or not a recipient of this document) for providing the protections afforded to the clients of Barclays Capital nor for providing advice in connection with the Merger, Admission or any other matters or arrangements referred to in this document. Barclays Capital is also acting for LSEG as joint sponsor in relation to the LSEG Circular and this document.

RBC Capital Markets, which is authorised in the UK under FSMA and regulated by the FSA, is acting as joint adviser exclusively to LSEG and no one else in connection with the production of this document, the Merger and/or Admission and will not be responsible to any other person (whether or not a recipient of this document) for providing the protections afforded to the clients of RBC Capital Markets nor for providing advice in connection with the Merger, Admission or any other matters or arrangements referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Morgan Stanley, Barclays Capital or RBC Capital Markets by FSMA or the regulatory regime established thereunder, Morgan Stanley, Barclays Capital and RBC Capital Markets each accept no responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Merger or Admission. Morgan Stanley, Barclays Capital and RBC Capital Markets each accordingly disclaim all and any liability, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS DO NOT CONSTITUTE AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR BUY, ANY EXISTING SHARES, NEW SHARES OR ANY EXCHANGEABLE SHARES TO ANY PERSON IN ANY RESTRICTED JURISDICTION AND IS NOT FOR DISTRIBUTION IN OR INTO ANY RESTRICTED JURISDICTION, EXCEPT AS DETERMINED BY LSEG IN ITS SOLE DISCRETION AND PURSUANT TO APPLICABLE LAWS.

The New Shares and the Exchangeable Shares have not been, and will not be, registered under the applicable securities laws of any Restricted Jurisdiction. Accordingly, the New Shares and the Exchangeable Shares may not be offered, sold, delivered or transferred, directly or indirectly, in or into any Restricted Jurisdiction or to or for the account or benefit of any national, resident or citizen of any Restricted Jurisdiction.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE. EACH SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS OWN LEGAL ADVISER, FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

Dated 1 June 2011

CONTENTS

PART		PAGE
PART 1	SUMMARY	1
PART 2	RISK FACTORS	6
PART 3	GENERAL INFORMATION	21
PART 4	EXPECTED TIMETABLE OF PRINCIPAL EVENTS	27
PART 5	INFORMATION ON THE MERGED GROUP	28
PART 6	INFORMATION ON THE LSEG GROUP'S BUSINESS	33
PART 7	INFORMATION ON TMX GROUP'S BUSINESS	48
PART 8	DESCRIPTION OF THE MERGER	55
PART 9	SUMMARY OF MERGER AGREEMENT	72
PART 10	REGULATION OF THE MERGED GROUP	82
PART 11	PROPOSED INVESTMENT CANADA ACT UNDERTAKINGS	106
PART 12	EXCHANGEABLE SHARE STRUCTURE	109
PART 13	DIRECTORS AND OFFICERS OF MERGECO	124
PART 14	OPERATING AND FINANCIAL REVIEW FOR THE LSEG GROUP	160
PART 15	OPERATING AND FINANCIAL REVIEW FOR TMX GROUP	197
PART 16	HISTORICAL FINANCIAL INFORMATION RELATING TO THE LSEG GROUP	225
PART 17	HISTORICAL FINANCIAL INFORMATION RELATING TO TMX GROUP	226
PART 18	UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE MERGED GROUP	352
PART 19	TAXATION	359
PART 20	ADDITIONAL INFORMATION	368
PART 21	DEFINITIONS	400

PART 1

SUMMARY

The following summary information should be read as an introduction to the more detailed information appearing elsewhere in this document. Any decision by a prospective investor to invest in Mergeco Shares or Exchangeable Shares should be based on consideration of this document as a whole, including the information incorporated by reference, and not solely on this summarised information. Where a claim relating to the information contained in this document is brought before a court in a Member State of the EEA, the claimant may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

Introduction

On 9 February 2011, LSEG and TMX Group Inc. announced that they had signed the Merger Agreement in respect of an all share merger of equals transaction.

Information on the Merged Group

The Merged Group will be co-headquartered in London and Toronto. It is intended that LSEG be renamed "LTMX Group plc". The Merged Group will continue to maintain certain existing brands, including the London Stock Exchange, AIM, TSX, TSX Venture Exchange, MX and Borsa Italiana.

The Merged Group will:

- be the number one listings venue in the world by number of total listings;
- be the number one exchange group for mining, natural resources and energy companies;
- have the world's largest number of venture and alternative marketplace listings;
- operate exchanges diversified across a number of geographic locations and asset classes, including cash equities, fixed income, energy and power, derivatives, and post-trade and clearing operations;
- provide opportunities for an increased suite of information services;
- bring together the LSEG Group's and TMX Group's respective information technology expertise to develop and offer leading-edge, multi-asset class technology solutions and to facilitate innovation and further development in trading platform functionality; and
- utilise its global sales network to expand the distribution of its products and services in trading, data, listing and technology sales, including MillenniumIT and SOLA technology, to its expanded customer base.

The LSEG Board believes that the Merger will create substantial value for all stakeholders through a combination of revenue and growth benefits and cost savings.

Information on the LSEG Group and TMX Group

The LSEG Group

The LSEG Group operates a broad range of international equity, bond and derivatives markets including those operated by the London Stock Exchange, Borsa Italiana, MTS, Europe's premier facilitator for the electronic fixed income market, and Turquoise offering pan-European and US "lit" and "dark" equity trading. Through its markets, the LSEG Group offers international business access to Europe's capital markets.

The LSEG Group is a leading developer of high performance trading platforms and capital markets software and also offers its customers around the world an extensive range of real-time and reference data products and post-trade services.

Headquartered in London and with significant operations in Italy and Sri Lanka, the LSEG Group employs approximately 1,500 people worldwide.

For the financial year ended 31 March 2011, LSEG reported consolidated income of £674.9 million, adjusted EBITDA of £390.9 million and profit before taxation of £238.2 million. As of 31 March 2011,

LSEG had total equity of £1,137.0 million. LSEG is listed on the Main Market of the London Stock Exchange, with a market capitalisation of approximately £2.7 billion[(1)].

TMX Group

TMX Group is a diversified exchange group, with recognised leadership in Canada and an increasing presence in international markets. TMX Group owns and operates cash and derivatives markets and clearing houses for multiple asset classes, including equities, fixed income and energy.

TSX is Canada's leading, central market for both the listing and trading of equities. TMX Group also operates a world leading public venture capital market, TSX Venture Exchange. Through Montréal Exchange and CDCC, TMX Group provides Canadian leadership in derivatives products, trading and clearing, and holds a majority stake in BOX, which serves the US equity options market. TMX Group's energy market, NGX, has grown into a North American leader in trading and clearing of physical energy contracts. TMX Datalinx provides real-time and historic data and information services to both domestic and international customers. Shorcan, a leading IDB operating in the fixed income sector, and Equicom, a provider of investor relations and corporate communications services, round-out the TMX Group portfolio.

TMX Group develops and applies leading-edge technology to power its markets. Increasingly, such technology is being deployed in global markets, particularly in European derivatives markets.

TMX Group is headquartered in Toronto, with significant Canadian operations in Montreal, Calgary and Vancouver, as well as an expanding global footprint through offices in Houston, Boston, Chicago and London.

For the financial year ended 31 December 2010, as set out in Part 17C—"Restated financial information relating to TMX Group", TMX Group's total revenue was C$625.6 million and net income before income taxes was C$337.6 million. As at 31 March 2011, TMX Group had total equity of C$1,129.4 million. TMX Group Inc. is listed on TSX, with a market capitalisation of approximately C$3.3 billion.[(2)]

Summary of the terms of the Merger

Overview

The Merger is being implemented by way of a plan of arrangement in Ontario under which a TMX Group Shareholder will receive 2.9963 New Shares for each TMX Group Share. TMX Group Shareholders who are taxable Canadian Residents may elect to receive, for each TMX Group Share, 2.9963 Exchangeable Shares (and Ancillary Rights). Following Completion, former TMX Group Shareholders and existing LSEG Shareholders will own approximately 45 per cent. and 55 per cent., respectively, of the outstanding publicly held equity interests in the Merged Group.

Conditions and timing

Completion of the Merger is subject to a number of conditions, including:

- Investment Canada Act Approval;
- Securities Regulatory Approvals;
- certain anti-trust approvals; and
- the requisite approvals of LSEG Shareholders and TMX Group Shareholders.

As of the date of this document, US anti-trust approval has been obtained, but none of the other approvals listed above has yet been obtained. It is currently expected that the Merger will be completed in the autumn of 2011, but this timing is subject to change.

(1) Based on a share price of £9.90 per Existing Share as at the LSEG Latest Practicable Date.
(2) Based on a share price of C$44.30 per TMX Group Share as at the LSEG Latest Practicable Date.

Investment Canada Act

Under the Investment Canada Act, the responsible Minister has to be satisfied that the Merger is of net benefit to Canada. In this regard, LSEG has agreed to provide written undertakings, amongst other things, in relation to:

- the structure of the Mergeco Board (including undertakings as to the ongoing representation of Canadian Directors on the Mergeco Board);
- being headquartered in London and Toronto;
- allocation of senior management positions between officers resident in Canada, the UK and Italy; and
- location of certain global business units and functions in Canada.

The arrangements will contemplate adjustment mechanics in the event of, amongst other things, the Merged Group expanding through further transactions. It is contemplated that these undertakings will be provided for a period of four years.

In addition to the key undertakings referred to above, LSEG has agreed to provide undertakings with respect to minimum Canadian employment levels and other customary undertakings.

Securities Regulatory Approvals

LSEG has agreed to provide written undertakings to securities regulators in Canada and to agree to amendments to the recognition orders of certain of TMX Group's exchanges. These include undertakings with respect to the ongoing governance arrangements of Mergeco, including undertakings as to the ongoing representation of Canadian Directors on the Mergeco Board. The undertakings provided in connection with the Securities Regulatory Approvals will continue on an ongoing basis and beyond the period of the Investment Canada Act undertakings described above.

The final terms and conditions required to obtain Investment Canada Act Approval and the Securities Regulatory Approvals may vary from those described in this document.

Exchangeable Share structure

The Exchangeable Share structure will provide an opportunity for TMX Group Shareholders who are Canadian Residents not exempt from tax under Part I of the Canadian Tax Act who elect to receive Exchangeable Shares and make a Canadian tax election to defer Canadian income tax on any capital gain otherwise arising on the exchange of their TMX Group Shares.

The Exchangeable Shares will be issued by Exchangeco, a Canadian Subsidiary of Mergeco. The Exchangeable Shares will be substantially the economic equivalents of the New Shares that a TMX Group Shareholder would have received if such TMX Group Shareholder had elected to receive New Shares. Exchangeable Shareholders will also receive, through the Voting and Exchange Trust Agreement, the benefit of Mergeco voting rights, entitling the holder to one vote on the same basis and in the same circumstances as one Mergeco Share.

The Exchangeable Shares will be exchangeable at the option of an Exchangeable Holder (other than a US Holder) at any time before the Redemption Date on a one-for-one basis for New Shares.

Admission and stock exchange listings

Application will be made for the Existing Shares to be re-admitted and the New Shares (including the New Shares issuable upon exercise of Replacement Options) to be admitted to listing on the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange.

In addition, LSEG has applied for the listing of all of the Mergeco Shares and of all of the Exchangeable Shares on TSX as soon as practicable following Admission.

Directors of Mergeco

Following Completion, the Mergeco Board will consist of 15 directors:

- eight of the Mergeco Directors will be nominated by the LSEG Board; and
- seven of the Mergeco Directors will be nominated by the TMX Group Board.

Wayne Fox will be the Chairman and Xavier Rolet will be Chief Executive Officer of Mergeco. In addition, Thomas Kloet will be the President and Michael Ptasznik will be the Chief Financial Officer of Mergeco.

Dividend policy

Following Completion, Mergeco intends, subject to the approval of the Mergeco Board, to maintain a progressive dividend policy from the base of the current combined gross amount of dividends paid in connection with the Existing Shares and TMX Group Shares in aggregate.

Current trading, trends and prospects

LSEG Group

On 13 May 2011, LSEG announced its financial results for the year ended 31 March 2011. Since 31 March 2011, the LSEG Group's core business segments of capital markets, post-trade services, information services and technology services continue to perform well overall.

TMX Group

On 13 May 2011, TMX Group announced its financial results for the quarter ended 31 March 2011. Since 31 March 2011, TMX Group's business continues to perform well overall.

Risk factors

Financial markets industry

- economic, political and social factors beyond the Group's control may adversely affect its financial condition;

Competitive pressure

- consolidation is making the exchange sector more competitive;
- regulatory changes have increased competitive pressure on the Group;
- the Group is exposed to the risk of competition;

Regulation

- regulatory restrictions apply to the Group's business;
- the Group may be subject to more intensive regulatory scrutiny and such scrutiny could impact the Group disproportionately;
- changes in applicable regulations or requirements may have a negative impact on the Group's business;
- share ownership restrictions apply to the Group;
- regulatory capital requirements may negatively affect the Group's business;
- the regulatory responsibilities of the Group's exchanges and its commercial relationships with market participants may conflict;

Business risks

The Group:

- may be unsuccessful in the implementation of future business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties;
- is highly dependent on the development and operation of sophisticated IT, which may fail or be subject to disruption;
- is dependent on the maintenance of its brands and reputation;
- may face challenges in using its own and its licensed intellectual property;

- may suffer adverse consequences as a result of losing its senior management and other key employees, as a whole;
- has clearing activities that expose it to the risk of a default;
- is exposed to third party credit risk;
- depends on a number of third party suppliers;
- may not be able to refinance or renew its long-term credit facilities;
- is exposed to foreign exchange rate and interest rate fluctuations;
- has a cost structure that is largely fixed;
- may suffer adverse consequences as a result of damage to, or destruction of, its property or infrastructure;

Merger risks

- the Merger is conditional and the conditions may not be satisfied;
- regulatory approval processes and/or anti-trust clearances may take a lengthy period of time to complete;
- Governmental Entities may seek to impose new or more stringent conditions on the Group in connection with granting regulatory approvals;
- the Group may fail to realise the perceived benefits of the Merger;
- the Group will incur significant Merger-related costs;
- TMX Group Shareholders cannot be certain of the market value of the consideration to be received under the Merger;
- management distraction or overstretch in connection with the Merger could have an adverse effect;
- Mergeco Shares not being eligible for S&P/TSX indices following Completion could reduce demand for Mergeco Shares in Canada;
- the rights of shareholders under Canadian law may differ from the rights of shareholders under English law;
- loss of sole residency in the UK for tax purposes could have adverse tax consequences for Mergeco and its shareholders;

Mergeco Shares and the Exchangeable Shares

- the market price of one Mergeco Share may not be equivalent to the market price of one Exchangeable Share;
- an active trading market for the Exchangeable Shares or Mergeco Shares in Canada may not develop or be sustained;
- the market price of the Mergeco Shares and the Exchangeable Shares may fluctuate significantly;
- demand for the Exchangeable Shares may exceed the maximum number available; and
- there may be a taxable event for a Canadian Resident Exchangeable Shareholder as a result of a transaction beyond his or her control.

PART 2

RISK FACTORS

For the purposes of this Part 2—"Risk factors", reference to the "Group" shall mean, prior to Completion, the LSEG Group, and, following Completion, the Merged Group and "Directors" shall mean the LSEG Directors and, with respect to the Merged Group, the LSEG Directors and the Prospective Directors.

An investment in the Mergeco Shares or Exchangeable Shares is subject to a number of risks. Potential investors should carefully consider the following risks and uncertainties, together with all the other information set out in, or incorporated by reference into, this document, prior to making any decision as to whether or not to invest in Mergeco Shares or Exchangeable Shares.

The Group's business, operating results, financial condition and/or prospects could be materially and adversely affected by any of these risks. In such case, the market price of the Mergeco Shares and the Exchangeable Shares could decline and, as a result, investors may lose all or part of their investment. The risks and uncertainties described below represent those currently known to the Directors and which the Directors consider to be material. However, these risks and uncertainties do not purport to be a complete list or explanation of all the risks facing the Group. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently consider to be immaterial, may become material and adversely affect the business, operating results, financial condition and/or prospects of the Group. In addition, as a result of the Merger, some or all of the risks identified below may be further aggravated. This document also contains estimates and projections that involve risks and uncertainties. The Group's results may differ significantly from those previously projected as a result of certain factors, including the risks which it faces, as described below. The order in which the following is presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the Group's business, operating results, financial condition, prospects and/or on the value of the Mergeco Shares or Exchangeable Shares.

Risks relating to the financial markets industry

Economic, political and social factors that influence the level of activity in capital markets and issuers' market capitalisations are beyond the Group's control and may adversely affect its financial condition.

The Group is highly dependent upon the level of activity in capital markets, as well as the individual market capitalisations of the issuers listed or admitted to trading on the markets that the Group operates, for much of its revenues. Many of the factors that influence the levels of secondary market trading, utilisation of the Group's post-trade services and primary market issuance (listings), together with issuers' market capitalisations, are beyond the control of the Group but have the potential to adversely affect the business, financial condition and operating results of the Group. As shown during the financial crisis (2008 to 2010), material factors are:

- general economic conditions, including the level of economic growth in the relevant economies, governments' monetary policies, the level of interest rates and the rate of inflation;
- broad trends in business and corporate finance, global financial credit, currency, capital or securities markets and the mergers and acquisitions environment;
- macro-economic trends, such as the current commodities "super-cycle" during which the demand for and the price of many critical natural resources has risen;
- governments' fiscal policies and the laws and regulations of the jurisdictions in which the Group operates, which may affect the relative attractiveness of trading or investing in exchange-traded products and public market equity compared with other forms of investment and/or the attractiveness of the listing venues in which the markets of the Group operate compared with alternative global locations;
- any change or development in global, national or regional political conditions, external events such as acts of terrorism or any outbreak of hostilities or war and natural disasters;
- institutional and retail investor confidence and disposable income levels, which may affect the propensity to invest in and hold exchange-traded products; and
- demographic changes, which may lead to an ageing population with a preference for low-risk, guaranteed-return products.

Competitive pressures relating to the Group

Consolidation is making the exchange sector more competitive.

In recent years, the gradual liberalisation and globalisation of world financial markets has resulted in increased competition and consolidation taking place across international boundaries. Exchanges in many developed markets began to demutualise and become public companies in the 1990s and 2000s. Subsequently, there has been consolidation in the exchange industry, first within national borders and now, increasingly, across them. As a result, the exchange sector in which the Group operates is becoming more competitive. If the Group is unable to compete successfully in this environment, the Group's business, financial condition and operating results may be adversely affected.

Regulatory changes have increased competitive pressure on the Group.

MiFID, which came into force on 1 November 2007, has liberalised the markets in which the Group operates by creating a harmonised regime for equity trading across the EU and achieving consistent levels of transparency. While MiFID provides the Group with the opportunity to compete for pan-European trade reporting, it also results in increased competition, which could result in a consequent loss of market share and a reduction in the level of fees that the Group's exchanges are able to charge.

In late 2001, regulatory changes permitting the creation of ATSs in Canada were introduced. There are currently a number of ATSs operating or who intend to operate in Canada. This competition may increase in the future, especially as these technological advances create pressure to develop more efficient and less costly trading.

A negative impact on the revenues of the Group may result if competitors are more efficient, more cost-effective or better able to provide a market model to meet evolving customer requirements for trading in securities.

The Group is exposed to the risk of competition from:

Alternative platforms

The Group, like other traditional exchange groups, faces increased competition from new, alternative platforms, including Multilateral Trading Facilities and ATSs, as well as from internalisation by its member firms. Some of these alternative platforms are seeking or may seek exchange status which, if granted, would put such facilities in direct competition with certain of the Group's equity exchanges. Such competition may intensify and result in a reduction in the Group's share of value or volume traded and downward pressure on trading tariffs charged by the markets operated by the Group. If the Group's share of value or volume traded is reduced, then the Group's appeal in price formation as a trading venue may erode.

Competing alternative platforms may be able to respond more quickly to competitive pressures, especially if they are not subject to the same degree of regulatory oversight as the Group's equity exchanges. These alternative platforms are typically smaller entities than the conventional exchanges operated by the Group, which target particular segments of the market and may have different economic objectives.

In addition, many of the global investment banks, who provide significant liquidity to the Group's equity exchanges, now operate their own in-house electronic trade execution platforms, which can bypass exchange markets by executing client orders against each other or against proprietary capital, as well as holding equity interests in other competing alternative platforms. Global investment banks and other major participants in the markets operated by the Group may direct order flow to competing alternative platforms.

Competition from these alternative platforms may increase, placing further strain on the Group's share of value or volume traded and pricing, negatively impacting revenues across the Group and leading to an adverse effect on the Group's business, financial condition and operating results.

Global equity markets

The Group's equity markets face increased competition for business from other venues as they consolidate and investing becomes more global. These equity markets face competition from foreign exchanges and other venues for listings, trading and the provision of market data for their securities. If the Group's equity markets are unable to continue to provide competitive trade execution, they could fail to attract new

listings and the volume traded on the Group's equity platforms could decrease in the future, each of which could adversely affect the Group's operating results.

Derivatives markets

The Group's derivatives markets are in direct competition with securities, options and other derivatives exchanges, as well as Multilateral Trading Facilities, ATSs or electronic communication networks and other trading and crossing venues, clearing member firms and IDB firms for the trading, clearing and the provision of market data. Furthermore, a large number of derivatives trades do not occur on exchanges, but in the OTC market. These competitors may respond more quickly to competitive pressures, develop similar products to those the Group offers or alternative competitive products that are preferred by customers, they may price their products more competitively, use, 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 the Group's products, which could materially adversely affect the Group's business and operating results.

While the Group's derivatives markets have developed various initiatives, including a pricing mix designed to attract greater liquidity to its markets, while maintaining the Group's derivatives markets' average price per contract, market conditions may result in increased competition, which, in turn, may create 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. The Group's business, financial condition and operating results could be materially adversely affected as a result of these developments.

Energy markets

The Group's business of trading and clearing natural gas, electricity and crude oil contracts faces primary competition in Canada and the US from other exchanges, 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 standardised and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete directly with NGX contracts. If the Group is unable to compete with these platforms and markets, including voice brokers, the Group's energy markets may not be able to maintain or expand their business, which could materially affect the Group's business, financial condition and operating results.

Post-trade

The post-trade industry is undergoing changes following the financial crisis, with a push by regulators and policy makers for more OTC trading to be carried out on market and for participants to utilise clearing services following the G20 agreements reached after September 2008 (through the Dodd Frank rules in the US and EMIR in the EU). There is also an increasing desire among participants to have the ability to choose a preferred provider of CCP services. Ongoing developments, such as the Target2 Securities initiative from the European Central Bank, may also facilitate competition in settlement services in Europe.

The competitive landscape developing from such changes may create new business opportunities for the Group's European post-trade facilities, Monte Titoli and CC&G, but could also increase the demand for alternative, competitive post-trade offerings or require the Group to introduce offerings in relation to underlying instruments (such as OTC derivatives) which may lead to an increase in the costs associated with the Group's financial risk management, which could have a consequently negative (or downward) impact on the Group's business, financial condition and operating results.

Technology sales

The Group's business of technology sales operates in a rapidly changing and highly competitive environment. If the Group is unable to develop systems that are able to compete effectively with those of its competitors, this may adversely affect its business, financial condition and operating results.

In addition, the Group, as part of its technology sales, commits to develop and deliver new technological platforms and other products to third party customers. Delays or failures (in whole or part) in the delivery

of such products may have an adverse effect on the Group's ability to compete and the reputation, revenues and financial condition of the Group.

Risks relating to the regulation of the Group

Regulatory restrictions apply to the Group's businesses.

The Group and its exchanges and other regulated entities operate in highly regulated industries and are subject to extensive regulation by governmental, competition and regulatory bodies at local or provincial and national or federal levels, as well as at a European level. Such regulation:

- may limit the Group's ability to build an efficient, competitive organisation and may also limit its ability to expand foreign and global access to its markets;
- limits the Group's ability to outsource its activities;
- places financial and corporate governance restrictions on the Group and its exchanges; and
- constrains some of the Group's operations, including certain listing or trading activities and the fee structures of the Group's markets, as well as the features and operations of, or changes to, its markets' systems and wider business activities. In some cases, such regulatory constraints may affect the Group disproportionately in comparison to some of its competitors, who are subject to less onerous regulatory requirements and restrictions. Such constraints, including the terms and conditions imposed by requisite regulatory approvals or reviews, as well as the timescales involved in seeking them, may increase the Group's costs and delay its plans for implementation of existing and new business strategies.

Such restrictions, restraints, constraints and costs could materially adversely affect the Group's business, financial condition and operating results.

There is a risk that one or more of the Group's regulated entities may fail to comply with the laws and regulatory and competition conditions and obligations to which it is, or becomes, subject. In this event, the regulated entity in question may be subject to censures, fines and other legal proceedings if it fails to comply.

In extreme circumstances, a competent regulatory body could revoke one or more Group entity's authorisation or regulatory approval to operate as an exchange or conduct other regulated activities.

The Group may be subject to more intensive regulatory scrutiny (including over previously unregulated areas of the Group's business) and such scrutiny could impact the Group disproportionately.

The Group could be subject to increased regulatory scrutiny in the future. The multi-market environment and the global economic crisis could lead to more aggressive and intensive regulation of the Group's business by securities and other regulatory agencies in the jurisdictions in which the Group operates and will operate, including the UK, Italy (and Europe more generally), Canada and the US. Additionally, regulation could extend to areas of the Group's business that, to date, have not been regulated. Such increased regulatory scrutiny could affect the business of the Group disproportionately in comparison to those of its competitors who are subject to less onerous regulatory requirements and restrictions. This could increase the cost of complying with regulations and co-operating adequately with regulatory bodies, and could reduce the scope for, and success of, the new products and strategy of the Group and could have an adverse effect on the business, financial condition and operating results of the Group.

Changes in applicable regulations or requirements may have a negative impact on the Group's business.

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in the jurisdictions in which the Group operates. However, the Group cannot be certain whether, or in what form, regulatory changes will take place and cannot predict with certainty their impact on its businesses and operations. Changes in and additions to the rules and regulations affecting Canadian, US or European exchanges or other trading venues could require the Group to change the manner in which its exchanges and authorised firms conduct their respective businesses or govern themselves. In addition, such changes could extend regulatory restrictions to areas of the Group's businesses that to date have not been regulated.

In particular, key regulatory developments in Europe which may materially affect the Group are the MiFID Review (which includes proposals relating to market structures and practices, SME markets

(i.e. markets for small and medium sized enterprises), automated trading, pre-and post-trade transparency, data consolidation and on-venue trading of standardised OTC derivatives, among other things), EMIR (addressing issues relating to clearing of OTC derivatives, CCPs and trade repositories) and the Short Selling Regulation (involving greater transparency, clear powers for regulators and a co-ordinated European framework on short selling and tackling specific risks of naked short selling). Other planned regulatory measures will cover capital requirements, CSDs, corporate governance, market abuse, issuer transparency, financial transaction/activity taxes and crisis management.

In the US, expanding regulation and proposed initiatives, in particular the Dodd-Frank Act, impacts OTC derivatives markets, exempt commercial markets, derivatives clearing organisations and foreign boards of trade, amongst other things. In Canada, the provincial securities regulators have released a proposal paper regarding the regulation of the Canadian OTC derivatives markets. The Canadian provincial securities regulators continue to review developments in the structure of the equities market and have undertaken to conduct a review of market data fees charged by Canadian marketplaces. Regulatory initiatives are under consideration by the CSA that may introduce new or varied regulation in the areas of: internalisation of order flow by member firms, order execution priority and pre-trade transparency. The CSA have published proposed amendments to the rules that govern marketplace operations in Canada and have published a proposed national instrument regarding electronic trading and direct electronic access to marketplaces. These proposals, if approved in the form proposed, will impact the transparency of marketplace fees, marketplace operations, reporting obligations and the provision of risk management and supervisory controls over members' order flow of certain of the Group's markets.

These developments may affect, amongst other things: (i) the market structure in which the Group operates; (ii) the SME markets the Group operates; (iii) the level of trading on the Group's markets; (iv) sale of the Group's market data; and (v) standards for clearing houses and trade repositories; and may also impose requirements on the Group regarding short selling and imposing settlement discipline. These regulatory initiatives could also impose capital requirements and proprietary trading restraints on market participants, which could constrain the level of activity on certain of the Group's markets.

In Europe, the creation of three new European supervisory authorities with greater powers and the ability to implement binding technical standards as well as the revision of the UK regulatory structure, with the replacement of the FSA with the Prudential Regulatory Authority and the Financial Conduct Authority, brings further risk of changes to the regulatory environment in which the Group operates.

Such changes may also make it more difficult or more costly for the Group to maintain compliance with relevant regulations and for relevant markets within the Group to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect the Group's business, financial condition and operating results.

In addition, certain entities within the Group perform primary market (listings) regulatory functions, such as acting as the competent listing authority. Changes to applicable regulation or legislation in certain jurisdictions may affect the ability of these entities to perform these functions, as well as the revenues and systems of the Group, and may diminish the extent of the Group's control over its primary markets' offering and products.

Share ownership restrictions apply to the Group.

Approvals from local securities regulators will be required in relation to certain share ownership restrictions prior to a change of control of Mergeco. These restrictions may delay, defer, prevent or render more difficult a takeover attempt that Mergeco Shareholders might consider in their best interests. For instance, they may prevent Mergeco Shareholders from receiving the benefit from any premium to the market price of Mergeco's Shares offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these restrictions may adversely affect the prevailing market price of the Mergeco Shares if they are viewed as discouraging takeover attempts in the future.

Regulatory capital requirements may negatively affect the Group's business.

In order to maintain their regulatory status, certain of the regulated entities within the Group are subject to minimum capital requirements. The regulatory capital regimes vary by jurisdiction and form of regulatory status and in some cases entities within the Group currently benefit from customised regulatory capital regimes which differ from those of banks, broker-dealers or other investment firms, while certain

firms in the Group are subject to the regulatory capital requirements applicable to investment firms established by the EU Capital Requirements Directive. In contrast, other entities within the Group are subject to regulatory capital requirements that are less prescriptive and which, in certain cases, may require the relevant entities to retain surplus capital, leading to capital inefficiencies within the Group.

Since late 2009 LSEG has been in discussions with the FSA about the applicability of the Group Consolidation Rules to the Group because of the presence of authorised firms in the Group. The FSA has reserved its position regarding the application of the Group Consolidation Rules to the Group pending the outcome of its forthcoming consultation on the future financial resources requirements regime for Recognised Bodies, which is due to commence in the second or third quarters of 2011. There is therefore a risk that the regulatory capital regimes which apply to entities within the Group, and the Group itself, may change. Although the Group is not aware of the content of the proposed consultation process, it is expected that the key focus will be the regulatory capital regime for Recognised Bodies that are undertakings within wider groups of companies. Prior to the outcome of this consultation process, the Group does not expect that it will be subject to a significant increase in the level of the financial resources requirements applicable to the Group in the UK.

However, there is a risk that changes to the financial resources requirements applicable to the Group arising out of the proposed consultation by the FSA and any other such changes in the regulatory capital regimes applicable to one or more entities within the Group may result in increased capital requirements for one or more entities within the Group or for the Group as a whole, which may adversely affect the Group's financial condition, operations and results as a whole.

If such an increase in the capital requirements for one or more entities within the Group or for the Group as a whole is significant, the Group may be required to raise further capital by an equity issuance or other appropriate financing. Although the Group considers the risk of having to undertake such an equity issuance as highly unlikely as it should be able to take mitigating action to rectify the problem and in any event does not anticipate such an event occurring in the next twelve months, there is a risk that prevailing economic and market conditions may prevent the Group from completing any such financing within any timeframe required. Any failure to do so may lead to the relevant entity or the Group being subject to regulatory sanctions and may adversely affect the Group's reputation, financial condition, operations and results as a whole.

There is also a risk that regulatory changes such as EMIR and/or the CSD Regulation and/or other changes, such as the revised Committee on Payment and Settlement Systems/International Organisation of Securities Commissions standards, could lead to a need for increased capital in the post-trade businesses.

There may be conflicts between the regulatory responsibilities of the Group's exchanges and its commercial relationships with market participants.

There may be a conflict between the self-regulatory responsibilities of the Group's exchanges and the interests of some of their market participants or the Group's own commercial interests. Although the exchanges of the Group have implemented stringent governance measures to avoid such conflicts, any failure by any of them to diligently and fairly regulate their respective approved participants or to otherwise fulfil their regulatory obligations could significantly harm the Group's reputation, lead to a regulatory investigation of the relevant exchange and/or the Group as a whole and materially adversely affect the Group's business, financial condition and operating results.

Risks relating to the business of the Group

The Group may be unsuccessful in the implementation of future business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties.

Following the Merger, new business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties are expected to be a material part of the Group's strategy. Any such business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties may pose regulatory and anti-trust risks, as well as integration risks, which may significantly affect the benefit or anticipated benefit of such acquisitions or investments. Furthermore, such actions will require significant time and resources from management and may require the diversion of resources from other activities.

Due to the regulatory environment in which the Group operates, it faces restrictions with respect to the way in which it conducts certain operations. These may limit the Group's ability to implement its global strategy and its ability to achieve synergies as a consequence of the Merger. Additionally, the Group may

experience certain competitive disadvantages if it does not receive necessary regulatory approvals for new business initiatives, or if it receives them in an untimely manner. Certain competitors may be able to obtain regulatory approval more rapidly or with less cost or difficulty than the Group, providing them with an advantage in a new market or product area.

All of the foregoing factors may limit the Group's ability to achieve future business growth. Such risk extends to new acquisitions or mergers and will be particularly relevant if the Group seeks to develop business initiatives in new jurisdictions or in jurisdictions in which the Group has little or no regulatory expertise.

In addition, any companies, businesses or new initiatives acquired or invested in may not achieve levels of profitability or revenue that justify the original investment made by the Group or support the goodwill recorded on the acquisition. The occurrence of any of these risks could have a material adverse effect on the Group's prospects, business, financial condition or results of operations.

The Group is highly dependent on the development and operation of sophisticated technology and advanced information systems; these systems and related development projects may fail or be subject to disruption (including by cyber attacks).

The provision of platforms for the execution, clearing and settlement, as applicable, of trades on the Group's markets and for the collection and aggregation of trade and price information predominantly depends on technology that is secure, stable and performs to high levels of availability and throughput at low latency. The Group operates sophisticated technology platforms and service management processes in conjunction with external suppliers, and its markets do not rely upon third party suppliers for the majority of its IT development. However, while such IT insourcing provides the Group with a greater degree of control, there remains a risk of resource over-stretch to meet both the requirements of the Group and those of third parties.

To compete effectively, the Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The markets in which the Group competes are characterised by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. If the Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Group's reputation, business and operating results could be materially adversely affected.

Major IT projects have risks associated with them, particularly with regards to migrating markets to new technological platforms. Major IT projects and technology migrations are often associated with significant capital investment and there is no guarantee that such migrations will be completed successfully or in line with allocated budgets. It also cannot be assured that new or upgraded trading platforms will perform as intended or that such platforms will deliver the expected benefits, including, where relevant, increased trading volumes and lower operating costs. There cannot, therefore, be any assurance that such projects will prove cost-effective and, in such circumstances, the profitability and reputation of the Group, its markets and its technology brands could be damaged if the migration to new technological platforms is not successful or the technological platforms used by the Group fail. The strategic flexibility of the Group and its ability to respond to customer needs for services could consequently be hampered. The Group has incident and disaster recovery and business contingency plans and back-up procedures to minimise, mitigate, manage and recover from the risk of an interruption of, or failure to, its critical IT operations. However, the Group cannot entirely eliminate the risk of a system failure or interruption occurring. If the Group's systems suffer from major or repeated failures, this could interrupt or disrupt the Group's trading, clearing and settlement or information services and undermine confidence in the Group's exchanges and services, cause reputational damage, impact operating results and lead to customer claims, litigation and regulatory sanctions.

As with all IT dependent companies, the Group's IT systems and networks, and those of its third party service providers, may be vulnerable to cyber attacks, unauthorised access, computer viruses and other security issues. These events could damage the integrity of the Group's markets and data provision as well as the Group's reputation and business more generally.

The Group is dependent on the maintenance of its brands and reputation.

The exchanges operated by the Group have iconic national brands that are well-recognised at international as well as at provincial and national levels. The strong reputation of the Group's businesses and its valuable brand names are currently and will be a key competitive strength. Any events or actions that damage the reputation and/or brands of the Group will adversely affect its business, financial condition and operating results.

Damage to the reputation and brands of the Group may arise from internal factors (technology failures, regulatory investigations, sanctions and litigation) and external factors (legal, economic and political factors) which make the venues in which the Group operates less attractive. The impact of such damage on the Group may result in a reduction in listings, a loss of trading volumes and market share, a decline in sales of the Group's trading technology and increased regulatory oversight. There may also be an associated direct cost of resolving specific incidents or events.

The Group may face challenges in using its own and its licensed intellectual property.

The Group derives a significant proportion of its revenues from its information products and services and information technology operations. Consequently, although the Group is currently unaware of the existence of any such matters that are material in the context of the Group as a whole, challenges to the intellectual property belonging to or licensed by the Group and/or claims or allegations of infringement by the Group of third party intellectual property on which the Group relies for revenue and which are specifically configured for the Group's use could, individually or in aggregate, have an adverse effect on the Group's business, financial condition, operating results and reputation.

The Group protects its intellectual property by relying upon a combination of trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its affiliates, clients, customers, strategic partners and others. Such protection may be inadequate to deter misappropriation of the Group's proprietary information and other intellectual property rights, and there can be no assurance that the Group's registered intellectual property rights will not be successfully challenged. The Group may not be able to detect the unauthorised use of, or take adequate steps to enforce, its intellectual property rights. Failure to protect its intellectual property rights adequately could harm the Group's reputation and affect the ability of the Group to compete effectively. Further, defending or enforcing the Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group's business, financial condition and operating results.

In addition to using its own intellectual property rights, the Group licenses a variety of intellectual property rights from third parties. If there was to be a breach or alleged breach of any of these licenses, or any other allegation of intellectual property right infringement, a third party could bring infringement or other claims against the Group or its customers. Any such litigation could be lengthy, costly and could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group's reputation, business, financial condition and operating results. If determined in favour of such a third party, it could result in a financial penalty and other remedies being awarded against the Group. Additionally, as a result of such litigation, the Group may be required to develop its own intellectual property or license similar intellectual property from an alternative supplier. There is no guarantee that either outcome could be achieved on cost-effective terms, which could have an impact on the business, financial condition and operating results of the Group.

The loss of the Group's senior management and other key employees, as a whole, could have adverse consequences on the Group.

The calibre and performance of the Group's senior management and other key employees, as a whole, is critical to the success of the Group. The Group's ability to attract and retain key personnel is dependent on a number of factors, including prevailing market conditions, compensation packages offered by competing companies and any regulatory impact thereon and the impact of share price performance on the Group's share schemes. There can be no assurance that the Group will be successful in attracting and retaining the personnel it requires, which may adversely affect the Group's ability to conduct its business through an inability to execute business operations and strategies effectively.

The Group's clearing activities expose it to the risk of a default by a clearing member or a third party central counterparty.

The Group's post-trade operations provide CCP services to multiple trading venues on a broad range of asset classes (such as cash equities, ETFs, equity, fixed income and energy derivatives, closed-end funds, investment companies and government, corporate and convertible bonds and money market repos). This includes providing services for the Group's markets and for markets outside the Group.

The clearing provider entities within the Group hold margin and/or default funds comprising contributions of cash and highly liquid securities or letters of credit by clearing members. In the case of LSEG, the cash is invested by the clearing provider. There is a risk that these deposits may not be properly invested, resulting in partial or total loss of the funds. Such loss might occur due to the default of an issuer of bonds in which funds might be invested or the default of a bank in which funds are deposited. There is also a risk that the clearing provider is unable to call upon the letter of credit to monetise a clearing member's obligation. In addition, certain of the third party clearing provider entities within the Group have inter-operability margin arrangements with other CCPs requiring collateral to be exchanged in proportion to the value of the underlying transactions involved. The relevant clearing provider entities within the Group are therefore exposed to the risk of a default of the third party CCPs under such arrangements by their respective third party CCPs. Whilst the clearing provider entities within the Group have strict policies and procedures for financial management, which set stringent investment limits to mitigate such risk, losses could materially adversely affect the Group's business and operating results.

The Group's clearing providers assume the counterparty risk for all transactions that are cleared through their markets and are exposed to the risk of default by their clearing members. This risk is greater if market conditions are unfavourable at the time of the default. Exposure to clearing members is closely monitored and addressed by setting high membership standards for firms, holding collateral in the form of margin deposits and letters of credit from clearing members and, in the case of certain clearing providers, by maintaining significant default funds comprised of clearing members' contributions. In addition, credit lines have been arranged with a number of high quality commercial banks to cover the immediate liquidity requirements of the clearing provider. Default by a clearing member could adversely affect the Group's revenues and its customers' goodwill and, in extreme circumstances, in the case of certain clearing providers, should the collateral held in case of default be insufficient, could lead to a call on the clearing provider's own capital, or, to the extent guarantees are in place with other Group companies, the Group's own capital (to the level of the guarantee—which the Group does not currently consider to be material in the context of the Group overall), potentially impacting the capacity of its clearing providers to continue to do business. In addition, the credit lines are on demand facilities and there can be no guarantee that all of the banks will maintain their facilities or provide immediate liquidity to the clearing provider, particularly in extreme market circumstances. Such circumstances are considered exceptional and highly unlikely to occur. Nevertheless, the Group cannot be certain that its measures will be sufficient to protect it from a default.

The Group provides routing, netting and settlement services to ensure that cash and securities are exchanged in a timely and secure manner for a multitude of Italian, international and, following Completion, Canadian products. There are operational risks associated with such services, particularly where processes are not fully automated. A failure to receive funds from participants may result in a debiting of the Group's cash accounts.

The Group is exposed to third party credit risk.

The Group is exposed to third party credit risk, including from customers (principally from the financial and information services sectors), counterparties and clearing and broking agents. The Group may undertake derivatives transactions in accordance with its treasury management policies. Such parties may default on their obligations to the Group, which may adversely affect the results and operations of the Group.

The Group relies on established policies with minimum counterparty credit criteria, instructions, rules and regulations, as well as procedures specifically designed to actively manage and mitigate such risks. There is no assurance that these measures will be sufficient to protect the Group from a default or that the Group's business, financial condition and operating results will not be materially adversely affected in the event of a significant default.

The Group holds investments in marketable securities (including units in money market and short-term bond and mortgage funds) to earn investment income and manage its exposure to credit risk arising from such investments in cash deposits and marketable securities by holding a diversified portfolio of investment funds.

The Group'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.

The Group depends on a number of third party suppliers.

The Group depends on a number of third parties, such as post-trade and regulatory service providers, data processors, software and hardware suppliers (in particular SIA-SSB in relation to the supply of software and hardware to Monte Titoli, MTS and CC&G), index providers, other exchange groups communication and network suppliers and suppliers of electricity for elements of or relating to its trading, data, post-trade and other systems. These providers may not be able to provide these services or products without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services or develop their products to meet the Group's needs. If a service provider suffers an interruption in or stops providing services or products (including failing to renew applicable licence agreements on favourable terms, if at all) and the Group cannot make suitable alternative arrangements or accept additional obligations sought by the relevant third party, it could materially adversely affect the ability of the Group to operate its markets and the Group's business, financial condition and operating results. CCP clearing services for securities on the Group's markets are predominantly provided by LCH.Clearnet Limited, a subsidiary of LCH.Clearnet Group Limited. Since December 2008, SIS X-Clear AG has also provided CCP services for London Stock Exchange's SETS market.

Detailed contractual provisions are in place in order to ensure the fair treatment of the Group and its customers by LCH.Clearnet Limited, SIS X-Clear AG and other post-trade service providers, as well as in relation to the quality of the services provided to the Group. In the event that such contractual arrangements are breached by such post-trade service providers, this could impact the efficiency and competitiveness of the Group's markets. It is possible in the future that such post-trade service providers may be owned by one or more competitors of the Group.

Settlement services for UK and Irish securities on London Stock Exchange's markets are predominantly provided by EUI. Settlement services are provided for Borsa Italiana by Monte Titoli.

Certain clearing and settlement services for securities traded on TMX Group's equity exchanges are provided to TMX Group's equity exchanges' participants by CDS. Although TMX Group has a minority holding in CDS, TMX Group does not have any significant influence over its business generally, particularly with respect to relationships with third parties.

Such settlement service providers play a vital role in the proper safe settlement of the Group's markets' trades, and any difficulties that such settlement service providers may experience may directly affect the Group. Such settlement service providers may materially change their business relationships with the Group in the future.

To the extent that any of these third party providers experiences serious difficulties or materially changes its business with the Group, the markets operated by the Group may be unable to function and the business of the Group may be adversely affected.

There is a risk that the Group may not be able to refinance or renew its long-term credit facilities on acceptable terms or at all and may not be able to pursue new opportunities or initiatives if it cannot secure financing.

LSEG's term borrowing facilities expire at varying times from 2013 and there is a risk that the Group may not be able to secure replacement financing on acceptable or comparable terms. The Group has existing obligations to meet regular interest payments and comply with certain covenants under its borrowing facilities. Such replacement financings may impose more onerous obligations with respect to interest and covenants than are applicable to the Group's current term borrowing facilities.

The Group may require additional funds to pursue new business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties (other than in respect of the Merger or currently planned business activities, for which no further funding is required). The Group may need to raise such additional funds through equity or debt financing or from other sources. Any additional equity financing may be dilutive to Mergeco Shareholders and any debt financing may not be available or may be available only on

less favourable terms than under the Group's current borrowing facilities. There is a risk that such financing requirements may prevent the Group from pursuing these opportunities or that they may cause additional restrictions to be placed on the Group's future financing and operating activities.

In addition, legal and technical complexities associated with Mergeco's share capital structure, including those arising from the Exchangeable Shares to be issued in connection with the Merger, may make equity financing more difficult in the future.

The Group is exposed to foreign exchange rate fluctuations.

The Group is subject to risks associated with exchange rate fluctuations. The Group files its consolidated financial reports and accounts in pounds sterling and pays dividends (which will be declared in pounds sterling) to its shareholders in pounds sterling or, following Completion, in Canadian dollars, as applicable. The Group generates its revenues and incurs its costs in a mixture of currencies, including pounds sterling, Euros, United States dollars and, following Completion, Canadian dollars. There can be no assurance that the Group will be successful in mitigating the impact of such potential risks associated with the volatility in foreign currency rates. Such rates or changes could have an adverse effect on the value of the Group's financial covenant ratios, operating results and financial condition.

The Group is exposed to interest rate fluctuations.

The Group is subject to risks associated with interest rate fluctuations. The Group holds a portion of its borrowings and marketable securities and deposit cash and cash equivalents (including but not limited to in the Group's clearing operations) at floating rates of interest. It is also exposed to interest rate risk on its marketable securities.

There can be no assurance that the Group will be successful in mitigating the impact of such potential risks associated with the volatility of interest rates. Such rates or changes could have an adverse effect on the Group's results and financial condition.

The Group's cost structure is largely fixed.

Many of the Group's expenses are fixed and cannot be easily reduced in the short-term if its revenue decreases. In addition, regulatory and legal constraints in certain jurisdictions and in certain businesses in which the Group operates further reduce the Group's flexibility to reduce its cost base. This could have an adverse effect on the Group's competitiveness, profitability and financial condition.

Damage to, or destruction of, the Group's property or infrastructure could have adverse consequences for the Group.

The Group has a portfolio of freehold and leasehold property. Damage to, or destruction of, property or its infrastructure could impair the conduct of its business and adversely impact its revenue. Given the Group's prominence in the global securities industry and property locations in several large cities, including London, Toronto, Montreal, Milan, Rome, Calgary, Vancouver and Colombo, the Group may be more likely than other companies to be the subject of terrorist activity.

Whilst the Group has established security measures and contingency plans, these may prove inadequate to prevent significant disruptions to its business operations, technology or access to the infrastructure and personnel required to maintain its business. Although unlikely, any damage to the Group's facilities due to terrorist attacks may be in excess of the amount of the Group's insurance coverage. The threat of terrorist attacks may prevent the Group from being insured against such damage at reasonable premiums.

Other potential impacts from this type of property security threat include reputational damage, decreased trading in the Group's markets and an increased difficulty to attract new employees and/or retain existing employees.

Risks relating to the Merger

The Merger is conditional and the conditions may not be satisfied.

The Merger is conditional upon, amongst other things, regulatory approvals, including the Investment Canada Act Approval, Securities Regulatory Approvals and anti-trust clearances, as well as requisite approvals of LSEG Shareholders and TMX Group Shareholders. Although LSEG and TMX Group Inc. have agreed to use their commercially reasonable efforts to take, or cause to be taken, all actions to do, or cause to be done, all things necessary, proper or advisable to obtain the requisite approvals, there can be

no assurance that these conditions will be fulfilled to the satisfaction of LSEG or TMX Group Inc. or that the Merger will be completed.

In relation to LSEG Shareholder Approval, LSEG has several significant shareholders on its register (see paragraph 10.1 of Part 20—"Additional information" for details of such significant shareholders) that may be able to influence the outcome of decisions taken by LSEG Shareholders as a whole in relation to the Merger and any other matters put to LSEG Shareholders by the LSEG Board prior to the Merger.

Regulatory approval processes and/or anti-trust clearances may take a lengthy period of time to complete.

The regulatory approval processes and/or the anti-trust clearance processes may take a lengthy period of time to complete, which could delay Completion. There can be no assurance as to the outcome of the approval processes, including the undertakings and conditions that may be required for approval.

There can be no assurance that Governmental Entities will not seek to impose new or more stringent conditions on the Group in connection with granting regulatory approvals.

The relevant Governmental Entities may impose conditions on Completion or require changes to the terms of the Merger. The terms and conditions of approvals that are granted may impose additional requirements, limitations or costs on the business of the Group. There can be no assurance that these conditions or undertakings will not materially limit the revenues of the Group, increase the costs of the Group, reduce the ability of the Group to achieve cost synergies or lead to the abandonment of the Merger.

The final undertakings, terms and conditions agreed to in connection with the Investment Canada Act Approval and the Securities Regulatory Approvals may vary from those described in this document. Such final undertakings may be given after the LSEG Resolution has been passed. To the extent that any amendments to the terms of the Merger are material, LSEG shall seek a further approval from the LSEG Shareholders for the Merger.

The Group may fail to realise the perceived benefits of the Merger.

The Group and TMX Group have operated and, until Completion, will continue to operate independently. LSEG and TMX Group Inc. have entered into the Merger Agreement because they believe that the Merger will be beneficial to their respective companies, shareholders and other stakeholders. The success of the Merger will depend, in part, on the ability of the Group and TMX Group to realise the anticipated benefits and cost savings from combining their respective businesses.

The success of the Merger will depend in large part on the success of management of the Group in integrating the respective operations, systems and personnel of the Group and TMX Group in an efficient and effective manner following Completion. The failure to successfully integrate the operations of the Group and TMX Group, or to otherwise realise any of the anticipated benefits of the Merger, could impair the operating results, profitability and financial results of the Group. In particular, a failure to realise increased earnings, cost savings and enhanced growth opportunities described elsewhere in this document could have a material adverse effect on the Group's operating results.

Key potential difficulties with the integration are:

- integrating technology infrastructure, software, standards, controls, operations, products, services, procedures and accounting and other policies, business cultures and compensation structures;
- consolidating corporate and administrative infrastructures and managing tax costs or inefficiencies associated with the Group;
- co-ordinating geographically dispersed organisations that operate within distinct regulatory structures;
- complexities associated with operating a large number of markets that use different technology platforms and difficulties in rationalising this technology base;
- loss of key employees; and
- disruption to each company's ongoing business.

It is possible that Completion, or the post-closing integration, may be delayed, challenged by parties opposing the Merger or not be possible at all. Furthermore, the Group may not realise the expected benefits and synergies from the Merger or may encounter difficulties or higher costs in achieving these

anticipated benefits and synergies. This could affect the services that each of the Group and TMX Group currently provide and the Group will provide going forward and could have a material adverse impact on relationships with customers, regulators, employees, suppliers and other market participants.

The failure to successfully integrate the operations of the Group and TMX Group could impair the operating results, profitability and financial results of the Group.

The Group will incur significant Merger-related costs.

The Group expects to incur a number of non-recurring costs associated with combining the operations of the Group and TMX Group after Completion. There can be no assurance that the actual costs of this integration process will not exceed those estimated and the actual integration process may result in additional and unforeseen expenses. In addition, the Group will incur legal, accounting and other professional services fees and other costs related to the Merger itself. Some of these costs will be payable whether or not the Merger reaches Completion. While it is expected that the cost savings and synergies achieved by the Group will offset these transaction and integration-related costs over time, this net benefit may not be achieved in the short-term or at all, particularly if the Merger is delayed or does not happen at all. In addition, the Group may incur increased compliance costs arising from complying with both the UK and Canadian ongoing reporting and disclosure regimes and increased costs arising from the issue of, and ongoing reporting obligations in relation to, the Exchangeable Shares. These combined factors could adversely affect the business, operating profit or overall financial condition of the Group.

TMX Group Shareholders who receive New Shares or Exchangeable Shares under the Merger cannot be certain of the market value of the consideration to be received under the Merger at Completion.

TMX Group Shareholders who receive New Shares or Exchangeable Shares under the Merger will receive a fixed number of New Shares or Exchangeable Shares, as the case may be, rather than a number of New Shares or Exchangeable Shares with a particular fixed market value. The market value of New Shares or Exchangeable Shares, as the case may be, at the Effective Date may vary significantly from the market price of those shares on the date of the Merger Agreement, the date of this document or the date of the TMX Group Meeting. Because the Exchange Ratio will not be adjusted to reflect any changes in the market price of New Shares or TMX Group Shares, as the case may be, the value of the consideration paid to the TMX Group Shareholders under the Merger may be higher or lower than the market value of their TMX Group Shares on earlier dates.

Changes in share price may result from a variety of factors that are beyond the control of the Group, including changes in its business, operations and prospects, regulatory considerations, governmental actions, foreign exchange currency movements and legal proceedings and developments. Market assessments of the benefits and drawbacks of the Merger and of the likelihood that the Merger will be completed, as well as general and industry specific market and economic conditions, may also have an effect on share prices. Absent an underlying cause which would permit such a termination, neither LSEG nor TMX Group Inc. is permitted to terminate the Merger Agreement solely because of changes in the market price of either party's shares.

In addition, it is possible that the Merger may not be completed until a significant period of time has passed after the shareholder meetings. As a result, the market values of Existing Shares and TMX Group Shares may vary significantly from the date of the LSEG Meeting and the TMX Group Meeting to the date of Completion.

Management distraction or overstretch in connection with the Merger could have an adverse effect on the business of the Group.

LSEG and TMX Group Inc. anticipate benefits and cost savings as a result of the Merger. However, the Group will be required to devote significant management attention and resources to integrating the Group's and TMX Group's business practices and operations. Furthermore, the Group will operate businesses across nine time zones and, although all regulatory and operational decision-making will be undertaken by each of the markets locally, co-ordinating its decision-making across all the markets in the Group will present challenges to the Group's management team.

There is a risk that the challenges associated with managing the Group will result in management distraction or overstretch and that consequently the underlying businesses will not perform in line with expectations.

Following Completion, Mergeco Shares may not be eligible for S&P / TSX indices which could reduce demand for Mergeco Shares in Canada.

TMX Group Shares are currently included in S&P/TSX indices. Based on current S&P guidelines, TMX Group Shares will be removed from S&P/TSX indices upon Completion and because Mergeco will be domiciled in the UK, the Mergeco Shares may not be eligible for inclusion on such indices. Certain Canadian institutional investors are restricted from investing in securities not on the S&P/TSX indices. This could lead to a decreased demand for Mergeco Shares in Canada.

The rights of shareholders under Canadian law may differ from the rights of shareholders under English law.

If the Merger is completed, TMX Group Shareholders will become Mergeco Shareholders: (i) upon the Effective Date, in the case of holders who receive New Shares; and (ii) on the earlier of exchange and, subject to certain circumstances, on or after the seventh anniversary of the Effective Date, in the case of holders who receive Exchangeable Shares. Their rights as Mergeco Shareholders will be governed by the Mergeco Articles and English law. The rights of shareholders under English law may differ from the rights of shareholders under Canadian law and the enforcement of such rights may involve different considerations and may be more difficult than would be the case if Mergeco had been incorporated in Canada.

Loss of sole residency in the UK for tax purposes could have adverse tax consequences for Mergeco and its shareholders.

It is intended that Mergeco will remain solely resident in the UK for tax purposes. If Mergeco were to cease to be solely resident in the UK for tax purposes and become resident in Canada for tax purposes, this could have adverse tax consequences for Mergeco and its shareholders.

Risks relating to the Mergeco Shares and the Exchangeable Shares

Future sales of Mergeco Shares could cause the Mergeco Share price to fall and reduce the value of a Mergeco Shareholder's investment.

If principal shareholders of Mergeco sell substantial amounts of Mergeco Shares in the public market, the market price of the Mergeco Shares could fall and the value of a shareholder's investment could be reduced. The perception among investors that these sales may occur could have a similar effect. These factors could also make it more difficult for the Group to raise additional funds through future offerings of Mergeco Shares or other securities.

There can be no assurance that the market price of a Mergeco Share and an Exchangeable Share will be equivalent.

Although the Group anticipates that the market price of one Exchangeable Share and the market price of one Mergeco Share will reflect essentially equivalent values, there can be no assurance that the market price of one Mergeco Share will be identical, or even similar, to the market price of one Exchangeable Share.

There can be no assurance that an active trading market for the Exchangeable Shares or the Mergeco Shares will develop or be sustained in Canada.

Prior to the Plan of Arrangement, there will have been no public trading market for the Exchangeable Shares or the Mergeco Shares in Canada. Although Existing Shares are currently listed and traded on the London Stock Exchange, there can be no assurance that an active trading market for the Exchangeable Shares or Mergeco Shares will develop in Canada or, if it develops, will be sustained following admission and listing on TSX. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Exchangeable Shares or the Mergeco Shares in Canada could be adversely affected and investors may have difficulty selling their Exchangeable Shares or their Mergeco Shares in Canada.

The market price of the Mergeco Shares and the Exchangeable Shares may fluctuate significantly.

The market price of the Mergeco Shares and the Exchangeable Shares may, in addition to being affected by the Group's actual or forecasted operating results, fluctuate significantly as a result of factors beyond the Group's control, in particular:

- changes in securities analysts' recommendations or estimates of earnings or financial performance of the Group, its competitors or the industry or the failure to meet expectations of securities analysts;
- fluctuations in stock market prices and volumes, as well as general market volatility;
- changes in laws, rules and regulation applicable to the Group, its operations and the operations in which the Group has interests, and involvement in actual or threatened litigation; and
- general economic and political conditions, including in the regions in which the Group operates.

Demand for the Exchangeable Shares may exceed the maximum number available.

Under the terms of the Merger Agreement, LSEG is only required to offer Exchangeable Shares to electing shareholders in respect of a maximum of 49 per cent. of the total TMX Group Shares issued and outstanding prior to Completion. There can be no guarantee that there will not be a demand for Exchangeable Shares which exceeds this maximum amount. Accordingly, the number of Exchangeable Shares received by electing TMX Group Shareholders may be subject to proration. In the event of such proration, TMX Group Shareholders who elected to receive Exchangeable Shares will receive a combination of Exchangeable Shares and New Shares, which may negatively affect the extent of such TMX Group Shareholder's tax deferral for Canadian tax purposes.

There may be a taxable event for a Canadian Resident Exchangeable Shareholder as a result of a transaction beyond his or her control.

The Merger has been structured to provide the opportunity for TMX Group Shareholders who are Canadian Residents not exempt from tax under Part I of the Canadian Tax Act, all or a portion of whose TMX Group Shares are exchanged for consideration that includes Exchangeable Shares and who file certain Canadian tax elections to defer recognition of some or all of any gain otherwise realised on the Merger for Canadian tax purposes. An Exchangeable Shareholder will, however, generally realise a gain or loss on a disposition of Exchangeable Shares. Prior to the seventh anniversary of the Effective Date, Exchangeco may choose to redeem Exchangeable Shares in limited circumstances, and Exchangeco may redeem the Exchangeable Shares in any circumstances on or after the seventh anniversary of the Effective Date. In either case, if Exchangeco chooses to redeem the Exchangeable Shares, Callco will exercise its Redemption Call Right to purchase such Exchangeable Shares in exchange for Mergeco Shares. Thus, a Canadian Resident may have a taxable event in a transaction beyond his or her control. An Exchangeable Shareholder will also generally realise a gain or loss when he or she demands that Exchangeco redeem those shares and Callco exercises its Retraction Call Right to purchase such Exchangeable Shares in exchange for Mergeco Shares.

PART 3

GENERAL INFORMATION

Responsible persons

The LSEG Directors, the Prospective Directors, all of whose names are set out immediately below, and LSEG accept responsibility for the information contained in this document. To the best of the knowledge of the LSEG Directors, the Prospective Directors and LSEG (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

LSEG Directors

As at the date of this document, the following individuals are directors of LSEG:

Chris Gibson-Smith, LSEG Chairman
Paolo Scaroni, Deputy Chairman and LSEG Non-Executive Director
Xavier Rolet, Chief Executive Officer
Doug Webb, Chief Financial Officer
Raffaele Jerusalmi, Executive Director
Baroness (Janet) Cohen, LSEG Non-Executive Director
Sergio Ermotti, LSEG Non-Executive Director
Gay Huey Evans, LSEG Non-Executive Director
Paul Heiden, LSEG Non-Executive Director
Andrea Munari, LSEG Non-Executive Director
Massimo Tononi, LSEG Non-Executive Director
Robert Webb Q.C., LSEG Non-Executive Director

Prospective Directors

The following Prospective Directors will be appointed to the Mergeco Board following Completion:

Wayne C. Fox, Chairman
Thomas A. Kloet, President
Michael S. Ptasznik, Chief Financial Officer
Raymond Chan, Non-Executive Director
Denyse Chicoyne, Non-Executive Director
J. Spencer Lanthier, Non-Executive Director
John P. Mulvihill, Non-Executive Director

LSEG company secretary

Lisa Condron

LSEG registered office and LSEG Directors' address

10 Paternoster Square London
EC4M 7LS
UK

Principal executive offices and joint headquarters of the Merged Group and Mergeco Directors' addresses

10 Paternoster Square
London
EC4M 7LS
UK

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

Joint sponsors, joint lead financial advisers and joint corporate brokers to LSEG in relation to the Merger

Morgan Stanley	Barclays Capital
25 Cabot Square	5 The North Colonnade
Canary Wharf	Canary Wharf
London E14 4QA	London E14 4BB

Joint financial adviser to LSEG in relation to the Merger

RBC Capital Markets
71 Queen Victoria Street
London, EC4V 4DE
UK

Auditors to LSEG

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT
UK

Auditors to TMX Group Inc.

KPMG LLP
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Reporting accountants to LSEG

PricewaterhouseCoopers LLP	KPMG LLP
1 Embankment Place	15 Canada Square
London WC2N 6RH	Canary Wharf
UK	London E14 5GL
	UK

Legal adviser to LSEG as to English law

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
UK

Legal adviser to LSEG as to Canadian law

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6100, P.O. Box 50
Toronto, Ontario, M5X 1B8, Canada

Registrars to LSEG

Equiniti
Aspect House
Lancing
West Sussex BN99 6DA
UK

Information regarding forward-looking statements

This document includes forward-looking statements which reflect LSEG's, TMX Group Inc.'s, the Merged Group's or, as appropriate, the LSEG Directors' and the Prospective Directors' current views,

expectations, assumptions, estimates, projections and other factors that LSEG, TMX Group Inc., the Merged Group or, as appropriate, the LSEG Directors and the Prospective Directors believe to be relevant as to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Merged Group) and future benefits of the Merger. These statements typically contain words such as "anticipate", "believe", "budget", "estimate", "expect", "forecast", "intend", "is expected", "may", "plan", "prospects", "scheduled", "should", "targets", or the negative thereof, or other variations thereof, or comparable terminology indicating expectations or beliefs concerning future events 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. These forward-looking statements include all matters that are not historical facts. In particular, the statements contained under Part 1—"Summary," Part 2—"Risk factors," Part 5—"Information on the Merged Group (including information under the heading "Financial effects of the Merger")", Part 6—"Information on the LSEG Group's business", Part 7—"Information on TMX Group's business", Part 13—"Directors and officers of Mergeco", Part 14—"Operating and financial review for the LSEG Group" and Part 15—"Operating and financial review for TMX Group" regarding strategy and other future events or prospects are forward-looking statements. Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond LSEG's, TMX Group Inc.'s and Mergeco's control. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are, or will be, a number of factors that could cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, factors identified elsewhere in this document as well as the following possibilities: future revenues are lower than expected; competitive pressures in the industry increase; general economic conditions or conditions affecting the industry, whether internationally or in the places TMX Group does business, the LSEG Group does business, or the Merged Group will do business, are less favourable than expected; and/or conditions in the securities markets are less favourable than expected.

These forward-looking statements speak only as at the date of this document. Subject to any obligations under the Prospectus Rules, the Disclosure and Transparency Rules and the UK Listing Rules and save as required by Law, none of LSEG, TMX Group Inc. and Mergeco undertakes any obligation to update the forward-looking statements to reflect actual results, or any change in events, conditions or assumptions or other factors. Forward-looking statements are not guarantees of future performance and financial condition and actual results of operations and the development of the industry in which the LSEG Group, TMX Group or the Merged Group operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this document.

Presentation of financial information

This document contains certain information relating to the LSEG Group and TMX Group, including the information contained in Part 16—"Historical financial information relating to the LSEG Group" and Part 17—"Historical financial information relating to TMX Group".

The LSEG Group's audited financial statements for the financial years ended 31 March 2011, 2010 and 2009, incorporated by reference into this document, have been prepared in accordance with IFRS and LSEG's accounting policies.

TMX Group's audited financial statements for the financial years ended 31 December 2010, 2009 and 2008 were prepared in accordance with Canadian Generally Accepted Accounting Principals and TMX Group's accounting policies. For the purposes of this document, the historical financial information relating to TMX Group covering the three financial years ended 31 December 2010, 2009 and 2008 included in Part 17C—"Restated financial information relating to TMX Group" has been restated in accordance with IFRS and LSEG's accounting policies. TMX Group's unaudited interim financial statements for the three months ended 31 March 2011 included in Part 17A—"Interim consolidated financial statements of TMX Group for the three months ended 31 March 2011" have been prepared both: (i) in accordance with CIFRS and TMX Group's accounting policies; and (ii) on a basis consistent with LSEG's accounting policies.

Currency presentation

Unless otherwise indicated, all references in this document to "Canadian dollars" or "C$" are to the lawful currency of Canada; references to "sterling", "pounds sterling", "GBP", "£", "pence" or "p" are to the lawful currency of the United Kingdom; references to "Euro" or "€" are to the official currency of the Eurozone; and references to "US dollars", "USD" or "US$" are to the lawful currency of the US.

The basis for translation of foreign currency for the purpose of inclusion of the financial information set out in Part 16—"Historical financial information relating to the LSEG Group", Part 17—"Historical financial information relating to TMX Group" and Part 18—"Unaudited pro forma financial information relating to the Merged Group" are described in those Parts. Information derived from this financial information set out elsewhere in this document has been translated on the same basis.

Third party information

LSEG confirms that the information contained in this document sourced from any third party has been accurately reproduced and, as far as LSEG is aware and has been able to ascertain from information published by any such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified.

Rounding

Certain data in this document, including financial, statistical and operating information, has been rounded. As a result of such rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Definitions

Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in Part 21—"Definitions".

No incorporation of website information

Except as specifically provided herein, the contents of LSEG's and TMX Group Inc.'s websites do not form part of this document.

Information for overseas persons

United States

The securities of Mergeco and Exchangeco to be issued under the Plan of Arrangement have not been, will not be, and are not required to be, registered under the US Securities Act but will be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof and only to the extent that corresponding exemptions from the registration or qualification requirements of state "blue sky" securities laws are available and, as a consequence, will not be registered under such act or under the securities laws of any state or other jurisdiction of the US. No Mergeco Shares or Exchangeable Shares will be delivered to US Holders of TMX Group Shares in any state where the applicable state "blue sky" securities laws do not provide an exemption from the registration or qualification requirements of that state. All Mergeco Shares or Exchangeable Shares that would otherwise be delivered to holders in such states shall be sold on their behalf, and the holders will receive a cash payment in the amount of their pro rata entitlement to the net sale proceeds. For the purpose of qualifying for the exemption from the registration requirements of the US Securities Act provided by section 3(a)(10) thereof, LSEG will advise the Court that its sanctioning of the Plan of Arrangement will be relied upon by LSEG as an approval of the Plan of Arrangement following a hearing on its fairness to TMX Group Inc. securityholders, at which hearing all such TMX Group Inc. securityholders will be entitled to attend in person or through counsel to support or oppose the sanctioning of the Plan of Arrangement and with respect to which notification was given to all such TMX Group Inc. securityholders.

The Plan of Arrangement involves the securities of Canadian and UK issuers. The Merger is subject to disclosure requirements of Canada and the UK, which are different from those of the US. Financial statements included or incorporated by reference herein have been prepared in accordance with Canadian

Generally Accepted Accounting Principals, CIFRS or IFRS, are not subject to US auditing and auditor independence standards, and thus may not be comparable in all respects to the financial statements of US companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the US federal securities laws, since the parties to the Merger are located in Canada and the UK, and their officers and directors are residents of Canada, the UK or other foreign jurisdictions. You may not be able to sue the parties to the Merger or their officers or directors in a non-US court for violations of the US securities laws. It may be difficult to enforce a US court's judgment against the parties to the Merger and their affiliates.

This document does not address any US federal income tax consequences of the Plan of Arrangement to TMX Group Shareholders in the US. TMX Group Shareholders in the US should be aware that a disposition of TMX Group Shares pursuant to the Plan of Arrangement, and the acquisition, holding and disposition of New Shares or Exchangeable Shares, will have tax consequences in the US which are not described herein. Accordingly, TMX Group Shareholders in the US should consult their own tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

The New Shares and the Exchangeable Shares to be issued under the Plan of Arrangement should not be treated as restricted securities within the meaning of Rule 144(a)(3) under the US Securities Act, and persons who receive New Shares or Exchangeable Shares in the Plan of Arrangement (other than affiliates, as described below) may resell such New Shares or Exchangeable Shares without restriction under the US Securities Act. A person who is entitled to receive New Shares or Exchangeable Shares in the Plan of Arrangement and who is an affiliate of Mergeco following implementation of the Plan of Arrangement or who was an affiliate of LSEG during the 90 days prior to Completion may not resell such securities without registration under the US Securities Act or pursuant to an applicable exemption from registration (including in a transaction that satisfies the applicable requirements of Regulation S under the US Securities Act). Whether a person is an affiliate of a company for the purposes of the US Securities Act depends on the circumstances, but affiliates can include certain officers, directors and significant shareholders. persons who believe they may be affiliates of Mergeco should consult their own legal advisers prior to any sale of New Shares issued under the Plan of Arrangement.

TMX Group Shareholders who are US holders are advised that any New Shares or Exchangeable Shares issued pursuant to the Plan of Arrangement have not been, and will not be, registered under the US Exchange Act. US Holders of Exchangeable Shares will not be permitted voluntarily to exchange any Exchangeable Shares held by them for Mergeco Shares. If Exchangeco elects to redeem all Exchangeable Shares at its option, Mergeco may also elect that US Holders of Exchangeable Shares shall receive the net cash proceeds derived from the sale of their Exchangeable Shares outside the US on their behalf, unless Mergeco has determined in its sole judgment that the offer and sale of Mergeco Shares in exchange for the Exchangeable Shares held by US Holders is exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable state "blue sky" securities laws. LSEG has an exemption from the reporting requirements of section 12(g) of the US Exchange Act pursuant to Rule 12g3-2(b) thereunder. Provided that LSEG/Mergeco continues to rely on this exemption, Mergeco will post on its website information that: (i) it has made or is required to make public in the UK; (ii) it has filed or is required to file with the UK Listing Authority and which has been made public by the UK Listing Authority; or (iii) it has distributed or is required to distribute to its shareholders.

THE SECURITIES OF MERGECO AND EXCHANGECO TO BE ISSUED PURSUANT TO THE PLAN OF ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE FAIRNESS OR MERITS OF SUCH SECURITIES OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

Canada

The Exchangeable Shares and the New Shares to be issued to TMX Group Shareholders pursuant to the Merger, together with the New Shares issuable on the exchange of the Exchangeable Shares, will be issued pursuant to an exemption from the prospectus and registration requirements of applicable Canadian Securities laws under section 2.11 of NI 45-106—*Prospectus and Registration Exemptions of the Canadian Securities Administrators* and will generally not be subject to any resale restrictions under applicable Canadian Securities laws (provided that the following conditions are satisfied: (i) the issuer of such shares

is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade (pursuant to section 2.9 of NI 45-102—*Resale Restrictions*, following Completion, Mergeco and Exchangeco will be deemed to have been a reporting issuer from the time that TMX Group Inc. became a reporting issuer, satisfying this requirement); (ii) the trade is not a control distribution; (iii) no unusual effort is made to prepare the market or to create a demand for the security that is the subject of the trade; (iv) no extraordinary commission or consideration is paid to a person or company in respect of the trade; (v) if the selling securityholder is an insider or officer of the issuer, the selling security holder has no reasonable grounds to believe that the issuer is in default of securities legislation (each as set out in subsection 2.6(3) of NI 45-102); and (vi) such holder is not a person or company engaged in or holding itself out as engaging in the business of trading securities or such trade is made in accordance with applicable dealer registration requirements or in reliance upon an exemption from such requirements). TMX Group Shareholders should consult with their own financial and legal advisers with respect to any restrictions on the resale of Exchangeable Shares and Mergeco Shares received following Completion and Mergeco Shares issued on exchange of Exchangeable Shares.

PART 4

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The dates given in this expected timetable are based on LSEG's and TMX Group's current expectations and may change. The precise date for Completion and events falling afterwards are not ascertainable as at the date of this document as the Merger is subject to a number of conditions beyond the control of LSEG and TMX Group Inc.

Expected time/date	Event
5:00 p.m. (Eastern time) on 20 May 2011	TMX Group Record Date for determining TMX Group Shareholders entitled to vote at the TMX Group Meeting
3:00 p.m. (local UK time) on 28 June 2011	Deadline for receipt of the form of proxy for the LSEG Meeting or for appointment of proxy by completing and transmitting a CREST proxy instruction
6:00 p.m. (local UK time) on 28 June 2011	LSEG Record Date for determining LSEG Shareholders entitled to vote at the LSEG Meeting[(1)]
5:00 p.m. (Eastern time) on 28 June 2011	Deadline for CIBC Mellon to have received proxy forms or voting instructions from TMX Group Shareholders
3:00 p.m. (local UK time) on 30 June 2011	LSEG Meeting
10:00 a.m. (Eastern time) on 30 June 2011	TMX Group Meeting
10:00 a.m. (Eastern time) on 5 July 2011	Court hearing in respect of the Final Order
Autumn 2011	Expected Completion
As soon as reasonably practicable following Completion	Admission, commencement of dealings on TSX of Mergeco Shares and Exchangeable Shares
	Cancellation of listing of Existing Shares
	Admission, commencement of dealings on the London Stock Exchange of Mergeco Shares[(2)]
	New Shares credited to CREST/CDS accounts
	Despatch of share certificates where applicable
	Cancellation of listing of TMX Group Shares

Notes:

(1) If the LSEG Meeting is adjourned, the LSEG Record Date for eligibility to vote at the reconvened meeting will be at the close of business on the date falling two days before the date set for the reconvened meeting.

(2) The New Shares shall be issued, credited as fully paid, rank *pari passu* with the Existing Shares and carry the right to receive all dividends and other distributions (if any) declared, made or paid after the date of issue of the New Shares, except that any dividend to be paid to Mergeco Shareholders after Completion relating to the period between 31 March 2011 and the date of Completion in accordance with the terms of the Merger Agreement shall be paid only to the holders of Existing Shares.

PART 5

INFORMATION ON THE MERGED GROUP

This Part 5—"Information on the Merged Group" contains forward-looking information. See under the heading "Information regarding forward-looking statements" in Part 3—"General information". The statements within this Part 5—"Information on the Merged Group" do not constitute a profit forecast and should not be interpreted to mean that the earnings of the LSEG Group, TMX Group or the Merged Group, as applicable, or Adjusted Earnings Per Share (post- cost synergies, but excluding one-off costs to achieve synergies and deal-related costs) in the financial year in which the Merger completes, or in any subsequent period, would necessarily be greater than those in the preceding financial year.

Please also see Part 2—"Risk Factors", Part 6—"Information on the LSEG Group's business", Part 7—"Information on TMX Group's business", Part 8—"Description of the Merger", Part 10—"Regulation of the Merged Group", Part 11—"Proposed Investment Canada Act undertakings" and Part 13—"Directors and officers of Mergeco" for further detail in relation to the Merged Group.

1. Merger of TMX Group Inc. and LSEG

Following Completion, Mergeco will become the ultimate holding company of TMX Group Inc. Mergeco will remain incorporated and solely tax resident in the UK, and TMX Group Inc. will remain incorporated in Ontario, Canada and solely tax resident in Canada. The principal executive offices and joint headquarters of the Merged Group will be located at 10 Paternoster Square, London EC4M 7LS, UK and at The Exchange Tower, 130 King Street West, Toronto, ON, M5X 1J2, Canada.

In addition, the Merger recognises the existing centres of excellence within the Merged Group and reinforces these strengths by assigning global responsibility across its geographic footprint.

London will remain a key centre for international listings and will be the global centre for the Merged Group's technology solutions business, managing a portfolio of leading global technologies, as well as the centre for information services and post-trade services. Mergeco's Chief Executive Officer will be based in London.

Toronto will be the centre for the Merged Group's global primary markets (listings and other issuer services) business unit, covering the full range of listings from large multinationals to small and mid-cap organisations across all of the Merged Group's equity exchanges. The global finance function of the Merged Group will be headquartered in Toronto. Mergeco's President and Chief Financial Officer will be based in Toronto.

Milan, in addition to being the headquarters for Borsa Italiana, will become the new centre for the Merged Group's global fixed income business, combining the strengths of TMX Group's fast-growing Shorcan fixed income business with the LSEG Group's leading government and retail fixed income platforms, MTS and MOT, respectively. Milan will also be the centre for global equities trading and European post-trade services.

Montreal, in addition to being the headquarters for Montreal Exchange and CDCC will also become the centre for the Merged Group's global derivatives business.

Calgary, in addition to being the headquarters for NGX, TMX Group's energy business, will also become the centre for the Merged Group's global energy business, adding substantial international reach to its existing energy trading and clearing services.

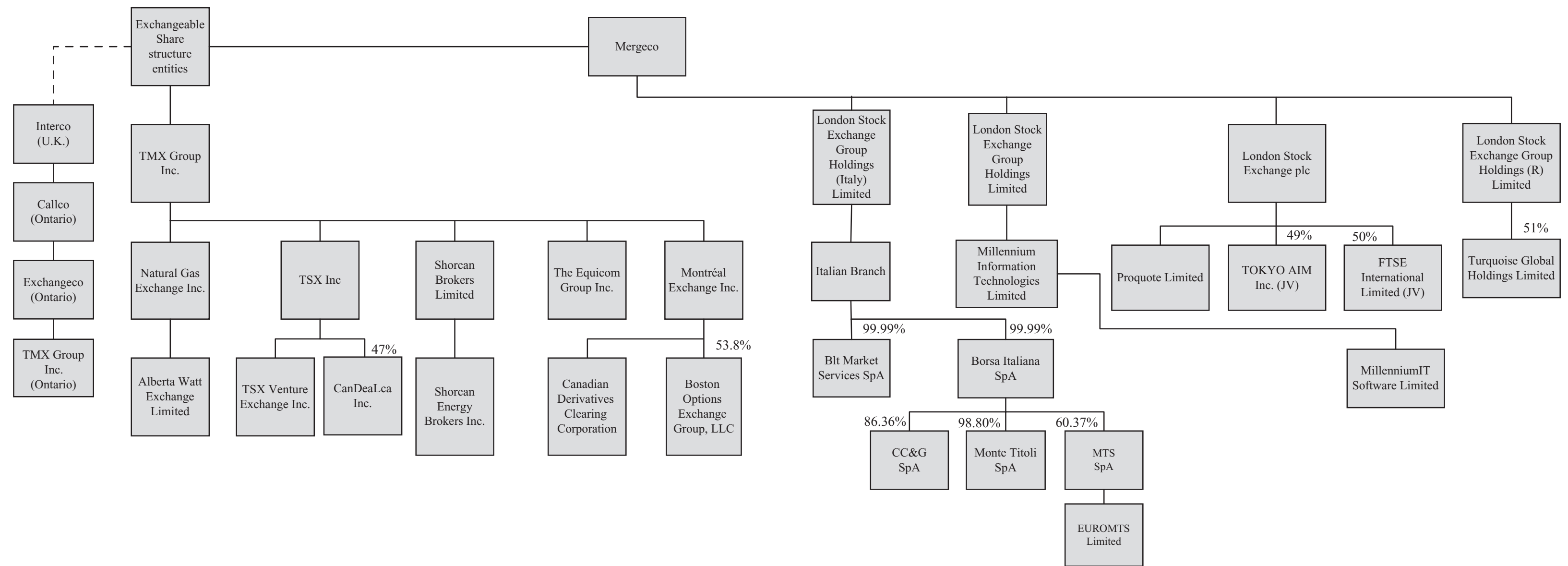
Vancouver and Calgary will remain joint headquarters for TSX Venture Exchange and will also be the co-ordinating centres for SME listings.

The location of the global business units are subject to adjustment. Please see Part 11—"Proposed Investment Canada Act undertakings" for further information.

The executive management and senior leadership of the Merged Group will be drawn from a balance of leaders from both organisations and will be represented in its joint headquarters of London and Toronto as well as other core centres, including Calgary, Colombo, Milan, Montreal, Rome and Vancouver.

It is intended that LSEG be renamed "LTMX Group plc" as a result of the merger of equals and to reflect its increased international profile. The Merged Group will continue to maintain certain existing brands, including the London Stock Exchange, TSX, TSX Venture Exchange, AIM, Montréal Exchange and Borsa Italiana.

The following chart shows the corporate relationship between the principal entities in, and joint ventures of, the Merged Group immediately following Completion:



Note: Diagram only includes principal joint ventures. Entities are 100 per cent. held unless otherwise stated.

2. Strategy

It is expected that the Merged Group's strategy will be to expand on its position as a leading provider of high quality, deep, liquid and efficient capital markets across asset classes and geographic locations for the benefit of all stakeholders, including customers and shareholders.

Following Completion, from its position of increased financial and operational strength with positive growth prospects, it is expected that the Merged Group will continue to explore ways of delivering new capital markets solutions for customers and creating shareholder value by:

- growing its existing cash equities, global listings, derivatives, fixed income and energy franchises;
- providing a global suite of products and services to issuers, investors and market participants;
- developing international post-trade solutions in exchange-traded and OTC markets; and
- increasing the sale of technology solutions to third parties.

This will be accomplished organically or through additional strategic partnerships, alliances, acquisitions and other opportunities.

A leading global listing franchise

The Merged Group will be the number one listing venue in the world:

- by number of total listings, with over 6,700 companies with an aggregate market capitalisation of approximately £3.8 trillion/C$6.0 trillion;
- for natural resources, mining, energy and clean technology companies;
- for international listings from emerging and growth markets; and
- for venture and alternative market issuers with approximately 3,600 listings on AIM and TSX Venture Exchange in aggregate providing deep expertise in supporting small-cap and early stage companies.

Diverse offerings across geographic locations and asset classes

The Merged Group will provide diverse offerings across a number of geographic locations and asset classes as follows:

- cash equities, by operating the leading trading venues in Europe (across the Merged Group's "lit" books) and Canada;
- fixed income, as one of the leading electronic trading platforms for European government bonds and Canada's first inter-dealer bond broker;
- energy and power, as the leading venue in energy trading, clearing and physical delivery in Canada, as an important and growing participant in the US market and as the number one venue in trading and clearing power derivatives in Italy;
- derivatives, as the leading derivatives trading venue in Italy and as Canada's only standardised derivatives exchange; and
- strong regional post-trade and clearing solutions for equities, fixed income and exchange-traded and OTC derivatives in both Europe and Canada through CC&G, Monte Titoli and CDCC, with the opportunity to expand into OTC derivatives.

Increased suite of information services (including indices)

The Merger provides opportunities for an increased suite of information services with leadership positions in the provision of indices, real-time data, reference data and a range of desktop and workflow products through the Merged Group's businesses and interests, including FTSE. The Merged Group will seek opportunities to expand the geographic distribution of its existing market data services and develop new global information solutions, including the creation of new equity and fixed income indices.

The Merged Group will be able to offer domestic and global customers a single point of contact for the provision of real-time and historic market data and information services from its multiple exchanges in various European and Canadian jurisdictions.

High performance and cost-effective technology

The LSEG Group and TMX Group will bring together their respective information technology expertise to develop and offer leading-edge, multi-asset class technology solutions and to facilitate innovation and further development in trading platform functionality. The Merged Group's exchanges will operate on common technology platforms and connected networks with the aim of facilitating efficient access across the LSEG Group's and TMX Group's existing markets. Together with the expected increase in liquidity, improvements in technology are expected to enhance certainty of execution, lower trading costs and reduce spreads and the cost of capital for users of the Merged Group's services.

Global marketing capabilities

The Merged Group will utilise its global sales network to expand the distribution of its products and services in trading, data, listing and technology sales, including MillenniumIT and SOLA technology, to its expanded customer base.

3. Description of the Merged Group's business segments

For a description of the LSEG Group's business segments, see Part 6—"Information on the LSEG Group's business", and for a description of TMX Group's business segments, see Part 7—"Information on TMX Group's business".

4. Financial effects of the Merger

The complementary nature of the businesses of the LSEG Group and TMX Group is expected to facilitate enhanced growth and substantial revenue synergies. The Merger also creates the opportunity for cost synergies, notwithstanding the high levels of efficiency already achieved by both businesses.

Annual combined revenue synergies are targeted at £35 million (C$56 million) in the third year following Completion, growing to targeted annual run-rate revenue benefits of up to £100 million (C$160 million) in year five following Completion. In addition, annual run-rate cost synergies of £35 million (C$56 million) are targeted by the end of the second year following Completion.

One-off implementation costs in relation to revenue benefits are not expected to be material; however, they will be dependent on the extent to which the cost synergies set out below are realised.

The pre-tax cost synergies are expected to be approximately 8 per cent. of the combined cost base (excluding non-recurring items, amortisation and depreciation) for the Merged Group and comprise of both IT and non-IT related savings. IT synergies are expected to arise from the integration of the Merged Group's IT infrastructure. Non-IT synergies are expected from consolidating overlapping operations in a number of areas and by reducing overall combined corporate expenses.

The aggregate pre-tax cost of achieving the synergies identified above is estimated to be approximately £40 million (C$64 million) and is planned to be incurred in total by the end of the second year following Completion.

The Merger is expected to be accretive to Adjusted Earnings Per Share[3] (post-cost synergies, but excluding one-off costs to achieve synergies and deal related costs) for both existing LSEG Shareholders and existing TMX Group Shareholders in the first full financial year following Completion.

5. Dividend policy

On 13 May 2011, LSEG proposed a final dividend of 18 pence per share in respect of the year ended 31 March 2011. TMX Group Inc. declared a quarterly dividend for the three months ended 31 March 2011 of C$0.40 per TMX Group Share on 12 May 2011. Each of LSEG and TMX Group Inc. intend to pay their respective shareholders pro-rated dividends in respect of the period from 31 March 2011 and 31 December 2010, respectively, to Completion in an amount in line with the relevant company's existing dividend policy.

Following Completion, Mergeco intends, subject to the approval of the Mergeco Board, to maintain a progressive dividend policy, as earnings and cash flows allow, from the base of the current combined gross amount of dividends paid in connection with the Existing Shares and TMX Group Shares in aggregate. The New Shares issued to TMX Group Shareholders in exchange for TMX Group Shares upon

(3) Adjusted Earnings Per Share is not a measure required under IFRS and does not have standardised meaning under IFRS and may therefore not be comparable to similar measures presented by other companies which have adopted IFRS.

Completion shall be issued, credited as fully paid and rank *pari passu* with the Existing Shares and carry the right to receive all dividends and other distributions (if any) declared, made or paid after the date of issue of the New Shares, except that any dividend to be paid to Mergeco Shareholders after Completion relating to the period between 31 March 2011 and the date of Completion in accordance with the terms of the Merger Agreement shall be paid only to the holders of Existing Shares.

The dividends on Mergeco Shares will be declared in pounds sterling. Mergeco Shareholders will receive dividends in Canadian dollars or pounds sterling, as applicable, based on their residency according to the share register and calculated based on the exchange rates prevailing on each date on which dividends are declared.

Exchangeable Shareholders will receive dividends equivalent to those paid on the Mergeco Shares. These dividends will be paid in Canadian dollars, based on the exchange rates prevailing on each date on which dividends are declared. Exchangeable Shares allow residents of Canada, for tax purposes, to receive dividends from a Canadian corporation, which are generally subject to more favourable tax treatment than dividends from a non-Canadian corporation.

Jerseyco will waive the dividend rights attaching to the New Shares held by it and, as such, it will not receive any dividends paid by Mergeco.

See Part 12—"Exchangeable Share structure" and Part 19—"Taxation" for further details.

6. Capital management

The LSEG Group and TMX Group have similar capital management policies in relation to their equity and debt capital. The key principles of these policies have regard to maintaining sufficient capital to meet the LSEG Group's and TMX Group's respective regulatory obligations, operational capital requirements, investment needs and debt covenants, whilst seeking to deliver superior returns to shareholders. LSEG also has the strategic objective of an investment grade credit rating.

The methods by which capital structure may be adjusted principally include returns to shareholders, through methods such as dividends and share repurchases for cancellation, issues of new shares and increases or reductions of debt.

It is expected, subject to Mergeco Board's approval, that following Completion the Merged Group will continue to apply the key principles of capital management outlined above and the specific objective of an investment grade credit rating for Mergeco. In addition, the Mergeco Board will review dividend policy and funding capacity on a regular basis.

PART 6

INFORMATION ON THE LSEG GROUP'S BUSINESS

The financial information discussed below has been extracted without material adjustment from the documents incorporated by reference described in Part 16—"Historical financial information relating to the LSEG Group".

The operating information discussed below is derived from the LSEG Group's internal operational and financial reporting systems.

1. THE LSEG GROUP

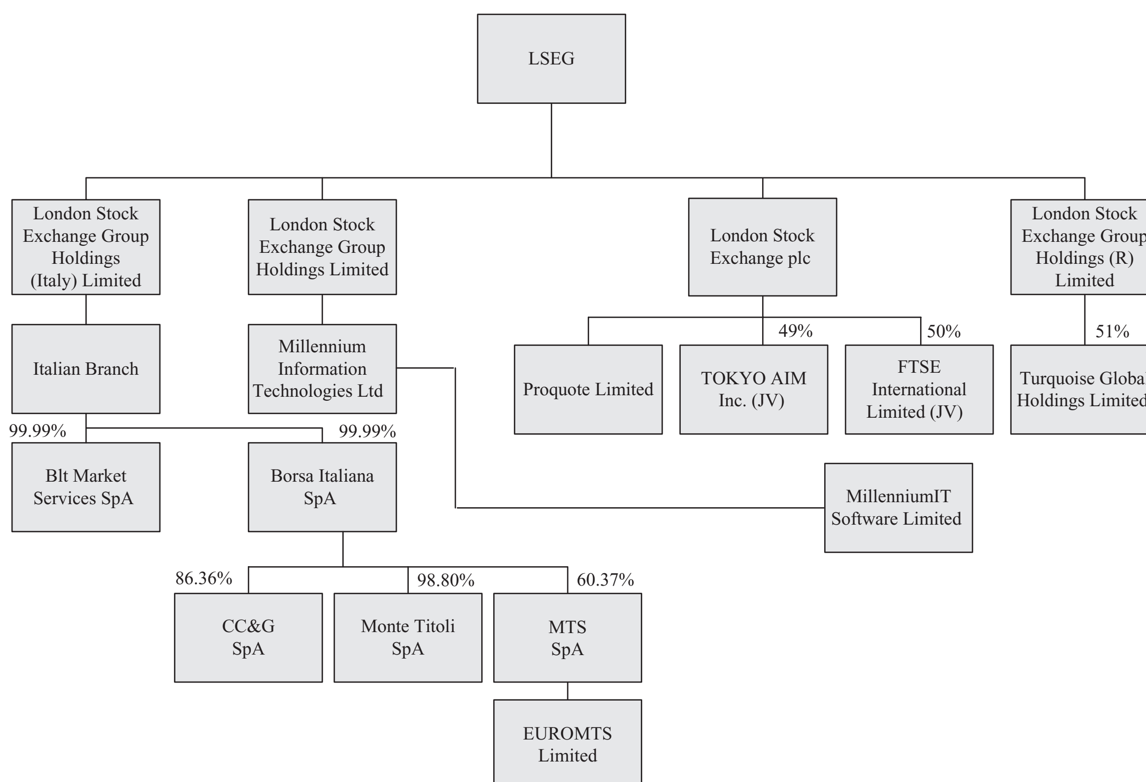
The LSEG Group sits at the heart of the world's financial community. The LSEG Group operates a broad range of international equity, bond and derivatives markets, including the London Stock Exchange, Borsa Italiana, MTS, Europe's premier facilitator for the electronic fixed income market and Turquoise, offering pan-European and US "lit" and "dark" equity trading. Through its markets, the LSEG Group offers domestic and international businesses access to Europe's capital markets.

The LSEG Group is a leading developer of high performance trading platforms and capital markets software through MillenniumIT and also offers its customers around the world an extensive range of real-time and reference data products and market leading post-trade services.

Headquartered in London and with significant operations in Italy and Sri Lanka, the LSEG Group employs approximately 1,500 people worldwide.

The registered and head office of LSEG is 10 Paternoster Square, London, EC4M 7LS. Its telephone number is +44 (0) 20 7797 1000. The principal legislation under which the LSEG Group operates is the Companies Act 2006.

The following chart shows LSEG and its current material Subsidiaries and joint ventures at the date of this document.



Note: Entities are 100 per cent. held unless otherwise stated.

As at the date of this document, the LSEG Directors (in such capacities, each having their business address at 10 Paternoster Square, London, EC4M 7LS) are as follows:

Chris Gibson-Smith	LSEG Chairman
Paolo Scaroni	Deputy Chairman and LSEG Non-Executive Director
Xavier Rolet	Chief Executive Officer
Doug Webb	Chief Financial Officer
Raffaele Jerusalmi	Executive Director, Chief Executive Officer of Borsa Italiana
Baroness (Janet) Cohen . .	LSEG Non-Executive Director
Sergio Ermotti	LSEG Non-Executive Director
Gay Huey Evans	LSEG Non-Executive Director
Paul Heiden	LSEG Non-Executive Director
Andrea Munari	LSEG Non-Executive Director
Massimo Tononi	LSEG Non-Executive Director
Robert Webb Q.C.	LSEG Non-Executive Director

2. History and development

London Stock Exchange was originally constituted by deed of settlement in 1802 and 1875, as amended from time to time, prior to the adoption of modern memorandum and articles of association in 1991. London Stock Exchange's recent corporate history commenced on 19 November 1986 when London Stock Exchange was incorporated and registered in England and Wales, with registered number 2075721, as a private limited company under the Companies Act 1985, with the name The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. On 9 December 1995, London Stock Exchange changed its name to London Stock Exchange Limited. On 8 June 2000, London Stock Exchange was re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange plc. London Stock Exchange became a listed company in July 2001.

LSEG was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act 1985 as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005, it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it was re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange Group plc. On 15 May 2006, LSEG became the holding company of London Stock Exchange pursuant to a scheme of arrangement made under section 425 of the Companies Act 1985 and replaced London Stock Exchange as the listed entity. On 1 October 2007, LSEG became the holding company of Borsa Italiana pursuant to the terms of a combination agreement entered into between LSEG and Borsa Italiana on 23 June 2007.

On 16 October 2009, LSEG acquired MillenniumIT, a Sri Lankan-based technology services company. On 17 February 2010, LSEG also acquired a majority stake in Turquoise, a Multilateral Trading Facility, which provides a trading service for pan-European cash equities.

In February 2011, LSEG announced its intention to build a pan-European derivatives business, through the creation of Turquoise Derivatives, to be combined with the LSEG Group's existing derivatives market, EDX, and to utilise TMX Group's market leading derivatives trading technology, SOLA, already being used by EDX.

In connection with the establishment of Turquoise Derivatives, Turquoise acquired the EDX business (including its related assets and liabilities) from EDX for nominal consideration under a sale and purchase agreement dated February 2011. Prior to this transfer, LSEG acquired TMX Group Inc.'s 19.9 per cent. stake in EDX for £3.9 million under a sale and purchase agreement dated 23 February 2011. The remaining assets of EDX not transferred to Turquoise will be distributed throughout the LSEG Group. The transaction completed on 1 May 2011.

3. Description of the business

The LSEG Group's core business segments are set out below:

- **Capital markets**, which includes:

  primary markets—which facilitate the raising of capital through the issuing of securities by entities from around the world; and

  secondary markets—which provide fast and efficient trading for:

  - cash equities, via a range of reliable electronic trading systems, in an effective regulatory environment and with a high level of price and trade transparency;
  - derivatives, through the IDEM and IDEX markets in Italy and to include Turquoise Derivatives based in the UK; and
  - fixed income, through a range of electronic trading venues, including LSEG's majority owned Subsidiary, MTS, and the Italian MOT business.

- **Post-trade services**, which provides clearing, settlement and custody services for cash equity, derivative and fixed income securities through CC&G and Monte Titoli.
- **Information services**, which distributes high quality, real-time price, news and other information-related products. Included in this business segment is Turquoise, which is a Multilateral Trading Facility offering trading in pan-European and some US cash equities on a range of markets and FTSE, a joint venture with the Financial Times.
- **Technology services**, which provides technology to a range of customers, both within the financial services sector and, through MillenniumIT, outside of the financial services sector. In addition, London Stock Exchange also offers server co-location services in its data centres.

4. Capital markets

The LSEG Group's capital markets business facilitates companies' raising of capital through the issuance of equity and debt and by providing liquid secondary markets for the trading of those and other securities.

The principal areas of the capital markets segment are as follows:

4.1 Primary markets

Description

The LSEG Group provides a range of markets for companies issuing debt and equity securities to raise capital by selling those securities to investors.

The LSEG Group has a track record of developing and promoting markets and segments to meet the specific needs of issuers and facilitate capital raisings. By providing access to a deep pool of capital and an efficient market, the LSEG Group provides liquidity in issuers' securities and greater visibility amongst investors. Admission to trading on the LSEG Group's markets enables securities to be freely traded, thereby increasing the pool of investors that can invest in an issuer's securities.

In the UK, the London Stock Exchange operates four primary markets:

- Main Market—the London Stock Exchange's market for international and domestic businesses looking to access Europe's most liquid pool of capital. It is the world's most international market for the listing and trading of public equity and debt. Main Market companies come from a broad range of sectors and vary widely in size, covering a spectrum from fledgling growth companies to global multinationals.
- AIM—a market for smaller, growing companies launched in 1995. AIM's regulatory structure, tailored to the needs of SMEs, allows companies to quickly and cost-effectively raise capital at admission and through further fundraisings. As well as being geographically diverse and home to companies with operations in over 90 countries, AIM supports the financing needs of companies from approximately 40 different sectors.
- Professional Securities Market—offers issuers the opportunity to list debt securities or depositary receipts restricted to professional investors.

- Specialist Fund Market—for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors. The Specialist Fund Market is designed to further enhance London's appeal to specialist investment managers seeking a flexible and adaptable route to permanent capital from a highly sophisticated global investor base.

In addition to the four primary markets described above, the London Stock Exchange operates a route to market known as ATT Only, which is selectively promoted to international issuers.

ATT Only securities are admitted to trading on the basis of a listing of those securities on another stock exchange, which is a full member of the World Federation of Exchanges. This route is utilised by a company when, for regulatory or commercial reasons, it cannot or does not want to pursue a full listing in London. This product offering has recently been extended to issuers of sponsored, unlisted depositary receipts.

LSEG also has a joint venture, TOKYO AIM, which was established in 2009 with the Tokyo Stock Exchange Group Inc., enabling it to offer the AIM model to a wider range of Japanese and Asian growth companies. As an extension of the TOKYO AIM stock market, the development of a new bond market for professional investors has been announced, the TOKYO PRO-BOND Market.

In Italy, Borsa Italiana operates four primary markets:

- MTA—the Italian market for international and domestic businesses. MTA companies come from a broad range of sectors and vary widely in size, covering a spectrum from fledgling growth companies to global multinationals.

  There are also two segments within MTA:

  - MTA International—dedicated to the trading of shares of non-Italian issuers already listed in other EU regulated markets; and
  - MTA STAR—dedicated to mid-size companies with a capitalisation of less than €1 billion and which voluntarily agree to comply with strict transparency, liquidity and governance requirements.

- AIM Italia and MAC—two markets for smaller, growing companies, launched in 2009 and 2007, respectively. AIM Italia's and MAC's regulatory structures are tailored to meet the needs of SMEs and allow companies to quickly and cost-effectively raise capital at admission and through further fundraisings.
- MIV—the electronic market for investment vehicles for highly specialised investment entities that wish to target retail, institutional, professional and highly knowledgeable investors. MIV is designed to further enhance Borsa Italiana's appeal to specialist investment managers seeking a flexible and adaptable route to permanent capital from a highly sophisticated global investor base.

In addition, Borsa Italiana also operates:

- ETFplus—for ETFs and ETCs;
- SeDeX—an electronic securitised derivatives market for covered warrants and certificates; and
- MOT—an electronic bond market for bonds, government securities, Eurobonds, ABSs and other debt securities.

As at 31 March 2011, the size and value of the primary markets was as follows:

	Number of companies	**Aggregate market capitalisation £bn**
Main Market/Professional Securities Market/Specialist Fund Market	1,468 (1,491)	1,954 (1,828)
UK AIM	1,174 (1,258)	82 (62)
Borsa Italiana	296 (297)	404 (410)

Note: numbers in brackets relate to 31 March 2010 numbers.

Revenues

The London Stock Exchange and Borsa Italiana each charge a fee for issuers seeking admission to their primary markets. The fees are charged based on the issuer's market capitalisation at admission. Issuers of

equity securities are subsequently subject to an annual fee. With the exception of AIM companies, a fee is also charged for companies carrying out further fundraisings once they are on market.

Recent performance and activities

During the financial year 2011, a total of £40 billion (2010: £77 billion) was raised, in aggregate, by companies joining the primary markets and those already on market.

In the same period, 185 new companies (2010: 110 companies) joined the primary markets.

The LSEG Group's success in attracting international companies to its primary markets is a direct result of ongoing marketing activities in key markets, including India, China, Latin America and Russia.

The primary market product offering is continuously being developed and enhanced to attract additional investment flows to the markets and therefore attract new issuers over the longer term. To better allow companies to efficiently use the markets, LSEG has also engaged with policy makers, regulators and governments to understand the issues faced by businesses, particularly smaller companies, in adverse economic conditions and to investigate mechanisms (such as specific fiscal incentives) to attract a wider pool of investors to them.

4.2 Secondary markets

Cash equities

Description

The LSEG Group's cash equities business aims to maximise the liquidity of an individual security and provide members access to fast and efficient trade execution and reporting. The LSEG Group's cash trading services are designed to deliver efficient trading price formation and execution services through reliable trading systems, effective regulation and a high level of price and trade transparency.

The London Stock Exchange offers the following trading services for cash equities:

- SETS—SETS is the London Stock Exchange's electronic order book trading FTSE100, FTSE250, FTSE Small Cap Index constituents, ETFs, exchange trading products as well as other liquid AIM, Irish and London Standard listed securities. The London Stock Exchange also operates a version of SETS on a modified trading cycle that supports securitised derivatives. Functionally rich with multiple order types and market maker support, SETS is one of the most liquid electronic order books in Europe.
- SETSqx—SETSqx is a trading platform for securities less liquid than those traded on SETS. SETSqx combines a periodic electronic auction book with standalone non-electronic quote driven market making.
- SEAQ—the London Stock Exchange's non-electronically executable quotation service that allows market makers to quote prices in AIM securities not traded on SETS or SETSqx and some fixed income securities.
- IOB—offers access to trading in issuers from fast growing economies, in areas such as Central and Eastern Europe, Asia and the Middle East, via depositary receipts. The service is based on an electronic order book similar to SETS but with the added option for member firms to display their identity pre-trade.
- EQS—enables clients to meet their pre- and post-trade pan-European transparency obligations. EQS is a quote driven market making and trade reporting platform that supports all EU liquid securities, excluding those traded on SETS or SETSqx.
- European Trade Reporting—a pan-European trade reporting service that enables clients to meet their post-trade reporting obligations whether trading on or off exchange in non-liquid MiFID securities not reported on another exchange trading service.

Borsa Italiana operates the following trading services for cash equities:

- MTA—Borsa Italiana's electronic order book, trading service for MTA securities with auctions, continuous trading phases and the presence of specialists to support liquidity according to market segments.

- After hours market—an electronic order driven market with only continuous trading and supported by a specialist for blue chip securities of the FTSE MIB, companies in the FTSE Italia Mid Cap indices and MTA STAR.
- MAC—an electronic order driven trading service, with a single call auction, for MAC securities.
- AIM Italia—an electronic, order-driven trading service, with auctions and continuous trading, for AIM Italia securities.
- MIV—a regulated market dedicated to investment vehicles. The market is divided into four segments to reflect the varying instrument types:
  - closed-end fund segment, where the units of closed-end securities and real estate funds are traded;
  - investment companies segment, where shares of investment companies are traded;
  - REIC segment, where REICs are traded; and
  - professional segment, for professional investors only where special investment vehicles are traded.

Revenues

Revenue is principally derived from fees for execution on the electronic order books. In the UK, fees are based on value-traded; whereas in Italy, fees are based on volume-traded. Revenues are also generated from annual membership fees, reporting fees for trades carried out away from the order book and market maker security registration fees.

Recent performance

During the financial year 2011, a total of 150.5 million bargains (2010: 149.2 million) were traded on the UK equity order book with a value of £1,200 billion (2010: £1,175 billion).

Over the same period, a total of 66 million bargains (2010: 64 million) were traded on the Borsa Italiana equity order book with a value of £681 billion (2010: £640 billion).

Derivatives

Description

IDEM is Borsa Italiana's derivatives market and comprises IDEM-Equity and IDEX.

- IDEM-Equity—offers trading in futures, mini-futures and options on the FTSE MIB index and a futures product based on the FTSE MIB dividend index. In addition, there are 55 futures and 46 options on Italian single stocks and 13 futures on pan-European single stocks.
- IDEX—offers trading in yearly, quarterly and monthly power futures based on the "PUN", the single national price for the purchase of electricity in Italy.

Borsa Italiana also operates the following markets:

- ETFplus—an electronic continuous trading order-driven market for ETFs and ETCs/ETNs, with specialists to support liquidity; and
- SeDeX—an electronic, order-driven market, with continuous trading for securitised derivatives, covered warrants and certificates, and a specialist to support liquidity.

In February 2011, LSEG announced that it plans to build a pan-European derivatives business, through the creation of Turquoise Derivatives, to be combined with the LSEG Group's existing derivatives market, EDX, which offers trading in derivatives contracts based on the FTSE Russia IOB Index, comprising the 15 most liquid global depositary receipts traded on the LSEG Group's IOB.

Revenues

Revenue is principally driven by fees from electronic trade execution. Other charges are made for exercise and assignment fees on options contracts and expiration fees on EDX products. Fees are charged for membership.

Recent performance

On 8 November 2010, IDEM markets migrated to the SOLA trading platform, a technology developed by TMX Group, which IDEM uses under licence, increasing the range of functionalities available for IDEM members, including opening auctions on index futures and upgraded block trade facilities.

During the financial year 2011, a total of 82 million contracts (2010: 97.5 million) were traded on the EDX and IDEM derivatives markets.

Fixed income

Description

The LSEG Group's fixed income business is undertaken through the following operations:

- *MTS*

MTS provides regulated electronic trading platforms for intermediaries' secondary trading of European wholesale government bonds and other types of fixed income securities.

MTS is authorised to conduct its activities by Italy's Ministry for the Economy and Finance, and is regulated by the Bank of Italy and CONSOB. It covers the national debt markets of 12 Eurozone members and government bond markets of other countries.

The MTS market model uses a common trading platform for all domestic marketplaces, while corporate governance and market supervision are based on the respective national regulatory regimes. MTS covers 15 markets through various companies and continues to expand its geographic scope.

MTS operates three distinct fixed income markets:

- *MTS Cash*—an electronic market for dealers of fixed income products, with over 100 counterparties trading on the system each day. Market participants benefit from access to the most liquid, transparent and efficient European bond marketplace, with average daily volumes exceeding €85 billion across MTS platforms. EuroMTS is a segment of the MTS cash market consisting of the most liquid Euro benchmark products.
- *MTS Repo*—an electronic market for repo agreements and buy/sellbacks through an efficient order-driven marketplace alongside request-for-quote and OTC booking functionalities. The market unites over 150 unique participants across Europe, including international and domestic banks and institutional buy-side clients, to offer significant liquidity across all the Eurozone repo markets.
- *BondVision*—a multidealer-to-client electronic bond trading system that provides over 350 European buy-side clients with direct access to real-time tradeable prices from market makers on over 2,000 fixed income products.

MTS also delivers real-time tradeable prices across the European government, quasi-government and covered bond market and calculates MTS indices.

Revenues

MTS revenue is principally derived from fees for execution on MTS' markets. These fees are based on the volume traded. Revenue is also derived from membership and the sale of data and data products, including index licences.

- *MOT*

MOT is the fixed income, electronic order driven retail market operated by Borsa Italiana. It has two different segments, defined according to the CSD, in which the fixed income instruments are deposited: DomesticMOT (Monte Titoli) and EuroMOT (ICSD).

In June 2009, Borsa Italiana launched ExtraMOT, a Multilateral Trading Facility regulated by Borsa Italiana, for the trading of corporate Eurobonds.

- *ORB*

The ORB was launched on 1 February 2010 and is the London Stock Exchange's electronic order book for bonds aimed at private investors and retail brokers. The ORB offers a range of gilts, corporate and supranational bonds. It operates as an open electronic order-driven market with dedicated market makers

committed to quoting two-way tradeable prices on-screen throughout the trading day. The ORB market offers trading in smaller sizes by value to appeal to retail investors.

In addition, within the markets for conventional debt securities, the London Stock Exchange also promotes its offerings in Islamic finance. Issuers of Sukuk Instruments are able to list these Islamic bonds and admit them to either the Main Market or the Professional Securities Market. There are currently over 30 Sukuk Instruments admitted to the London Stock Exchange's markets, making it one of the most important international listing venues for Islamic finance. Issuers of these instruments have predominantly been Islamic banks and sovereign issuers based in the Gulf Cooperation Council area.

Recent performance

During the financial year 2011, a total of €2,719 billion (2010: €2,405 billion) was traded on the MTS cash market and Bondvision). During the same period, €220.4 billion (2010: €226.2 billion) was traded on MOT.

5. Post-trade services

The LSEG Group's post-trade services are primarily operated through CC&G, which provides clearing and CCP services for Italian and EU equities, and Monte Titoli, which provides settlement and CSD services for Italian securities.

CC&G

Nature of business

Established in 1992, CC&G manages the CCP guarantee system. The main services offered include granting of anonymity, interposition (trade date novation), netting by novation, position-keeping, risk management, collateral management, reporting, delivery of settlement instructions to the securities settlement system, interoperability between CCPs, fails management and buy-in procedures for Italian and EU equities.

CC&G, by serving as the guarantor of final settlement of contracts and as buyer towards each seller and seller towards each buyer, eliminates counterparty risk. CC&G's activities are performed under the supervision of the Bank of Italy and CONSOB, which approve CC&G's regulations that it puts in place for its members.

In 2009, CC&G was granted Recognised Overseas Clearing House status by the FSA to operate in the UK.

Markets guaranteed

CC&G acts as clearing house and CCP for transactions executed on or through the following LSEG Group markets: IDEM, IDEX, MTA, ETFplus, MOT and MTS. CC&G also acts as clearing house and CCP to BrokerTec for Italian government bond cash and repo transactions.

CC&G also provides a guarantee service for the New MIC, the interbank collateralised deposit market in Italy. The New MIC was launched in October 2010 as a successor to the original MIC project, which was created to stimulate the Italian market after the financial crisis in 2008 and operated with the Bank of Italy as its guarantor.

The bond and repo markets are guaranteed within the interoperability agreement framework between CC&G and LCH.Clearnet SA.

Risk management

CC&G has a tiered membership structure based on three participation-based categories. Margin requirements are applied for each type of financial instrument guaranteed by CC&G. These requirements are aimed at covering, in all but extreme market conditions, the potential losses that would result from the closure of an insolvent member's open positions. Different levels of margin requirements are used, depending on the nature and level of liquidity of the product. CC&G's risk committee autonomously sets the liquidity parameters, using analysis conducted by CC&G's risk management department.

Revenues

Revenue is primarily driven by fees charged to clients for clearing, based on transaction volumes. The balances from margin and default funds are also actively invested by CC&G to generate treasury income. Investments are mainly short-term, with a panel of bank counterparties, as regulated by the Bank of Italy, that meet the criteria set out in CC&G's financial risk policy.

Recent performance

During the financial year 2011, a total of 115.8 million contracts (2010: 108.0 million) were cleared by CC&G. The average daily initial margin held by CC&G over the same period was €6.9 billion (2010: €4.5 billion).

Monte Titoli

Nature of business

Monte Titoli is the Italian CSD and settlement company. It is authorised to perform these activities by the Bank of Italy and CONSOB, the Italian authorities with regulatory and supervisory powers over the Italian financial system.

Legal framework and supervision

A specific legal and regulatory framework in Italy is in place to cover the provision of both the CSD and settlement system. The main regulatory and supervisory authorities are the Bank of Italy (for stability and systemic risk containment) and CONSOB (for investor protection). The operation of the clearing and settlement service is the primary responsibility of the Bank of Italy, in agreement with CONSOB. CONSOB has primary responsibility over the CSD system.

Custody services

Monte Titoli performs custody services for a wide range of financial instruments encompassing government securities, corporate bonds (including ABSs), shares/covered warrants and mutual investment funds (closed-end funds, property funds and ETFs). Approximately 98.9 per cent. of securities held in Monte Titoli are in dematerialised (i.e. electronic) form. The remaining percentage of securities are held as global or jumbo certificates, but managed in book entry form.

Pre-settlement, clearing and settlement

Monte Titoli manages X-TRM, the daily matching and routing system that carries out acquisition, matching and routing of transactions to EXPRESS II or to foreign settlement systems. X-TRM is a multi-purpose post-trade, pre-settlement engine, which undertakes post-trade activities such as transaction management (including matching of OTC transactions and data enrichment), clearing and settlement instruction routing, claim and compensation management and operational reporting. It also interacts with CCPs, offering specific functionalities designed to support their activities (such as the novation of guaranteed transactions and the creation of bilateral balances).

EXPRESS II is Monte Titoli's clearing and settlement platform for the performance of settlement in non-derivative financial instruments, integrating net with gross settlement functionalities and offering optimisation mechanisms for effective management of securities portfolios. EXPRESS II has been used as the benchmark by the Eurosystem for the development of Target2 Securities (the European Central Bank's project to deliver a single central settlement process for securities within the Eurozone and other participating countries).

Revenues

Monte Titoli derives revenue from fees levied for the custodial safekeeping of securities, supplemented by charges for settlement. Custody rates are applied on the basis of assets held under management by Monte Titoli.

Recent performance

During the financial year 2011, a total of 69.8 million pre-settlement and settlement instructions (2010: 83.9 million) were processed by Monte Titoli. The average daily custody assets under management held by Monte Titoli over the same period was €3.02 trillion (2010: €2.87 trillion).

6. Information services

The information services business delivers real-time and historical market data, along with other securities information, ensuring efficient price discovery and comprehensive market intelligence for investors.

The LSEG Group's Multilateral Trading Facility, Turquoise, and LSEG's interest in FTSE are also managed within the information services business segment.

Principal sources of revenue for this segment include:

Real-time data

The LSEG Group's real-time data business manages dissemination of data from the UK's Millennium Exchange and Italy's DDMplus. These systems are the primary reference points for the UK and Italian cash markets for trading participants and investors. The LSEG Group provides real-time data on a range of tradeable instruments, across cash equities, covered warrants, ETFs, derivatives, fixed income and indices. Real-time data is distributed through direct network coverage to 130 institutions and also through a further network across 370 licensed redistributors to reach a diverse audience of millions globally.

The London Stock Exchange and Borsa Italiana's market data comprises several levels of data, including trade prices, volumes and a fully visible tick-by-tick order book. Each level of data is designed to suit the needs of different users, whether actively trading on the markets or using the service to inform trading, investment or other business decisions:

- level 1 data offers real-time best prices, volumes, trade reports and a range of key added value information allowing users to gauge the underlying market depth and liquidity of securities;
- level 2 data is the most comprehensive service providing full-depth of the market, tick-by-tick; and
- post-trade data offers on and off book trade reports to aid activities, including transaction cost analysis, and to enhance consolidated views of the trading landscape.

Recent commercial and technical developments include:

- introduction of the post-trade data service—increasing the availability of high quality, post-trade content in a multi-venue MiFID environment;
- new service tiers for UK private investors; and
- introduction of ITCH protocol, a low-latency and low-bandwidth direct delivery protocol.

Revenues

Users of real-time data are charged according to the level of data they receive. Fees are levied from information vendors to act as a re-distributor of data.

UnaVista

UnaVista is a secure, hosted platform for providing matching, validation and reconciliation services. UnaVista offers a range of business solutions within three areas: post-trade services, data solutions and reconciliations.

UnaVista post-trade services includes three main products:

- Transaction reporting—UnaVista transaction reporting combines validation with intuitive and practical functionality. It provides additional validation above and beyond what is mandated by financial regulators providing confidence from compliance to operations and ensuring MiFID transaction reporting obligations are met;
- Confirmations portal—the UnaVista confirmations portal helps brokers, investment managers, prime brokers and others communicate and match post-trade data reliably and simply. UnaVista provides a global, fully audited service through which both large and small firms can exchange information. UnaVista works across asset classes and can be used to communicate and match any data, including confirmations, allocations, give-ups and settlement instructions; and
- Swaps portal—the UnaVista swaps portal provides a fully audited communication channel for all parties involved in the CFD process. Prime brokers, hedge funds and executing brokers can track their trades electronically, improving efficiency and reducing risk, whilst ensuring they meet compliance requirements.

UnaVista Data Solutions is a suite of reference and historical data products designed to help firms create a Golden Copy of data. Products include DOL and high quality corporate actions data.

UnaVista Reconciliations offers a flexible approach to matching requirements. Combining a hosted approach with fast implementation time, UnaVista unites a range of functionality, including intuitive matching and workflow capabilities. UnaVista is uniquely positioned to perform a range of reconciliations from straightforward cash and stock position reconciliation to more complex inter-system, inter-company and data validation processing.

SEDOL

SEDOL is the London Stock Exchange's global, multi-asset class reference data service, providing unique identification codes for global securities covering both listed and unlisted instruments and all asset classes.

SEDOL is hosted on a web browser that operates for 24 hours, seven days per week, allowing real-time creation and functionality. SEDOL codes are also available via a customised pre-allocation service so that issuers can improve new issuance processing time frames. SEDOL Masterfile is a database of over 19 million unique identification numbers (SEDOL codes) for securities.

SEDOL has a global customer base of over 1,400 clients.

The London Stock Exchange is the UK representative of the Association of National Numbering Agencies. As such, it allocates UK ISINs.

RNS

RNS is a Regulatory Information Service for regulatory news and non-regulatory news disclosure and helps companies and their intermediaries fulfil their UK and other global regulatory disclosure obligations.

Clients include the vast majority of Britain's leading listed companies and all of the leading UK financial public relations firms and corporate advisers.

Nearly 175,000 announcements are processed by RNS each year. Releasing announcements through RNS ensures company information is distributed immediately and accurately in full text and in industry-leading formats. Announcements are visible to the investment community via a vast array of terminals, databases and financial websites worldwide, including Thomson Reuters, Bloomberg, Dow Jones and London Stock Exchange's own corporate website.

Proquote

Proquote provides the following reference data services, desktop market data solutions and order and execution management systems to UK and Italian customers:

- Proquote Feed—an easily managed and low latency multiple exchange real-time data feed;
- Proquote Web—which allows easy and intuitive access to market quotes and financial content, through a web browser targeting bank branches and basic on line traders;
- Proquote Client—a professional trading screen, which includes MiFID pre-trade, post-trade and best execution services, enabling customers to verify the quality of execution, and other order-routing facilities; and
- Proquote IR Solution—a wide range of services for institutional corporate websites and online investor relations, including corporate website and investor relations sections design, development and advisory services.

Turquoise

Turquoise was formed by a consortium of nine investment banks and launched in September 2008 as a Multilateral Trading Facility. Following LSEG's acquisition of Turquoise on 17 February 2010, LSEG holds a 51 per cent. majority stake in Turquoise with the remaining 49 per cent. owned by 12 leading investment banks. In accordance with the terms of the purchase agreement, LSEG committed to fund the regulatory capital requirements and operating capital of the Turquoise business until February 2012.

Turquoise has a board comprised of London Stock Exchange appointed directors, directors representing the investment banks and non-executive independent directors.

Turquoise provides a range of markets for secondary trading of European and US cash equities.

Turquoise operates two cash markets:

- Turquoise Equities integrated book—a pan-European and US "lit" secondary market for cash equity trading with full pre- and post-trade transparency; and
- Turquoise Equities mid-point book—a pan-European "dark" secondary market matching at mid-point with immediate post-trade transparency.

Revenues

Turquoise's direct customers are the leading investment banks, agency brokers and proprietary trading firms, either acting as principal or as agent for their underlying asset management customers. Turquoise charges fees for trading services based on a percentage of the value traded. For the integrated book, a maker/taker tariff is used which rebates providers of liquidity and charges takers of liquidity. Turquoise does not charge for membership or market data other than a redistribution fee for non-trading members.

Recent performance

As at 31 March 2011, Turquoise was the third largest Multilateral Trading Facility for "lit" book trading with a share of over 4.0 per cent. of pan-European secondary trading and the second largest mid-point "dark" market, with an approximate 34 per cent. share of pan-European mid-point trading.

Developments

In February 2011, LSEG announced that it plans to build a pan-European derivatives business, through the creation of Turquoise Derivatives to be combined with the LSEG Group's existing derivatives market, EDX, which offers trading in derivatives contracts based on the FTSE Russia IOB index, comprising the 15 most liquid global depositary receipts traded on the LSEG Group's IOB. The new business will use EDX's existing technology and clearing infrastructure, offering customers immediate access and economies of scale through their existing connections. Turquoise Derivatives will be underpinned by ultra-low latency SOLA technology from TMX Group. The new platform will also continue to build on EDX's successful emerging markets business and use the combined expertise of the EDX and Turquoise management teams in its implementation.

Turquoise Derivatives plans to provide trading in pan-European single name and index futures and options (subject to obtaining appropriate trading licences). Turquoise Derivatives will offer a pan-European clearing model, which will enable risk margin efficiencies across single name and index products (pan-European clearing with risk margin efficiency is subject to obtaining appropriate licences).

Turquoise will operate two derivatives markets:

- Turquoise Derivatives emerging markets book—an equity derivatives market focussed on emerging markets companies traded on the London Stock Exchange's IOB; and
- Turquoise Derivatives pan-European book—a new marketplace to be established in the summer of 2011, using elements of the successful Turquoise Multilateral Trading Facility model for pan-European cash equities and applying it to equity derivatives market.

From 1 April 2011, Turquoise will be reported as part of the capital markets segment as a result of the above changes to the way the business is managed.

FTSE

FTSE is a 50:50 joint venture between London Stock Exchange and Financial Times. FTSE is a world-leader in the creation and management of over 120,000 equity, bond and alternative asset class indices.

FTSE indices are used extensively by a range of investors, including consultants, asset owners, fund managers, investment banks, stock exchanges and brokers. They are typically used for the purposes of:

- performance measurement;
- investment analysis, asset allocation and portfolio hedging;
- creation of index tracking funds and ETFs; and
- creation of derivatives and structured products.

FTSE's revenues are across three main lines of business: (i) sale of real-time and end-of-day data and performance benchmarks services; (ii) licensing of derivatives and structured products; and (iii) licensing of index funds and ETFs. There has been a particular focus on growing FTSE's share of global ETF assets under management. There are over 170 ETFs linked to FTSE indices, representing approximately US$63.3 billion assets under management (as at the end of April 2011). ETFs based upon the FTSE 100 and FTSE China indices are among, respectively, Europe's and the world's top 20 ETFs by average daily US dollar trading volume.

7. Technology services

Technology services encompass two principal streams:

MillenniumIT

On 16 October 2009, LSEG acquired MillenniumIT, a Sri Lankan-based technology services company. MillenniumIT's corporate headquarters and software development operations are located in Colombo, Sri Lanka.

MillenniumIT has two divisions:

- *MillenniumIT Software*, which supplies, implements and supports a suite of capital markets products that include trading platforms, smart order routers, surveillance, clearing and CSD products. These products cater to trading multiple asset classes, including cash equities, derivatives, debt, commodities, foreign exchange, structured products and ETFs.

  The principal products of MillenniumIT Software are:

  - *Millennium Exchange*

    Millennium Exchange, the flagship product of MillenniumIT, offers execution venues and an extensible trading platform with the ability to grow and change as quickly as its customers' businesses. It is a true multi-asset class platform that supports cash equity, equity derivatives, fixed income cash and derivatives, commodity derivatives and foreign exchange derivatives. It can be configured to trade any product in any type of market. The platform is built on a rule-based, distributed and fault tolerant technology, enabling it to be highly reliable, scalable and flexible.

  - *Millennium SOR*

    Forces of consolidation, competition and regulation in the global financial markets have created the need for fast, flexible and robust smart order routing systems for firms and execution venues seeking best execution beyond price. Millennium SOR offers marketplaces a single platform, capable of housing multiple asset classes and numerous order routing algorithms.

  - *Millennium Surveillance*

    Developed as a fully configurable rule-based platform that can be integrated with any trading system, Millennium Surveillance can be configured using business rules to enforce regulations of any market without programmer intervention.

  - *Millennium CSD*

    Millennium CSD provides depository facilities for securities trading in a scriptless environment. The system can be operated as a standalone module or can be integrated with any trading system. It can process transactions in real-time or in batch mode. Millennium CSD provides a secure electronic environment for the safekeeping of securities and the transfer of ownership pursuant to trading.

  - *Millennium Clearing*

    Millennium Clearing provides fast and secure transaction processing for clearing and settlement of any type of security. The product is capable of being operated as a standalone module or can be integrated with any trading platform and can process transactions in real-time or in batch mode. It is also able to integrate in real-time to risk management systems.

- *MillenniumESP*, which provides enterprise and telecom solutions. In the telecom sector, MillenniumESP's focus on next generation networks has come about through a close partnership with Cisco Systems. In partnership with Sun Microsystems, Oracle and other large IT suppliers,

MillenniumESP designs and builds open, standards-based IT infrastructure for large- and medium-sized enterprises.

The key services of the MillenniumESP division are:

- ○ Data Centre Solutions, which includes sales of computer servers and storage solutions;
- ○ Networking Solutions, which includes the building of carrier class network infrastructure for service providers;
- ○ Information Management Solutions, which includes Oracle / Microsoft software products that are required in the deployment of office automation and information management solutions;
- ○ Security Solutions, which includes providing solutions to protect the information assets and information technology based systems in organisations; and
- ○ Annual Maintenance Contracts, which provides recurring revenue from support provided for both the hardware and software solutions sold to customers.

Other technology services

The LSEG Group also offers a suite of technology services for client access and connectivity to a variety of trading and real-time market data services. To augment the services offered, in September 2008, London Stock Exchange launched a co-location service called "Exchange Hosting", which allows ultra low latency sensitive trading clients to place servers running their trading operations in London Stock Exchange's data centre, thereby significantly reducing network latency and providing high performance trading access.

8. Competition

Exchanges facilitate issuers in raising new capital and investors in deploying and realising capital. The environment in which exchanges operate is rapidly evolving as a consequence of:

- regulatory change;
- rapid technological advancement;
- proliferation of trading venues;
- consolidations; and
- new entrants.

The result is a crowded, vibrant and evolving competitive landscape with exchange operators competing in an increasingly global market.

The sectors in which the LSEG Group operates are experiencing significant levels of consolidation and transaction activity at the current time. Like its competitors, LSEG evaluates, and has discussions in relation to, transaction opportunities in all of its business segments on an ongoing basis. In the event that any of these transaction opportunities are entered into prior to Admission any such transaction will be announced and, if appropriate, a supplementary prospectus published.

9. Sources of revenue

An overview of revenue by the LSEG Group's business segments as at 31 March 2011 is set out below:

Revenues	Year ended 31 March 2011
	(£m)
Capital markets	281.5
Post-trade services	99.3
Information services	184.7
Technology services	48.6
Other	1.8
Total revenue	615.9
Net treasury income through CCP business	51.3
Other income	7.7
Total income	674.9

10. Employees

The number of employees at the end of the financial years ended 31 March 2011, 2010 and 2009 were as follows:

	2011	2010	2009
UK	492	539	570
Italy	456	458[1]	565
Sri Lanka	587	461	—
Other	28	30	—
Total	1,563	1,488	1,135

Note:

(1) The employees within EuroMTS and MTS Next (a wholly owned Subsidiary of MTS operating the MTS indices) are shown in the UK headcount figures in 2010 compared to Italy in the prior year, to reflect the principal location of these employees.

11. Current trading, trends and prospects

In primary markets, the pipeline of companies seeking to raise capital on the LSEG Group's markets looks encouraging. In April there were 20 new issues, including 13 on the Main Market. The performance in May has also been good with several large new issues including Glencore International plc, the largest ever IPO on the premium listing segment of the London Stock Exchange and the first company to enter FTSE100 at admission in 25 years.

Trading on MTS remained good overall in April, with cash markets average daily value traded up 7 per cent. although repo was down 3 per cent. on the same month last year. Overall trading on the LSEG Group's derivatives platforms has also increased with the total number of contracts up 19 per cent. year on year.

UK equity order book trading declined 10 per cent. in April, impacted by the holiday pattern during the month, although the performance in May has been good; as at the LSEG Latest Practicable Date the average value traded was 20 per cent. higher than average for April. In Italy the average daily volume traded decreased marginally, by 2 per cent., on April last year. Average value traded on Turquoise's lit book increased 28 per cent. year on year, and rose 96 per cent. on the dark mid-point book.

In post-trade operations, net treasury income remained strong in April at £7 million, although the current treasury income run rate may moderate over the year.

PART 7

INFORMATION ON TMX GROUP'S BUSINESS

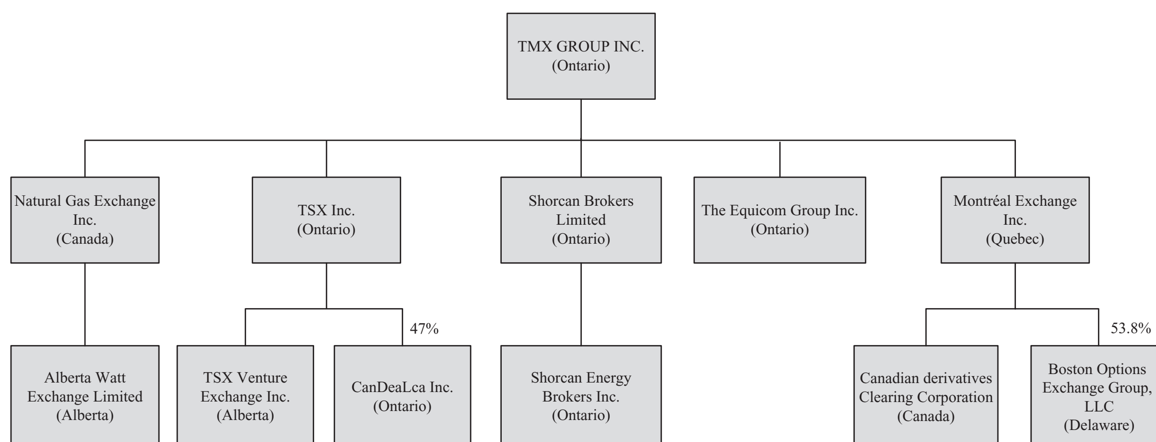
1. TMX Group

TMX Group is a diversified exchange group, with recognised leadership in Canada and an increasing presence in international markets. TMX Group owns and operates cash and derivatives markets and clearing houses for multiple asset classes, including equities, fixed income and energy.

TSX is Canada's leading, central market for both the listing and trading of equities. TMX Group also operates a world leading public venture capital market, TSX Venture Exchange. Through MX and CDCC, TMX Group provides Canadian leadership in derivatives products, trading and clearing, and holds a majority stake in BOX, which serves the US equity options market. TMX Group's energy market, NGX, has grown into a North American leader in trading and clearing of physical energy contracts. TMX Datalinx provides real-time and historic data and information services to both domestic and international customers. Shorcan, a leading IDB operating in the fixed income sector, and Equicom, a provider of investor relations and corporate communications services, round-out the TMX Group portfolio.

TMX Group develops and applies leading-edge technology to power its markets. Increasingly, such technology is being deployed in global markets, particularly in European derivatives markets.

TMX Group carries on its business directly or indirectly through the companies shown below (which also details the jurisdiction in which each company was incorporated, continued, formed or organised and the percentage of votes attaching to all voting securities of each company held directly or indirectly by TMX Group Inc.):



Note: Entities are 100 per cent. held unless otherwise stated.

TMX Group is headquartered in Toronto, with significant Canadian operations in Montreal, Calgary and Vancouver, as well as an expanding global footprint through offices in Houston, Boston, Chicago and London. The head and registered office of TMX Group Inc. is at The Exchange Tower, 130 King Street West, Toronto, Ontario, M5X 1J2. TMX Group Inc. is existing under the OBCA.

2. History and development

TMX Group is a leading, integrated, multi-asset exchange group with a history that dates back over 150 years. TSX was founded in 1852. It demutualised and continued as The Toronto Stock Exchange Inc. under the OBCA on 3 April 2000. The name of the company was changed from The Toronto Stock Exchange Inc. to TSX Inc. on 10 July 2002.

Immediately before it closed its IPO of its common shares on 12 November 2002, TSX Inc. and its affiliates completed a corporate reorganisation under a court approved plan of arrangement. As part of the reorganisation, TSX Group Inc., incorporated under the OBCA on 23 August 2002, acquired all of the outstanding shares of TSX Inc. and became the holding company for the TSX group of companies. The shareholders of TSX Inc. were issued shares of TSX Group Inc. in exchange for their shares of TSX Inc.

On 1 May 2008, TSX Group Inc. completed the MX Combination and, to reflect this combination, following shareholder approval on 11 June 2008, it changed its name from TSX Group Inc./Groupe TSX Inc. to TMX Group Inc./Groupe TMX Inc.

3. Overview of the business

TMX Group's core business segments are set out below:

- *Cash markets—equities and fixed income*—TMX Group owns and operates Canada's two national stock exchanges, TSX and TSX Venture Exchange and Shorcan, a fixed-income IDB. Through its information services operations, TMX Group provides a range of equities and fixed income real-time and historical market data, index products and data delivery solutions, including co-location services. It also provides investor relations and corporate communications services through Equicom.
- *Derivatives markets*—MX provides markets for trading interest rate, index and equity derivatives and CDCC clears and settles all options and futures contracts carried out on MX as well as certain OTC products. MX holds a majority interest in BOX, a US automated equity options market.
- *Energy markets*—NGX provides a platform for the trading and clearing of natural gas, electricity and crude oil contracts. Shorcan Energy, a wholly-owned Subsidiary of Shorcan, provides brokerage services for energy contracts, including crude oil.

4. Cash markets—equities and fixed income

Description of products and services

Issuer services—TSX and TSX Venture Exchange

TMX Group carries out its listings operations through TSX, TMX Group's senior market, and TSX Venture Exchange, TMX Group's junior market. TSX Venture Exchange also offers a board called "NEX" for issuers that have fallen below TSX Venture Exchange's ongoing listing standards.

In general, issuers initially list on TSX either in connection with their IPO or by graduating from TSX Venture Exchange. Junior companies generally list on TSX Venture Exchange either in connection with their IPO or through alternative methods such as TSX Venture Exchange's Capital Pool Company 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 structures, such as exchangeable shares, convertible debt instruments, limited partnership units, exchange-traded funds and structured products.

TMX Group generates issuer services revenue, primarily by charging issuers the following types of fees:

- *Initial listing and additional listing fees*—TSX and TSX Venture Exchange issuers pay initial fees and fees in connection with subsequent market transactions based on the value of the securities to be listed or reserved, subject to minimum and maximum fees; and
- *Sustaining listing fees*—issuers listed on TMX Group equity exchanges pay annual fees to maintain their listings, based on their market capitalisation at the end of the prior calendar year, subject to minimum and maximum fees.

Cash equities trading—TSX and TSX Venture Exchange

TSX and TSX Venture Exchange trading occurs throughout the day on a continuous basis on TMX Group's fully electronic trading systems. Participants, acting as principals or agents for retail and institutional investors, place orders to buy or sell securities. Trading sessions begin with the market open in an auction format. TSX sessions end with an extended trading session in which trades occur at the closing price, referred to as a single price closing call market. Trading also occurs through crosses in which participants internally match orders and report them through the exchanges. All trades are cleared and settled through CDS, a recognised clearing agency in which TMX Group has an approximate 18 per cent. ownership interest. The other owners of CDS are the major Canadian chartered banks and IIROC.

TMX Group submitted regulatory filings to create a new ATS, TMX Select. TMX Select will offer a visible marketplace for trading equity securities. The launch of TMX Select is expected to occur in June 2011, subject to regulatory approvals.

TMX Group generates trading revenue by charging a volume-based fee structure for issues traded on TSX and TSX Venture Exchange. 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.

Fixed income trading—Shorcan

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

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

Cash markets information services

- Real-time market data products

  Trading activity on TMX Group's 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), packaged into real-time market data products and delivered to end users directly or via more than 100 Canadian and global market data vendors that sell data feeds and desktop market data.

- Subscribers to TMX Group 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.

- Online, historical, other market data products and third party data

  Historical market data products include market information and corporate information used in research, analysis and trade clearing. In addition to providing consolidated Canadian equities data, TMX Group also redistributes exchange data from other markets in North America. TMX Group also provides live inter-bank foreign exchange rates, fixed income rates from CanDeal.ca Inc. and offers TSX/CP Equity News equities news in partnership with The Canadian Press.

  Generally, TMX Group sells historical products for a fixed amount per product accessed. Fees vary depending on the type of end use.

- Data delivery solutions

  As part of TMX Group's on-going effort to deliver low-latency solutions that support a wide range of market participants, in 2008 TMX Group introduced co-location services, providing clients the opportunity to locate their trading and data applications in the TMX Group data centre. In 2010, TMX Group completed the construction of its new co-location facility, and on 30 June 2010, clients began installing their trading applications in the TMX Group data centre.

- Index products—equities

  TMX Datalinx has an arrangement with S&P under which TMX Group shares licence fees received from organisations that create products, such as mutual funds and ETFs, based on the S&P/TSX indices.

- Fixed income—index and analytics products

  TMX Group's PC-Bond fixed income indices are widely used fixed income performance benchmarks in Canada. The best known of these indices is the Universe Bond Index, which tracks the broad Canadian bond market. In addition to this index, TMX Group now publishes a variety of sub-indices for different term and credit sectors, as well as indices for tracking other segments of the market.

Competition

Issuer services—TSX and TSX Venture Exchange

TMX Group competes for listings both in North America and internationally. Exchanges facilitate issuers in raising new capital and investors in deploying and realising capital. The industry in which exchanges operate is rapidly evolving as a consequence of regulatory change, technological advancement, proliferation of trading venues, consolidations and new entrants.

The result is a rapidly evolving, competitive landscape, with exchange operators competing in an increasingly global market.

Domestically, TMX Group competes for junior listings with the Canadian National Stock Exchange. In April 2010, the ATS created by a group of Canadian banks and investment dealers to trade TSX and TSX Venture Exchange listed securities submitted an application with the OSC for recognition as an exchange, which, if granted, would give them the ability to list securities. In April 2011, the OSC published this application for public comment.

Cash equities trading—TSX and TSX Venture Exchange

On 1 December 2001, regulatory changes permitting the creation of ATSs in Canada were introduced. There are currently a number of ATSs operating or that intend to operate in Canada, using both dark and visible trading venues, including mechanisms to internalise order flow within a participant. The largest competitive impact thus far has been from an ATS created by a group of Canada's leading banks and investment dealers.

In the US, TSX also competes for market share of trading in Canadian-based inter-listings or dual listings.

Fixed income trading—Shorcan

Shorcan has several competitors in the fixed income IDB market in Canada comprising both brokers and OTC participants.

Cash markets information services

With the advent of a multi-marketplace environment in Canada, TMX Group faces competition in market data from other trading venues. Market data is generated from trading activity, and the success of certain data products is contingent on maintaining order flow.

5. Derivatives markets—MX and BOX

Description of products and services

TMX Group's financial derivatives trading is conducted through MX, Canada's only standardised financial derivatives exchange. In addition, MX owns 53.8 per cent. of BOX, a US automated equity options market. TMX Group derivatives markets derive revenue from MX's trading, clearing, information services and technology services activities and from BOX's trading and information services.

Derivatives—trading

- MX

  MX offers interest rate, index and equity derivatives. These include the Three-Month Canadian Bankers' Acceptance Futures contract, the Ten-Year Government of Canada Bond Futures contract, the S&P Canada 60 Index Futures contract as well as many equity options, options on ETFs and currency options. 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.

  MX participants are charged fees for buying and selling derivatives products on a per-transaction basis, determined principally by the contract type and participant status. MX participants are charged for clearing and settlement on a per-contract basis. These fees are charged at various rates based on the type of customer or member.

- BOX

  BOX is an all-electronic equity options market that was established in February 2002. MX is the principal shareholder and certain dealers are also shareholders. BOX charges its participants fees on a per transaction basis that are directly correlated to the volume of contracts traded. BOX also charges options regulatory fees that are based on the number of customer contracts executed by participant firms.

Derivatives—clearing

CDCC offers CCP, 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 has a long-term rating of AA and a short-term rating of A1 from S&P.

CDCC participants are charged fees for clearing and settlement on a per-contract basis. These fees are charged at various rates based on the type of customer or member.

Derivatives markets information services—MX and BOX

MX sells real-time trading and historical data to market participants on a global basis. Information services revenue is also generated by the sale of data to resellers of information and of individual quotes via the Internet.

Subscribers to real-time market 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. Generally, TMX Group sells historical data products for a fixed amount per product accessed. Fees vary depending on the type of end use.

BOX also resells its market data. Like the other US options markets, it resells such data through a marketplace service known as Options Price Reporting Authority, which collects data from the options exchanges and disseminates it to entities which then resell it.

Derivatives technology services—SOLA

MX developed a state-of-the-art robust, scalable and reliable electronic trading platform, called SOLA, currently in use at MX, BOX, the London Stock Exchange, Turquoise, Oslo Børs and IDEM. In June 2009, TMX Group successfully launched the SOLA clearing system. This new clearing platform for derivatives, which leverages the strength of the SOLA technology, provides the flexibility to enhance CDCC's product offering. CDCC has been working closely with market participants and regulatory authorities to launch the clearing of fixed income repurchase agreements and cash buy and sell transactions. The first phase of this project is expected to be completed during the autumn of 2011.

Competition

TMX Group competes for a share of trading in various classes of derivatives, including OTC trading, equities inter-listed on US markets and single stock options. The industry in which TMX Group's derivatives markets operate is rapidly evolving in real-time as a consequence of regulatory change, rapid technological advancement, proliferation of trading venues, consolidations and new entrants.

6. Energy markets—NGX and Shorcan Energy

Description of products and services

NGX

NGX is a Canadian-based energy exchange with an electronic platform that trades and provides clearing and settlement services for primarily physical natural gas, crude oil and electricity contracts. In 2008, TMX Group formed a technology and clearing alliance for the North American natural gas and Canadian power markets between NGX and IntercontinentalExchange, Inc. Under the arrangement, North American physical natural gas and Canadian electricity products are offered through IntercontinentalExchange, Inc.'s leading electronic commodities trading platform. NGX serves as the clearing house for these products.

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

On 1 May 2009, TMX Group completed the acquisition of NTP, a leading Canadian electronic trading platform and clearing facility for crude oil products, and launched crude oil products on NGX's trading

system and clearing facility. On 18 January 2011, NGX and IntercontinentalExchange, Inc. announced an agreement to add Canadian and US physical and Canadian financial crude oil products to their existing clearing and technology alliance. NGX and IntercontinentalExchange, Inc. launched the combined offering in early March 2011.

Shorcan Energy

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

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

Competition

NGX's business of trading and clearing natural gas, electricity and crude oil contracts faces primary competition in energy markets in Canada and the US from other exchanges, 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 standardised and structured products and are expanding their service offerings to include access to clearing facilities for trading parties who may have credit constraints. TMX Group's alliance with IntercontinentalExchange, Inc. positions TMX Group 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 solutions for standard off-exchange bilateral energy transactions.

Shorcan Energy faces competition in energy markets in Canada from voice brokers, among other things.

7. Sources of revenue

An overview of revenue by TMX Group's business segments as at 31 December 2010 is set out below:

	Revenue	Net Income
	(C$ million)	(C$ million)
Cash markets—equities and fixed income	475.3	199.1
Derivative markets—MX and BOX	104.3	26.0
Energy markets—NGX and Shorcan Energy	46.0	12.4
	625.6	**237.5**

8. Employees

The numbers of TMX Group employees at the end of the financial years ended 31 December 2010, 2009 and 2008 were 841, 849 and 845, respectively.

9. Current trading, trends and prospects

Net income was C$64.3 million (C$63.1 million attributable to TMX Group Shareholders), or C$0.85 per common share (C$0.84 cents on a diluted basis) for the first quarter of 2011, compared with net income of C$56.7 million (C$57.1 attributable to TMX Group Shareholders), or C$0.77 per common share on a basic and diluted basis for the first quarter of 2010, representing an increase in net income of 13 per cent. The increase in net income was largely due to higher revenue across the major components of our business, partially offset by increased expenses due to costs associated with the proposed Merger with LSEG, a commodity tax adjustment and higher costs associated with short and long-term employee incentive plans.

Adjusted earnings per share for the first quarter of 2011

	Q1/11 Basic	Diluted	Q1/10 Basic	Diluted
Earnings per share	C$0.85	C$0.84	C$0.77	C$0.77
Adjustments:				
Adjustment related to costs associated with the proposed Merger with LSEG, net of tax	C$0.08	C$0.08	—	—
Adjustment related to commodity tax adjustment*, net of tax	C$0.05	C$0.05	—	—
Adjusted earnings per share	**C$0.98**	**C$0.97**	**C$0.77**	**C$0.77**

Adjusted earnings per share of C$0.98 per common share (C$0.97 on a diluted basis), was higher than earnings per share of C$0.77 per common share on a basic and diluted basis for the first quarter of 2010. The increase in adjusted earnings per share was largely due to higher revenue across the major components of our business, partially offset by the impact of higher costs associated with short and long-term employee incentive plans.

Revenue was C$174.7 million in the first quarter of 2011, up C$25.3 million, or 17 per cent. compared with C$149.4 million for the first quarter of 2010, reflecting increased revenue from across our business with the exception of a decrease in technology services and other revenue due to higher net foreign exchange losses in the first quarter of 2011 when compared with the first quarter of 2010.

Operating expenses in the first quarter of 2011 were C$77.1 million, up C$7.5 million, or 11 per cent., from C$69.6 million in the first quarter of 2010 primarily due to a commodity tax adjustment and higher costs associated with short and long-term employee incentive plans. This increase was somewhat offset by lower costs following the decommissioning of legacy hardware and lower depreciation and amortisation costs.

Equity financing and consolidated trading update

TSX doubled the number of new listings in April 2011 with 24, compared to 12 in April 2010; the April 2011 figure represents a 42 per cent. increase over March 2011. There were 16 IPOs on TSX in April 2011 compared to seven in April 2010 and 12 in March 2011, increases of 129 per cent. and 33 per cent. respectively. On a year-to-date basis to April 2011, total financings raised on TSX exceeded 2010 levels by 5 per cent.

Year-to-date financings on TSX Venture Exchange in the first four months of 2011 outpaced the same period in 2010 by 86 per cent. TSX Venture Exchange welcomed 10 new listings in April 2011, down from both the prior month and April 2010. There were eight IPOs on TSX Venture Exchange during April 2011, up from seven in April 2010 and down from 11 in March 2011. Market capitalisation on both exchanges in April 2011 continued to significantly exceed 2010 levels; TSX was up 23 per cent. and TSX Venture Exchange was up 80 per cent.

Year-to-date trading on TSX in April 2011 continued to surpass 2010 levels by all measures. Trading volume was up 12 per cent. and transactions were up 17 per cent. in the first four months of 2011, compared to the same period in 2010. Monthly trading volume on TSX decreased by 8 per cent. in April 2011 compared to April 2010 and by 25 per cent. compared to March 2011. TSX Venture Exchange also continued to far exceed 2010 trading levels on a year-to-date basis, with volume up 51 per cent. as of April 2011 compared to the same period in 2010. Volume also increased 16 per cent. in April 2011 compared to the same month a year earlier, though it was down 14 per cent. in April 2011 compared to March 2011. On a month-to-date basis in May (as of 27 May 2011), average daily volume traded on TSX decreased by approximately 5 per cent. in comparison to April 2011. TSX Venture Exchange average daily volume traded on a month-to-date basis in May (as of 27 May 2011) decreased approximately 24 per cent. in comparison to April 2011.

As of April 2011, year-to-date volume and open interest contracts on MX remain significantly higher in 2011 than in 2010, with increases of 42 per cent. and 33 per cent. respectively. On a year-over-year basis, MX trading volume in April 2011 surpassed April 2010 levels by 30 per cent. Volume in April 2011 fell 19 per cent. compared to March 2011. Open interest contracts on MX increased 33 per cent. in April 2011 compared to the same month in 2010, and increased by 5 per cent. compared to March 2011. Volume on NGX was up 12 per cent. year-to-date as of April 2011, though down somewhat in April 2011 compared to both March 2011 and to the same month in 2010. On a month-to-date basis in May (as of 27 May 2011), average daily volume traded on MX increased by approximately 15 per cent. in comparison to April 2011. Average daily volume traded on NGX is up approximately 2 per cent. on a month-to-date basis in May (as of 27 May 2011) as compared to April 2011.

PART 8

DESCRIPTION OF THE MERGER

Section A: General information regarding the Merger

Merger structure

LSEG and TMX Group Inc. are proposing an all share merger of equals, reflected through the balance of a number of factors including: (i) the location of the joint headquarters in London and Toronto; (ii) the participation of existing management of each of TMX Group Inc. and LSEG in the management of Mergeco; (iii) the composition of the Mergeco Board (which will include eight representatives nominated by LSEG and seven representatives nominated by TMX Group Inc. and the Chairman will be the current TMX Group Inc. Chairman); and (iv) the relatively similar market capitalisations of LSEG and TMX Group Inc.

LSEG and TMX Group Inc. have entered into a Merger Agreement in connection with the Merger, the terms of which are summarised in Part 9—"Summary of the Merger Agreement".

Financial terms of the Merger

A TMX Group Shareholder will receive:

- for each TMX Group Share in respect of which that holder has elected to receive New Shares, 2.9963 New Shares (and for these purposes a failure to validly elect to receive Exchangeable Shares shall be deemed to be an election to receive New Shares); and
- for each TMX Group Share in respect of which that holder has validly elected to receive Exchangeable Shares, 2.9963 Exchangeable Shares (and Ancillary Rights).

If the aggregate number of TMX Group Shares in respect of which TMX Group Shareholders validly elect to receive Exchangeable Shares (the "***Elected Exchangeable Share Amount***") exceeds the product obtained by multiplying the number of TMX Group Shares issued and outstanding immediately prior to the Effective Time (other than TMX Group Shares held by TMX Group Inc. and TMX Group Shares held by Dissenting Shareholders) by 0.49 (the "***Available Exchangeable Share Amount***"), then notwithstanding the election (or deemed election) by a TMX Group Shareholder in respect of any particular TMX Group Share: (a) the number of TMX Group Shares of any TMX Group Shareholder that are Exchangeable Elected Shares shall be deemed to be the result determined by multiplying (i) the total number of Exchangeable Elected Shares of such TMX Group Shareholder otherwise determined, by (ii) the number obtained by dividing the Available Exchangeable Share Amount by the Elected Exchangeable Share Amount, and rounding down such resulting number to the nearest whole number; and (b) the balance of the holder's TMX Group Shares will be deemed to be Non-Rollover Shares.

The Exchangeable Share structure will provide an opportunity for TMX Group Shareholders who are taxable Canadian Residents who elect to receive Exchangeable Shares and make a Canadian tax election to defer recognition of some or all of any gain otherwise realised on the Merger for Canadian tax purposes.

Each Exchangeable Share (together with Ancillary Rights) is substantially the economic equivalent of a corresponding New Share and is, at the option of its holder, exchangeable for a New Share. In addition, Exchangeable Shareholders will, through the Voting and Exchange Trust Agreement, have the ability to cast the number of votes at Mergeco Shareholder meetings that is the equivalent to the number of Exchangeable Shares they hold. Further information in relation to the Exchangeable Shares is set out in Part 12—"Exchangeable Share structure".

At Completion, former TMX Group Shareholders and existing LSEG Shareholders will own approximately 45 per cent. and 55 per cent., respectively, of the outstanding publicly held equity interests in the Merged Group.

Fractional entitlements

If, as a result of the Exchange Ratio, a TMX Group Shareholder is entitled to a fractional interest in an Exchangeable Share or a New Share, that entitlement shall instead be satisfied by a cash payment (without interest) determined by multiplying such fraction by an amount equal to (i) the average of the daily high and low sales prices per share of TMX Group Shares on TSX on the last trading day immediately prior to the Effective Date divided by (ii) the Exchange Ratio.

Further information

Section B of this Part 8—"Description of the Merger" sets out a description of the history of the negotiation prior to the Merger Agreement being entered into.

Section C of this Part 8—"Description of the Merger" sets out information concerning required shareholder approvals and regulatory approvals in connection with the Merger.

Section D of this Part 8—"Description of the Merger" sets out information concerning the terms of the Plan of Arrangement, dissent rights, the Court approval and Completion. Information in relation to the Exchangeable Share structure is set out in Part 12—"Exchangeable Share structure".

Section E of this Part 8—"Description of the Merger" sets out information on stock exchange listings and ongoing reporting obligations for Mergeco.

SECTION B: NEGOTIATION OF THE MERGER AND RECENT EVENTS

Set out below is a description of the history of the negotiations between LSEG and TMX Group Inc. prior to entering into the Merger Agreement being entered into. Such description is being included in the TMX Group Circular and is set out in this document for completeness. Also set out below is a brief description of the Maple proposal.

Negotiation of the Merger

TMX Group and LSEG have had a business relationship for some time. In 2009, TMX Group licensed a customised version of its electronic trading platform for derivatives, SOLA, to an affiliate of LSEG for use by certain LSEG affiliates and partners. In a series of conversations during May 2010, the Chief Executive Officers of LSEG and TMX Group Inc. discussed the possibility of a strategic transaction involving the two groups. The potential commercial benefits of a combination were recognised, but the idea of a transaction was not actively pursued between them at that time.

Occasional conversations between the Chief Executive Officers of the two groups took place over the summer of 2010. In late September 2010, they agreed that the groups should explore a possible "merger of equals", a transaction the essence of which is all share consideration resulting in a relatively balanced ownership by the shareholders of each of the merging groups broadly reflecting their financial contribution to the merged entity, proportionate board representation and a sharing of the senior management positions.

On 25 and 27 October 2010, respectively, the LSEG Board and the TMX Group Board authorised their respective management teams to continue discussions about a potential merger of equals. On 29 and 30 October 2010, the Chief Executive Officers of the two groups met to discuss broad combination principles on the basis of a merger of equals.

TMX Group Inc. and LSEG executed a confidentiality agreement on 4 November 2010 that included a mutual standstill undertaking and, in the week following execution of the agreement, commenced preliminary high-level business and financial due diligence on each other.

On 9 November 2010, the respective Chairmen and the Chief Executive Officers of TMX Group Inc. and LSEG met to discuss the strategic rationale of the proposed Merger, the potential benefits to their respective capital markets and their respective boards' mutual interest in pursuing such a transaction. Following from those discussions, members of management of each of TMX Group Inc. and LSEG met to discuss their respective businesses from an operations perspective and to discuss their preliminary views on the possible revenue and cost synergies to be achieved through a transaction.

Once it was clear that both parties had a shared view of the benefits of a combination and were willing to proceed on the basis of a merger of equals, the principal business matters for decision and negotiation were the structure of the Merger, and, in particular, the location of the Merged Group's holding company, the Merger ratio (being the percentage of the Merged Group's share capital that each parties' shareholders would own) and governance of the Merged Group, including board structure, how the principal leadership roles in the Merged Group would be shared, and where the Merged Group headquarters and the headquarters for the principal global businesses and support functions would be located.

From the beginning of the discussions and throughout their course, the decision on structure was closely connected with the governance matters, both parties recognising that the agreement on those matters would have not only to satisfy the business objectives of the parties but also would have to take into account the interests of stakeholders and the requirements of governments and regulators. Accordingly, a key element throughout the discussions and negotiations was the need to achieve an agreement that would be likely to obtain the approval of those authorities as well as satisfy the reasonable expectations of the two companies' respective shareholders and other stakeholders, including investors, issuers, intermediaries and employees. LSEG was supportive of the concept of shared governance and recognised that leadership of the Merged Group's core businesses would always need to be well spread across all its geographic locations. It was also important that commitments and undertakings in this respect should not unduly constrain the Merged Group's ability to respond quickly and flexibly to changes in its operating environment and marketplaces, nor discourage a unified and truly global governance culture. TMX Group Inc. agreed with these principles but the parties continued to differ as to how to balance their implementation.

On 17 November 2010, the LSEG Board received an update on the discussions that had taken place and authorised its management team to continue the discussions. On 19 November 2010, the TMX Group Board also received an update on the discussions and authorised management to discuss possible structures for the transaction, to develop a securities regulatory regime, and to assess the net benefits to Canada of the proposal.

From 22 November 2010 to 9 December 2010 the parties discussed business plans and financial forecasts, as well as transaction benefits and the possible structure for the Merger. The parties focused extensively on the organisational structure, the composition of the board of directors of the holding company and the Subsidiary boards, and key management positions, including the Chairman, Chief Executive Officer, President and Chief Financial Officer, as well as the location of the Merged Group's headquarters and of the various global responsibilities in the Merged Group.

The LSEG Board met on 30 November 2010 and 7 December 2010, on each occasion receiving an update on the discussions with TMX Group Inc. and authorising continuation of the discussions.

The TMX Group Board met on 1 December 2010 to receive an update regarding the status of the discussions and authorised management to continue discussions with LSEG.

The respective Chairmen and Chief Executive Officers of TMX Group Inc. and LSEG met on 8 and 9 December 2010 and discussed primarily the location of the Merged Group's holding company, the composition of its board of directors and key management positions and the appropriate Merger ratio. No agreement on these issues was reached at these meetings.

The LSEG Board met again on 14 December 2010 to be briefed on progress in the discussions and authorised the Chairman of LSEG to put their position on the various governance and organisational issues to the Chairman of TMX Group Inc. A detailed telephone call took place between the Chairmen on 15 December 2010.

The TMX Group Board met again on 15 December 2010 to discuss the outcome of the meetings on 8 and 9 December 2010 and outstanding issues and received advice from its financial, legal and government relations advisers. The TMX Group Board authorised management to continue further negotiations with LSEG within defined parameters.

The government relations advisers and legal advisers for each of TMX Group Inc. and LSEG then met to discuss the requirements under the Investment Canada Act and the proposed terms of the transaction in the context of the "net benefit to Canada" requirement under that legislation. Following those discussions, on 17 December 2010, the Chairman of TMX Group Inc. delivered a term sheet with proposed key terms to the LSEG Chairman.

The LSEG Chairman responded on 20 December 2010 that there was some distance between the parties both with respect to the governance elements and with respect to the proposed Merger ratio.

On 21 December 2010, TMX Group Inc.'s financial advisers communicated to the financial advisers for LSEG that the negotiations appeared to have reached an impasse.

On 22 December 2010, the financial advisers for LSEG were authorised by LSEG to inform the financial advisers for TMX Group Inc. that LSEG would be prepared to consider a Merger ratio closer to that proposed by TMX Group Inc. recognising the need for both parties to have an earnings per share accretive transaction. However, in addition, it was indicated that the precise Merger ratio, which was then in a relatively narrow range between the respective positions of LSEG and TMX Group Inc., was likely be settled towards the end of the negotiation, in particular because it might be influenced by the respective share prices immediately prior to the announcement of any transaction. It was also communicated that LSEG was prepared to proceed on the basis of a board consisting of eight members coming from LSEG and seven members from TMX Group Inc., an allocation that provided TMX Group Inc. with more directors than an allocation based on the relative sizes of the two businesses and provided for more Canadian Directors than the number from either the UK or Italy. Furthermore, it was confirmed that management positions would be split broadly equally between the two groups in terms of composition and location.

TMX Group Inc. indicated that it was willing to continue discussions on that basis and the government relations and legal advisers for each of TMX Group Inc. and LSEG met on 3 January 2011 to discuss the proposed undertakings to be provided regarding board structure, the location of headquarters, and

management for the global enterprise. At that meeting, LSEG delivered its preliminary draft of the undertakings to be provided under the Investment Canada Act to the advisers for TMX Group Inc.

On 5 January 2011, TMX Group Inc. management and its advisers provided a detailed response to the draft undertakings. On 10 January 2011, LSEG invited the Chairman and the Chief Executive Officer of TMX Group Inc. to meet with the Chairman and the Chief Executive Officer of LSEG for further discussions.

The respective Chairmen and Chief Executive Officers of LSEG and TMX Group Inc. met on 13 and 14 January 2011. At that time, the Chairman and the Chief Executive Officer of TMX Group Inc. also met some independent members of the LSEG Board and members of the LSEG executive management team. On 16 January 2011, LSEG responded to the proposed undertakings based on those discussions. On 17 January 2011, TMX Group Inc. provided LSEG with a proposed securities regulatory regime for the transaction.

LSEG and TMX Group Inc. management and advisers met over the course of 17, 18 and 19 January 2011 to discuss the proposed undertakings and securities regulatory regime. The Chief Executive Officer of LSEG also met with a number of independent directors and executives from TMX Group Inc. Although the discussions were productive in some respects, they ended with a number of important issues unresolved.

On 21 January 2011, the TMX Group Board met to discuss the status of the proposed transaction. At that meeting, the directors authorised the Chief Executive Officer of TMX Group Inc. to have a further discussion with the Chief Executive Officer of LSEG regarding the outstanding issues, including the proposed role for the President and the proposed roles for other executives of the two organisations.

The discussions between the Chief Executive Officers of TMX Group Inc. and LSEG were productive and the Chief Executive Officer of LSEG wrote to the Chairman of TMX Group Inc. on 24 January 2011 agreeing to further discussions between the parties. Over the course of 25 January 2011, the Chief Executive Officer of LSEG and the Chief Executive Officer of TMX Group Inc. exchanged correspondence regarding the outstanding issues.

The LSEG Board met on 25 and 26 January 2011, during the course of which it was briefed on the status of the discussions with TMX Group Inc. The LSEG Board authorised the exchange of further confidential due diligence information and authorised the negotiating team to enter into detailed negotiations on a Merger Agreement.

Discussions continued between the advisers and TMX Group Inc. and LSEG on 27 January 2011, and a further exchange of confidential information commenced 28 January 2011. On 29 January 2011, LSEG provided a draft Merger Agreement to TMX Group Inc. Over the course of the next several days, the parties met and negotiated proposed terms for the Merger Agreement, as well as the proposed undertakings and securities regulatory regime.

The LSEG Board met on 2 February 2011 to receive an update on the outcome of due diligence, and on the proposed terms of the Merger Agreement and the undertakings and securities regulatory model. Much progress had been made, but there were still important aspects on which further negotiation was required. The negotiating team was authorised to continue negotiations, and it was recognised that it would also be necessary, before coming to any agreement to proceed, to discuss the proposal with key LSEG Shareholders and the key governments and regulators on a confidential basis to gauge their reactions.

The TMX Group Board also met on 2 February 2011 to receive an update on the proposed terms of the Merger Agreement and the undertakings and securities regulatory model. The TMX Group Board determined that the discussions with key governments and regulatory authorities and some key LSEG Shareholders should not occur until the proposed terms were further advanced. The TMX Group Board therefore authorised management to continue the discussions and negotiations on the basis of the terms and principles that were outlined to the TMX Group Board.

Negotiations continued between the parties, but a number of issues remained outstanding. The TMX Group Board met on 5 February 2011 and received a presentation from the financial advisers assessing the proposed terms and Merger ratio, as well as an update on the status of the negotiations and the remaining outstanding issues. The TMX Group Board authorised management to permit LSEG to commence consultations with key LSEG Shareholders and joint approaches with LSEG to key government and regulatory officials in Canada only if some of the key outstanding issues were resolved. Over the course of that weekend, a number of key issues were discussed and resolved.

Subject to appropriate confidentiality arrangements, LSEG's Chief Executive Officer therefore briefed certain key LSEG Shareholders, and LSEG and TMX Group Inc. went ahead with joint meetings with key government and regulatory officials to discuss the proposed transaction. Those meetings occurred over the course of 7 and 8 February 2011, as negotiations continued to finalise the terms of the Merger Agreement, the undertakings and the securities regulatory regime.

The LSEG Board met on 8 February 2011. At that meeting, they received an update on the outcome of meetings and conversations with the key LSEG Shareholders and key governmental and regulatory officials. At that meeting the LSEG Board, who received financial advice from Barclays Capital, Morgan Stanley and RBC Capital Markets, concluded that they considered the terms of the Merger to be fair and reasonable. In providing such financial advice to the LSEG Board, Barclays Capital, Morgan Stanley and RBC Capital Markets relied upon the LSEG Board's commercial assessments of the Merger. The LSEG Board also received advice from its legal advisers. At that meeting, the LSEG Board unanimously approved the Merger.

The TMX Group Board also met on 8 February 2011 and the outcome of the discussions with government and regulatory officials and with certain key LSEG Shareholders was communicated to the TMX Group Board. Also at this meeting, BofA Merrill Lynch and BMO Capital Markets reviewed their financial analysis of the Exchange Ratio with the TMX Group Board. They also delivered to the TMX Group Board their respective oral opinions, which were confirmed by delivery of their respective written opinions dated 8 February 2011, to the effect that, as of that date and based on and subject to various assumptions and limitations described in their opinions, the Exchange Ratio provided for in the Merger was fair, from a financial point of view, to holders of TMX Group Shares. At that meeting, the TMX Group Board unanimously approved the Merger.

On 9 February 2011, the Merger Agreement was executed by the parties.

Maple proposal

On 13 May 2011, TMX Group Inc. received a written proposal for the acquisition of TMX Group Inc. from Maple Group Acquisition Corporation, a corporation formed by a number of Canadian financial institutions comprising Alberta Investment Management Corporation, Caisse de dépôt et placement du Québec, Canada Pension Plan Investment Board, CIBC World Markets Inc., Fonds de solidarité des travailleurs du Québec, National Bank Financial Inc., Ontario Teachers' Pension Plan Board, Scotia Capital Inc. and TD Securities Inc. ("***Maple***").

The Maple proposal, which is not binding and was prepared for discussion purposes, provides for a combination of cash and equity consideration stated to be at a premium to the then current market price of TMX Group Shares. The proposal also involves a number of significant conditions, including regulatory approval for the combination of TMX Group with both Alpha Group and CDS Inc., but does not specify the means for satisfying these conditions.

On 20 May 2011, the TMX Group Board announced that it had considered the Maple proposal and determined, after consultation with its financial advisers and outside counsel that, for the purposes of the Merger, the Maple proposal did not constitute a Superior Proposal and nor could it reasonably be expected to result in a Superior Proposal. The TMX Group Board reiterated its support of the Merger and stated that it was the view of the TMX Group Board that the Merger continued to be in the best interests of TMX Group Inc. and its shareholders and stakeholders.

On 25 May 2011, Maple made a public announcement regarding its intention to initiate a unilateral offer to acquire TMX Group Inc. As at the LSEG Latest Practicable Date, such unilateral offer had not been initiated. The TMX Group Board has stated that it will review and respond to the formal Maple offer if and when it is made.

SECTION C: CERTAIN APPROVALS

The Merger Agreement, which is summarised in Part 9—"Summary of the Merger Agreement", sets out a number of conditions to Completion, including required approvals. The key approvals are described below.

Shareholder approvals

LSEG

At the LSEG Meeting scheduled to take place on 30 June 2011, LSEG Shareholders will be asked to vote to approve the LSEG Resolution. The approval of the LSEG Resolution will require the affirmative vote of a majority of the votes cast by LSEG Shareholders present in person or represented by proxy at the LSEG Meeting. Notwithstanding the approval by LSEG Shareholders of the LSEG Resolution, each of LSEG and TMX Group Inc. reserves the right not to proceed with the Merger in accordance with the terms of the Merger Agreement.

In addition, conditional on the passing of the LSEG Resolution and on, and with effect from, Completion, the following Ancillary LSEG Resolutions will be proposed at the LSEG Meeting:

(a) ordinary resolutions to:

  (i) increase the aggregate maximum remuneration payable to non-executive directors of Mergeco (excluding the Chairman) from £1.5 million to £2.0 million; and

  (ii) adopt a replacement authority for the Mergeco Directors to allot Mergeco Shares by reference to the issued share capital of LSEG as enlarged by the Merger; and

(b) special resolutions to:

  (i) change the name of LSEG to "LTMX Group plc";

  (ii) adopt a replacement share buy back authority by reference to the issued share capital of LSEG as enlarged by the Merger; and

  (iii) adopt a replacement authority disapplying pre-emption rights in relation to allotments of Mergeco Shares for cash consideration by reference to the issued share capital of LSEG as enlarged by the Merger.

Under the terms of the Merger Agreement, it is not a condition to Completion that the Ancillary LSEG Resolutions be approved.

The LSEG Circular sets out the terms of the LSEG Resolution and the Ancillary LSEG Resolutions in full.

TMX Group Inc.

At the TMX Group Meeting scheduled to take place on 30 June 2011, TMX Group Shareholders will be asked to vote to approve the Arrangement Resolution. The approval of the Arrangement Resolution will require the affirmative vote of at least two-thirds of the votes cast by TMX Group Shareholders present in person or represented by proxy at the TMX Group Meeting. The Arrangement Resolution must receive the requisite TMX Group Shareholder Approval in order for TMX Group Inc. to seek the Final Order and implement the Merger on the Effective Date in accordance with the Final Order and the Merger is conditional on TMX Group Inc. obtaining the Final Order. Notwithstanding the approval by TMX Group Shareholders of the Arrangement Resolution or the Final Order having been obtained, each of TMX Group Inc. and LSEG reserves the right not to proceed with the Merger in accordance with the terms of the Merger Agreement.

Regulatory approvals—Investment Canada Act Approval

Net benefit test

Under the Investment Canada Act, certain transactions involving the acquisition of control of a Canadian business by a non-Canadian are subject to review (a "***Reviewable Transaction***") and cannot be implemented unless the responsible Minister is satisfied that the transaction is likely to be of net benefit to Canada. The transaction contemplated by the Merger is a Reviewable Transaction under the Investment Canada Act. The obligation of LSEG to complete the Merger is conditional upon approval under the Investment Canada Act.

Procedure for a Reviewable Transaction

If a transaction is a Reviewable Transaction, an application for review must be filed with the Investment Review Division of Industry Canada and the approval of the Minister must be obtained prior to implementation of the Reviewable Transaction.

The submission of an application for review triggers an initial review period of up to 45 days. If the Minister has not completed the review by that date, the Minister may unilaterally extend the review period by up to a further 30 days (or such longer period as may be agreed to by the applicant).

The prescribed factors to be considered by the Minister in determining whether a Reviewable Transaction is likely to be of net benefit to Canada include, among other things, the effect of the investment on the economic activity in Canada (including the effect on employment, resource processing, utilisation of Canadian products and services and exports), the degree and significance of participation by Canadians in the acquired business, the effect of the investment on productivity, industrial efficiency, technological development, product innovation, product variety and competition in Canada, the effect of the investment on competition within an industry in Canada, the compatibility of the investment with national and provincial industrial, economic and cultural policies and the contribution of the investment to Canada's ability to compete in world markets. The Minister will also consider, among other things, the application for review and any written undertakings offered by the applicant to Her Majesty in right of Canada.

If, following his review, the Minister is not satisfied, or deemed to be satisfied, that a Reviewable Transaction is likely to be of net benefit to Canada, the Minister is required to send a notice to that effect to the applicant, advising the applicant of its right to make further representations and submit (additional) undertakings within 30 days from the date of such notice or any further period that may be agreed to by the applicant and the Minister.

Within a reasonable time after the expiry of the period for making representations and submitting undertakings as described above, the Minister shall send notice to the applicant that either the Minister is satisfied that the investment is likely to be of net benefit to Canada or confirmation that the Minister is not satisfied that the investment is likely to be of net benefit to Canada. In the latter case, the Reviewable Transaction may not be implemented.

Current status of Investment Canada Act Approval

On 29 April 2011, LSEG filed an application for review with the Investment Review Division of Industry Canada.

Information about LSEG's proposed Investment Canada Act undertakings are set out in Part 11— "Proposed Investment Canada Act undertakings".

As at the date of this document, Investment Canada Act Approval has not been obtained.

Modifications to undertakings

In connection with obtaining approval, it is possible that the terms of the undertakings to be provided by LSEG in relation to the Merger will be modified. The Merger Agreement sets out the commitment which LSEG has made to TMX Group Inc. in connection with variations to the undertakings. With respect to the undertakings related to corporate governance matters (including board structure, how the principal leadership roles in the Merged Group would be shared and where the Merged Group headquarters for the principal global business and support functions would be located) and undertakings as to minimum Canadian employment levels as agreed between the parties and certain other matters set out in the Merger Agreement, LSEG would be obliged to accept any changes emerging from the regulatory process which are of no substantive effect. With respect to the undertakings related to other matters, LSEG would be obliged to accept changes that are not material, either individually or in the aggregate, in relation to such matters. LSEG has further agreed to offer, accept and agree to additional undertakings in respect of matters that are not contemplated by the Merger Agreement and that are acceptable to LSEG, acting in good faith and reasonably. LSEG has not entered into any agreements or undertakings requiring it to make changes which are material to the terms of the Merger. In addition to the undertakings it agreed to provide pursuant to the Merger Agreement, LSEG may be required to provide additional undertakings in order to obtain Investment Canada Act Approval. Accordingly, the final undertakings to be given in connection with Investment Canada Act Approval may vary from those described in this document. Such final undertakings may be given after the LSEG Resolution has been passed. To the extent that any

amendments to the terms of the Merger are material LSEG shall seek a further approval from the LSEG Shareholders for the Merger.

Ontario Select Committee

It is the practice of the Investment Review Division of Industry Canada to consult with the governments of the Provinces affected by a proposed investment as part of the Investment Canada Act review process and prior to a determination by the Minister responsible for the Investment Canada Act that he or she is satisfied that the investment is likely to be of net benefit to Canada.

On 23 February 2011, the Legislative Assembly of Ontario appointed a special Select Committee, which included members of all the main political parties in Ontario, to consider and report its observations and recommendations concerning the impact and net benefit of the Merger to Canada, including Ontario, its economy and people, Toronto's financial services sector and Northern Ontario's mining industries. The Select Committee conducted hearings on 2, 3, 9 and 10 March 2011 to consider these matters. On 19 April 2011, the Select Committee's report was published, containing a number of recommendations with respect to regulatory and governance matters, including one that the number of directors ordinarily resident in Canada should always be equal to the number ordinarily resident in UK/Italy.

It is expected that the Minister responsible for the Investment Canada Act will consider the Select Committee's report and recommendations and the views of provincial governments and other interested parties in reaching any determination as to whether the Merger is likely to be of net benefit to Canada and whether undertakings may be required from LSEG as a condition of obtaining Investment Canada Act Approval which are in addition to or different from those provided for in the Merger Agreement. See Part 11—"Proposed Investment Canada Act undertakings". As well, the OSC has indicated that it will consider the Select Committee's report and recommendations during its review. See Part 10—"Regulation of the Merged Group".

Regulatory approvals—Securities Regulatory Approvals

The Merger requires approval by the OSC, as LSEG will be acquiring more than 10 per cent. of the voting shares of TMX Group Inc. and indirectly of TSX Inc. and approval by the AMF as LSEG will be acquiring more than 10 per cent. of the voting shares of both TMX Group Inc. and MX. In addition, approvals are required by the OSC, AMF, ASC and BCSC to effect changes to existing recognition orders to reflect the Merger.

Pursuant to the Merger Agreement, LSEG has agreed, in respect of obtaining the Securities Regulatory Approvals from the OSC, AMF, ASC and BCSC, to provide written undertakings to such securities regulators and to agree to amendments to the recognition orders of certain of TMX Group's exchanges. Additionally, LSEG will request confirmation from the OSC, AMF and Manitoba Securities Commission for the continuing application of exemptive relief in respect of TSX Venture Exchange. Approval of the SEC is also required for certain aspects of the Merger. A description of the proposed terms and conditions agreed between LSEG and TMX Group Inc. to obtain the Securities Regulatory Approvals are set out in Part 10—"Regulation of the Merged Group". The Merger is conditional on obtaining the Securities Regulatory Approvals.

As at the date of this document, the Securities Regulatory Approvals have not been obtained.

Undertakings and amendments to recognition orders

In connection with obtaining approvals, it is possible that the terms and conditions agreed between LSEG and TMX Group Inc. to obtain the Securities Regulatory Approvals will be modified. The Merger Agreement sets out the commitments which LSEG has made to TMX Group Inc. in connection with undertakings and variations to terms and conditions of recognition orders in connection with the Securities Regulatory Approvals. With respect to the terms and conditions related to corporate governance and certain other matters set out in the Merger Agreement, LSEG would be obliged to accept any changes emerging from the regulatory process which are of no substantive effect. With respect to the terms and conditions related to other matters contemplated by the Merger Agreement, LSEG would be obliged to accept changes that are not material, either individually or in the aggregate, in relation to such matters. LSEG has further agreed to offer, accept and agree to additional terms and conditions in respect of matters that are not contemplated by the Merger Agreement and that are acceptable to LSEG, acting in good faith and reasonably. LSEG has not entered into any agreements or undertakings requiring it to make changes which are material to the terms of the Merger. In addition to the undertakings, terms and

conditions it agreed to pursuant to the Merger Agreement, LSEG may be required to provide additional undertakings and agree to other changes in order to obtain the Securities Regulatory Approvals. Accordingly, the final terms and conditions required to obtain the Securities Regulatory Approvals may vary from those described in this document. Such final undertakings may be given after the LSEG Resolution has been passed. To the extent that any amendments to the terms of the Merger Agreement are material LSEG shall seek a further approval from the LSEG Shareholders for the Merger.

Status of Approvals by Canadian Securities Regulators

As outlined in further detail in Part 10—"Regulation of the Merged Group", LSEG and TMX Group Inc. (and MX in the case of the application to the AMF) made applications to each of the OSC, the AMF, the ASC and the BCSC on 13 May 2011 to amend and restate, as applicable, the recognition orders and exemption orders of TMX Group Inc. and TSX Inc., MX, CDCC and TSX Venture Exchange to reflect the Merger. The applications to the OSC and the AMF also request approval of the beneficial ownership by LSEG of all of the common shares of TMX Group Inc. and, indirectly, of TSX Inc. (in the case of the application to the OSC) and MX (in the case of the application to the AMF).

The OSC, AMF, ASC and BCSC each published the applications of TMX Group Inc. on 13 May 2011 and concurrently published a notice and request for comments within a 45 day comment period.

In the OSC's notice and request for comments, the OSC stated that it will determine whether it is in the public interest to make the requested orders and in doing so will impose any terms and conditions necessary to ensure that the OSC continues to have appropriate regulatory oversight of TMX Group Inc. and TSX going forward. In the AMF notice of public consultation, the AMF stated that it will make the requested decisions where it is of the opinion that it is in the public interest to do so, and specified guiding principles it will consider in this regard.

Each of the OSC, AMF, ASC and BCSC has identified certain specific issues for public comment. In the case of the OSC, these issues include: (i) whether Mergeco's proposed undertakings to the OSC provide for a sufficient degree of regulatory oversight by the OSC over the operations of TMX Group Inc., TSX Inc. and Mergeco; (ii) the appropriateness of the proposed undertakings by Mergeco in the context of governance over the operations of TMX Group Inc. and TSX Inc. both before and after the fourth anniversary of Completion (being the date on which it is proposed that the undertakings to the ICA should terminate); (iii) whether the OSC should have certain approval rights in relation to future changes in the composition of the Mergeco Board under the proposed "permitted adjustment" mechanism prior to the fourth anniversary of Completion and after such date pursuant to the proposed test for changes to board composition (which under the proposed arrangements, described in Part 10—"Regulation of the Merged Group", would each be matters for the Mergeco Board to determine); and (iv) whether the OSC should have the authority to approve ownership or control of more than 10 per cent. of Mergeco's Shares. A general consideration was also set out as to whether TMX Group Inc., TSX Inc. or any other part of TMX Group is a strategic asset or infrastructure for Canada and if so what implications this should have for the review by the OSC.

In the case of the AMF the issues for comment include: (i) whether the AMF should have approval rights with respect to a proposal by a potential acquirer to acquire or increase control of Mergeco and if so at what percentage thresholds the AMF should have approval rights; (ii) whether the proposed governance undertakings are sufficient (with a particular emphasis on matters that may be relevant to Quebec); (iii) the adequacy of governance arrangements below Mergeco level; and (iv) whether the fact that CDCC would be held or controlled indirectly by foreign interests raises issues that could affect the integrity and efficient operation of Canadian derivatives markets.

Accordingly, a number of the proposed undertakings and amendments to existing recognition orders contemplated by the Merger Agreement and reflected in the applications made to the OSC and the AMF (in particular in relation to Mergeco Board governance and share ownership restrictions) will be under consideration in the context of the public consultation process. See Part 10—"Regulation of the Merged Group" for a description of the existing recognition orders and the proposed undertakings and amendments to existing recognition orders contemplated by the Merger Agreement.

During the comment period, members of the public are invited to submit written comments with respect to the applications. Shortly after the end of such comment period, the OSC and the AMF will each hold public hearings with respect to the applications. The OSC expects to hold public hearings in July 2011 and the AMF will hold public hearings on 14 and 15 July 2011. Depending on the outcome of this process, it is possible that the terms and conditions agreed between LSEG and TMX Group Inc. to obtain the Securities

Regulatory Approvals may be required to be modified by the securities regulatory authorities, as a condition of granting the requested rulings. Accordingly, the final terms and conditions required to obtain the Securities Regulatory Approvals may vary from those described in this document. See Part 10—"Regulation of the Merged Group".

Regulatory approvals—anti-trust approvals

Canadian Competition Act approval

Part IX of the Competition Act requires that the parties to certain transactions that exceed the thresholds set out in sections 109 and 110 of the Competition Act ("***Notifiable Transactions***") provide the Commissioner with prior written notice of the transaction. Subject to certain limited exceptions, the parties to a Notifiable Transaction cannot complete such transaction until they have provided to the Commissioner the information prescribed pursuant to subsection 114(1) of the Competition Act and the applicable waiting period pursuant to section 123 of the Competition Act has expired or been terminated or an appropriate waiver has been provided by the Commissioner. The waiting period is 30 calendar days after the day on which the parties to the transaction submit the prescribed information, provided that, before the expiry of this period, the Commissioner has not notified the parties pursuant to subsection 114(2) of the Competition Act that she requires additional information that is relevant to the Commissioner's assessment of the transaction (a "***Supplementary Information Request***"). If the Commissioner provides the parties with a Supplementary Information Request, the parties cannot complete the transaction until 30 calendar days after compliance with the Supplementary Information Request and may not complete the transaction after that 30 day period if there is any order in effect prohibiting completion of the transaction at that time. A transaction may be completed before the end of the applicable waiting period if the Commissioner notifies the parties (either by issuing an ARC issued by the Commissioner under subsection 102 of the Competition Act or a No-Action Letter) that he or she does not, at such time, intend to challenge the transaction by making an application under section 92 of the Competition Act.

Alternatively, or in addition to filing the prescribed information, a party to a Notifiable Transaction may apply to the Commissioner for: (i) an ARC; or (ii) a No-Action Letter and an exemption from the pre-merger notification obligation under paragraph 113(c) of the Competition Act. The Commissioner may issue either an ARC or No-Action Letter in respect of a proposed transaction if she is satisfied that there are not sufficient grounds on which to apply to the Competition Tribunal for an order under section 92 of the Competition Act.

Upon completion of her review, the Commissioner may decide to: (i) challenge a Notifiable Transaction, if the Commissioner concludes that it is likely to substantially prevent or lessen competition, and seek an order of the Competition Tribunal (a) prohibiting the completion of the Notifiable Transaction on an interim or permanent basis, (b) requiring the divestiture of shares or assets or the dissolution of the Notifiable Transaction, if it has been completed, and/or (c) with the consent of the person against whom the order is directed, requiring that person to take any other action; (ii) issue a No-Action Letter advising the parties that the Commissioner does not intend to challenge the Notifiable Transaction at that time (but that she retains the authority to do so for one year after completion of the Notifiable Transaction); (iii) issue an ARC; or (iv) allow the waiting period to expire without doing any of the foregoing. Where an ARC is issued and the Notifiable Transaction to which the ARC relates is substantially completed within one year after the ARC is issued, the Commissioner cannot seek an order of the Competition Tribunal in respect of the Notifiable Transaction solely on the basis of information that is the same or substantially the same as the information on the basis of which the ARC was issued.

Pursuant to the Merger Agreement, Canadian Competition Act approval will be obtained if either: (i) the Commissioner shall have issued an ARC; or (ii) the applicable waiting period under section 123 of the Competition Act shall have expired or been terminated by the Commissioner, or the obligation to submit a notification shall have been waived under paragraph 113I of the Competition Act, and in either case, the Commissioner shall have issued a No-Action Letter; and the ARC or No-Action Letter referred to above has not been modified or withdrawn.

The Merger is a Notifiable Transaction under the Competition Act and, as such, LSEG and TMX Group Inc. must comply with the merger notification provisions of the statute. TMX Group Inc. and LSEG submitted a request for an ARC or No-Action Letter to the Commissioner on 19 April 2011. The parties also filed the information prescribed pursuant to subsection 114(1) of the Competition Act with the Commissioner on 6 May 2011.

The obligations of TMX Group Inc. and LSEG to complete the Merger are conditional upon Competition Act approval.

As at the date of this document, Competition Act approval has not been obtained.

US anti-trust approval

Under the HSR Act, the parties to certain transactions involving the acquisition of voting securities, certain non-corporate interests or assets are required to notify the Premerger Notification Office of the FTC and the US DOJ that the transaction is proposed and observe a statutory waiting period. Both parties to a reportable transaction must file a Notification and Report Form (the "***Notification Form***") with the FTC and the US DOJ. Once each of the FTC and US DOJ has received a Notification Form from both parties, and the applicable filing fee has been paid, a 30 day waiting period ensues during which time the FTC and the US DOJ will assess whether the proposed transaction violates anti-trust laws. Although the waiting period is generally 30 days, the filing parties may request early termination of the waiting period.

If either the FTC or the US DOJ determines during the waiting period that further inquiry is necessary, either agency may request additional information or documentary materials from any person who has filed a Notification Form in respect of the proposed transaction. Such a second request extends the waiting period for a specified period, usually 30 days after all parties have complied with the request for additional information or documentary materials.

The transaction contemplated by the Merger is reportable under the HSR Act and each of LSEG and TMX Group Inc. have filed Notification Forms with the FTC and US DOJ on 5 April 2011, and requested early termination of the 30 day waiting period. The obligation of both parties to complete the Merger is subject to the condition that the waiting period will have expired or been terminated by the FTC and the US DOJ.

Private parties may also bring legal action under the US anti-trust laws under certain circumstances. There can be no assurance that a challenge to the Merger on anti-trust grounds will not be made or, if such a challenge is made, of the result thereof.

On 15 April 2011, the FTC and the US DOJ granted early termination of the waiting period under the HSR Act and the anti-trust regulatory requirements in the US in relation to the Merger have been cleared.

UK anti-trust approval

Under the UK Enterprise Act 2002, the OFT has the power to review certain qualifying mergers where either: (i) the UK turnover of the target company is more than £70 million; or (ii) the parties' combined UK share of a particular class of goods or services is more than 25 per cent. and the transaction results in an increase in that share.

The UK Enterprise Act 2002 establishes a two-phase administrative procedure for merger control, involving the OFT and the UK Competition Commission ("***CC***"). The OFT has a duty to refer mergers (anticipated or completed) to the CC where it believes that it is or may be the case that a merger has resulted or may be expected to result in a "substantial lessening of competition".

The parties can choose to submit a merger notice or an informal submission to the OFT. The OFT should come to a decision within 30 or 40 working days respectively (depending on the form of the initial notification). The OFT has the power to "stop the clock" for information requests and can take longer to come to its decision under its administrative timetable, though there is no particular reason to believe that it would take longer in relation to the Merger which, in the view of the parties' advisers, does not raise complex or novel issues for the OFT. At the end of its review phase, the OFT can decide to approve the transaction unconditionally, approve it with remedies or refer the transaction to the CC for a further in-depth merger review (which can last an additional six to nine months). At the end of the CC review period, the CC can decide to approve the transaction unconditionally, approve it with remedies or prohibit the transaction. The parties and third parties (who have sufficient interest in the case) have the right to appeal either the OFT or the CC decision to a specialist competition body, the Competition Appeal Tribunal, provided they do so within four weeks of the disputed decision (as set forth in section 120 of the UK Enterprise Act 2002).

LSEG submitted an informal submission to the OFT on 18 May 2011.

As at the date of this document, UK anti-trust approval has not been obtained.

SECTION D: MERGER IMPLEMENTATION

Plan of Arrangement terms

The Merger is being implemented pursuant to a plan of arrangement under the laws of Ontario, a court approved process similar to a members scheme of arrangement under the Companies Act.

Pursuant to the terms of the Plan of Arrangement, the Merger will occur on the Effective Date, which is currently expected to be in autumn 2011. The Merger is subject to the satisfaction or waiver of the conditions to the Merger, the key conditions being as described in section C of this Part 8—"Description of the Merger".

To give effect to the Plan of Arrangement, the Articles of Arrangement will be filed with the OBCA Director and a Certificate of Arrangement will be issued. Upon the Merger becoming effective, the following steps will occur and will be deemed to occur in the sequence and at the times set out in the Plan of Arrangement:

Effect of the Merger on Non-Rollover Shares

Each outstanding TMX Group Share other than:

(i) an Exchangeable Elected Share;

(ii) TMX Group Shares held by LSEG or any affiliate thereof; and

(iii) TMX Group Shares held by any affiliate of TMX Group Inc.,

will be transferred by the holder thereof to Exchangeco in exchange for 2.9963 New Shares.

Effect of the Merger on Exchangeable Elected Shares

Each outstanding Exchangeable Elected Share will be transferred by the holder thereof to Exchangeco in exchange for 2.9963 Exchangeable Shares (and Ancillary Rights).

Execution of Exchangeable Share Support Agreement, Voting and Exchange Trust Agreement and Callco Agreement

At the same time as the share exchanges set out above:

(i) LSEG, Callco and Exchangeco will execute the Exchangeable Share Support Agreement;

(ii) LSEG, Interco, Exchangeco, Jerseyco and the Trustee will execute the Voting and Exchange Trust Agreement;

(iii) in accordance with the Voting and Exchange Trust Agreement, Mergeco will issue to Jerseyco a number of New Shares equal to the number of Exchangeable Shares referred to in and for the purposes described in such agreement; and

(iv) LSEG, Callco and Exchangeco will execute the Callco Agreement.

Effect of the Merger on TMX Group Options

Subject to applicable laws and regulatory requirements, each outstanding TMX Group Option that has not been duly exercised prior to the Effective Time shall be exchanged for an option granted by Mergeco to acquire a number of New Shares equal to the product of 2.9963 multiplied by the number of TMX Group Shares, subject to such TMX Group Option. Each such Replacement Option will provide for an exercise price per New Share equal to the exercise price per TMX Group Share of such TMX Group Option immediately prior to the Effective Time divided by 2.9963. If the foregoing calculation results in the total Replacement Options of any particular grant of a particular holder being exercisable for a fraction of a New Share, the total number of New Shares, subject to such holder's total Replacement Options of that grant, will be rounded down to the next whole number of New Shares and the total exercise price for such Replacement Options will be reduced by the exercise price of the fractional New Share. The terms as to expiry, conditions to and manner of exercising, vesting schedule and all other terms and conditions of a Replacement Option will be the same as the TMX Group Option for which it is exchanged, and any document or agreement previously evidencing a TMX Group Option shall thereafter evidence, and be deemed to evidence, such Replacement Option. Notwithstanding the foregoing, the exercise price per New Share of each Replacement Option shall be increased by LSEG, if necessary, to ensure that the excess (if

any) of (i) the aggregate fair market value of the New Shares underlying such Replacement Option immediately following the exchange over (ii) the aggregate exercise price of such Replacement Option otherwise determined does not exceed the excess (if any) of (iii) the aggregate fair market value of the TMX Group Shares underlying the corresponding TMX Group Option immediately before the exchange over (iv) the aggregate exercise price of such TMX Group Option, where all such amounts are computed in Canadian dollars. See under the heading "Treatment of options" contained within Part 13—"Directors and officers of Mergeco".

Exchangeable Share structure

Please see Part 12—"Exchangeable Share structure" for information regarding the Exchangeable Share structure.

Dissent rights

TMX Group Shareholders may dissent in respect of the Arrangement Resolution under section 185 of the OBCA (as modified by the Plan of Arrangement and the Interim Order). If the Merger is completed, dissenting TMX Group Shareholders who comply with the procedures set forth in the OBCA (as modified by the Plan of Arrangement and the Interim Order) will be entitled to be paid the fair value of their TMX Group Shares.

It is a condition to LSEG's obligation to complete the Merger that the total number of TMX Group Shares with respect to which dissent rights have been properly exercised does not exceed 2 per cent. of the outstanding TMX Group Shares as of the Effective Date.

Court approval and Completion

An arrangement under the OBCA requires Court approval. Prior to the date of this document and the mailing of the TMX Group Circular, TMX Group Inc. obtained the Interim Order, which provides for the calling and holding of the TMX Group Meeting, dissent rights for TMX Group Shareholders and other procedural matters. Subject to the approval of the Arrangement Resolution by TMX Group Shareholders at the TMX Group Meeting, the hearing in respect of the Final Order is currently scheduled to take place on 5 July 2011.

TMX Group Inc. and LSEG will complete the Merger when all of the conditions required for Completion have been satisfied or waived. TMX Group Inc. and LSEG are working toward satisfying these conditions and completing the Merger as quickly as possible. It is currently expected that the Merger will complete in the autumn of 2011. Because the Merger is subject to a number of conditions beyond the control of TMX Group Inc. and LSEG, the exact timing cannot be predicted.

SECTION E: ADMISSION, LISTINGS AND ONGOING REPORTING OBLIGATIONS

Admission and stock exchange listings

LSEG will apply to the FSA for the Existing Shares (referred to after Completion as Mergeco Shares) to be re-admitted and the New Shares (referred to after Completion as Mergeco Shares) issuable pursuant to the Merger (including the New Shares issuable upon exercise of Replacement Options) to be admitted to listing on the premium segment of the Official List. LSEG will apply to the London Stock Exchange for the Existing Shares to be re-admitted and the New Shares issuable pursuant to the Merger (including the New Shares issuable upon exercise of Replacement Options) to be admitted to trading on the Main Market of the London Stock Exchange.

TMX Group Shares will be delisted from TSX as soon as practicable following Completion.

Information in relation to the number of Mergeco Shares in issue before and after Admission is set out in the table below:

Number of Existing Shares in issue as at 30 May 2011[1]	271,108,651
Maximum number of New Shares to be issued pursuant to the Merger	223,529,858
Maximum number of Mergeco Shares in issue upon Admission[2]	494,638,509
New Shares as a percentage of the enlarged issued share capital of LSEG[3]	45 per cent.

Notes:

(1) The LSEG Latest Practicable Date.

(2) Based on LSEG's and TMX Group Inc.'s issued share capital as at the LSEG Latest Practicable Date, 223,529,858 New Shares will be issued pursuant to the Merger (including New Shares to be issued to Jerseyco as described in Part 12—"Exchangeable Share Structure") assuming that (i) no options to acquire Existing Shares are exercised or Existing Shares issued under the LSEG Employee Share Plans and (ii) no options to acquire TMX Group Shares are exercised between the LSEG Latest Practicable Date and Admission of the New Shares.

(3) This is based on 494,638,509 Mergeco Shares in issue upon Admission (see note (2) above).

Ongoing reporting obligations

Mergeco

Following Completion, Mergeco will become a reporting issuer in each province and territory of Canada and, as such, Mergeco will be required to comply with the continuous and other timely disclosure requirements and securities rules under relevant Canadian Securities laws and TSX Listing Rules in addition to the requirements under the UK Listing Rules, the Disclosure and Transparency Rules and the Prospectus Rules.

Mergeco will not be a "designated foreign issuer" as defined in National Instrument 71-102—*Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*, which would have allowed it to be generally exempt from Canadian statutory financial and other continuous and timely reporting requirements.

The principal additional continuous and other timely disclosure requirements under Canadian continuous disclosure and securities rules applying to Mergeco following Completion will require the publication of:

- quarterly unaudited financial statements and related management's discussion and analysis;
- annual information forms (which provide a comprehensive overview of the Merged Group, as well as its history, operations, prospects and risks);
- Chief Executive Officer and Chief Financial Officer certifications with respect to annual and interim filings;
- material change reports (in respect of material changes in the business, operations or capital of Mergeco); and
- business acquisition reports (including financial statements and pro forma financial statements) in respect of significant acquisitions.

Additionally, Mergeco will be required to comply with Canadian legal requirements under MI 61-101. MI 61-101 imposes various requirements in the context of insider bids, issuer bids, business combinations and related party transactions, with a particular focus on addressing the conflicts of interest inherent in these transactions and providing safeguards in respect of these conflicts. MI 61-101 requires enhanced disclosure

in connection with these transactions and, depending on the nature of the transaction, may also require a formal valuation to be prepared by a qualified independent valuator and approval of the transaction by a majority of minority (disinterested) security holders.

Exchangeco

Following Completion, Exchangeco will become a reporting issuer in each province and territory of Canada.

Pursuant to section 13.3 of NI 51-102, Exchangeco will be exempt from Canadian continuous disclosure requirements, so long as the requirements of section 13.3 of NI 51-102 are satisfied, including that Exchangeco sends to Exchangeable Shareholders in the manner and at the time required by Canadian Securities laws, all financial and other continuous disclosure documents that Mergeco sends to Mergeco Shareholders.

TMX Group

TMX Group Inc. will apply to the securities regulatory authorities in Canada to cease to be a reporting issuer following Completion.

Shareholder disclosure obligations

United Kingdom

Under the Disclosure and Transparency Rules, there are requirements, subject to certain exemptions, that holders and persons interested, directly or indirectly, in voting rights in an issuer to disclose their interests in shares or related qualifying financial instruments. These rules will apply in relation to all Mergeco Shares. The rules will also apply to persons interested in the Exchangeable Shares.

The rules require Mergeco Shareholders and Exchangeable Shareholders (or those with rights to acquire Mergeco Shares or Exchangeable Shares) to inform Mergeco of changes in major holdings in Mergeco Shares or Exchangeable Shares. Mergeco then has an obligation to disseminate this information to the wider market (by the end of the trading day following receipt of the information). This notification requirement will be triggered by direct or indirect Mergeco Shareholders or Exchangeable Shareholders if:

(a) they have a notifiable interest (including by way of certain financial instruments) in holdings of 3 per cent. or above of Mergeco's total voting rights and capital in issue (for which purposes interests in Exchangeable Shares will be treated as interests in Mergeco's voting rights by virtue of the voting mechanism described in Part 12—"Exchangeable Share structure"); and

(b) their voting rights reach, exceed or fall below 3 per cent., and each 1 per cent. thereafter.

To assist holders in calculating their percentage holdings, Mergeco is required to disclose, at the end of each calendar month during which an increase or decrease has occurred, the total number of voting rights and capital for its ordinary shares and the total number of voting rights for its ordinary shares held in treasury.

Mergeco may issue a Part 22 Notice pursuant to section 793 of the Companies Act whereby it requires a person that Mergeco knows is, or has reasonable cause to believe is or was during the preceding three years, interested in its Mergeco Shares (or Exchangeable Shares) to confirm whether or not that is correct. If that person does or did hold an interest in Mergeco Shares (or Exchangeable Shares), Mergeco may request in the Part 22 Notice that the person provide certain information as set out in the Companies Act.

The Takeover Code also contains strict disclosure requirements with regard to dealings in the securities of an offeror or offeree company on all parties to a takeover and to their respective associates during the course of an offer period.

Mergeco Shareholders and Exchangeable Shareholders requiring guidance on the requirements set out above should seek their own legal advice.

Canada

The rules under the Disclosure and Transparency Rules and Takeover Code regarding disclosure of shareholdings, as described above, are more onerous than the Canadian shareholder disclosure rules, referred to as the "early warning regime". Under the Canadian early warning regime, every person who

acquires beneficial ownership of, or the power to exercise control or direction over, voting or equity securities of any class of a reporting issuer that, together with the securities of that class already owned by such person or company, would constitute 10 per cent. or more of the outstanding securities of the class must disclose the acquisition. The disclosure includes the prompt filing of a news release and an early warning report within two Business Days of reaching the 10 per cent. threshold. After the initial report, such person or company must make further disclosure of every increase of 2 per cent. or more in its holdings or a change in any material fact in the information contained in a previously filed report.

PART 9

SUMMARY OF MERGER AGREEMENT

This Part 9—"Summary of the Merger Agreement" provides a summary of the material terms of the Merger Agreement.

Parties

The Merger Agreement was entered into on 9 February 2011 between LSEG and TMX Group Inc. and is governed by the laws of the Province of Ontario and the laws of Canada applicable thereon. The Merger Agreement sets out the arrangements for the implementation of the Merger and certain matters ancillary to it.

Representations and warranties

The Merger Agreement contains a number of customary and mutual representations and warranties of TMX Group Inc. and LSEG relating to: (i) organisation and qualification; (ii) authority relative to the Merger Agreement; (iii) absence of conflict or breach and required filings and consents; (iv) Subsidiaries; (v) compliance with laws; (vi) Authorisations; (vii) capitalisation and listing; (viii) absence of shareholder agreements and similar agreements; (ix) reporting issuer status; (x) US securities law matters; (xi) public disclosure; (xii) stock exchange or listing authority compliance, as applicable; (xiii) financial statements; (xiv) absence of undisclosed liabilities; (xv) real property; (xvi) personal property; (xvii) intellectual property; (xviii) employment matters; (xix) absence of certain changes or events; (xx) litigation; (xxi) taxes; (xxii) books and records; (xxiii) insurance; (xxiv) non-arm's length transactions; (xxv) benefit plans; (xxvi) restrictions on business activities; (xxvii) material contracts; and (xxviii) brokers and expenses. The Merger Agreement also contains additional representations and warranties of LSEG relating to: (i) Exchangeco and Callco; and (ii) the issuance of Mergeco Shares.

Covenants

Covenants of TMX Group Inc. regarding the conduct of business

TMX Group Inc. has agreed that prior to the Effective Date, unless otherwise agreed to in writing by LSEG, the business of TMX Group will be conducted only in the ordinary course of business.

TMX Group Inc. has agreed to certain restrictions regarding the conduct of its business, including with respect to: (i) issuing securities of TMX Group Inc. and its Subsidiaries; (ii) except in the ordinary course of business, selling, pledging, leasing, disposing of, mortgaging, licensing, encumbering or otherwise transferring assets having a value greater than C$30,000,000 in the aggregate; (iii) amending or proposing to amend its articles, by-laws or other constitutional documents; (iv) splitting, combining or reclassifying TMX Group Shares, or to the extent prejudicial to the Merger or to LSEG, the securities of any of TMX Group's Subsidiaries; (v) redeeming, purchasing or offering to purchase any of the TMX Group Shares or, to the extent prejudicial to the Merger or to LSEG, the securities of any of TMX Group's Subsidiaries; (vi) the declaration or payment of dividends other than as specified in the Merger Agreement; (vii) reorganising, amalgamating or merging with any other person or, to the extent prejudicial to the Merger or to LSEG, reorganising, amalgamating or merging any of TMX Group's Subsidiaries with any other person; (viii) reducing the stated capital of the TMX Group Shares or, to the extent prejudicial to the Merger or to LSEG, any of the shares of TMX Group's Subsidiaries; (ix) other than cash management investments made in accordance with existing cash management policies and practices, acquisitions, investments, property transfers or purchases of any property or assets having a value greater than C$60,000,000 in the aggregate; (x) except in the ordinary course of business, incurring indebtedness (except for refinancing or replacing TMX Group's current credit facilities); (xi) any liquidation or dissolution of TMX Group Inc. or any of its non-dormant Subsidiaries; (xii) the settlement of liabilities other than in the ordinary course of business, where the liability is greater than C$10,000,000, or any payment of fees relating to the Merger; (xiii) taking or failing to take any actions in a manner adversely affecting Authorisations; (xiv) taking or failing to take any actions in a manner that prevents, materially delays or materially impedes the ability of TMX Group Inc. or LSEG to complete the Merger; (xv) except in the ordinary course of business (consistent with past practice), increasing or accelerating any compensation or benefits for directors, officers and employees of TMX Group; (xvi) other than in the ordinary course of business, entering into or materially amending any Material Contracts; (xvii) incurring capital expenditures involving payments in aggregate in excess of C$100,000,000; (xviii) maintenance of

insurance policies; (xix) maintenance and preservation of Authorisations; (xx) filing of Tax Returns; (xxi) withholding, collection, remittance and payment of taxes; (xxii) settling material disputes relating to taxes; and (xxiii) amending Tax Returns.

Covenants of TMX Group Inc. relating to the Merger

TMX Group Inc. has agreed to use commercially reasonable best efforts to perform all obligations required to be performed by TMX Group Inc. or any of its Subsidiaries under the Merger Agreement, co-operate with LSEG in connection therewith, and to do all other acts and things as may be necessary or desirable in order to complete and make effective as soon as reasonably practicable the transactions contemplated by the Merger Agreement.

Covenants of LSEG regarding the conduct of business

LSEG has agreed that prior to the Effective Date, unless otherwise agreed to in writing by TMX Group Inc., the business of LSEG and its Subsidiaries will be conducted only in the ordinary course of business.

LSEG has agreed to certain restrictions regarding the conduct of its business, including with respect to: (i) issuing securities of LSEG and its Subsidiaries; (ii) except in the ordinary course of business, selling, pledging, leasing, disposing of, mortgaging, licensing, encumbering or otherwise transferring assets having a value greater than C$30,000,000 in the aggregate; (iii) amending or proposing to amend its articles, by-laws or other constitutional documents; (iv) splitting, combining or reclassifying Existing Shares or, to the extent prejudicial to the Merger or to TMX Group Inc., the securities of any of LSEG's Subsidiaries; (v) redeeming, purchasing or offering to purchase any of the Existing Shares or, to the extent prejudicial to the Merger or to TMX Group Inc., the securities of any of LSEG's Subsidiaries; (vi) the declaration or payment of dividends other than as specified in the Merger Agreement; (vii) reorganising, amalgamating or merging with any other person or, to the extent prejudicial to the Merger or to TMX Group Inc., reorganising, amalgamating or merging any of LSEG's Subsidiaries with any other person; (viii) reducing the stated capital of Existing Shares or, to the extent prejudicial to the Merger or to TMX Group Inc., any of the shares of LSEG's Subsidiaries; (ix) other than cash management investments made in accordance with existing cash management policies and practices, acquisitions, investments, property transfers or purchases of any property or assets having a value greater than C$60,000,000 in the aggregate; (x) except in the ordinary course of business, incurring indebtedness (except for refinancing or replacement of LSEG's current credit facilities); (xi) any liquidation or dissolution of LSEG or any of its non-dormant Subsidiaries; (xii) the settlement of liabilities other than in the ordinary course of business, where the liability is greater than C$10,000,000, or any payment of fees relating to the Merger; (xiii) taking or failing to take any actions in a manner adversely affecting Authorisations; (xiv) taking or failing to take any actions in a manner that prevents, materially delays or impedes the ability of LSEG or TMX Group Inc. to complete the Merger; (xv) except in the ordinary course of business (consistent with past practice), increasing or accelerating any compensation or benefits for directors, officers and employees of LSEG or its Subsidiaries; (xvi) other than in the ordinary course of business, entering into or materially amending any Material Contracts; (xvii) incurring capital expenditures involving payments in aggregate in excess of C$100,000,000; (xviii) maintenance of insurance policies; (xix) maintenance and preservation of Authorisations; (xx) filing of Tax Returns; (xxi) withholding, collection, remittance and payment of taxes; (xxii) settling material disputes relating to taxes; and (xxiii) amending Tax Returns.

Covenants of LSEG relating to the Merger

LSEG has agreed to use commercially reasonable efforts to perform all obligations required to be performed by LSEG or any of its Subsidiaries under the Merger Agreement, to co-operate with TMX Group Inc. in connection therewith, and do all other acts and things as may be necessary or desirable in order to complete and make effective as soon as reasonably practicable the transactions contemplated by the Merger Agreement.

Regulatory Approvals

TMX Group Inc. and LSEG have agreed to proceed diligently, in a co-ordinated fashion, to apply for and seek to obtain the Regulatory Approvals.

In furtherance of obtaining Investment Canada Act Approval, LSEG has agreed to offer, accept and agree to:

- a list of undertakings related to corporate governance matters (including board structure, how the principal leadership roles in the Merged Group will be shared and where the Merged Group headquarters for the principal global business and support functions would be located) as set out and appended to the Merger Agreement and any undertaking as to minimum Canadian employment levels as agreed between TMX Group Inc. and LSEG and certain other matters set out in the Merger Agreement, subject to changes of no substantive effect;
- other customary undertakings as agreed between TMX Group Inc. and LSEG, subject to changes that are not material, either individually or in the aggregate, in relation to such agreed undertakings; and
- additional undertakings, terms and conditions that are not contemplated by the Merger Agreement that are acceptable to LSEG, acting in good faith and reasonably.

In furtherance of obtaining Securities Regulatory Approvals, LSEG has agreed to offer, accept and agree to:

- certain terms and conditions related to corporate governance and certain other matters as set out in and appended to the Merger Agreement, subject to changes of no substantive effect;
- additional terms and conditions appended to the Merger Agreement (save for those covered by the paragraph above), subject to changes that are not material, either individually or in the aggregate, in relation to such agreed terms and conditions; and
- additional undertakings, terms and conditions that are not contemplated by the Merger Agreement that are acceptable to LSEG, acting in good faith and reasonably.

See under the heading "Certain approvals" in section C of Part 8—"Description of the Merger", Part 10—"Regulation of the Merged Group" and Part 11—"Proposed Investment Canada Act undertakings."

No Regulatory Approval shall be considered to have been obtained unless it is on terms satisfactory to each of TMX Group Inc. and LSEG, acting reasonably, provided, however, that certain of the undertakings, terms and conditions appended to the Merger Agreement are deemed to be satisfactory to each of the parties. For the avoidance of doubt, LSEG will be entitled to take the position that the Investment Canada Act Approval and the Securities Regulatory Approvals will not have been obtained on satisfactory terms if any of the abovementioned undertakings or terms and conditions, as the case may be, are imposed that do not satisfy the applicable standard set out for each undertaking or terms and conditions, as the case may be, in the Merger Agreement. No Regulatory Approval shall be considered to have been obtained if an appeal, stop-order, stay or revocation (or proceeding seeking an appeal, stop-order, stay or revocation) has been instituted or threatened after the granting of any Regulatory Approval and remains outstanding or subject to final judgment or adjudication prior to the filing of the Articles of Arrangement and receipt of the Certificate of Arrangement.

Corporate governance

The parties have agreed to take all actions to ensure that as of the Effective Date:

- the Mergeco Board shall have 15 directors, including seven nominees of TMX Group Inc. and eight nominees of LSEG;
- the eight nominees of LSEG shall include the persons who are, respectively, the LSEG Chairman and the Chief Executive Officer of LSEG and the Chief Executive Officer of Borsa Italiana, in each case, immediately before the Effective Date;
- the seven nominees of TMX Group Inc. shall include the persons who are, respectively, the Chairman, the Chief Executive Officer and the Chief Financial Officer of TMX Group Inc. immediately before the Effective Date and four independent Canadian Directors of TMX Group Inc.;
- the membership of the Mergeco Board committees will be substantially proportionate to the percentage of TMX Group Inc. and LSEG nominees to the Mergeco Board, respectively, and at least one of the standing Mergeco Board committees shall be chaired by a current TMX Group Inc. director;

- one-third of Mergeco Board meetings shall be held in Canada (rounded down) and a majority of the Mergeco Board meetings will be held in the UK;
- the position of the Chief Executive Officer of Mergeco will be filled by the person who is, immediately before the Effective Date, the Chief Executive Officer of LSEG;
- the position of the President of Mergeco will be filled by the person who is, immediately before the Effective Date, the Chief Executive Officer of TMX Group Inc.;
- the position of the Chairman of Mergeco will be filled by the person who is, immediately before the Effective Date, the Chairman of TMX Group Inc.;
- the positions of the Deputy Chairmen of Mergeco will be filled by the persons who are, immediately before the Effective Date, the LSEG Chairman and the Deputy Chairman of LSEG;
- the position of Chief Financial Officer of Mergeco will be filled by the person who is, immediately before the Effective Date, the Chief Financial Officer of TMX Group Inc.;
- the positions on the executive committee of Mergeco and the persons filling such roles will include: Chief Executive Officer—Xavier Rolet, Chief Executive Officer of LSEG; President—Thomas Kloet, Chief Executive Officer of TMX Group Inc.; Chief Financial Officer—Michael Ptasznik, Chief Financial Officer of TMX Group Inc.; and director—Raffaele Jerusalmi, Chief Executive Officer of Borsa Italiana;
- the position of the Chairman of London Stock Exchange shall be filled by the person who is, immediately before the Effective Date, the LSEG Chairman. The Chairman of London Stock Exchange, from time to time, will be a UK resident and Mergeco shall be entitled to amend the articles of association of London Stock Exchange to reflect such matter; and
- the positions of the Chairman of TMX Group Inc. and TSX Inc. shall be filled by the persons who are, immediately before the Effective Date, the chairmen of TMX Group Inc. and TSX Inc., respectively. The Chairman of TMX Group Inc., from time to time, will be a Canadian resident and Mergeco shall be entitled to amend the articles of TMX Group Inc. and TSX Inc. to reflect such matter.

Mergeco shall ensure that, from and after the Effective Date, Mergeco and Exchangeco are in compliance with applicable Canadian securities laws and standards.

Non-solicitation

Each of LSEG and TMX Group Inc. have agreed not to, directly or indirectly, do any of the following:

- solicit, assist, initiate, encourage or otherwise facilitate (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiries, proposals or offers relating to any Acquisition Proposal;
- engage in, continue or otherwise participate in any discussions or negotiations with any person regarding any Acquisition Proposal;
- approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal;
- accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal; or
- make a TMX Group Change in Recommendation or an LSEG Change in Recommendation, as applicable.

At the time of entering into the Merger Agreement, each of LSEG and TMX Group Inc. agreed to:

- immediately cease and cause to be terminated any existing solicitation, encouragement, discussion or negotiation with any person (other than the other party) conducted by such party or any of its Subsidiaries or representatives with respect to any Acquisition Proposal;
- discontinue access to any confidential information;
- request, and exercise all rights it has to require, the return or destruction of all confidential information previously provided to any such person or any other person to the extent such information has not already been returned or destroyed;

- not release any third party from any confidentiality, non-solicitation or standstill agreement, or terminate, modify, amend or waive the terms thereof; and
- enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that such party or any of its Subsidiaries has entered into prior to the date thereof, except to allow a person to propose an Acquisition Proposal to the party.

TMX Group Inc. and LSEG have each agreed to immediately provide notice to the other party of any Acquisition Proposal or any proposal, inquiry or offer that could lead to an Acquisition Proposal or any amendments to the foregoing or any request for non-public information relating to it or any of its Subsidiaries in connection with such an Acquisition Proposal or for access to the properties, books or records of such party or any of its Subsidiaries by any person that informs such party, any member of the LSEG Board or the TMX Group Board, as applicable, or any of such party's Subsidiaries that it is considering making, or has made, an Acquisition Proposal. Such notice to the other party shall be made, from time to time, at first immediately, orally, and then promptly (and in any event within 24 hours) in writing and shall indicate the identity of the person or persons making such proposal, inquiry, offer or request, all material terms thereof and such other details of the proposal, inquiry, offer or request known to such party, and shall include copies of any such proposal, inquiry, offer or request or any amendment to any of the foregoing. TMX Group Inc. and LSEG have agreed to keep one another promptly and fully informed of the status, including any change to the material terms, of any such proposal, inquiry, offer or request and will respond promptly to all inquiries by the other party with respect thereto.

Notwithstanding the above and any confidentiality or standstill agreement between a party and any other person, if at any time following the date of the Merger Agreement and prior to obtaining the TMX Group Shareholder Approval or LSEG Shareholder Approval, as applicable, a party receives a request for material non-public information, or to enter into discussions, from a person that proposes to such party an unsolicited *bona fide* written Acquisition Proposal that did not result from a breach of the above non-solicitation covenants and the TMX Group Board or the LSEG Board, as applicable, determines, in good faith after consultation with its financial advisers and outside legal counsel, that such Acquisition Proposal constitutes or could reasonably be expected to result in a Superior Proposal, then, and only in such case, such party may: (i) provide the person making such Acquisition Proposal with access to information regarding such party and its Subsidiaries; and/or (ii) enter into, participate, facilitate and maintain discussions or negotiations with, and otherwise co-operate with or assist, the person making such Acquisition Proposal, subject to compliance with certain requirements (including entering into a confidentiality and standstill agreement on customary terms).

TMX Group Inc. or LSEG, as the case may be, can only accept, approve or enter into an agreement, understanding or arrangement relating to an Acquisition Proposal if:

- the board of directors of the party in receipt of the Acquisition Proposal determines that the Acquisition Proposal constitutes a Superior Proposal;
- the TMX Group Shareholder Approval or the LSEG Shareholder Approval, as applicable, has not been obtained;
- such party has complied in all material respects with its non-solicitation covenants;
- such party has provided the other party with a notice in writing that there is a Superior Proposal, together with all documentation related to and detailing the Superior Proposal, including a copy of any Proposed Agreement relating to such Superior Proposal, such documents to be so provided to the other party not less than five Business Days prior to the proposed acceptance, approval or execution of the Proposed Agreement by such party;
- five Business Days has elapsed from the date that the other party received the requisite notice and documentation from such party and, if the other party has proposed to amend the terms of the Merger, the TMX Group Board or the LSEG Board, as applicable, has determined, in good faith, after consultation with its financial advisers and outside legal counsel, that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Merger by the other party;
- such party concurrently terminates the Merger Agreement; and
- such party has previously paid, or concurrently pays, to the other party the TMX Group Termination Fee or the LSEG Termination Fee, as applicable.

Each party is required to grant the other party, during the Response Period (or such longer period as such party may approve for such purpose), the opportunity, but not the obligation, to propose to amend the terms of the Merger Agreement, including an increase in, or modification of, the Consideration. The TMX Group Board or the LSEG Board, as applicable, will review any proposal by the other party to amend the terms of the Merger Agreement in order to determine, in good faith in the exercise of its fiduciary duties, whether the other party's proposal to amend the Merger Agreement would result in the Acquisition Proposal ceasing to be a Superior Proposal. If the TMX Group Board or the LSEG Board, as applicable, determines that the Acquisition Proposal is not a Superior Proposal as compared to the proposed amendments to the terms of the Merger Agreement, it will promptly enter into an amended agreement with the other party reflecting such proposed amendments. Each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal and the other party shall be afforded a new Response Period in respect of each such Acquisition Proposal.

Notwithstanding the foregoing or anything else in the Merger Agreement, the TMX Group Board or LSEG Board, as the case may be, shall still be permitted to make a TMX Group Change in Recommendation or LSEG Change in Recommendation, as the case may be, or make any disclosure to any security holders of such party prior to the Effective Time, if, in the good faith judgment of the TMX Group Board or LSEG Board, as the case may be, after consultation with outside legal counsel, failure to take such action or make such disclosure would be inconsistent with the TMX Group Board's or LSEG Board's exercise of its fiduciary duties or such action or disclosure is otherwise required under applicable law (including by responding to an Acquisition Proposal under a directors' circular or otherwise as required under applicable securities laws). Prior to making a Change in Recommendation, each party shall give the other party not less than 48 hours' notice of its intention to do so.

In circumstances where a party has notified the other party that it intends to make a Change in Recommendation or a party provides the other party with notice of a Superior Proposal, in either case, on a date that is less than seven Business Days prior to the TMX Group Meeting or the LSEG Meeting, as applicable, either party may, or if requested by the other party shall, adjourn the TMX Group Meeting or the LSEG Meeting, as applicable, to a date that is seven Business Days after the date of such notice, provided, however, that neither the TMX Group Meeting nor the LSEG Meeting shall be adjourned or postponed to a date later than the seventh Business Day prior to the Outside Date.

Conditions

Mutual conditions precedent

The following are the mutual conditions to completing the Merger contemplated by the Merger Agreement:

- the Arrangement Resolution has been approved and adopted by TMX Group Shareholders at the TMX Group Meeting in accordance with the Interim Order;
- the Interim Order and Final Order have each been obtained on terms consistent with the Merger Agreement and have not been set aside or modified in a manner unacceptable to TMX Group Inc. or LSEG, acting reasonably, on appeal or otherwise;
- no Governmental Entity shall have enacted, issued, promulgated, enforced or entered into any law which is then in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting TMX Group Inc. or LSEG from completing the Merger;
- the LSEG Shareholder Approval has been obtained;
- all Regulatory Approvals have been obtained in accordance with the terms of the Merger Agreement, and there is not, at the time when all other conditions have been satisfied or waived, any outstanding Regulatory Intervention;
- LSEG has delivered evidence to TMX Group Inc. that, as soon as practicable following the Effective Time, the Mergeco Shares issuable pursuant to the Merger will be admitted to the Official List and to trading on the Main Market of the London Stock Exchange and that the New Shares issuable upon exchange of the Exchangeable Shares and exercise of the Replacement Options shall have been conditionally approved for listing on TSX (subject only, in each case, to the satisfaction of the customary listing conditions of the UK Listing Authority or TSX, as the case may be);

- LSEG has delivered evidence to TMX Group Inc. that, as soon as practicable following the Effective Time, the New Shares issuable pursuant to the Exchangeable Shares or Replacement Options shall be admitted to the Official List and to trading on the London Stock Exchange (subject only, in each case, to the satisfaction of the customary listing conditions of the London Stock Exchange); and
- the New Shares and the Exchangeable Shares to be issued pursuant to the Merger have been allotted by the LSEG Board and the board of directors of Exchangeco, respectively, conditional only on Completion and that such New Shares and Exchangeable Shares issuable pursuant to the Merger are exempt from the registration requirements under US securities laws.

Additional conditions precedent to the obligations of LSEG

The obligations of LSEG to complete the Merger contemplated by the Merger Agreement are also subject to the following conditions:

- all covenants of TMX Group Inc. to be performed on or before the Effective Time have been performed (or waived by LSEG) in all material respects;
- the representations and warranties of TMX Group Inc. relating to issued capitalisation and listing, termination payments for directors, officers and employees and salary, bonus or remuneration increases or amendments to vesting or acceleration of options or deferred compensation for officers are true and correct in all respects (subject to *de minimis* inaccuracies) as at 9 February 2011;
- the representations and warranties of TMX Group Inc. relating to brokerage fees and expenses are true and correct in all material respects as of the Effective Time as if made at and as of such time;
- all other representations and warranties of TMX Group Inc. in the Merger Agreement are true and correct in all respects (disregarding for these purposes any materiality or TMX Group Material Adverse Effect qualification contained in such representation or warranty) as of the Effective Time as if made at and as of such time (except that any representation and warranty that, by its terms, speaks specifically as of the date of the Merger Agreement or another date is true and correct in all respects as of such date), except where the failure to be so true and correct in all respects, individually and in the aggregate, has not had a TMX Group Material Adverse Effect;
- the total number of TMX Group Shares with respect to which dissent rights have been properly exercised does not exceed 2 per cent. of the outstanding TMX Group Shares as of the Effective Date;
- there has been no TMX Group Material Adverse Effect since the date of the Merger Agreement; and
- the "key third party consents" (listed in the Merger Agreement) have been obtained on terms satisfactory to LSEG, acting reasonably.

Additional conditions precedent to the obligations of TMX Group Inc.

The obligations of TMX Group Inc. to complete the Merger contemplated by the Merger Agreement are also subject to the following conditions:

- all covenants of LSEG to be performed on or before the Effective Time have been performed (or waived by TMX Group Inc.) in all material respects as of the Effective Time as if made at and as of such time;
- the representations and warranties of LSEG relating to issued capitalisation and listing, termination payments for directors, officers and employees and salary, bonus or remuneration increases or amendments to vesting or acceleration of options or deferred compensation for officers are true and correct in all respects (subject to *de minimis* inaccuracies) as at 9 February 2011;
- the representations and warranties of LSEG relating to brokerage fees and expenses are true and correct in all material respects as of the Effective Time as if made at and as of such time;
- all other representations and warranties of LSEG in the Merger Agreement are true and correct in all respects (disregarding for these purposes any materiality or LSEG Material Adverse Effect qualification contained in such representation or warranty) as of the Effective Time as if made at and as of such time (except that any representation and warranty that, by its terms, speaks specifically as of the date of the Merger Agreement or another date is true and correct in all respects as of such date), except where the failure to be so true and correct in all respects, individually and in the aggregate, has not had an LSEG Material Adverse Effect; and

- there has been no LSEG Material Adverse Effect since the date of the Merger Agreement.

Termination

The Merger Agreement may be terminated by notice in writing, at any time prior to the Effective Date, by mutual written agreement of the parties.

Either party may terminate the Merger Agreement in the event that:

- the Effective Time does not occur on or before the Outside Date, except that the right to terminate is not available to any party whose failure to fulfil any of its obligations or breach of any of its representations and warranties has been the cause of, or resulted in, the failure of the Effective Time to occur by the Outside Date;
- a law is enacted that makes Completion illegal, or otherwise enjoins TMX Group Inc. or LSEG from completing the Merger and such law becomes final and non-appealable;
- TMX Group Shareholder Approval has not been obtained at the TMX Group Meeting in accordance with the Interim Order; or
- LSEG Shareholder Approval has not been obtained at the LSEG Meeting.

TMX Group Inc. may terminate the Merger Agreement, by notice to LSEG, in the event that:

- there is an LSEG Change in Recommendation (but only until such time as the LSEG Shareholder Approval has been obtained);
- LSEG breaches its non-solicitation covenants in any material respect;
- LSEG breaches any representation or warranty or fails to perform any covenant or agreement set forth in the Merger Agreement that would cause the conditions of TMX Group Inc.'s obligations to complete the Merger not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date as reasonably determined by TMX Group Inc. and provided that TMX Group Inc. is not then in breach of the Merger Agreement so as to cause any of the reciprocal conditions not to be satisfied; or
- TMX Group Inc. wishes to enter into a binding written agreement with respect to a Superior Proposal (other than a confidentiality and standstill agreement), provided that it complies with the relevant non-solicitation provisions of the Merger Agreement and pays the TMX Group Termination Fee (C$39,000,000).

LSEG may terminate the Merger Agreement, by notice to TMX Group Inc., in the event that:

- there is a TMX Group Change in Recommendation (but only until such time as the TMX Group Shareholder Approval has been obtained);
- TMX Group Inc. breaches its non-solicitation covenants in any material respect;
- TMX Group Inc. breaches any representation or warranty or fails to perform any covenant or agreement set forth in the Merger Agreement that would cause the conditions of LSEG's obligations to complete the Merger not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date as reasonably determined by LSEG and provided that LSEG is not then in breach of the Merger Agreement so as to cause the reciprocal conditions not to be satisfied; or
- LSEG wishes to enter into a binding written agreement with respect to a Superior Proposal (other than a confidentiality and standstill agreement), provided that it complies with the relevant non-solicitation provisions of the Merger Agreement and pays the LSEG Termination Fee (C$39,000,000).

Termination fees

TMX Group Inc. will be obligated to pay the TMX Group Termination Fee (C$39,000,000) to LSEG in the event that:

- LSEG terminates the Merger Agreement due to: (i) a TMX Group Change in Recommendation by the TMX Group Board (but not including circumstances where the Change in Recommendation resulted from the occurrence of an LSEG Material Adverse Effect); or (ii) TMX Group Inc. breaching its non-solicitation covenants in any material respect;

- LSEG exercises its termination right (described above) in respect of breaches of TMX Group Inc.'s covenants or representations and warranties which cause conditions to LSEG's obligations to complete the Merger not to be satisfied and where such breaches are due to a wilful breach or fraud of TMX Group Inc.;
- TMX Group Inc. terminates the Merger Agreement for the purpose of entering into a binding written agreement with respect to a Superior Proposal; or
- either party terminates the Merger Agreement because: (i) the Effective Time did not occur on or before the Outside Date; or (ii) TMX Group Shareholder Approval had not been obtained, but only if: (A) prior to such termination a *bona fide* Acquisition Proposal for TMX Group Inc. has been made by a person other than LSEG; and (B) within 12 months following the date of such termination: (I) TMX Group Inc. enters into a definitive agreement in respect of such Acquisition Proposal which is subsequently completed; or (II) such Acquisition Proposal shall have been completed (in each case references in the definition of Acquisition Proposal to "20 per cent." are deemed to be references to "50 per cent.") (note that if the TMX Group Termination Fee is payable under this provision, any TMX Group Expense Fee paid under the provisions set out below shall be credited towards payment of the TMX Group Termination Fee).

LSEG will be obligated to pay the LSEG Termination Fee (C$39,000,000) to TMX Group Inc. in the event that:

- TMX Group Inc. terminates the Merger Agreement due to: (i) an LSEG Change in Recommendation by the LSEG Board (but not including circumstances where the Change in Recommendation resulted from the occurrence of a TMX Group Material Adverse Effect); or (ii) LSEG breaching its non-solicitation covenants in any material respect;
- TMX Group Inc. exercises its termination right (described above) in respect of breaches of LSEG's covenants or representations or warranties which cause conditions to TMX Group Inc.'s obligations to complete the Merger not to be satisfied and where such breaches are due to a wilful breach or fraud of LSEG;
- LSEG terminates the Merger Agreement for the purpose of entering into a binding written agreement with respect to a Superior Proposal; or
- either party terminates the Merger Agreement because: (i) the Effective Time did not occur on or before the Outside Date; or (ii) LSEG Shareholder Approval had not been obtained, but only if: (A) prior to such termination, a *bona fide* Acquisition Proposal for LSEG has been made by a person other than TMX Group Inc.; and (B) within 12 months following the date of such termination: (I) LSEG enters into a definitive agreement in respect of such Acquisition Proposal which is subsequently completed; or (II) such Acquisition Proposal will have been completed (in each case references in the definition of Acquisition Proposal to "20 per cent." are deemed to be references to "50 per cent.") (note that if the LSEG Termination Fee is payable under this provision, any LSEG Expense Fee paid under the provisions set out below shall be credited towards payment of the LSEG Termination Fee).

Expense fees

TMX Group Inc. will be obligated to pay the TMX Group Expense Fee (C$10,000,000) to LSEG in the event that:

- either party terminates the Merger Agreement as a result of TMX Group Shareholder Approval not being obtained at the TMX Group Meeting in accordance with the Interim Order;
- LSEG exercises its termination right (described above) in respect of breaches of TMX Group Inc.'s covenants or representations and warranties which cause conditions to LSEG's obligations to complete the Merger not to be satisfied and where such breaches are not due to a wilful breach or fraud of TMX Group Inc.; or
- TMX Group Inc. terminates the Merger Agreement as a result of the Effective Time not occurring on or before the Outside Date if all of the conditions to TMX Group Inc.'s obligations to complete the Merger, other than the Regulatory Approvals condition, have been satisfied and the Regulatory Approvals condition has not been satisfied because of a Regulatory Intervention in respect of which TMX Group Inc. is the Declaring Party.

LSEG will be obligated to pay the LSEG Expense Fee (C$10,000,000) to TMX Group Inc. in the event that:

- either party terminates the Merger Agreement as a result of LSEG Shareholder Approval not being obtained at the LSEG Meeting;
- TMX Group Inc. exercises its termination right (described above) in respect of breaches of LSEG's covenants or representations or warranties which cause conditions to TMX Group Inc.'s obligations to complete the Merger not to be satisfied and where such breaches are not due to a wilful breach or fraud of LSEG;
- LSEG or TMX Group Inc. terminates the Merger Agreement as a result of the Effective Time not occurring on or before the Outside Date if all of the conditions to LSEG's obligations to complete the Merger have been satisfied or waived other than the Regulatory Approvals condition, and the Regulatory Approvals condition has not been satisfied because undertakings or terms and conditions that are required to obtain Investment Canada Act Approval or the Securities Regulatory Approvals (and that relate to matters other than corporate governance and any undertaking as to minimum Canadian employment levels as agreed between TMX Group Inc. and LSEG) exceed those contemplated by the Merger Agreement, but would not, together with the undertakings and terms and conditions related to corporate governance and any undertaking as to minimum Canadian employment levels as agreed between TMX Group Inc. and LSEG, be substantially detrimental to LSEG; or
- LSEG terminates the Merger Agreement as a result of the Effective Time not occurring on or before the Outside Date if all of the conditions to LSEG's obligations to complete the Merger have been satisfied other than the Regulatory Approvals condition, and the Regulatory Approvals condition has not been satisfied because of a Regulatory Intervention in respect of which LSEG is the Declaring Party.

In no event shall either TMX Group Inc. or LSEG be obligated to pay to the other an amount in respect of the termination of the Merger Agreement pursuant to the termination fee and expense fee provisions that is, in aggregate, greater than the TMX Group Termination Fee or the LSEG Termination Fee, as applicable.

PART 10

REGULATION OF THE MERGED GROUP

Section A of this Part 10—"Regulation of the Merged Group" describes the regulatory regime in each of the core jurisdictions in which the Merged Group will operate. In the case of Canada, it also describes the proposed changes to the existing recognition requirements in order to obtain the necessary Securities Regulatory Approvals.

A summary of the share ownership restrictions that will apply to Mergeco and other members of the Merged Group is set out in section B of this Part 10—"Regulation of the Merged Group".

SECTION A: REGULATORY MATTERS

1. TMX Group regulatory matters

Overview of the recognition and regulation of TMX Group

Different organisations regulate or monitor the participants in the Canadian capital markets. These participants include issuers, brokerage firms, exchanges, ATSs, trading and quotation systems and IDBs. Self-regulatory organisations, such as IIROC, regulate the activities of brokerage firms and their capital requirements, as well as their business and trading conduct. TMX Group's equity exchanges, TSX and TSX Venture Exchange, also establish standards for their listed issuers and rules for their trading participants to maintain quality marketplaces and investor confidence.

TMX Group Inc. is a reporting issuer in all provinces and territories of Canada. Following Completion, Mergeco will become a reporting issuer in all provinces and territories of Canada. TMX Group Inc. will apply to the securities regulatory authorities in Canada to cease to be a reporting issuer upon Completion.

TSX Venture Exchange, TSX Inc. and TMX Group Inc. are all regulated as exchanges in Canada. TSX Inc. is also regulated as an information processor by the AMF and operates as an information processor in accordance with a determination made by the CSA chairs. NGX is regulated as an exchange and a clearing agency in Canada. In addition, NGX currently operates as an exempt commercial market pursuant to the US Commodity Exchange Act and is registered as a derivatives clearing organisation with the CFTC. MX is regulated as an exchange and an SRO in Canada and as a FBOT in the US. In addition, MX is subject to certain regulatory requirements imposed by other foreign regulators. CDCC is regulated as an SRO in Canada. CDCC is also subject to regulatory requirements of the SEC and various US state securities regulators. BOX is regulated in the US by the SEC. Shorcan is an OSC registrant under the category of "exempt market dealer" and is an IIROC-approved IDB for the purposes of IIROC members' financial reporting requirements.

An exchange or clearing agency operating in Canada must be recognised in certain jurisdictions under applicable legislation. In some circumstances, an exchange or clearing agency may obtain an exemption from this requirement. The Quebec, Ontario, Alberta and British Columbia securities regulatory authorities have issued recognition orders and oversee the operations of TMX Group Inc. and those of TSX, TSX Venture Exchange, NGX, MX and CDCC to ensure they are operated in the public interest. The OSC is the lead regulator for TMX Group Inc. and TSX Inc. (which operates TSX), the ASC and BCSC are the joint lead regulator for TSX Venture Exchange Inc. (which operates TSX Venture Exchange), the ASC is the lead exchange regulator for NGX and the AMF is the lead regulator for MX and CDCC.

The lead regulator of an exchange or clearing agency focuses, among other things, on the listing or eligibility standards and trading or clearing activities (embodied in the rules of the exchange or the clearing agency), including its market quality rules, and, in the case of equity exchanges, universal market integrity rules approved by all of the recognising regulators. Generally, the lead regulator must approve any new standards or rules or changes to existing rules. In some instances, new rules or changes to existing rules must be published for a 30-day public comment period as part of the rule approval process. With respect to MX and CDCC, under the Derivatives Act (Quebec), new rules pertaining to market activities or new products, or rule changes must be submitted to the AMF in accordance with the self-certification process. Significant rule changes must also be published for a 30-day public comment period before self-certification. The lead regulator also has the general power to make any decision in respect of an exchange or clearing agency that it deems necessary in the public interest, and can review any direction, decision, order or ruling of that exchange or clearing agency at the request of the regulator's executive director, or equivalent position, or any person directly affected by the direction, decision, order or ruling.

Proposed changes in connection with the Merger

Pursuant to the Merger Agreement, LSEG has agreed, in furtherance of obtaining the Securities Regulatory Approvals from the OSC, AMF, ASC and BCSC, to provide written undertakings to certain securities regulators and to agree to amendments to the recognition orders of certain TMX Group exchanges and CDCC. Additionally, LSEG will request confirmation from the OSC, AMF and Manitoba Securities Commission for the continuing application of exemptive relief in respect of TSX Venture Exchange. Approval of the SEC is also required for certain aspects of the Merger (in relation to BOX). Below is a description of the current recognition orders of TMX Group Inc. and certain of its Subsidiaries, as well as a list of changes to be made to such recognition orders in connection with the Securities Regulatory Approvals.

It is possible that the terms and conditions agreed between LSEG and TMX Group Inc. to obtain the Securities Regulatory Approvals will be modified. With respect to terms and conditions related to corporate governance, LSEG would be obliged under the terms of the Merger Agreement to accept any changes emerging from the regulatory process which are of no substantive effect. With respect to the terms and conditions other than corporate governance matters (and certain other matters), LSEG would be obliged under the terms of the Merger Agreement to accept changes that are not material, either individually or in the aggregate, in relation to such matters. LSEG has further agreed to offer, accept and agree to additional terms and conditions in respect of matters that are not contemplated by the Merger Agreement and that are acceptable to LSEG, acting in good faith and reasonably. Accordingly, the final terms and conditions required to obtain the Securities Regulatory Approvals may vary from those described in this document. In addition to the undertakings it agreed to provide pursuant to the Merger Agreement, LSEG may be required to provide additional undertakings in order to obtain Securities Regulators Approval.

TMX Group Inc. and TSX Inc.

TSX Inc. (which operates TSX) and TMX Group Inc., as the parent holding company of TSX Inc., are recognised and regulated by the OSC as carrying on business as an exchange, subject to certain terms and conditions. TSX Inc. has received an exemption from recognition from the regulators in British Columbia, Alberta and Quebec.

Overview of current TSX Inc. and TMX Group Inc. recognition order

The terms and conditions of the current OSC recognition order for TSX Inc. and TMX Group Inc. include the following:

- TSX Inc. must ensure that its governance structure provides for fair and meaningful representation on its board of directors and any governance committee of the board, including a requirement that at least 50 per cent. of its board of directors be independent. A director is independent if he or she is independent within the meaning of section 1.4 of National Instrument 52-110—*Audit Committees*, and he or she meets the additional standards established by TSX Inc.'s board of directors. The additional standards establish examples of when an individual is considered to have a material relationship with TSX Inc. and is, therefore, considered not to be independent (e.g. an employee of a participant). Approximately 90 per cent. of the current members of the board of TSX Inc. are independent for these purposes. TSX Inc. is also required to take reasonable steps to ensure that each of its directors and officers is fit to serve in that role;
- TSX Inc. is required to meet specified financial viability tests to ensure that it maintains sufficient financial resources to properly perform its functions. Those financial ratios consist of:
    - a current ratio that must be greater than or equal to 1.1:1 based on current assets to current liabilities;
    - a debt to cash flow ratio that must be less than or equal to 4:1 based on total debt used to finance TSX Inc.'s operations to adjusted earnings before interest, taxes, depreciation and amortisation for the most recent twelve month period; and
    - a financial leverage ratio that must be less than or equal to 4:1, based on adjusted total assets to adjusted shareholders' equity.

  If any of these tests are not met for a period of more than three months, TSX Inc.'s Chief Executive Officer must immediately deliver a letter advising the OSC staff of the reasons for the continued

deficiencies and the steps being taken to rectify the situation. In these circumstances, 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 to by OSC staff;

- all fees imposed by TSX Inc. on participants must be equitable and cannot have the effect of creating barriers to access;
- TSX Inc. must meet requirements for the capacity and integrity of the components of its trading system;
- any material agreement or transaction entered into between TSX Inc. and TMX Group Inc. or a Subsidiary or associate of TMX Group Inc. must be on terms that are at least as favourable to TSX Inc. as market terms and conditions;
- TSX Inc. is required to maintain board-approved policies and procedures to: (i) evaluate and approve material outsourcing arrangements with parties, except TMX Group Inc. or an affiliate or associate of TMX Group Inc.; (ii) assess the risk of any such arrangement; and (iii) in certain circumstances, ensure that the outsourcing contract permits the OSC to have access to any data and information maintained by the service provider; and
- TSX Inc. has special terms and conditions relating to the listing of TMX Group Shares on TSX; after the Merger, it is proposed that such terms and conditions will apply to Mergeco and Exchangeco.

TMX Group Inc. has similar requirements to TSX Inc. with respect to governance structure, including the independence requirement (TMX Group Inc.'s independent directors are currently the same as TSX Inc.'s independent directors) and fitness of officers and directors. TMX Group Inc. is also required to allocate sufficient financial and other resources to TSX Inc., so long as TSX Inc. carries on business as an exchange, to permit TSX Inc. to operate in accordance with the terms of its recognition order. In addition, TMX Group Inc. is required to do everything in its control to cause TSX Inc. to comply with the terms and conditions in its recognition order.

See under the heading "Share ownership restrictions—Canadian share ownership restrictions" within section B of this Part 10—"Regulation of the Merged Group" below.

Proposed amendments to TSX Inc. and TMX Group Inc. recognition order

TMX Group Inc. and LSEG made application to the OSC on 13 May 2011 to amend and restate TMX Group Inc. and TSX Inc. recognition order to reflect the Merger. Pursuant to this application, following Completion, the provisions of the current recognition order relating to TSX Inc. will remain in effect, except as modified by the following additional provisions:

- *corporate governance*—at least 50 per cent. of the directors and members of each of the committees of the TSX Inc. board of directors will be both ordinarily resident in Canada and independent, as defined in the current recognition order;
- *offices*—the head office and the executive offices of TSX Inc. will be located in Toronto;
- *senior management*—the Chief Executive Officer, and the most senior executives of TSX Inc. responsible for each of listing and issuer services, trading, market data, and compliance and regulation functions (or their equivalents from time to time), will be ordinarily resident in Ontario and their principal place of business will be in Toronto. For greater certainty, those most senior executives will be subject to the strategic and policy direction of Mergeco;
- *continuity of operations*—TSX Inc. will be locally managed, subject to the strategic and policy direction of Mergeco. TSX Inc. will maintain its core operations in Canada, except to the extent that, in accordance with its obligations outlined in the following paragraph, TSX Inc. ceases or otherwise changes its operations;
- *change in operations*—TSX Inc. will not cease to operate or suspend, discontinue or wind-up all or a significant portion of TSX Inc.'s operations, or dispose of all or substantially all of TSX Inc.'s assets, without:
  - providing the OSC at least six months' prior notice of TSX Inc.'s intention; and

- ○ complying with any terms and conditions that the OSC may impose in the public interest for the orderly discontinuance of TSX Inc.'s operations or the orderly disposition of TSX Inc.'s assets;

- *regulation functions to be carried on in Canada*—the recognition order will be revised to ensure that all regulation functions of TSX Inc. will be carried on in Canada;
- *self-listing conditions*—the listing on TSX of the Mergeco Shares and the Exchangeable Shares will be subject to special conflict of interest rules designed to ensure that the initial and continued listing of those shares are dealt with appropriately, including by providing the OSC with the right to approve or disapprove the listing. See under the heading "Listing of TMX Group Shares on TSX" within this Part 10—"Regulation of the Merged Group";
- *outsourcing*—the requirements of the recognition order regarding outsourcing that currently apply to third parties shall also apply to associates and affiliates of TMX Group Inc. that are incorporated, or that primarily carry on business, outside Canada;
- *related party transactions*—the provisions of the recognition order regarding related party transactions will govern material agreements and transactions between TSX Inc. and TMX Group Inc. and any affiliate of TMX Group Inc., in addition to Subsidiaries and associates of TMX Group Inc.; and
- *Appendix I*—Appendix I to the recognition order (which sets out the self-listing conditions, related party transaction and other conflict of interest provisions referred to above) will remain in effect, except as modified to reflect the fact that TMX Group Inc. will no longer be a listed issuer on TSX and that Mergeco and Exchangeco each propose to become a listed issuer on TSX.

Pursuant to the application, following Completion, the provisions of the current recognition order relating to TMX Group Inc. will remain in effect, except as modified by the following additional provisions:

- *corporate governance*—at least 50 per cent. of the directors and members of each of the committees of the TMX Group Board will be both ordinarily resident in Canada and independent. TMX Group Inc. shall maintain the finance and audit committee of its board of directors.
- *offices*—the head office and executive offices of TMX Group Inc. will be located in Toronto; and
- *senior management*—the Chief Executive Officer of TMX Group Inc. will be ordinarily resident in Ontario and his or her principal place of business will be in Toronto. For greater certainty, that officer will be subject to the strategic and policy direction of Mergeco.

Undertakings of LSEG to the OSC regarding corporate governance

LSEG has agreed, pursuant to the Merger Agreement, to provide written undertakings to the OSC in support of the application by TMX Group Inc. to amend the recognition order of TMX Group Inc. and TSX Inc.

The undertakings to the OSC will contain the following provisions regarding the corporate governance of Mergeco.

Corporate governance until the fourth anniversary of the undertakings

The Mergeco Board will consist of 15 directors, subject to permitted adjustment. Appropriate nominations will be made by the Mergeco Board at each Mergeco AGM to ensure that the Mergeco Board will consist of at least seven directors who are Canadian Directors (assuming that the election of those nominees is approved by the shareholders of Mergeco). In the event that any of those nominees are not elected by the Mergeco shareholders, the Mergeco Directors will identify and appoint alternative directors to the Mergeco Board so that at least seven of Mergeco's Directors are Canadian Directors as soon as reasonably practicable thereafter and will ensure that those alternative directors are nominated by the Mergeco Board for election at the next Mergeco AGM.

Subject to permitted adjustment, the Canadian Directors will include:

- the Senior Canadian Officer;
- at least four independent Canadian Directors (who may include, for greater certainty, the Chairman of the Mergeco Board), at least three of whom will be independent directors of TMX Group Inc. at the relevant time; and

- residents of Quebec in a number equal to 25 per cent. of the independent Canadian Directors (rounded down).

The composition and number of the Canadian Directors are permitted to be adjusted either if Mergeco (or its Subsidiaries worldwide) expands its operations through a transaction with another party and adds directors from the other party's board of directors to the Mergeco Board or if Mergeco adds directors who are resident outside Canada and Europe, on the basis that, after the addition:

- Canadian Directors represent at least the same proportion of those individuals who both were Mergeco Directors before the change and continue as Mergeco Directors after the change (rounded down) as Canadian Directors represented of Mergeco Directors before the change, subject to a minimum of three Canadian Directors;
- one of the Canadian Directors will be the Senior Canadian Officer;
- at least 50 per cent. of the Canadian Directors will be independent directors (who may include, for greater certainty, the Chairman of the Mergeco Board) who will be independent directors of TMX Group Inc. at the relevant time; and
- of those independent Canadian Directors, 25 per cent. (rounded down) will be residents of Quebec.

The Canadian Directors who are members of committees of the Mergeco Board will be substantially proportionate to the percentage of Canadian Directors, from time to time, and at least one standing committee of the Mergeco Board will be chaired by an independent Canadian Director.

Corporate governance after the fourth anniversary of the undertakings

On or after the fourth anniversary of the date of the undertakings, the number of Canadian Directors is permitted to be reduced to a minimum that is the greater of:

- the number that the Mergeco Board, in the exercise of its fiduciary duties and having regard to the interests of all stakeholders in all the jurisdictions in which Mergeco (and its Subsidiaries worldwide) operates from time to time, determines to be appropriate in light of the overall current and prospective significance of the Canadian business to Mergeco's business as a whole (and to the business of its Subsidiaries worldwide), having regard to both relevant financial measures and non-financial factors, including the strategic significance of the Canadian business to the Mergeco business (or to the business of its Subsidiaries worldwide) and the development of the Mergeco business (or that of its Subsidiaries worldwide) since the Merger of TMX Group and LSEG; and
- three;

and:

- of those Canadian Directors, at least 50 per cent. will be independent directors of TMX Group Inc. at the relevant time; and
- of those independent Canadian Directors, 25 per cent. (rounded down) will be residents of Quebec.

In the event that the Mergeco Board, in the exercise of its fiduciary duties and having regard to the interests of all stakeholders in all jurisdictions in which the Merged Group operates from time to time, determines that a material change in circumstances makes inappropriate the requirement of three Canadian Directors provided for in the immediately preceding paragraph, Mergeco may apply to the OSC for a change in that requirement and the OSC may, in the public interest, consider that change.

The nomination procedure provided for under the heading "Corporate governance until the fourth anniversary of the undertakings" within this Part 10—"Regulation of the Merged Group" will also apply to the election or appointment of Canadian Directors on the basis of permitted adjustment or reduction of the number or composition of the Canadian Directors.

There will be appropriate representation of Canadian Directors on committees of the Mergeco Board, as determined by the Mergeco Board in the exercise of its fiduciary duties and having regard to the interests of all stakeholders in all the jurisdictions in which Mergeco (and its Subsidiaries worldwide) operates from time to time.

Undertakings of LSEG to the OSC regarding business continuity

In addition, LSEG's written undertakings to the OSC in support of the application by TMX Group Inc. to amend the recognition order of TMX Group Inc. and TSX Inc. will contain the following provisions regarding the business continuity of TMX Group Inc. and TSX Inc.

Allocation of resources

Mergeco will undertake that the Merged Group will allocate sufficient financial and other resources to TMX Group Inc. and TSX Inc. to ensure that each of TMX Group Inc. and TSX Inc. can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of its recognition order. Mergeco will notify the OSC immediately upon becoming aware that it is or will be unable to allocate such resources to either TMX Group Inc. or TSX Inc. to ensure that each of TMX Group Inc. and TSX Inc. can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of its recognition order.

Continuity of operations

Mergeco will cause TSX Inc. to be locally managed, subject to the strategic and policy direction of Mergeco. Mergeco will cause TSX Inc. to maintain its core operations in Canada, except to the extent that, in accordance with its obligations with respect to "Change in Operations" under its recognition order, TSX Inc. ceases or otherwise changes its operations. Mergeco will not do anything to cause TSX Inc. to cease to be the Canadian national exchange for the listing of issuers and the trading of their securities without the prior approval of the OSC and complying with any terms and conditions it may impose in the public interest in connection with any change to TSX Inc.'s operations.

Financial information

Mergeco will prepare, as mandated for the Merged Group under applicable securities legislation, and file with the OSC within periods as are mandated for the Merged Group under applicable securities legislation, unaudited interim consolidated financial statements of the Merged Group and audited annual consolidated financial statements of the Merged Group.

Compliance

Mergeco will do everything within its control to cause each of TMX Group Inc. and TSX Inc. to carry out its activities as an exchange recognised under section 21 of the Securities Act and to comply with the terms and conditions in its recognition order.

Access to information

Mergeco will, and will cause its Subsidiaries to, permit the OSC to have access to and to inspect all data and information in its or their possession that is required for the assessment by the OSC of the performance of TSX Inc. of its regulation functions and the compliance of each of TMX Group Inc. and TSX Inc. with the terms and conditions in its recognition order. Mergeco will permit the OSC to have access to and to inspect all data and information in its possession that is required for the assessment by the OSC of the compliance of Mergeco with its undertakings to the OSC.

Change in ownership of TMX Group Inc. or TSX Inc.

The Merged Group will not sell or otherwise dispose of any voting or equity securities of TMX Group Inc. or TSX Inc. (except, for greater certainty, to their direct or indirect wholly-owned Subsidiaries) without the prior approval of the OSC.

Failure to comply

If Mergeco fails to perform any of its undertakings, then, after any period that the OSC in its discretion grants Mergeco to remedy the failure, the OSC may require the recognition order of TMX Group Inc. or of TSX Inc. to be changed, including, without limitation, by revoking it.

Term

The undertakings of Mergeco to the OSC will cease to have effect if: (i) the OSC revokes the TMX Group Inc. and TSX Inc. recognition order for any reason other than the failure by Mergeco to fulfil its undertakings with the OSC; (ii) TMX Group Inc. and TSX Inc. cease to carry on the business after complying with any terms and conditions the OSC may impose; or (iii) TMX Group Inc. and TSX Inc. cease to be Subsidiaries of Mergeco.

TSX Inc. as information processor

TSX Inc. also operates as an information processor for exchange-traded securities other than options. TSX Inc. is recognised by the AMF to act as an information processor, subject to certain terms and conditions, and the CSA Chairs have determined that it is not contrary to the public interest for TSX Inc. to act as the information processor for exchange-traded securities other than options, based on regulatory filings and undertakings provided by TSX Inc. to the CSA. TSX Inc.'s information processor mandate continues until 30 June 2014.

TSX Inc. can determine, in its discretion, to re-apply to operate as an information processor for a subsequent period. The terms and conditions of the AMF recognition order for TSX Inc. as information processor include the following:

- the governance structure for carrying on the TSX Inc. information processor business must ensure: (i) fair and significant representation of each data contributing marketplace on the governance committee created for the information processor business; and (ii) appropriate representation of data contributing marketplaces and those parties who access information processor services;
- TSX Inc. must not discriminate in favour of any particular marketplace when collecting, processing, disseminating or publishing the information;
- all fees charged must be transparent, fair and reasonable; and
- the financial and other resources allocated to the information processor business must be sufficient for the proper performance of the information processor's functions and must ensure the information processor's financial viability.

TSX Inc. has not made an application to the AMF for any amendments to the recognition order recognising TSX Inc. as an information processor in connection with the Merger.

Undertakings made by TSX Inc. to the CSA in connection with its role as the information processor

The undertakings made by TSX Inc. to the CSA in connection with its role as the information processor for exchange-traded securities other than options include the following:

- TSX Inc. must establish policies and procedures to separate TSX Inc.'s marketplace business operations from the information processor operations, and manage inherent conflicts of interest;
- data required to be provided to the information processor cannot be used for other products without the permission of the data contributors;
- as of 1 July 2012, TSX Inc. will conduct a review of the information processor's pass-through fee model and provide the results of its review to the CSA; and
- TSX Inc. will conduct an annual self-assessment of its compliance with provisions applicable to an information processor in National Instrument 21-101—*Marketplace Operations*.

Such undertakings will not change in connection with the Merger.

TSX Venture Exchange Inc.

Overview of current TSX Venture Exchange Inc. recognition order

The ASC and the BCSC each recognise and regulate TSX Venture Exchange Inc. (which operates TSX Venture Exchange) as an exchange, subject to certain terms and conditions. TSX Venture Exchange Inc. is exempt from recognition by the securities regulatory authorities in Ontario, Manitoba and Quebec. The ASC and BCSC recognition orders for TSX Venture Exchange recognise it as an exchange and impose similar terms and conditions to those in the OSC recognition order for TSX Inc. regarding: (i) governance structure, including the independence requirement (TSX Venture Exchange Inc.'s independent directors are the same as TSX Inc.'s independent directors); (ii) fitness of directors and officers; (iii) fees and fair access to the trading facilities; (iv) trading system capacity and integrity; (v) material related party agreements or transactions; and (vi) material outsourcing. In addition, at least 25 per cent. of the directors of TSX Venture Exchange Inc. must have expertise in or be associated with the Canadian public venture capital market. The current members of the board of directors of TSX Venture Exchange Inc. for this purpose are Messrs. Fox, Hagg, Jaako, Cedraschi, Martel, Turmel, Mulvihill and Kloet and Mss. Chicoyne, O'Neill and Sinclair, who together comprise approximately 80 per cent. of the directors of TSX Venture

Exchange Inc. TSX Venture Exchange Inc. cannot, without the prior approval of the ASC and BCSC, implement any significant changes to its governance structure and the practices of its board of directors.

The ASC and BCSC recognition orders also state that TSX Venture Exchange Inc. will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without: (i) providing the ASC and BCSC at least six months' prior written notice of its intention; and (ii) complying with any terms and conditions that the ASC and BCSC may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets. In addition, the ASC and BCSC recognition orders state that TSX Venture Exchange Inc. will not cease to be wholly-owned or directly controlled by TSX Inc. or TMX Group Inc. without TSX Venture Exchange Inc.: (i) providing the ASC and BCSC at least three month's prior notice of its intention; and (ii) complying with any terms that the ASC or BCSC may impose in the public interest.

TSX Inc. and TMX Group Inc.—undertakings regarding TSX Venture Exchange

TSX Inc. and TMX Group Inc. have provided related Undertakings Regarding TSX Venture Exchange, including undertakings to allocate sufficient financial and other resources to TSX Venture Exchange Inc. to permit it to operate in accordance with its recognition order. They have also agreed not to cause or permit TSX Venture Exchange Inc. to cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of TSX Venture Exchange Inc.'s assets without: (i) providing the ASC and BCSC with at least six months' prior notice of their intention; and (ii) complying with any terms and conditions that the ASC or BCSC may impose in the public interest.

In addition, TMX Group Inc. and TSX Inc. have represented in the Undertakings Regarding TSX Venture Exchange that they will do everything in their control to cause TSX Venture Exchange Inc. to comply with the terms and conditions of its recognition order. TMX Group Inc. has also created and agreed to maintain a public venture market committee of its board of directors. The ASC and BCSC recognitions orders for TSX Venture Exchange Inc. impose conditions related to changes in ownership. TSX Inc. and TMX Group Inc. also agreed in the Undertakings Regarding TSX Venture Exchange not to complete or authorise a transaction that would result in TSX Venture Exchange Inc. ceasing to be wholly-owned or directly controlled by TSX Inc. without: (i) providing the ASC and BCSC at least three months' prior notice of their intention; and (ii) complying with any terms and conditions that the ASC or the BCSC may impose in the public interest.

The Undertakings Regarding TSX Venture Exchange will remain in effect following Completion.

Proposed amendments to TSX Venture Exchange Inc. recognition order

TMX Group Inc. has made an application to the ASC and the BCSC on 13 May 2011 to amend and restate TSX Venture Exchange Inc.'s recognition orders to reflect the Merger. Pursuant to this application, following Completion, the provisions of the current recognition orders relating to TSX Venture Exchange Inc. will remain in effect, except as modified by the following additional provisions.

The proposed amendments under this application include:

- *corporate governance*—at least 50 per cent. of the directors and members of each of the committees of the TSX Venture Exchange Inc. board of directors will be both ordinarily resident in Canada and independent;
- *regulation functions*—the requirements of the recognition orders will be revised to ensure that all regulation functions of TSX Venture Exchange Inc. will be carried on in Canada; and
- *outsourcing*—the requirements of the recognition order will be modified to provide that the outsourcing requirements in the recognition orders that apply to third parties also apply to affiliates and associates of TMX Group Inc. that are incorporated, or that primarily carry on business, outside Canada.

Undertakings of LSEG to the ASC and the BCSC regarding TSX Venture Exchange Inc.

LSEG has agreed, pursuant to the Merger Agreement, to provide written undertakings to the ASC and the BCSC in support of the application by TMX Group Inc. to amend the recognition orders of TSX Venture Exchange Inc.

Under these written undertakings, Mergeco will undertake to the ASC and BCSC that it will:

- do everything within its control to cause TMX Group Inc. and TSX Inc. to perform their undertakings to the ASC and BCSC with respect to TSX Venture Exchange Inc;
- do everything within its control to cause TSX Venture Exchange Inc. to comply with the terms and conditions of its recognition orders; and
- assume certain undertakings of TMX Group Inc. with respect to TSX Venture Exchange Inc. as if it were the maker of them, including with respect to: (i) performance of functions; (ii) change in ownership of operation; (iii) systems; (iv) access to information; and (v) corporate governance with respect to the creation and maintenance of the TMX Group Inc. public venture market committee.

These undertakings will cease to have effect if: (i) the ASC or BCSC, as applicable, revokes the TSX Venture Exchange Inc. recognition order for any reason other than the failure by Mergeco to fulfil its undertakings with the ASC or BCSC, as applicable; (ii) TSX Venture Exchange Inc. ceases to carry on business after complying with any terms and conditions that the ASC or BCSC, as applicable, may impose; or (iii) TSX Venture Exchange Inc. ceases to be a Subsidiary of Mergeco.

MX and CDCC

The AMF recognises and regulates MX as an exchange and an SRO for the purpose of carrying on business in Quebec, subject to certain terms and conditions. MX received an exemption from recognition as an exchange and registration as a commodities futures exchange from the OSC.

Overview of current MX recognition order

The AMF recognition order for MX imposes similar terms and conditions to those in the OSC recognition order for TSX Inc. regarding: (i) the independence requirement of MX's governance structure (MX's independent directors are the same as TSX Inc.'s independent directors); (ii) fitness of directors and officers; (iii) fees and fair access to the trading facilities; (iv) trading system capacity and integrity; (v) material related party agreements or transactions; and (vi) material outsourcing of its business functions.

The terms and conditions of the AMF recognition order for MX (and CDCC to the extent applicable) include the following:

- In addition to the independence requirement, MX's governance structure shall provide:
  - that at least 25 per cent. of its directors are residents of Quebec at the time of their election or appointment; and
  - fair and meaningful representation of directors with expertise in derivatives on the board of directors and the special committee—regulatory division. MX's special committee is responsible for the regulatory division. Members of the special committee are appointed by the MX board of directors, and a majority of the special committee members must be residents of Quebec and must satisfy the same independence requirements as those set out for MX directors.
- The MX regulatory division must have a separate administrative structure and must be completely autonomous in performing its functions and in its decision-making process. The MX regulatory division must be a separate business unit of MX and operate on a cost-recovery/not-for-profit basis. Any changes to the MX regulatory division's administrative and organisational structure or to MX's special committee that may materially affect regulatory duties and operations must be approved by the AMF. The AMF imposes periodic financial reporting, activity reporting and other reporting obligations regarding the MX regulatory division's regulatory functions.
- The head office and executive offices of MX and CDCC will remain in Montreal, Quebec, and the most senior executive officer of each of MX and CDCC will be a resident of Quebec at the time of his or her appointment and for the duration of his or her term of office and will work in Montreal, Quebec.
- MX will not cease to operate or suspend, discontinue or wind-up all or a significant portion of its operations, or dispose of all or substantially all of its assets, without: (i) providing the AMF at least six months' prior written notice of its intention; and (ii) complying with any terms and conditions that the AMF may impose in the public interest for the orderly discontinuance of its operations or the orderly disposition of its assets.

- MX shall maintain sufficient financial and other resources to ensure: (i) its financial viability and the proper performance of its functions; and (ii) the exercise of the self-regulatory functions of the MX regulatory division and must meet the following financial viability tests:
  - a working capital ratio of greater than 1.5:1;
  - a cash flow/total debt outstanding ratio greater than 20 per cent.; and
  - a financial leverage ratio of less than 4:1 (total assets/capital).

The above-mentioned ratios are calculated based on MX's consolidated financial statements.

Should MX fail to respect any of the above-mentioned financial ratios for a period of more than three months, it must promptly inform the AMF in writing of the reasons for the continued ratio deficiencies and the steps being taken to rectify the problem and re-establish its financial equilibrium. In these circumstances, MX will not, without the prior approval of the AMF, pay dividends (among other things) until the ratio deficiencies have been eliminated for at least six months.

No person or company and no combination of persons or companies acting jointly or in concert shall own or exercise control or direction over more than 10 per cent. of any class or series of voting shares of MX without the prior approval of the AMF, except for TMX Group Inc. or an affiliate of TMX Group Inc. See also section B of this Part 10—"Regulation of the Merged Group" below.

As a condition to obtaining the necessary approval for the combination with MX, on 9 April 2008, TMX Group Inc. provided the AMF with a written undertaking in support of the AMF recognition order for MX (the "***TMX Group Undertaking***"), which provides for certain restrictions and undertakings. TMX Group Inc. has also agreed, in the TMX Group Undertaking, that it will not complete or authorise a transaction that would result in any person or company, or any combination of persons or companies acting jointly or in concert, owning or exercising control or direction over more than 10 per cent. of any class or series of voting shares of MX, without obtaining the prior authorisation of the AMF, except for TMX Group Inc. or an affiliate of TMX Group Inc. Furthermore, TMX Group Inc. undertook to continue to exercise control or direction over more than 50 per cent. of all classes or series of voting shares of MX. TMX Group Inc. also undertook not to complete or authorise a transaction that would result in more than 50 per cent. of any class or series of voting shares of MX ceasing to be controlled by TMX Group Inc., directly or indirectly, without obtaining the prior authorisation of the AMF. See also section B of this Part 10—"Regulation of the Merged Group".

In addition to restrictions relating to share ownership, TMX Group Inc. agreed in the TMX Group Undertaking that 25 per cent. of TMX Group Inc. directors will be residents of Quebec. TMX Group Inc. also agreed in the TMX Group Undertaking that it shall cause the existing derivatives trading and related products operations of MX (as those operations existed on 1 May 2008) to remain in Montreal.

Proposed amendments to MX recognition order

TMX Group Inc., on its own behalf and on behalf of MX, and LSEG have made application to the AMF on 13 May 2011 to amend and restate the current recognition order of MX to reflect the Merger. Pursuant to this application, following Completion the provisions of the current recognition order relating to MX will remain in effect, except as modified by the following additional provisions:

- *corporate governance*—the corporate governance provisions would be modified to add a condition that at least 50 per cent. of the directors and members of each of the committees of the MX board of directors will be both ordinarily resident in Canada and independent; and
- *outsourcing*—the outsourcing provision would also be modified to add that the outsourcing requirements in the recognition order that apply to third parties also apply to affiliates and associates of TMX Group Inc. that are incorporated, or that primarily carry on business, outside Canada.

Undertakings of LSEG to the AMF regarding MX

LSEG has also agreed, pursuant to the Merger Agreement, to provide written undertakings to the AMF in support of the application by TMX Group Inc. and MX to amend the recognition order of MX. These undertakings will contain the provisions below.

Mergeco will undertake to the AMF that it will:

- do everything within its control to cause TMX Group Inc. to perform its undertakings to the AMF with respect to MX;
- do everything within its control to cause MX to comply with the terms and conditions in its recognition order;
- ensure that appropriate nominations are made by the Mergeco Board at each Mergeco AGM to ensure that the directors of Mergeco will include directors who are both residents of Canada and independent directors, with residents of Quebec in a number equal to 25 per cent. of those independent directors (rounded down to the next lowest integer); and
- assume certain undertakings of TMX Group Inc. with respect to MX as if it were the maker of them in lieu of TMX Group Inc., including: (i) MX operations; (ii) change in ownership; (iii) strategic plan for derivatives; (iv) access to information; and (v) non-compliance.

These undertakings will cease to have effect if: (i) the AMF revokes the MX recognition order for any reason other than the failure by Mergeco to fulfil its undertakings with the AMF; (ii) MX ceases to carry on business after complying with any terms and conditions the AMF may impose; or (iii) MX ceases to be a Subsidiary of Mergeco.

The TMX Group Undertakings to the AMF with respect to MX will remain in effect.

MX is also subject to certain foreign regulatory requirements imposed by the regulators, which have granted MX specific authorisations. In 2002, the CFTC granted a no-action relief to MX, as an FBOT, permitting US broker-dealers to have remote access to most of MX's futures products. According to the no-action relief, MX is required to report to the CFTC on a regular basis and disclose any material changes affecting its application. MX allows remote access to its futures and options products to UK "authorised persons" and, as such, is required to notify the FSA of material changes to its business. In France, the *Autorité des marchés financiers* recognised MX as an exchange, thereby enabling it to give remote access to its futures and options markets to French broker-dealers. MX is required to notify France's *Autorité des marchés financiers* of any material changes affecting its recognition.

The CFTC has published for comments proposed rules that consist of a proposed registration requirement for FBOTs. These proposed rules would establish a registration requirement to replace the current no-action relief framework for FBOTs wishing to provide direct access from the US to the FBOT's electronic trading platform. If these proposed rules were to be implemented as published, it would impose additional regulatory compliance obligations upon MX.

Current regulation of CDCC

The AMF recognises and regulates CDCC as an SRO in Quebec (since 1987, when CDCC was known as Trans Canada Options Inc. and recognised by the Commission des valeurs mobilières du Quebec, predecessor to the AMF). CDCC must provide the AMF, and the OSC through the AMF, with specified information on a regular basis in compliance with AMF requirements and pursuant to the terms and conditions of the OSC exemption order for CDCC, such as the rules that it files for review and approval with the AMF and financial information. CDCC is also subject to regulatory requirements of the SEC and various US state regulators.

Recent amendments to the Securities Act prohibit clearing agencies from carrying on business in Ontario unless they are either recognised by the OSC as a clearing agency or exempted from this requirement. CDCC's operations are undergoing major changes and are likely to evolve significantly in the near future. Specifically, CDCC is expected to begin clearing fixed income repurchase agreements and cash buy and sell transactions during the autumn of 2011. CDCC has also recently responded to an industry-issued request for information by indicating its intention to operate as a CCP for the Canadian market for OTC interest rate swaps and other derivatives. In addition, the Bank of Canada is undertaking a comprehensive assessment of CDCC's operations, systems, rules and risk management for the purposes of designating and overseeing of CDCC pursuant to the Payment Clearing and Settlement Act (Canada). As a result of these changes and developments, the OSC has provided CDCC with a temporary exemption from the requirement to be recognised as a clearing agency. The temporary exemption order will terminate on the earlier of: (i) the date that the OSC renders a subsequent order recognising CDCC as a clearing agency or exempting it from such requirement; and (ii) 1 March 2012. The temporary exemption order should provide CDCC with the time needed to establish its new clearing functions (particularly in relation to fixed

income securities) and should provide the OSC with the time needed to assess the impact of CDCC's new functions and to consider an appropriate regulatory framework for CDCC.

Proposed amendments to CDCC recognition order

CDCC is in the process of applying to the AMF for recognition as a clearing house on a basis that is independent of the Merger. For the purposes of approval of the Merger, the terms of that recognition order may be modified by the following additional provisions:

- *corporate governance*—at least 50 per cent. of the directors and members of each of the committees of the board of directors of CDCC will be both ordinarily resident in Canada and independent; and
- *outsourcing*—the requirements of the section of its recognition order dealing with outsourcing that apply to third parties also apply to affiliates and associates of CDCC that are incorporated, or that primarily carry on business, outside Canada.

For purposes of approval of the Merger, Mergeco and TMX Group Inc. will undertake that Mergeco and/or TMX Group Inc. will do everything within their control to cause CDCC to comply with the terms and conditions of its recognition order.

NGX

Overview of current NGX recognition order

The ASC recognises and regulates NGX as an exchange for the trading of natural gas, electricity and crude oil contracts, exempts NGX from the requirement to obtain acceptance from the ASC of the form of NGX's current contracts as exchange contracts and exempts NGX from registration requirements for the contracting parties who enter into NGX's standard form exchange agreement with NGX. The ASC also recognises NGX as a clearing agency for clearing and settlement of natural gas, electricity and crude oil contracts, certain of which constitute exchange contracts, futures contracts or options. The terms and conditions of the ASC recognition orders require NGX to comply with certain exchange and clearing principles, reporting requirements, notification and other obligations.

NGX currently operates as an exempt commercial market pursuant to the US Commodities Exchange Act, and is also registered as a derivatives clearing organisation with the CFTC. NGX provided notice to the CFTC on 5 November 2002 of its operation as an exempt commercial market and has requested an extension to operate as an exempt commercial market for a period of one year following the effective date of the Dodd-Frank Act. NGX currently intends to replace the exempt commercial market status with an alternative status under the Dodd-Frank Act. As an exempt commercial market, NGX must comply with certain legislative requirements for the transactions in exempt commodities that are traded on a principal-to-principal basis by eligible commercial entities. The terms and conditions of the derivatives clearing organisation order include the requirement for NGX to operate its clearing system in accordance with certain clearing principles as well as reporting and other obligations. NGX currently anticipates derivatives clearing organisation regulation expanding under the Dodd-Frank Act.

No changes are proposed to NGX's recognition orders as a result of the Merger.

BOX

BOX is regulated by the SEC. BOX's options trades are cleared through the Options Clearing Corporation. BOX is also a party to a regulatory services agreement (the **"*RSA Agreement*"**) with NASDAQ OMX Group, Inc., NASDAQ OMX BX, Inc., formerly BSE, and Boston Options Exchange Regulation LLC, a wholly-owned subsidiary of NASDAQ OMX BX, Inc. Under the RSA Agreement, NASDAQ OMX BX, Inc. has delegated to Boston Options Exchange Regulation LLC certain of its day-to-day responsibilities for the surveillance operations of the BOX marketplace and also administers the regulatory aspects of BOX's relationship with BOX participants and has also delegated other market regulation services under a regulation services agreement to the Financial Industry Regulatory Authority, Inc., an SRO. The RSA Agreement will terminate on the earlier of 31 May 2012 or automatically on the 90th calendar day following the date BOX is approved as an SRO by the SEC or has obtained another regulatory services provider.

No changes are proposed to BOX's regulations as a result of the Merger.

Other regulation of Canadian markets

Regulation of brokerage firms

All brokerage firms trading through TSX, TSX Venture Exchange or MX must be members of a recognised SRO, which regulates its members. These organisations regulate the broker-client relationships, business conduct and capital adequacy of their members. This regulation seeks to maintain the credibility of marketplaces, protect investors' interests and instil investor confidence by addressing general issues of trading ethics and investor protection in the markets. Participants and member firms trading on TSX and TSX Venture Exchange, and Canadian-approved participants trading on MX are regulated by IIROC. Foreign-approved participants trading through MX must be regulated by a recognised SRO or regulator in their jurisdiction. The exchanges, however, also have criteria for access to their markets.

Regulation of market participants

In Canada, an exchange can regulate its markets and its participants and enforce its requirements either directly or through a regulation services provider. IIROC is the SRO that provides regulation services to both TSX and TSX Venture Exchange, monitoring and enforcing compliance with UMIR.

The regulatory functions of MX are conducted by the MX regulatory division. As a recognised exchange and SRO, the MX regulatory division is responsible for regulating its markets and its participants on a day-to-day basis. The MX regulatory division achieves this by adopting and enforcing rules and policies governing MX's markets and the conduct of approved participants.

The MX regulatory division is independent from its other operations and is under the sole internal oversight of the MX special committee, which is fully independent from MX and its management. The objective of creating the MX regulatory division was to ensure neutrality and impartiality when the MX regulatory division applies the rules that govern MX's markets and the relationships between MX and its approved participants.

No changes are proposed to the MX regulatory division as a result of the Merger.

Issuers of securities

In Canada, there is one securities regulatory body in each province or territory. These provincial and territorial securities regulatory authorities regulate the offering of securities by issuers and their reporting and continuous and other timely disclosure requirements and, in certain cases, the conduct of various market participants, including exchanges and intermediaries. The ASC and BCSC have required TSX Venture Exchange Inc. to review and approve certain prospectuses filed by issuers listed on TSX Venture Exchange.

Each of TMX Group's equity exchanges establishes standards for listed issuers, and enforces compliance with those standards through the exchange's powers to halt trading in a security or to suspend or delist the listing of a security.

Listing of TMX Group Shares on TSX

TSX and staff of the OSC approved the listing and posting for trading of TMX Group's Shares on TSX under the symbol "X" on 12 November 2002. The OSC established procedures that require TSX to promptly report to the OSC any conflicts or potential conflicts of interest that arise or may arise with respect to TMX Group Inc.'s continued listing or the initial listing or continued listing of a competitor of TMX Group Inc. or its affiliates. Under these procedures, TMX Group Inc. established a conflicts committee, with at least two members who are independent of TSX Inc., and all conflict determinations and resolutions must be approved by staff of the OSC.

After the Merger, it is proposed that these procedures will apply to the listing of Mergeco and Exchangeco on TSX.

2. UK, Italian and European regulatory matters

The LSEG Group currently comprises a number of regulated companies in various European countries. The principal regulated entity in the UK is the London Stock Exchange, which is a UK RIE regulated by the FSA. The London Stock Exchange operates a number of different markets under its RIE status,

including the Main Market and AIM, its growth market. The Main Market is a regulated market for the purposes of MiFID, while AIM is a Multilateral Trading Facility for the purposes of MiFID. The LSEG Group has a second UK RIE, EDX, which is a derivatives market and a regulated market for the purposes of MiFID. As well as its RIEs, the group also contains two UK firms, Turquoise Global Holdings Limited and EuroMTS Limited, which are not RIEs but are authorised by the FSA to undertake a variety of regulated activities including operating Multilateral Trading Facilities. The UK regime for RIEs and authorised firms is described in the UK Regulatory Matters section below.

In Italy, the LSEG Group's operations include Borsa Italiana, which is regulated by CONSOB in Italy. Like the London Stock Exchange, Borsa Italiana operates a number of different markets, including the Borsa Italiana MTA market, which is a regulated market for the purposes of MiFID, and Borsa Italiana AIM ITALIA market, which is a Multilateral Trading Facility for the purposes of MiFID. In addition, MTS is the parent company of the operator of the Italian wholesale regulated market for Italian government bonds and other fixed income securities, which is regulated and supervised by the Bank of Italy. The LSEG Group's Italian operations also include Monte Titoli which is the settlement system and central securities depository in Italy and CC&G, which acts as the CCP for Borsa Italiana. Monte Titoli and CC&G are authorised and supervised by both the Bank of Italy and CONSOB. The Italian regulatory regime is described in the Italian Regulatory Matters section below.

The LSEG Group also has a regulated Subsidiary in France, MTS France, which is authorised as an investment firm operating a Multilateral Trading Facility. MTS France is regulated in France by both the *Autorité de contrôle prudential* and by France's *Autorité des marchés financiers*.

UK regulatory matters

Overview of UK regulatory regime

The primary statute covering financial services in the UK is FSMA. FSMA sets out the framework for the UK regulatory system and establishes the FSA as the single statutory financial services regulator in the UK with statutory objectives and powers, including its powers to make rules and guidance.

A central element of the UK regulatory regime is the specification of regulated activities. Section 19 of FSMA prohibits any person from carrying on a regulated activity in the UK unless that person is authorised by the FSA or exempt (the "general prohibition"). The list of regulated activities includes dealing in investments, arranging deals in investments and operating a Multilateral Trading Facility. A person operating an exchange or similar execution venue which brings together buyers and sellers of investments and through which contracts in those investments are concluded is likely to be carrying on certain regulated activities (including arranging deals in investments). As a result, a person operating an exchange or similar execution venue in the UK would either need to be authorised by the FSA or exempt.

RIE regime

Section 285 of FSMA provides that an RIE is an exempt person in respect of any regulated activity which is carried on as part of the exchange's business as an investment exchange. Consequently, a person operating an exchange in the UK could seek exemption from the general prohibition by obtaining RIE status. In order to become, and remain, recognised as an RIE an investment exchange must satisfy the Recognition Requirements.

Application for recognition is made to the FSA, which is the body responsible for determining whether the applicant exchange satisfies the Recognition Requirements. The FSA has published guidance on the Recognition Requirements in its Recognised Investment Exchanges and Recognised Clearing Houses Sourcebook, which is part of the FSA Handbook.

The Recognition Requirements include the following:

Financial resources

- The exchange must have financial resources sufficient for the proper performance of its functions as a recognised investment exchange. In considering whether this requirement is satisfied, the FSA will take into account all circumstances, including the exchange's connection with any person and any activity carried on by the exchange and the risks to which the exchange is exposed.

Suitability

- The exchange must be a fit and proper person to perform the functions of an RIE. The FSA may take into account all circumstances, including the exchange's connection with any person, when considering whether this requirement is satisfied. In addition, the persons who effectively direct the business and operations of the exchange must be of sufficiently good repute and sufficiently experienced to ensure the sound and prudent management and operation of the financial markets operated by it and any persons who are in a position to exercise significant influence over the management of the exchange, whether directly or indirectly, must also be suitable.

Systems and controls

- The exchange must ensure that the systems and controls used in the performance of its functions are adequate and appropriate for the scale and nature of its business. This applies in particular, to: (i) systems and controls concerning the transmission of information; (ii) the assessment, mitigation and management of risks to the performance of the exchange's functions; (iii) the effecting and monitoring of transactions on the exchange; (iv) the technical operation of the exchange, including contingency arrangements for disruption to its facilities; (v) the operation of arrangements for securing timely discharge of rights and liabilities of parties to transactions effected on the exchange; and (vi) (where relevant) the safeguarding and administration of assets belonging to users of the exchange's facilities.

Safeguards for investors

- The exchange must ensure that business conducted by means of its facilities is conducted in an orderly manner and so as to afford proper protection to investors. Access to the exchange's facilities must be subject to criteria designed to protect the orderly functioning of the market and the interests of investors. It must have transparent and non-discretionary rules and procedures to provide for fair and orderly trading and to establish objective criteria for the efficient execution of orders.
- In addition, the exchange must make pre- and post-trade information about share trading available to the public on reasonable commercial terms and on a continuous basis during normal trading hours. Detailed rules exist as to the pre- and post-trade information that must be made available to investors.

Access to facilities

- The exchange must make transparent and non-discriminatory rules, based on objective criteria, governing access to, or membership of, its facilities. These rules must permit the exchange to give access only to investment firms, credit institutions and persons who are fit and proper, have a sufficient level of trading ability and competence, and have adequate organisational arrangements (where applicable) and sufficient resources. The list of the users or members of its facilities must be regularly supplied to the FSA.

Settlement and clearing

- The exchange has to ensure that there are satisfactory arrangements in place for the timely discharge of the rights and liabilities of parties to transactions made on exchange.

Financial crime and market abuse

- The exchange must ensure that appropriate measures, including monitoring transactions effected on its facilities, are adopted to reduce the extent to which the exchange's facilities can be used for market abuse or financial crime, and to facilitate their detection and monitor their incidence.

Availability of information and admission of financial instruments to trading

- The exchange must have clear and transparent rules concerning the admission to trading of financial instruments. The rules must ensure that all financial instruments admitted to trading on a regulated market are capable of being traded in a fair, orderly and efficient manner, that transferable securities are freely negotiable and that contracts for derivatives allow for orderly pricing and effective settlement.

- The exchange must also ensure that appropriate arrangements are in place for "relevant information" (information which is relevant to enable investors to determine the current value of investments) to be made available to persons engaged in dealing on the exchange. In relation to any Multilateral Trading Facility operated by the exchange, this includes ensuring that sufficient information is publicly available to enable users to form investment judgments.

Promotion and maintenance of standards

- The exchange must be able and willing to promote and maintain high standards of integrity and fair dealing in the carrying on of regulated activities by persons in the course of using the facilities provided by the exchange, sharing information with regulators when appropriate.

Rules and consultation

- The exchange must ensure that appropriate procedures are adopted for it to make rules, keep its rules under review and amend its rules, including provisions on consulting its users on changes to its rules.

Discipline

- The exchange must have effective arrangements for monitoring and enforcing compliance with its rules and for monitoring transactions effected on the exchange in order to identify disorderly trading conditions. These arrangements must include procedures for investigating complaints and the fair, independent and impartial resolution of appeals against decisions of the exchange. Any financial penalties must be put towards meeting the costs of the investigation or appeal, for the benefit of users of the exchange's facilities, or for charitable purposes.

Complaints

- The exchange must have effective arrangements for the investigation and resolution of complaints arising in connection with the performance of, or failure to perform, any of its regulatory functions. The arrangements must include arrangements for a complaint to be fairly and impartially investigated by a person independent of the exchange and for him or her to report on the result of his or her investigation to the exchange and the complainant.

Default rules

- The exchange must have default rules which enable action to be taken in respect of unsettled market contracts in the event of a member of the exchange being or appearing to be unable to meet its obligations.

Supervision of RIEs by the FSA

The London Stock Exchange and EDX, as RIEs, must satisfy the Recognition Requirements at all times in order to retain their RIE status. The FSA is responsible for supervising RIEs and ultimately being satisfied that an RIE continues to meet the Recognition Requirements. The FSA expects to have an open, co-operative and constructive relationship with the RIEs that it supervises on a close and continuous basis to enable it to have a broad picture of an RIE's activities and its ability to meet the Recognition Requirements. The FSA holds regular meetings with senior management in the LSEG Group as part of its supervision of the RIEs in the group.

The FSA applies ARROW to the UK RIEs in the LSEG Group. A RMP is produced annually for the RIEs in the group.

In addition to the regular meetings between an RIE and the FSA, an RIE is subject to a number of formal notification requirements which oblige it to notify the FSA if certain events occur. These include:

- changes to key individuals within the RIE;
- changes to the constitution of the RIE;
- provide copies of the RIE annual report and accounts, including the annual report and accounts of any consolidated group to which the RIE belongs, as well as quarterly or monthly management accounts;
- delegation of certain functions to another person, including any of the RIEs regulatory functions;

- changes to the types of financial instruments that are admitted to trading on the RIE's facilities;
- trading suspensions or disruptions in services offered by the RIE; and
- changes to the type of person admitted as a member, disciplinary action taken by the RIE against any of its members and the declaration of a default in respect of a member.

Members of the London Stock Exchange

In order to satisfy the Recognition Requirements relating to access to its facilities, the rules of the London Stock Exchange provide that members of the London Stock Exchange must at all times be authorised under relevant UK or appropriate overseas legislation or, in the view of the London Stock Exchange, be otherwise appropriate to be a member. The rules provide further detail as to the persons that the London Stock Exchange will consider to be appropriately authorised or sufficiently regulated.

Members must have adequate trade execution, recording, reporting and settlement procedures and systems and, if relevant, order and quote management procedures and systems, sufficient staff with adequate knowledge, experience, training and competence, adequate internal procedures and controls and compliance officers competent to advise the member and its employees on the rules of the London Stock Exchange.

Authorised firm regime

As an alternative to seeking exemption as an RIE, a person wishing to operate an exchange or similar trading venue may apply for a permission under Part IV of FSMA to carry on the relevant regulated activities as an authorised person, which would include permissions for arranging deals in investments and operating a Multilateral Trading Facility.

The FSA is also the body responsible for determining applications for authorisation under Part IV of FSMA. In order to obtain and retain authorisation, an applicant must show that it meets the Threshold Conditions set out in FSMA. These include the following:

- if the applicant is a body corporate constituted under UK law, its head office and registered office must be in the UK;
- if the applicant has close links with another person, the FSA must be satisfied that those links are not likely to prevent the FSA's effective supervision of the applicant and, if it appears to the FSA that the other person is subject to the laws, regulations or administrative provisions of a territory which is not an EEA State, that neither those foreign provisions, nor any deficiency in their enforcement, would prevent the FSA's effective supervision of the applicant. The relationship of close links is based, broadly, on group structure and control;
- the resources of the applicant must, in the opinion of the FSA, be adequate (sufficient in terms of quantity, quality and availability) in relation to the regulated activities that it seeks to carry on, or carries on. The FSA may take into account the applicant's membership of a group and any effect which that membership may have, and the liabilities and risk management of the applicant and its group; and
- the applicant must satisfy the FSA that it is a fit and proper person having regard to all the circumstances, including its connection with any person, the nature of any regulated activity that it carries on or seeks to carry on and the need to ensure that its affairs are conducted soundly and prudently.

If the applicant is seeking permission to operate a Multilateral Trading Facility it must also satisfy the specific requirements set out in Chapter 5 of the Market Conduct Sourcebook of the FSA Handbook, which include the following:

Safeguards for investors

- The establishment of transparent and non-discretionary rules and procedures for fair and orderly trading.
- The establishment of objective criteria for the efficient execution of orders.

- The provision of certain pre- and post-trade information in respect of shares admitted to trading on a regulated market to the public on reasonable commercial terms. Detailed rules exist as to the pre- and post-trade information that must be made available to investors.

Availability of information and admission of financial instruments to trading

- The establishment of transparent rules regarding the criteria for determining which financial instruments can be traded by means of the Multilateral Trading Facility's facilities.
- The provision of, or access to, sufficient publicly available information to enable the users of the Multilateral Trading Facility to form an investment judgment, taking into account the nature of the users and financial instruments involved. This will include the provision on reasonable commercial terms of pre- and post-trade information relating to shares not admitted to trading on a regulated market and the publication of post-trade information for financial instruments other than shares.

Access to facilities

- The establishment of transparent rules, based on objective criteria, governing access to the Multilateral Trading Facility's facilities. The members or participants must be investment firms, certain credit institutions or other persons who are fit and proper, have a sufficient level of trading ability and competence, have adequate organisational arrangements (where applicable) and have sufficient resources for the role they are to perform taking into account the different financial arrangements that the firm operating the Multilateral Trading Facility may have established to guarantee adequate settlement of transactions.

Settlement and clearing

- The provision of clear information to its users of their respective responsibilities for the settlement of transactions.
- The establishment of arrangements necessary to facilitate the efficient settlement of transactions.

Financial crime and market abuse

- The establishment of effective arrangements and procedures for the regular monitoring of the compliance by its users with its rules, and monitoring of the transactions undertaken by its users to identify breaches of those rules, disorderly trading conditions or conduct that may involve market abuse.
- The reporting, without delay, to the FSA and other competent authorities of significant breaches of the firm's rules, disorderly trading conditions and conduct that may involve market abuse, as well as the provision of full assistance to the FSA and any other competent authority during investigations and prosecutions relating to market abuse on or through the Multilateral Trading Facility's systems.

Each of these requirements apply on an ongoing basis.

A number of other regulatory requirements are imposed on authorised firms, including those operating Multilateral Trading Facilities, in the FSA Handbook. These include the following:

Regulatory capital requirements

- An authorised firm must at all times maintain overall financial resources, including capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. There is a comprehensive regime dealing with the capital and liquidity resources that must be held by authorised firms.

Systems and controls

- An authorised firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business. These should address its organisational structure, compliance, financial crime and money laundering, risk assessment, management information, employees and agents, audits, business strategy, remuneration policies, business continuity and record keeping.

Outsourcing

- When outsourcing critical functions, a firm operating a Multilateral Trading Facility must ensure that it takes reasonable steps to avoid undue additional operational risk and must not undertake the outsourcing of important operational functions in such a way as to impair materially the quality of its internal control or the ability of the FSA or any other regulator to monitor the firm's compliance with its obligations. The FSA Handbook contains detailed rules and guidance governing outsourcing arrangements.

Approved persons

- Firms authorised by the FSA must take reasonable care to ensure that no person performs a "controlled function" under an arrangement entered into by it in relation to any regulated activity carried on by it unless the FSA has first approved that person to perform that controlled function. Controlled functions include the director function, the compliance function, the systems and controls function and the customer function. The FSA may grant an application for approval only if it is satisfied that the candidate is a fit and proper person to perform the function to which the application relates and it may withdraw its approval if it considers that the person in respect of whom the approval was given is not fit and proper to perform the controlled function. The FSA will have regard to a number of factors when assessing the fitness and propriety of a person to perform a particular controlled function, including the person's honesty, integrity and reputation, competence and capability and financial soundness.
- Statements of Principle and a Code of Practice are set out in the FSA Handbook and apply to approved persons. The Statements of Principle include provisions to the effect that an approved person must act with integrity and with due skill, care and diligence, observe proper standards of market conduct, deal with the FSA and other regulators in an open and co-operative way and disclose appropriately any information of which the FSA would reasonably expect notice.

Conduct of business rules

- A section of the FSA Handbook is dedicated to conduct of business rules, which include requirements to act honestly, fairly and professionally in accordance with the best interests of clients and to comply with certain information requirements in respect of clients, as well as rules governing inducements, communications and a number of other conduct of business requirements.

FSA supervision of authorised firms

The authorised firms in the LSEG Group, Turquoise Global Holdings Limited and EuroMTS, are supervised by the same team within the FSA that supervises the RIEs. Issues relating to the authorised firms are also addressed in regular meetings that take place between the firms and the FSA. The authorised firms are also subject to the FSA's ARROW process and annual RMP.

In addition, as for RIEs, authorised firms are subject to a number of formal notification requirements, which oblige firms to inform the FSA upon the occurrence of certain events. In particular, all authorised firms are required to disclose to the FSA under Principle 11 of the FSA's Principles for Businesses "anything relating to the firm of which the FSA would reasonably expect notice". As mentioned above, authorised firms which have permission to operate a Multilateral Trading Facility are also specifically required to inform the FSA of: (i) significant breaches in the firm's rules; (ii) disorderly trading conditions; and (iii) conduct that may involve market abuse.

FSA enforcement powers in respect of RIEs and authorised persons

Under FSMA, the FSA has certain, specific powers in relation to RIEs. The FSA may give directions to an RIE who has failed, or is likely to fail, to satisfy the Recognition Requirements or has failed to comply with any other obligation imposed on it by or under FSMA. The FSA may direct the RIE to take specified steps to secure compliance, which may include granting access to the RIE's premises and the suspension of the carrying on of regulated activities by the RIE.

The FSA also has a wide range of powers in relation to authorised firms. The FSA has significant information gathering and investigation powers. Disciplinary sanctions include private warnings, public censure, public statements and financial penalties. The FSA may on its own initiative vary or cancel an authorised firm's Part IV FSMA permission if: (i) it appears to the FSA that the firm is failing, or is likely

to fail, to satisfy the threshold conditions; (ii) the firm has failed, during a period of at least 12 months, to carry on a regulated activity for which it has a Part IV FSMA permission; or (iii) it is desirable to exercise the power in order to meet any of the FSA's regulatory objectives.

Proposed changes to the UK regulatory structure

In the UK, the regulatory structure is under review by the government with the proposed creation of a new model that would replace the single FSA with two new regulators: the PRA (broadly responsible for micro-prudential regulation) and the FCA (broadly responsible for conduct, markets and consumer protection).

Under the current proposals, the FCA will be solely responsible for the conduct and prudential regulation of RIEs, such as the London Stock Exchange and EDX. Authorised firms that operate Multilateral Trading Facilities, such as Turquoise Global Holdings Limited and EuroMTS, will also be regulated by the FCA as to both conduct and prudential matters.

The UK government is committed to putting the new regulatory architecture in place by the end of 2012.

Italian regulatory matters

Overview of Italian regulatory regime

The primary piece of legislation governing financial services in Italy is the TUF.

The TUF sets out, *inter alia*, the minimum standards for organisation and management of financial markets, centralised management of financial instruments, corporate governance of listed companies and allocates responsibilities among the Ministry for Economy, CONSOB and the Bank of Italy with regard to the supervision of the regulated markets.

Article 61-*ter* of the TUF provides that the management of regulated markets is a regulated activity, subject to administrative authorisation and public oversight.

In order to become and remain authorised to manage regulated markets, a company must satisfy the requirements set out under the TUF and under implementing regulations issued by CONSOB, Italy's Ministry for Economy and by the Bank of Italy (as the case may be, depending on the type of financial instruments traded in the relevant market), which include the following:

- the company must have an exclusive corporate purpose, restricted to the organisation and management of regulated markets and to activities ancillary or instrumental thereto;
- the exchange must have financial resources sufficient for the proper performance of its functions;
- persons performing management and oversight functions at the company must comply with specific experience, integrity and independence requirements; and
- shareholders holding a participation higher than 5 per cent. of the corporate capital with voting rights must comply with specific integrity requirements.

In addition, the regulated markets, as such, must become authorised by CONSOB with the Bank of Italy, if the market relates to private and public debt securities other than government securities (*titoli di Stato*), as well as markets of money market instruments and financial derivatives based on public securities, interest rates and currencies. As to the market of governmental bonds (*titoli di Stato*), Italy's Ministry for Economy may derogate from these provisions, having heard CONSOB and the Bank of Italy. In order to become and remain so authorised, they must fulfil particular requirements, which include the following:

- the management company must fulfil the requirements set out above; and
- the market rules must be compliant with community law and must be suitable to ensure market transparency, orderly trading and investors' protection.

CONSOB is the body responsible for authorising stock markets and (upon consultation with the Bank of Italy) wholesale corporate bond markets and (upon consultation with the authority for energy and gas) derivative markets on energy and gas. The Ministry for Economy and the Bank of Italy are the bodies responsible for authorising wholesale government bond markets.

Regulation of Borsa Italiana

Borsa Italiana is the group parent of the Borsa Italiana group and is responsible for the organisation and management of the Italian stock exchange. The group includes three Subsidiaries that perform regulated business: MTS Group, Monte Titoli and CC&G.

Borsa Italiana is regulated and supervised by CONSOB. Any amendments to its by-laws or to the market rules must be approved by CONSOB. CONSOB is entitled to request that the market rules be changed and other decisions be taken by Borsa Italiana in accordance with CONSOB's requirements. In urgent cases, CONSOB is entitled to step in and directly take any necessary measures. In case of serious irregularities, CONSOB is entitled to withdraw any authorisations granted to Borsa Italiana.

MTS is the parent company of the operator of the Italian wholesale regulated markets for Italian government bonds and other fixed income securities. In operating such a market, it is regulated and supervised by the Bank of Italy, which can exercise substantially the same powers of CONSOB. MTS is also authorised to operate the wholesale market for corporate bonds. In operating such markets, it is regulated and supervised by CONSOB.

In their capacity as operators of regulated markets, Borsa Italiana and MTS are subject to a number of regulatory requirements. In particular, they must:

- adopt appropriate measures to identify and manage conflicts of interests between the regulated markets and their owners or managers;
- adopt appropriate measures to identify, mitigate and manage any risks to which they are exposed;
- ensure the sound management of technical operations relating to the trading systems, including effective arrangements for business continuity in case of system failures; and
- implement effective mechanisms to facilitate the efficient and timely conclusions of transactions executed on the markets.

To this end, they must inform the competent regulators on matters such as projects for the acquisition of participations in other companies which exclusively or substantially carry on selected activities only.

Moreover, all business plans submitted to the board of directors shall be sent to CONSOB, together with information on timing and manner of implementation. Agreements submitted to the board of directors regarding alliances or co-operation agreements that might have an impact on the organisation and functioning of the markets shall also be transmitted to CONSOB.

Furthermore, they shall file with CONSOB their financial statements, the minutes of shareholders and board meetings and an annual report on the organisational and IT structure and on the procedures adopted for the management of risks. The board of auditors shall provide CONSOB with a copy of any internal investigations and any other significant information.

Monte Titoli acts as the Italian Settlement Company and Central Securities Depositary. It is authorised by the Bank of Italy in agreement with CONSOB with regard to settlement services. It is also authorised by CONSOB to provide central depositories services. It is supervised by CONSOB and the Bank of Italy. When serious irregularities are found, the Ministry for Economy, acting on the proposal of either the Bank of Italy or CONSOB, may order the dissolution of its management bodies.

CC&G operates the CCP system for the stock market and is authorised and supervised by the Bank of Italy and CONSOB. When serious irregularities are found, the Ministry for Economy, acting on the proposal of either the Bank of Italy or CONSOB, may order the dissolution of its management bodies.

Monte Titoli and CC&G must comply with the regulatory requirements set out under the Joint Regulations of 22 February 2008 (as subsequently amended) issued by CONSOB and the Bank of Italy concerning their organisation (e.g. corporate governance rules, conflicts of interests, risk management, accounting standards and practices, internal controls etc.). To this end, they provide the Bank of Italy and CONSOB with all necessary information on an on-going basis. In particular, they file an annual report on the organisational and IT structure and on the procedures adopted for the management of risks.

Additionally, they must provide information to CONSOB and the Bank of Italy on any business plans, financial statements, shareholders' meetings, amendments to the companies' by-laws, strategic agreements relating to the services provided, changes in the ownership structure and managing bodies of the companies and any material information relating, *inter alia*, to the services provided and the facilities employed.

European regulatory developments

Following the financial crisis and the high-profile failures of several major financial institutions in 2008 and 2009, a range of regulatory measures have either been implemented or are under discussion in Europe.

In the EU, one such key regulatory measure is the MiFID Review. The European Commission published a consultation paper in December 2010 setting out its proposals for revisions to MiFID, which included proposals relating to market structures and practices, SME markets (i.e. markets for small and medium sized enterprises), automated trading, pre- and post-trade transparency, data consolidation and on-venue trading of standardised OTC derivatives, among other things. In addition, the EU is looking at the adoption of EMIR (to address issues relating to clearing of OTC derivatives, CCPs and trade repositories) as well as the adoption of a Short Selling Regulation (which would involve greater transparency, clear powers for regulators and a co-ordinated European framework on short selling and tackling specific risks of naked short selling).

In January 2011, the EU created three new European supervisory authorities, including the European Securities and Markets Authority, which replaces the Committee of European Securities Regulators. Considerable powers are being passed to these new supervisory authorities, including the ability to make binding technical standards and, in certain limited circumstances, to address decisions directly to regulated firms in Member States.

3. Regulation of the exchanges in the Merged Group

Following Completion, the exchanges contained in the Merged Group will continue to operate under the same regulatory structure that TMX Group's and the LSEG Group's exchanges currently follow and in the same manner. The Merger does not involve any mergers of the exchanges themselves, but rather the Merger of ownership of TMX Group and LSEG.

SECTION B: SHARE OWNERSHIP RESTRICTIONS

Canadian share ownership restrictions

Current share ownership restrictions of TMX Group

Pursuant to section 21.11 of the Securities Act, Ontario regulation 261/02 made thereunder, the order of the OSC of 3 September 2002 made thereunder and section 7 of the recognition order of TMX Group Inc. and TSX, there are share ownership restrictions attached to TMX Group Shares. These restrictions provide that no person or company (or combination of persons or companies acting jointly or in concert) may beneficially own or exercise control or direction over more than 10 per cent. of any class or series of TMX Group Shares without the prior approval of the OSC.

In addition, pursuant to the TMX Group Undertaking, TMX Group Inc. agreed that it is subject to the restriction that no person or company and no combination of persons or companies acting jointly or in concert may beneficially own or exercise control or direction over more than 10 per cent. of any class or series of TMX Group Inc.'s voting shares without the prior approval of the AMF. The foregoing restrictions (the "***TMX Group Share Ownership Restrictions***") are set forth in the articles of incorporation of TMX Group Inc.

Post-Merger share ownership restrictions

Following the Merger, the TMX Group Share Ownership Restrictions will remain in force and therefore the OSC and AMF must approve any legal (also referred to as *de jure*) change of control of Mergeco and any effective (also known as *de facto*) change of control of Mergeco.

Following the Merger, the following share ownership restrictions will apply to Mergeco: Mergeco will require the approval of the OSC and the AMF for either a legal, or *de jure*, change of control of Mergeco, or an effective, or *de facto*, change of control of Mergeco, each as described below. Additionally, approval of the FSA will be required for the acquisition of shares or voting power in Mergeco at the level of 10 per cent. and at other higher levels.

Legal change of control of Mergeco

If, after the Merger, a person or company were to hold more than 50 per cent. of the Mergeco Shares, that person or company would have what is commonly known as legal control of Mergeco. Under Canadian Securities laws, a person or company that has legal control of Mergeco would be deemed to own beneficially all of the TMX Group Shares, as they will be owned by Exchangeco, a Subsidiary of Mergeco. Accordingly, the OSC and AMF must approve a legal change of control of Mergeco.

Effective change of control of Mergeco

If, after the Merger, a person or a company were to acquire effective control of Mergeco, that person or company would be considered to exercise control or direction over all of the TMX Group Shares. Accordingly, the OSC and AMF must approve an effective change of control of Mergeco. Although "control or direction" is not defined in the Securities Act, both subordinate instruments and decisions and statements of the OSC confirm that "control or direction" over shares means the power to vote the shares or the power to make investment decisions in relation to the shares and that those powers may be exercised indirectly; the person or company who has effective control of Mergeco would have, through its Subsidiaries, both those powers over all of the TMX Group Shares. A person or company has effective control over another company if the person or company has, in fact, the power to elect a majority of the board of directors of the other company. Since, however, the question of effective control is one of fact, other circumstances, in the judgment of the OSC, could also justify the conclusion.

Enforcement for contravention of share ownership restrictions

The articles of incorporation of TMX Group Inc. provide for comprehensive enforcement mechanisms that are applicable in the event of a contravention of the TMX Group Share Ownership Restrictions. After determination of a contravention by the TMX Group Board, some of the enforcement mechanisms are that no person may vote the TMX Group Shares of the contravening persons or companies, dividends on the TMX Group Shares are limited or prohibited and TMX Group Inc. is required to send a notice requiring the sale of the TMX Group Shares held in contravention. In the event that such a required sale is not made, the further enforcement mechanisms then applicable include the prohibition of the exercise of

any right or privilege attached to the TMX Group Shares and the right of TMX Group Inc. to sell or redeem the TMX Group Shares held in contravention and remit the net proceeds to the holder.

In addition to the enforcement mechanisms provided for in the articles of incorporation of TMX Group Inc., there are sanctions and remedies for: (i) the offence of a contravention of section 21.11 of the Securities Act, including fines, imprisonment and remedial orders of the OSC and the courts; and (ii) the failure to comply with the TMX Group Undertakings, including fines and remedial orders of the AMF.

UK share ownership restrictions

A person proposing to acquire, or increase, control over Mergeco must obtain the consent of the FSA, before they do so, through a formal process in accordance with sections 178 to 192 of FSMA. The acquisition or increase of control without that FSA consent is a criminal offence.

Acquisition of control of Mergeco for this purpose means:

- acquiring 10 per cent. of the shares or voting power in Mergeco; or
- acquiring shares or voting power in Mergeco as a result of which the acquirer is able to exercise a significant influence over the management of any of its UK-regulated Subsidiaries.

Prior approval, following the same process as for acquisitions of control, will also be required where a person wishes to increase their control over Mergeco above the following additional thresholds: 20 per cent. or more, 30 per cent. or more, 50 per cent. or more or to become a parent undertaking (if different from the increase to more than 50 per cent.).

In all cases, levels of control are assessed by reference to the aggregate holdings of a person and any other person with whom he or she has agreed to jointly exercise his or her shareholding or voting power.

In assessing the request to acquire, or increase, control over Mergeco, the FSA must:

- consider the suitability of the proposed acquirer – broadly speaking, this goes to an assessment of the fitness and propriety of the acquirer based on a range of criteria, including potential impact on the continuing ability of any of Mergeco's UK-regulated Subsidiaries to meet its obligations; and
- have regard to the influence that the proposed acquirer will have over the UK-regulated Subsidiaries of Mergeco.

For an acquisition of, or increase in, control of Mergeco, the FSA will have broad discretion in deciding whether to approve or to refuse the request for approval, based on a broad range of criteria, and to approve subject to conditions.

In addition to the specific process for acquisition of the levels of control described above, the FSA has a number of broad Recognition Requirements that the London Stock Exchange, as an RIE, must meet on an ongoing basis and will therefore be of relevance in any acquisition or increase of control of Mergeco. These high level requirements provide the FSA with discretion to take account of any holding in Mergeco where it has concerns about the impact of the holding upon the London Stock Exchange.

In relation to contravening acquisitions, the FSA may issue restriction notices, which may direct that the shares or voting power held by the acquirer are, until further notice, subject to one or more of the following:

- any transfer of shares or voting power in Mergeco, without a court order, is void;
- no voting power in Mergeco is to be exercisable;
- no further shares in Mergeco are to be issued pursuant to any right held by, or any offer made to, the acquirer; and
- except in a liquidation, no payment is to be made of any sums due from Mergeco on any such shares, whether in respect of capital or otherwise.

Italian share ownership restrictions in respect of MTS

With regard to MTS, special provisions of the company's by-laws require the consent of the Italian Treasury with regard to sales of controlling interests in the company. Under the by-laws, the definition of control is set in accordance with anti-trust criteria and joint control. An acquisition of more that 50 per cent. of the Mergeco Shares would amount to a controlling interest in MTS and would, as such, require the consent of the Italian Treasury.

PART 11

PROPOSED INVESTMENT CANADA ACT UNDERTAKINGS

LSEG has agreed, pursuant to the Merger Agreement, that Mergeco will provide written undertakings to Her Majesty in right of Canada in support of the application by LSEG to the Investment Review Division of Industry Canada. In furtherance of obtaining the Investment Canada Act Approval, LSEG has agreed that Mergeco will offer, accept and agree to a list of key undertakings appended to the Merger Agreement for a period of four years. Should Investment Canada Act Approval be received, the Merged Group will be subject to such undertakings for such period. The proposed undertakings appended to the Merger Agreement summarised below.

In connection with obtaining approval, it is possible that the terms of the undertakings to be provided by LSEG in relation to the Merger will be modified. The Merger Agreement sets out the commitment which LSEG has made to TMX Group Inc. in connection with variations to the undertakings. With respect to the undertakings related to corporate governance matters (including board structure, how the principal leadership roles in the Merged Group would be shared and where the Merged Group headquarters for the principal global business and support functions would be located) and undertakings as to minimum Canadian employment levels as agreed between the parties and certain other matters set out in the Merger Agreement, LSEG would be obliged to accept any changes emerging from the regulatory process which are of no substantive effect. With respect to the undertakings related to other matters, LSEG would be obliged to accept changes that are not material, either individually or in the aggregate, in relation to such matters. LSEG has further agreed to offer, accept and agree to additional undertakings in respect of matters that are not contemplated by the Merger Agreement and that are acceptable to LSEG, acting in good faith and reasonably. LSEG has not entered into any agreements or undertakings requiring it to make changes which are material to the terms of the Merger. In addition to the undertakings it agreed to provide pursuant to the Merger Agreement, LSEG may be required to provide additional undertakings in order to obtain Investment Canada Act Approval. Accordingly, the final undertakings to be given in connection with Investment Canada Act Approval may vary from those described in this document. Such final undertakings may be given after the LSEG Resolution has been passed. To the extent that any amendments to the terms of the Merger are material, LSEG shall seek a further approval from the LSEG Shareholders for the Merger.

See section C—"Certain approvals" of Part 8—"Description of the Merger" for a description of the initial findings of the Select Committee.

Proposed Investment Canada Act undertakings

The undertakings contemplated by the Merger Agreement include the following:

The Mergeco Board

- The Mergeco Board will initially consist of the following nominees from each of LSEG and TMX Group Inc.:
  - initially coming from LSEG: the individuals who hold the positions of LSEG Chairman, LSEG Chief Executive Officer and Chief Executive Officer of Borsa Italiana, in each case, immediately before Completion, as well as five additional directors from the LSEG Board immediately before Completion; and
  - initially coming from TMX Group Inc.: the individuals who hold the positions of TMX Group Inc. Chairman, TMX Group Inc. Chief Executive Officer and TMX Group Inc. Chief Financial Officer, in each case, immediately before Completion as well as four additional independent directors coming from the TMX Group Board immediately before Completion.
- The Mergeco Board will consist of 15 directors. The Mergeco Board will ensure that appropriate nominations are made at each Mergeco AGM to ensure that the Mergeco Board will consist of at least seven Canadian Directors (assuming that the election of such nominees is approved by the Mergeco Shareholders). Of the seven Canadian Directors, one will be the most senior executive officer of Mergeco (excluding the Chairman) who is a Canadian resident, at least four will be independent Canadians and at least three of those four will be independent Canadian Directors of TMX Group Inc. at the relevant time (which may include the Chairman of Mergeco).

- The Canadian members of the Mergeco Board's committees will be substantially proportionate to the percentage of Canadian Directors on the Mergeco Board from time to time. At least one standing committee will be chaired by an independent Canadian Director.
- In each calendar year, a minimum of one-third (rounded down) of the Mergeco Board's meetings will be held in Canada, except as necessary to maintain sole UK tax residency of Mergeco.
- The initial Chairman of Mergeco will be TMX Group Inc.'s Chairman immediately before Completion. Mergeco will undertake that the Chairman will be a Canadian resident.
- The role of the Chairman will be consistent with UK and Canadian corporate governance principles.

Merged Group senior management positions

- The initial President of Mergeco will be TMX Group Inc.'s Chief Executive Officer immediately before Completion. LSEG will undertake that the President of Mergeco will principally perform his or her duties and be resident in Toronto (but will spend substantial time in London and elsewhere globally as necessary to perform his or her function).
- The initial Chief Financial Officer of Mergeco will be TMX Group Inc.'s Chief Financial Officer immediately before Completion. LSEG will undertake that the Chief Financial Officer of Mergeco will principally perform his or her duties and be resident in Toronto (but will spend substantial time in London and elsewhere globally as necessary to perform his or her function).

Merged Group co-headquarters

- Toronto and London will be the designated co-headquarters of the Merged Group, with one or more global business units and one or more support functions being headquartered in Toronto.

Merged Group global business units and functions headquarters

- The global primary markets business unit (listings and issuer services) will be headquartered in Toronto and run by an executive of Mergeco who principally performs his or her duties and is resident in Toronto.
- The Merged Group's global finance function will be headquartered in Toronto and run by the Chief Financial Officer of Mergeco, who principally performs his or her duties and is resident in Toronto.
- The global derivatives business unit will be headquartered in Montreal and run by an executive of Mergeco who principally performs his or her duties and is resident in Montreal.
- The global energy business unit will be headquartered in Calgary and run by an executive of Mergeco who principally performs his or her duties and is resident in Calgary.

For the purposes of the proposed undertakings, a business unit or a support function is "headquartered" in the jurisdiction where both: (i) the most senior executive officer of Mergeco (other than the Chief Executive Officer or President) responsible for that business unit or support function; and (ii) executives who are responsible for managing the development and execution of the policy and direction for that business unit or support function sufficient to permit the executive officer to execute his or her responsibilities effectively from that location, perform their respective duties and responsibilities, and are resident.

Other

- The applicable stock exchanges will remain headquartered in Canada and will be locally managed in Canada with a locally resident Chief Executive Officer, under the strategic and policy direction of Mergeco.
- Mergeco will publicly disclose the full text of the undertakings referred to in the Merger Agreement following Completion. Mergeco will disclose on an annual basis in its public securities filings its compliance with the undertakings.
- Mergeco will acknowledge in the "About Merged Group" disclosure at the bottom of press releases, in all other references in disclosure documents to the Merged Group's head office or headquarters and in any substantive description of the combination, that the Merged Group is co-headquartered in London and Toronto.

Adjustment of Mergeco Board, Merged Group senior management positions and business units and support functions undertakings

- If Mergeco (and its Subsidiaries worldwide): (i) expands its operations through a transaction with another party and adds directors from the other party's board of directors to the Mergeco Board; or (ii) adds directors who are resident outside Europe and Canada to the Mergeco Board, then, in either case, the composition and size of the Mergeco Board may change on the following basis: Canadian Directors will represent at least the same proportion of those individuals who both were Mergeco Directors before the change and continue as directors of Mergeco after the change (rounded down) as Canadian Directors (including, for greater certainty, any directors who are Canadian residents for purposes of these undertakings) represented of the full Mergeco Board before the change. During the term of the undertaking, there will also be a minimum of three Canadian Directors. Of the Canadian Directors, at least 50 per cent. will be independent Canadian Directors of TMX Group Inc. and at least one will be the most senior executive officer of Mergeco (excluding the Chairman) who is a Canadian Resident.
- If the Chief Executive Officer principally performs his or her duties and becomes resident in Toronto, the undertakings in respect of the Chairman, President and Chief Financial Officer set out above will not be applicable, so long as there is a substitute undertaking in place that the Chief Executive Officer of Mergeco will continue to principally perform his or her duties and be resident in Toronto.
- The global business units and support functions headquartered in Canada may be moved and headquartered outside Canada at any time (other than in the context of an acquisition or expansion described below), provided that the Merged Group maintains both an overall balance between global business units and support functions headquartered in Canada and those headquartered in the UK and Italy, and an overall balance between members of senior management who perform their duties and responsibilities and are Canadian residents and those who perform their duties and responsibilities and are resident in the UK and Italy, in each case, as determined by the Mergeco Board.
- The undertakings with respect to senior management positions, business units and functions will be subject to adjustment in the event of a significant acquisition or significant greenfield expansion outside of the UK, Italy and Canada, in each case, that materially changes the overall scale or profile of the Canadian business relative to the pro forma operations of the Merged Group. These undertakings may be adjusted to add additional co-headquarters locations and relocate or change the Merged Group's global business units, support functions and senior management positions, having regard to, among other things, the principle that the transaction is a merger of equals and that the Merged Group will continue to be co-headquartered in Toronto.

In addition to the key undertakings described above, LSEG has agreed to offer, accept and agree to:

- an undertaking as to minimum Canadian employment levels as agreed between TMX Group Inc. and LSEG, subject to changes of no substantive effect;
- other customary undertakings as agreed between TMX Group Inc. and LSEG, including matters in respect of career advancement opportunities for Canadians, Canadian capital expenditures, Canadian research and development and Canadian charitable contributions, subject to changes that are not material, either individually or in the aggregate, in relation to such agreed undertakings; and
- additional undertakings that are not contemplated by the Merger Agreement that are acceptable to LSEG, acting in good faith and reasonably.

PART 12

EXCHANGEABLE SHARE STRUCTURE

1. Overview

Eligible TMX Group Shareholders

The Exchangeable Share structure provides the opportunity for a deferral of Canadian tax for beneficial owners of TMX Group Shares who are Canadian Residents not exempt from tax under Part I of the Canadian Tax Act. To obtain a deferral of Canadian tax both: (i) TMX Group Shares must be exchanged for Exchangeable Shares; and (ii) certain Canadian tax elections must be filed in respect of such exchange.

Only a TMX Group Shareholder who is: (i) a Canadian Resident who is holding TMX Group Shares on its own behalf; or (ii) holding TMX Group Shares on behalf of a beneficial owner who is a Canadian Resident ("***Eligible Canadian Resident***") can elect to receive Exchangeable Shares.

TMX Group Shareholders who are not Eligible Canadian Residents cannot elect to receive Exchangeable Shares.

Exchangeable Shares

Merger terms

On the Effective Date, each TMX Group Shareholder will transfer all of its TMX Group Shares to Exchangeco and will receive in exchange:

- 2.9963 New Shares for each TMX Group Share in respect of which the TMX Group Shareholder has not validly elected to receive Exchangeable Shares; and
- 2.9963 Exchangeable Shares (together with the Ancillary Rights) for each TMX Group Share in respect of which the Eligible Canadian Resident has validly elected to receive Exchangeable Shares,

each in accordance with elections made by such TMX Group Shareholder in the Letter of Transmittal and Election Form completed by them.

Maximum entitlement

If the Elected Exchangeable Share Amount exceeds the Available Exchangeable Share Amount, then notwithstanding the election (or deemed election) by a TMX Group Shareholder in respect of any particular TMX Group Share: (a) the number of TMX Group Shares of any TMX Group Shareholder that are Exchangeable Elected Shares shall be deemed to be the result determined by multiplying (i) the total number of Exchangeable Elected Shares of such TMX Group Shareholder prior to the operation of this adjustment by (ii) the fraction obtained by dividing the Available Exchangeable Share Amount by the Elected Exchangeable Share Amount, and rounding down such resulting number of TMX Group Shares to the nearest whole number; and (b) the balance of the TMX Group Shareholder's TMX Group Shares will be deemed to be Non-Rollover Shares.

Fractional shares

If an Eligible Canadian Resident is entitled to a fractional interest in an Exchangeable Share, that entitlement shall instead be satisfied by a cash payment (without interest) determined by multiplying such fraction by an amount equal to the (i) average of the daily high and low sales prices per share of the TMX Group Shares on TSX on the last trading day immediately prior to the Effective Date divided by (ii) the Exchange Ratio.

Tax

The tax consequences of receiving or holding Exchangeable Shares may differ significantly from the tax consequences of receiving or holding New Shares depending upon the particular circumstances of a TMX Group Shareholder. Careful consideration should be given by Eligible Canadian Residents to the tax consequences in determining whether or not to elect to receive Exchangeable Shares in the Merger.

Key features for Exchangeable Shareholders

The Exchangeable Shares will be issued by Exchangeco, an indirect Subsidiary of Mergeco. The Exchangeable Shares (together with Ancillary Rights) will carry substantially equivalent economic entitlements (including as to dividends) to the New Shares issued by Mergeco.

Exchangeable Shareholders will receive, through the Voting and Exchange Trust Agreement, the benefit of voting rights attaching to Mergeco Shares. To enable Exchangeable Shareholders to exercise such voting rights, a number of New Shares will be issued to Jerseyco on the Effective Date equal to the number of Exchangeable Shares being issued to Eligible Canadian Residents on that date. An Exchangeable Shareholder will be entitled to instruct the Trustee to exercise the votes attaching to one Mergeco Share for each Exchangeable Share held by the Exchangeable Shareholder on the same basis and in the same circumstances as if the holder held one Mergeco Share.

At its option, an Exchangeable Shareholder will be able to exchange its Exchangeable Shares for Mergeco Shares on a one-for-one basis. Upon the exchange of the Exchangeable Shares, an equal number of Mergeco Shares will be delivered to the Exchangeable Shareholder.

On or after the seventh anniversary of the Effective Date, and in certain circumstances prior to the seventh anniversary of the Effective Date (including if the number of Exchangeable Shares outstanding (and not held by Mergeco and its affiliates) is fewer than 7,500,000 (subject to any adjustment as described under "Redemption Date" below)), Exchangeco may redeem all of the outstanding Exchangeable Shares at its option. Upon such a redemption, holders of the outstanding Exchangeable Shares will receive an equal number of Mergeco Shares in exchange for their Exchangeable Shares.

More detail on the Exchangeable Share structure is set out on the following pages of this Part 12—"Exchangeable Share structure".

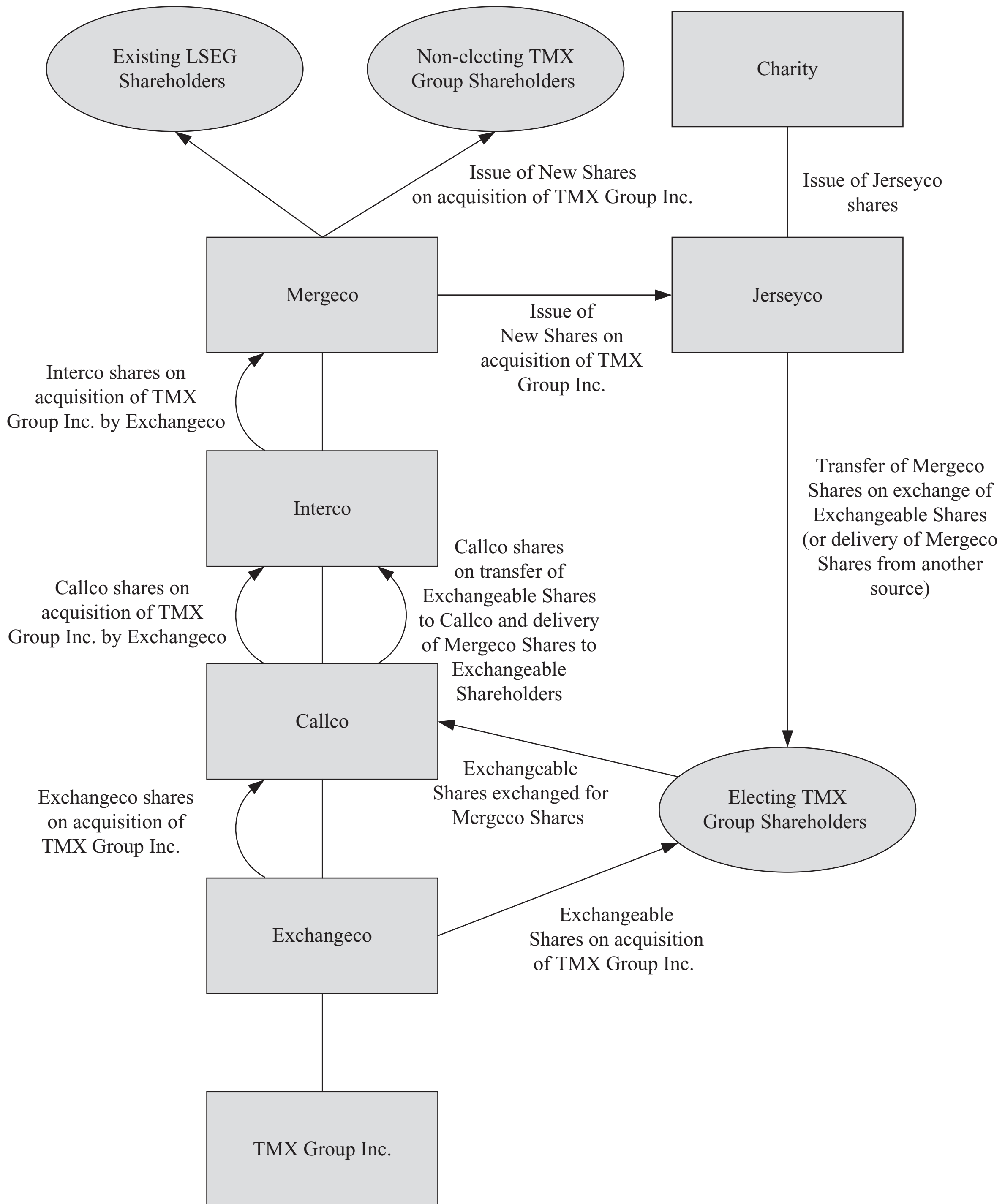
2. The implementation structure

As described above, the Exchangeable Shares are issued by Exchangeco. The Exchangeable Share structure is implemented by Mergeco through a chain of Subsidiaries: Interco, Callco and Exchangeco. LSEG has also established Jerseyco as a company outside the LSEG Group to hold New Shares issued to Jerseyco on the Effective Date.

Issue mechanism

The following diagram illustrates the mechanisms by which New Shares and/or Exchangeable Shares will be issued to TMX Group Shareholders.

Further information with respect to the entities involved in the Exchangeable Share structure of the Merged Group is given below.



Entities involved

Exchangeco

Exchangeco is a company incorporated under the OBCA on 24 May 2011 for the purpose of implementing the Merger. To date, Exchangeco has not carried on and, following the Effective Date will not carry on, any business, except in connection with its role as a party to the Merger, as described above. Exchangeco is a Subsidiary of Callco and its registered office address is 100 King Street West, Suite 6100, 1 First Canadian Place, Toronto, Ontario, M5X 1B8.

LSEG will agree that, without the prior approval of Exchangeco and Exchangeable Shareholders, as long as any outstanding Exchangeable Shares are owned by a person other than Mergeco or any of its affiliates, Mergeco will be and will remain the direct and/or indirect beneficial owner of all of the issued and outstanding voting shares in the capital of Exchangeco.

Following Completion, the directors and officers of Exchangeco will be chosen from the directors and officers of Mergeco.

In addition to the Exchangeable Shares, Exchangeco's share capital will comprise common shares (all of which will be held by Callco and, therefore, indirectly by Mergeco). The holders of these common shares are entitled to receive notice of and to attend all meetings of the shareholders of Exchangeco and are entitled to one vote for each share held on all matters submitted to a vote of holders of common shares.

The holders of common shares are also entitled to receive such dividends as may be declared by the Exchangeco Board out of funds legally available therefor. However, these rights are expressly subject to the prior rights of the Exchangeable Shareholders with respect to priority in the payment of dividends.

Upon any liquidation, dissolution or winding-up of Exchangeco, holders of common shares are entitled to receive the remaining property and assets of Exchangeco. Again, these rights are expressly subject to the prior rights of the Exchangeable Shareholders with respect to priority in the distribution of property and assets on a liquidation, dissolution or winding-up.

Callco

Callco is a company incorporated under the OBCA on 24 May 2011 for the purpose of implementing the Merger. Callco will hold certain call rights related to the Exchangeable Shares, as described in more detail below. To date, Callco has not carried on and, following the Effective Date, will not carry on, any business, except in connection with its role as a party to the Merger, as described above. Callco is a wholly owned Subsidiary of Interco and its registered office address is 100 King Street West, Suite 6100, 1 First Canadian Place, Toronto, Ontario, M5X 1B8.

LSEG has agreed that, without the prior approval of Exchangeco and Exchangeable Shareholders, as long as any outstanding Exchangeable Shares are owned by a person other than Mergeco or any of its affiliates, Mergeco will be and remain the direct and/or indirect beneficial owner of all of the issued and outstanding voting shares in the capital of Callco.

Following Completion, the directors and officers of Callco will be chosen from the directors and officers of Mergeco.

Interco

Interco is a company incorporated under the laws of England and Wales on 10 May 2011 for the purpose of implementing the Merger. Interco acts as an intermediate holding company between Mergeco and Callco. To date, Interco has not carried on and, following the Effective Date, will not carry on, any business, except in connection with its role as a party to the Merger, as described above. Interco is a wholly owned UK Subsidiary of LSEG and its registered office address is 10 Paternoster Square, London, EC4M 7LS.

Following Completion, the directors and officers of Interco will be chosen from the directors and officers of Mergeco.

Jerseyco

Jerseyco is a company incorporated under the laws of Isle of Jersey on 17 May 2011 for the purpose of implementing the Merger. To date, Jerseyco has not carried on and, following the Effective Date, will not carry on, any business except in connection with its role as a party to the Merger, as described above. Jerseyco is wholly owned by a charitable trust, the trustee for which is LSEG Jerseyco Trustee Limited, as described below. Its registered office address is 47 Esplanade, St Helier, Jersey, JE1 0BD.

The directors of Jerseyco upon the Effective Date are expected to be David Richard King and Jane Alison Stammers, both of whom are resident for tax purposes in Jersey. Jerseyco is expected to be solely resident in Jersey for tax purposes.

A number of New Shares will be issued to Jerseyco on the Effective Date equivalent to the number of Exchangeable Shares being issued to former TMX Group Shareholders on the Effective Date. As more particularly described below, it is the voting rights attaching to the Mergeco Shares held by Jerseyco which can be voted by Exchangeable Shareholders either in person or by a direction given to the Trustee. The benefit of the dividend rights attaching to the Mergeco Shares held by Jerseyco from time to time will be irrevocably waived for as long as Jerseyco holds such shares.

LSEG Jerseyco Trustee Limited is a company incorporated under the laws of Jersey on 17 May 2011 for the purpose of implementing the Merger. To date, LSEG Jerseyco Trustee Limited has not carried on and, following the Effective Date, will not carry on, any business except in connection with its role as trustee of the charitable trust that owns Jerseyco as described above. LSEG Jerseyco Trustee Limited is wholly owned by a charitable trust and its registered office address is 47 Esplanade, St Helier, Jersey, JE1 0BD.

The directors of LSEG Jerseyco Trustee Limited upon the Effective Date are expected to be Elizabeth Ann Mills and Susan Jill Fossey, both of whom are resident for tax purposes in Jersey. LSEG Jerseyco Trustee Limited is expected to be solely resident in Jersey for tax purposes.

Trustee

The Trustee under the Voting and Exchange Trust Agreement is expected to be CIBC Mellon Trust Company at its offices in Toronto, Canada.

Transfer agent

The transfer agent and registrar for the Exchangeable Shares will be CIBC Mellon at its offices in Toronto, Ontario.

Security package

Jerseyco will agree with LSEG irrevocably to waive its rights to dividends on the Mergeco Shares held by it from time to time for as long as it holds such shares. Jerseyco will also agree with LSEG, the Trustee and Exchangeco that it will not sell or transfer the Mergeco Shares except as permitted under the Voting and Exchange Trust Agreement.

Further, as security for the obligations of Jerseyco under the Voting and Exchange Trust Agreement, and to ensure that the Mergeco Shares held by Jerseyco remain available for the purposes for which they are intended, Jerseyco has provided the following additional protections in the Voting and Exchange Trust Agreement:

- a covenant in favour of LSEG that for so long as it holds any interest in a Mergeco Share, it shall not (i) carry on any business or activity, enter into any arrangement, agreement or transaction, incur any obligation or acquire or dispose of any assets other than to comply with its obligations under the Voting and Exchange Trust Agreement or the Security Agreement; or (ii) create or permit to subsist any security interest in or over any of its assets (other than pursuant to the Security Agreement); and
- an undertaking in favour of LSEG that it shall (i) not exercise the Voting Rights on its own behalf; (ii) for so long as it holds any interest in a Mergeco Share, on each anniversary of the date of the Voting and Exchange Trust Agreement execute such further documentation and do all such other acts or things as may be necessary or desirable to grant a power of attorney to the Trustee to exercise the Voting Rights; and (iii) on the occurrence of an Event of Default (as defined in the Voting and Exchange Trust Agreement) (A) notify all other persons to the Voting and Exchange Trust Agreement of the occurrence of such event; and (B) transfer at Interco's direction all of the Mergeco Shares then held by it.

3. Key documentation

The key documentation which underpins the Exchangeable Share structure is as follows:

Plan of Arrangement

The court-approved Plan of Arrangement, which will become effective at the Effective Time, will be binding on, amongst others, TMX Group Inc., LSEG, Callco, Exchangeco, Jerseyco, the Trustee and all holders and beneficial owners of TMX Group Shares. It is also binding on all holders and beneficial owners of New Shares and/or Exchangeable Shares received in exchange for TMX Group Shares.

It is the Plan of Arrangement which contains the fundamental terms of the Merger, sets the Exchange Ratio and makes the Merger binding on all TMX Group Shareholders. The Plan of Arrangement also includes the Exchangeable Share Provisions (containing the rights attaching to the Exchangeable Shares) which form an exhibit to the Plan and also grants certain call rights in respect of the Exchangeable Shares to Callco which are described more fully in the remainder of this Part 12—"Exchangeable Share structure".

Exchangeable Share Provisions

The Exchangeable Share Provisions contain the share rights of the Exchangeable Shares, including the rights of the Exchangeable Shareholders to dividends, to exchange their Exchangeable Shares for Mergeco Shares (except in the case of a US Holder) and their rights on a liquidation, dissolution or winding-up of Exchangeco. Further information on the rights attaching to the Exchangeable Shares are set out under "Further information on the Exchangeable Shares" below.

Voting and Exchange Trust Agreement

The parties to the Voting and Exchange Trust Agreement, which will be executed so as to be effective from the Effective Time, will be LSEG, Exchangeco, Interco, Jerseyco and the Trustee.

The Voting and Exchange Trust Agreement contains provisions under which Jerseyco and the Trustee will be granted specified rights and will agree to specified obligations in relation to the voting rights attaching to certain Mergeco Shares, including those described below, for the benefit of the Exchangeable Shareholders from time to time. It is under this agreement that Jerseyco grants an irrevocable power of attorney in favour of the Trustee over the voting rights attaching to the Mergeco Shares it holds, with the Trustee's interest in those voting rights and the power of attorney to be held on trust for the benefit of holders (other than Mergeco and its affiliates) of Exchangeable Shares from time to time (the "***Beneficiaries***"). The Voting and Exchange Trust Agreement also contains the mechanics by which Beneficiaries can exercise these voting rights.

Exchangeable Share Support Agreement

The parties to the Exchangeable Share Support Agreement, which will be executed so as to be effective from the Effective Time, will be LSEG, Callco and Exchangeco.

The Exchangeable Share Support Agreement contains provisions under which LSEG will agree to specified obligations, including those described below, to support the obligations of Exchangeco and Callco with respect to the Exchangeable Shares.

The Exchangeable Share Support Agreement is described more fully in section 6 of this Part 12— "Exchangeable Share Support Agreement" below.

Callco Agreement

As part of the Merger, LSEG, Exchangeco and Callco will enter into the Callco Agreement under which Callco will agree to exercise its overriding Retraction Call Right, Redemption Call Right and/or Liquidation Call Right (each as defined below) whenever it is possible for it to do so. Accordingly, (save where the Exchangeable Shares have been acquired by Mergeco or Callco under the Automatic Exchange Right) on a redemption or retraction of Exchangeable Shares or on a liquidation, dissolution or winding-up of Exchangeco or other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs, the purchase of the Exchangeable Shares should always occur pursuant to Callco exercising its overriding Retraction Call Right, Redemption Call Right and/or Liquidation Call Right and Callco (not Exchangeco) will acquire the Exchangeable Shares.

4. Further information on the Exchangeable Shares

As described above, the Exchangeable Shares will be issued by Exchangeco. The Exchangeable Shares (together with the Ancillary Rights) will carry substantially the equivalent economic rights to those of the New Shares that a TMX Group Shareholder would have received if such TMX Group Shareholder had elected to receive New Shares. Exchangeable Shareholders will also receive, through the Voting and Exchange Trust Agreement, the benefit of the voting rights attached to the New Shares issued to, and held by, Jerseyco entitling the holder to direct the voting of one Mergeco Share for each Exchangeable Share held by it (on the same basis and in the same circumstances as if the holder held a Mergeco Share).

Further information on the rights attaching to the Exchangeable Shares (arising both under the Exchangeable Share Provisions and under the Voting and Exchange Trust Agreement) is set out below.

Exchange

The Exchangeable Shares will be exchangeable at any time before the Redemption Date (defined below under "Redemption of Exchangeable Shares"), at the option of the holder, on a one-for-one basis for

Mergeco Shares. Further detail on how to exercise the right of exchange are set out under "Exiting the Exchangeable Share structure" below.

Dividend rights

Upon the declaration of any dividend or distribution on Mergeco Shares, subject to applicable law, the Exchangeco Board will declare, and the Exchangeable Shareholders will be entitled to receive, a dividend or distribution on each Exchangeable Share:

- in the case of a cash dividend or distribution declared on Mergeco Shares, in an amount in cash equal to, and in the currency of, the cash dividend or distribution paid on each Mergeco Share or an equivalent amount in Canadian dollars;
- in the case of a stock dividend or distribution declared on Mergeco Shares to be paid in Mergeco Shares, by the issue by Exchangeco of the number of Exchangeable Shares (with nominal paid-up capital for the purposes of the Canadian Tax Act) for each Exchangeable Share as is equal to the number of Mergeco Shares to be paid on each Mergeco Share; and
- in the case of a dividend or other distribution declared on Mergeco Shares in any other type of property, in the type and amount of property as is the same as or economically equivalent to the type and amount of property to be paid on each Mergeco Share.

The declaration date, record date and payment date for these dividends and distributions on the Exchangeable Shares will be the same as the relevant dates for the corresponding dividends or distributions declared on the Mergeco Shares.

In the case of a stock dividend or distribution declared on the Mergeco Shares to be paid in Mergeco Shares, in lieu of declaring a corresponding stock dividend or distribution on the Exchangeable Shares, the Exchangeco Board may elect to effect a contemporaneous and economically equivalent subdivision of the outstanding Exchangeable Shares.

The Exchangeco Board will determine, in good faith and in its sole discretion, "economic equivalence" for these purposes. Its determination, which will be based upon a number of factors, will be binding on the Exchangeable Shareholders and on Exchangeco. Among other things, the factors generally require the Exchangeco Board to consider the number of shares to be issued, the fair market value of the dividend or other distribution being made on the Mergeco Shares in relation to the then current market price of a Mergeco Share and the general tax consequences of the event on Exchangeable Shareholders.

Voting rights

Voting rights with respect to Exchangeco

Except as required by law and under the Exchangeable Share Provisions, Exchangeable Shareholders are not entitled to receive notice of or to attend any meeting of the shareholders of Exchangeco or to vote at any such meeting, including but not limited to class votes. Exchangeable Shareholders do, however, have certain rights as regards amendments to the Exchangeable Share Provisions—see under the heading "Amendment and approval" within this Part 12—"Exchangeable Share structure".

Voting rights with respect to Mergeco

Under the Voting and Exchange Trust Agreement, Mergeco will issue such number of New Shares to Jerseyco as is equal to the number of Exchangeable Shares issued to Eligible Canadian Residents on the Effective Date. Also under that agreement, Jerseyco will grant an irrevocable power of attorney in respect of the voting rights attaching to the Mergeco Shares held by it to the Trustee. The Beneficiaries (defined above) will, in the aggregate, be entitled to instruct the Trustee as to the voting of a number of Mergeco Shares equal to the then outstanding number of Exchangeable Shares held by all Beneficiaries. The Trustee will exercise (either by proxy or in person) the vote attached to each Mergeco Share only as directed by the relevant Beneficiary and, in the absence of instructions from a Beneficiary as to voting, will not exercise that vote.

Each Beneficiary holding Exchangeable Shares on the record date for any meeting at which Mergeco Shareholders are entitled to vote will be entitled to instruct the Trustee to exercise the vote attached to one Mergeco Share for each Exchangeable Share held by such Beneficiary.

A Beneficiary may, upon instructing the Trustee, obtain a proxy entitling such Beneficiary to exercise the votes to which such Beneficiary is entitled directly at the relevant meeting.

Shareholder materials

The Trustee will use reasonable efforts to forward to the Beneficiaries (on the same day as Mergeco mails or otherwise sends the notice and materials to the other Mergeco Shareholders) the notice of each meeting at which Mergeco Shareholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the Beneficiaries may instruct the Trustee to exercise the votes attaching to the Mergeco Shares held by Jerseyco. The Trustee will also send to the Beneficiaries copies of all information statements, interim and annual financial statements, reports and other materials sent by Mergeco to Mergeco Shareholders at the same time as the materials are sent to the Mergeco Shareholders. The Trustee will also send to the Beneficiaries all materials sent by third parties to the Mergeco Shareholders (if such receipt is known by Mergeco), including dissident proxy circulars and tender and exchange offer circulars, as soon as reasonably practicable after the materials are delivered to the Trustee.

Liquidation rights

Liquidation rights with respect to Exchangeco

In the event of the liquidation, dissolution or winding-up of Exchangeco or other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs, Exchangeable Shareholders will have, subject to applicable law, the right to receive, for each Exchangeable Share held: (i) one Mergeco Share (or, if the holder is Mergeco or an affiliate, an amount in cash calculated by reference to the then current market price of a Mergeco Share); and (ii) an amount in cash equal to the declared and unpaid dividends on that Exchangeable Share. These rights of Exchangeable Shareholders rank in preference to the rights of the holders of the common shares or other shares ranking junior to the Exchangeable Shares issued by Exchangeco.

In these circumstances, Callco will have an overriding Liquidation Call Right to purchase all of the outstanding Exchangeable Shares (other than Exchangeable Shares held by Mergeco and its affiliates) from the holders thereof on the liquidation date for the same consideration per share as set out in the preceding paragraph, except where the Exchangeable Shares have been acquired by Mergeco or Callco under the Automatic Exchange Right.

Insolvency event

Upon the occurrence and during the continuance of an "insolvency event" (as defined below), Mergeco (or Callco, should Mergeco so designate) shall automatically purchase from each Exchangeable Shareholder (other than Mergeco and its affiliates) all of the Exchangeable Shares held by each such holder.

The purchase price payable by Mergeco (or Callco) will be equal to: (i) one Mergeco Share; and (ii) an amount in cash equal to the declared and unpaid dividends on that Exchangeable Share.

An "***insolvency event***" means:

- the winding-up of Exchangeco or the institution by Exchangeco of any proceeding to be adjudicated a bankrupt or insolvent or to be wound up, or the consent of Exchangeco to the institution of bankruptcy, insolvency or winding-up proceedings against it;
- the filing of a petition, answer or consent seeking dissolution, reorganisation, or winding-up under any bankruptcy, insolvency or analogous laws, including the Companies Creditors' Arrangement Act (Canada) and the Bankruptcy and Insolvency Act (Canada), and Exchangeco's failure to contest in good faith the proceedings commenced in respect of Exchangeco within 30 days of becoming aware of the proceedings or the consent by Exchangeco to the filing of the petition or to the appointment of a receiver;
- the making by Exchangeco of a general assignment for the benefit of creditors, or the admission in writing by Exchangeco of its inability to pay its debts generally as they come due; or
- Exchangeco not being permitted, under solvency requirements of applicable law, to redeem any retracted Exchangeable Shares under the Exchangeable Share Provisions.

Rights with respect to Mergeco liquidation

In order for Exchangeable Shareholders (other than Mergeco and its affiliates) to participate on a pro rata basis with Mergeco Shareholders, on the fifth Business Day prior to the effective date of a Mergeco liquidation event (being a specified event relating to the voluntary or involuntary liquidation, dissolution, winding-up or other distribution of the assets of Mergeco among its shareholders for the purpose of winding-up its affairs), each Exchangeable Share (other than those held by Mergeco and its affiliates) will automatically be purchased from each holder for (i) one Mergeco Share and (ii) an amount in cash equal to any declared and unpaid dividends on that Exchangeable Share.

Ranking

The Exchangeable Shares will rank ahead of the common shares of Exchangeco and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of a liquidation, dissolution or winding-up of Exchangeco, whether voluntary or involuntary, or any other distribution of the assets of Exchangeco, among its shareholders for the purpose of winding-up its affairs.

Restrictions on Exchangeco

Without the approval of the Exchangeable Shareholders (see under the heading "Amendment and approval" within this Part 12—"Exchangeable Share structure"), so long as any of the Exchangeable Shares are outstanding, Exchangeco will not:

- pay any dividends on the common shares of Exchangeco or any other shares ranking junior to the Exchangeable Shares, other than stock dividends payable in common shares of Exchangeco or any such other shares ranking junior to the Exchangeable Shares, as the case may be;
- redeem or purchase or make any capital distribution in respect of common shares of Exchangeco or any other shares ranking junior to the Exchangeable Shares;
- redeem or purchase any other shares of Exchangeco ranking equally with the Exchangeable Shares with respect to the payment of dividends or on any liquidating distribution; or
- issue any Exchangeable Shares or any other shares of Exchangeco ranking equally with, or superior to, the Exchangeable Shares other than by way of stock dividends to Exchangeable Shareholders or pursuant to a shareholders rights plan adopted by Exchangeco.

These restrictions will not apply at any time when all dividends on the outstanding Exchangeable Shares corresponding to dividends declared and paid on the Mergeco Shares have been declared and paid on the Exchangeable Shares.

Withholding

TMX Group Inc., Mergeco, Exchangeco, Callco, the Trustee, the Transfer Agent and the Depositary will be entitled to deduct and withhold from any dividends, distributions or other consideration payable to any Exchangeable Shareholder (including upon an exchange or transfer of Exchangeable Shares for Mergeco Shares, whether upon a redemption, an optional retraction at the request of a holder, the insolvency, dissolution or winding-up of Exchangeco or Mergeco or the exercise by Callco of any of its overriding call rights) any amount it is required or permitted to deduct or withhold pursuant to applicable tax laws.

If the amount required or permitted to be deducted or withheld exceeds the cash portion of the consideration that is otherwise payable to the Exchangeable Shareholder, TMX Group Inc., Mergeco, Exchangeco, Callco, the Trustee, the Transfer Agent and the Depositary are authorised to sell the portion of the consideration necessary to provide the cash to comply with the deduction or withholding requirement. In such event, TMX Group Inc., Mergeco, Exchangeco, Callco, the Trustee, the Transfer Agent or the Depositary shall remit to such Exchangeable Shareholder any unapplied balance of the net proceeds of such sale.

Amendment and approval

The rights, privileges, restrictions and conditions attaching to the Exchangeable Shares may be added to, changed or removed only with the approval of the Exchangeable Shareholders.

Any approval given by the Exchangeable Shareholders requires a resolution to be passed by not less than two-thirds of the votes cast on that resolution at a meeting of the Exchangeable Shareholders duly called and held at which the holders of at least 10 per cent. of the outstanding Exchangeable Shares at that time are present or represented by proxy.

If no such quorum is present at the meeting within one-half hour after the appointed time, the meeting will be adjourned to the place and time (not less than five days later) as may be designated by the chairman of the meeting. At that adjourned meeting, the Exchangeable Shareholders present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed at the meeting by not less than two-thirds of the votes cast on the resolution will constitute the approval or consent of Exchangeable Shareholders.

5. Exiting the Exchangeable Share Structure

Optional retraction of Exchangeable Shares

Optional retraction by the holder

The retraction of a share is a well understood concept in Canada and equates to a right of a shareholder to require the company in which it holds shares to redeem its shares.

Exchangeable Shareholders (other than US Holders) will be entitled, at any time, to exercise their retraction right in respect of their Exchangeable Shares and thereby require Exchangeco, subject to Callco's Retraction Call Right (defined below), to redeem any or all of their Exchangeable Shares in return for: (i) one Mergeco Share per Exchangeable Share (or, if the holder is Mergeco or an affiliate, an amount in cash calculated by reference to the then current market price of a Mergeco Share); and (ii) (on the designated payment date therefor) an amount in cash equal to the declared and unpaid dividends on that Exchangeable Share.

In order to exercise this right, an Exchangeable Shareholder must deliver to Exchangeco at its registered office or at an office of the Transfer Agent specified by Exchangeco, among other things, a written retraction request and the certificate(s) representing the Exchangeable Shares to be redeemed, together with such other documents and instruments as may be required to effect a transfer of Exchangeable Shares under the OBCA and the by-laws of Exchangeco.

The holder must state in the retraction request the Business Day on which the holder desires Exchangeco to redeem all or any number of Exchangeable Shares the holder owns, which date must be 10 to 15 Business Days after the date on which the request is received by Exchangeco. The Exchangeable Shareholder must also certify in the retraction request that it is not a US Holder, or making the retraction request for or on behalf of a US Holder. If the holder fails to specify a Business Day in the request, the retraction date will be the fifteenth Business Day after the date on which the request is received by Exchangeco.

Callco's Retraction Call Right

In the event that an Exchangeable Shareholder exercises this retraction right to require that Exchangeco redeem any of its Exchangeable Shares, Callco will have an overriding right (the "***Retraction Call Right***") to purchase all but not less than all of those Exchangeable Shares for a price per Exchangeable Share equal to: (i) one Mergeco Share (or, if the holder is Mergeco or an affiliate, an amount in cash calculated by reference to the then current market price of a Mergeco Share); and (ii) (on the designated payment date therefor) an amount in cash equal to the declared and unpaid dividends on that Exchangeable Share.

Upon receipt of a retraction request, Exchangeco will immediately notify Callco, which must then advise Exchangeco within five Business Days as to whether it will exercise its Retraction Call Right. Callco, Exchangeco and LSEG have agreed under the Callco Agreement that Callco will exercise its Retraction Call Right each time an Exchangeable Shareholder exercises its retraction right. Callco must then advise Exchangeco that Callco will exercise its Retraction Call Right within five Business Days after Exchangeco notified it. On exercise of the Retraction Call Right by Callco, the retraction request will be considered only to be an offer by the holder to sell to Callco the Exchangeable Shares identified in the retraction request.

Revocation of retraction

An Exchangeable Shareholder may revoke its retraction request by notice, in writing, at any time prior to the close of business on the Business Day immediately preceding the retraction date, in which case, the Exchangeable Shares identified in the retraction request will not be purchased by Callco or redeemed by Exchangeco. Unless the holder revokes the retraction request, the Exchangeable Shares identified in the retraction request will be purchased by Callco (or redeemed by Exchangeco, as the case may be) and Callco (or Exchangeco, as the case may be) will: (i) (in the case of a holder other than Mergeco or its affiliates) deliver or cause to be delivered to such holder the Mergeco Shares to which such holder is entitled; and (ii) send such holder, on the payment date therefor, a cheque in an amount equal to the amount of the declared and unpaid dividends, if any, on the redeemed or purchased Exchangeable Shares, less any amounts withheld on account of tax.

Automatic exchange

If, as a result of solvency requirements of applicable law, Exchangeco is not permitted to redeem all Exchangeable Shares tendered by a retracting holder, and Callco is prevented from exercising its Retraction Call Right to acquire such shares, Exchangeco will be obligated to redeem only those Exchangeable Shares tendered by the holder (rounded down to a whole number of shares) as would not be contrary to such applicable law. In such event, Mergeco (or Callco, should Mergeco so designate) will be required to purchase all of the Exchangeable Shares (other than Exchangeable Shares held by Mergeco and its affiliates) pursuant to the Automatic Exchange Right.

Redemption of Exchangeable Shares

On the Redemption Date, as described below, Exchangeco will, subject to Callco's Redemption Call Right (as defined below), redeem all, but not less than all, of the then outstanding Exchangeable Shares other than those held by Mergeco or an affiliate for a price per Exchangeable Share of: (i) one Mergeco Share; and (ii) an amount in cash equal to the declared and unpaid dividends on that Exchangeable Share.

Redemption Date

The "***Redemption Date***" for the Exchangeable Shares means the date, if any, established by the Exchangeco Board for the redemption by Exchangeco of all, but not less than all, of the outstanding Exchangeable Shares. The Redemption Date shall not be earlier than the seventh anniversary of the Effective Date, unless:

a) the number of outstanding Exchangeable Shares (excluding Exchangeable Shares held by Mergeco and its affiliates) is fewer than 7,500,000 (subject to any adjustment as may be agreed to be made to such number by the Exchangeco Board to give effect to any subdivision or consolidation of, or stock dividend on, the Exchangeable Shares or other specified events), in which case, the Exchangeco Board may, upon at least 60 days' prior written notice to Exchangeable Shareholders and the Trustee, accelerate the Redemption Date to an earlier date;

b) each of the following occurs: (i) a matter arises on which Exchangeable Shareholders are entitled to vote as shareholders of Exchangeco (other than a matter described in (c) below, and excluding any matter in respect of which Exchangeable Shareholders are entitled to vote in their capacity as Beneficiaries under the Voting and Exchange Trust Agreement) (an "***Exchangeable Share Voting Event***"); (ii) the Exchangeco Board has determined, in good faith and in its sole discretion, that it is not reasonably practicable to accomplish the business purpose intended by the matter (which business purpose must be *bona fide* and not for the primary purpose of causing the occurrence of the Redemption Date) in any other commercially reasonable manner that does not result in the occurrence of an Exchangeable Share Voting Event; and (iii) Exchangeable Shareholders fail to take the necessary action at a meeting or other vote of Exchangeable Shareholders to approve or disapprove, as applicable, the Exchangeable Share Voting Event, in which case the Redemption Date will be the Business Day following the day on which Exchangeable Shareholders failed to take such action;

c) each of the following occurs: (i) a matter arises on which Exchangeable Shareholders are entitled to vote as shareholders of Exchangeco in order to approve any change to, or in the rights of the holders of, the Exchangeable Shares; (ii) the change is necessary to maintain the economic equivalence of the Exchangeable Shares and the Mergeco Shares; and (iii) Exchangeable Shareholders fail to take the

necessary action at a meeting or other vote of Exchangeable Shareholders to approve or disapprove, as applicable, the change, in which case, the Redemption Date will be the Business Day following the day on which Exchangeable Shareholders failed to take the necessary action; or

d) an LSEG Control Transaction occurs, provided that the Exchangeco Board determines, in good faith and in its sole discretion, that it is not practicable to substantially replicate the terms and conditions of the Exchangeable Shares in connection with the LSEG Control Transaction or that the redemption of all, but not less than all, of the outstanding Exchangeable Shares (other than those held by Mergeco and its affiliates) is necessary to enable the completion of the LSEG Control Transaction in accordance with its terms, in which case, the Exchangeco Board may accelerate the Redemption Date to an earlier date as it may determine upon such number of days' prior written notice to Exchangeable Shareholders and the Trustee as the Exchangeco Board determines to be reasonably practicable in such circumstances.

Notice of redemption

Exchangeco must notify Exchangeable Shareholders in writing at least 30 days before the proposed Redemption Date, if occurring on or after the seventh anniversary of the Effective Date or as described in (a) above. In the case of a redemption described in (b), (c) or (d) above, Exchangeco must give written notice on or before the Redemption Date on as many days' notice as the Exchangeco Board determines to be reasonably practicable in the circumstances. However, the accidental failure or omission to give notice of a redemption described under (a), (b), (c) or (d) above will not invalidate the redemption.

Callco's Redemption Call Right

On the Redemption Date, Callco will have an overriding right to purchase (the "***Redemption Call Right***") all, but not less than all, of the outstanding Exchangeable Shares (other than those held by Mergeco and its affiliates) for a price per Exchangeable Share of: (i) one Mergeco Share; and (ii) an amount in cash equal to the declared and unpaid dividends on that Exchangeable Share.

Callco, Exchangeco and LSEG have agreed under the Callco Agreement that Callco will exercise its Redemption Call Right on the Redemption Date. Upon the exercise of the Redemption Call Right by Callco, each Exchangeable Shareholder (other than Mergeco and its affiliates) will be obligated to sell to Callco, on the Redemption Date, all of the Exchangeable Shares held by such holder on payment of the purchase price therefor, and Exchangeco will have no obligation to redeem such shares so purchased by Callco.

Purchase for cancellation

Subject to applicable law, Exchangeco may, at any time and from time to time, purchase for cancellation all or any part of the outstanding Exchangeable Shares. Exchangeco shall be entitled, subject to applicable law, to pay and satisfy the purchase price for such Exchangeable Shares through the issuance of common shares of Exchangeco or any shares ranking junior to the Exchangeable Shares or otherwise as Exchangeco may determine.

Exchangeco may also, at any time and from time to time, purchase for cancellation all or any part of the Exchangeable Shares then outstanding at any price by tender to all the holders of outstanding Exchangeable Shares or through any stock exchange on which the Exchangeable Shares are listed or quoted at any price per share.

6. Exchangeable Share Support Agreement

As part of the Merger, LSEG, Callco and Exchangeco will enter into the Exchangeable Share Support Agreement. This agreement effectively underpins the obligations of Exchangeco and Callco as towards Exchangeable Shareholders by imposing obligations on Mergeco to provide support to Exchangeco and/or Callco for their respective obligations.

Summary of key obligations

Pursuant to the Exchangeable Share Support Agreement, for so long as any Exchangeable Shares (other than Exchangeable Shares owned by Mergeco or its affiliates) remain outstanding:

In respect of dividends

- Mergeco will not take any action that will result in the declaration or payment of any dividends or other distributions on the Mergeco Shares unless Exchangeco simultaneously declares or pays, as the case may be, an economically equivalent dividend or distribution on the Exchangeable Shares, or if the dividend or distribution is a stock or share dividend or distribution, Exchangeco chooses to effect, in lieu of that dividend or distribution, an economically equivalent subdivision of the outstanding Exchangeable Shares;
- Mergeco will advise Exchangeco sufficiently in advance of the declaration of any dividend or other distribution on the Mergeco Shares and take all action reasonably necessary, in co-operation with Exchangeco, to ensure that the respective declaration date, record date and payment date for dividends or other distributions on the Exchangeable Shares are the same as that for the dividend or other distribution on the Mergeco Shares, and the record date, if any, and the effective date for the subdivision of the outstanding Exchangeable Shares, as described above, are the same as that for the dividend or other distribution on the Mergeco Shares; and
- Mergeco will ensure that the record date for any dividend or other distribution declared on the Mergeco Shares is not less than 10 Business Days after the declaration date of that dividend or other distribution.

In respect of a liquidation of Exchangeco, a retraction request or a redemption

- Mergeco will take all actions and do all things reasonably necessary or desirable to enable and permit Exchangeco, in accordance with applicable law, to pay and otherwise perform its obligations arising upon the liquidation, dissolution or winding-up or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs or in the event of a retraction request by an Exchangeable Shareholder or a redemption of Exchangeable Shares on the Redemption Date, as the case may be, including all actions and things that are necessary or desirable to enable and permit Exchangeco to cause to be delivered Mergeco Shares to Exchangeable Shareholders together with a cheque for any amount in respect of declared and unpaid dividends where obligated to do so;
- Mergeco will take all actions and do all things reasonably necessary or desirable to enable and permit Callco, in accordance with applicable law, to pay or otherwise perform its obligations arising upon the exercise by it of its overriding call rights, including all actions and things as are necessary or desirable to enable and permit Callco to deliver or cause to be delivered Mergeco Shares to Exchangeable Shareholders, together with a cheque for any amount in respect of declared and unpaid dividends where obligated to do so; and
- Mergeco will ensure that Callco (or its affiliates) does not exercise its vote as a shareholder to initiate the voluntary liquidation, dissolution or winding-up of Exchangeco nor take any action or omit to take any action that is designed to result in the liquidation, dissolution or winding-up of Exchangeco.

In respect of the Trustee's exercise of the voting rights with respect to the Mergeco Shares owned by Jerseyco

- Mergeco will take all actions and do all things reasonably necessary or desirable to enable and permit the Trustee, in accordance with applicable law, to perform its obligations under the Voting and Exchange Trust Agreement, including all actions and things as are necessary or desirable to enable the Trustee to exercise such number of votes with respect to the Mergeco Shares held by Jerseyco as is equal to the aggregate number of Exchangeable Shares outstanding (and not held by Mergeco and its affiliates) at the relevant time.

Mergeco Shares to be delivered on an exchange of Exchangeable Shares

The Exchangeable Share Support Agreement will provide that Mergeco will take all necessary or desirable actions to ensure that the Mergeco Shares delivered in exchange for Exchangeable Shares will be freely tradable, including, if necessary, registering the Mergeco Shares under applicable securities laws and maintaining the listing or quotation of the Mergeco Shares for trading on the London Stock Exchange and

TSX and any other stock exchanges and quotation systems on which the outstanding Mergeco Shares are then listed and quoted.

In addition, Mergeco agrees to make available such number of Mergeco Shares, without duplication, (i) as is equal to the sum of (A) the number of Exchangeable Shares issued and outstanding from time to time and (B) the number of Exchangeable Shares issuable upon the exercise of all rights to acquire Exchangeable Shares outstanding from time to time; and (ii) in addition to those in (a) above, as are required to enable and permit Mergeco, Callco and Exchangeco to meet their respective obligations under the Plan of Arrangement, the Exchangeable Share Provisions, the Exchangeable Share Support Agreement and the Voting and Exchange Trust Agreement. Mergeco Shares held by Jerseyco may be used for this purpose.

Restrictions on Mergeco dividends etc. and economic equivalence

The Exchangeable Share Support Agreement will also provide that, so long as any Exchangeable Shares (other than those held by Mergeco or its affiliates) are outstanding, Mergeco will not, without the prior approval of Exchangeco and the Exchangeable Shareholders, issue or distribute to all or substantially all the Mergeco Shareholders (excluding Jerseyco):

- Mergeco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Mergeco Shares) by way of a stock or share dividend or other distribution (other than to Mergeco Shareholders who exercise an option to receive those securities in lieu of receiving a cash dividend or pursuant to a dividend reinvestment plan or similar arrangement);
- rights, options or warrants to subscribe for or purchase Mergeco Shares (or securities exchangeable for or convertible into or carrying rights to acquire Mergeco Shares);
- other securities, rights options or warrants of Mergeco;
- evidences of indebtedness of Mergeco; or
- other assets of Mergeco,

unless the economic equivalent of such Mergeco Shares (or such other securities or property) is simultaneously issued, distributed or otherwise provided to Exchangeable Shareholders.

In addition, the Exchangeable Share Support Agreement provides that, so long as any Exchangeable Shares (other than those held by Mergeco or its affiliates) are outstanding, Mergeco will not, without the prior approval of Exchangeco and the Exchangeable Shareholders:

- subdivide, re-divide, reduce, combine, consolidate or otherwise change the then outstanding Mergeco Shares into a different number of Mergeco Shares; or
- reclassify or otherwise change the Mergeco Shares or effect an amalgamation, merger, reorganisation or other transaction affecting Mergeco Shares,

unless the same or an economically equivalent change to, or in the rights of the holders of, the Exchangeable Shares is made simultaneously. Mergeco will ensure that the record date for any of the foregoing events (or the effective date if there is no record date) is not less than five Business Days after the date that Mergeco announces or declares the event (with contemporaneous notification thereof to Exchangeco). The Exchangeco Board will determine, in good faith and in its sole discretion, "economic equivalence" for these purposes. Its determination, which will be based upon a number of factors, will be conclusive and binding on Exchangeco and Exchangeable Shareholders. Among other things, the factors generally require the Exchangeco Board to consider the number of shares to be issued, the fair market value of the dividend or other distribution being made on the Mergeco Shares in relation to the then current market price of a Mergeco Share and the general tax consequences of the event on Exchangeable Shareholders.

Acquisition of Mergeco (by way of takeover offer or otherwise)

In the event of any proposed tender offer, share exchange offer, issuer bid, take-over bid or similar transaction with respect to Mergeco Shares which is recommended by the Mergeco Board and in connection with which the Exchangeable Shares are not purchased by Callco pursuant to its overriding Redemption Call Right (or redeemed by Exchangeco), Mergeco will use its reasonable efforts in good faith to take all actions and do all things necessary or desirable to enable and permit Exchangeable Shareholders

(other than Mergeco and its affiliates) to participate in such transaction to the same extent and on an economically equivalent basis as the Mergeco Shareholders, without discrimination.

Mergeco will further use its reasonable efforts in good faith to ensure that Exchangeable Shareholders may participate in such transaction without being required to retract their Exchangeable Shares as against Exchangeco (or if so required, to ensure that any such retraction will be effective only upon, and be conditional upon, the closing of such transaction and only to the extent necessary to tender or deposit to the transaction). This will not affect the rights of Exchangeco to redeem (or Callco to purchase pursuant to its overriding Redemption Call Right) Exchangeable Shares in the event of an LSEG Control Transaction.

In addition, subject to limited exceptions, Mergeco will not consummate any transaction (whether by way of reconstruction, reorganisation, consolidation, merger, amalgamation, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of a merger, of the continuing corporation unless the rights of Exchangeable Shareholders are substantially preserved and not impaired in any material respect.

Notices

In order to assist Mergeco to comply with its obligations under the Exchangeable Share Support Agreement and to permit Callco to exercise its overriding call rights, Exchangeco is required to notify Mergeco and Callco of the occurrence of certain events, such as the liquidation, dissolution or winding-up of Exchangeco, Exchangeco's receipt of a retraction request from an Exchangeable Shareholder, the determination of a Redemption Date of the Exchangeable Shares and the issuance by Exchangeco of any Exchangeable Shares (or rights to acquire Exchangeable Shares).

Restrictions on voting Exchangeable Shares held by Mergeco and its affiliates

Under the Exchangeable Share Support Agreement, Mergeco has agreed not to exercise any voting rights attached to the Exchangeable Shares owned by it or any of its affiliates on any matter considered at meetings of Exchangeable Shareholders. Mergeco has also agreed to use its reasonable best efforts to (i) maintain a listing for the Exchangeable Shares on a stock exchange which is a designated stock exchange within the meaning of the Canadian Tax Act and (ii) ensure that Exchangeco remains a "public corporation" within the meaning of the Canadian Tax Act.

Amendment of the Exchangeable Share Support Agreement

With the exception of administrative changes for the purpose of adding covenants, making certain necessary or desirable amendments or curing ambiguities or clerical errors (in each case provided that the Mergeco Board, Exchangeco Board and the board of directors of Callco are of the opinion that the amendments are not prejudicial to the rights or interests of Exchangeable Shareholders), the Exchangeable Share Support Agreement may not be amended without the approval of Exchangeable Shareholders as set forth under the heading "Amendment and approval" within this Part 12— "Exchangeable Share structure".

Treatment of US Holders of Exchangeable Shares

Notwithstanding any of the rights of Exchangeable Shareholders described above, none of Mergeco, Exchangeco or Callco shall be required to issue or deliver any Mergeco Shares to a US Holder if the issuance or delivery of Mergeo Shares to that US Holder is subject to the registration requirements of the US Securities Act or the registration or qualification requirements of any applicable state "blue sky" securities laws, and no exemption from such requirements is available. In that event, as determined in the sole discretion of Mergeco, Exchangeco or Callco, as the case may be, it may elect instead to arrange for the sale outside the United States of the Mergeco Shares otherwise issuable or deliverable to such US Holder and deliver to such US Holder the net cash proceeds derived from the sale.

PART 13

DIRECTORS AND OFFICERS OF MERGECO

This section of the document describes the directors and executive officers of Mergeco following Completion and sets out information in relation to such directors and executive officers.

1. Mergeco Board

Mergeco will retain a unitary board. It is intended that Mergeco will continue to comply with the UK Corporate Governance Code. In addition, the Mergeco Board will comply with Canadian corporate governance principles and rules. The Mergeco Board will initially comprise 15 directors:

- Eight of the initial directors have been nominated by the existing LSEG Board and include Xavier Rolet, who will be the Chief Executive Officer, Chris Gibson-Smith and Massimo Tononi, who will be the Deputy Chairmen, and Raffaele Jerusalmi (current Chief Executive Officer of Borsa Italiana).
- Seven of the initial directors have been nominated by the existing TMX Group Board and include Wayne Fox, who will be the Chairman of the Mergeco Board, Thomas Kloet, who will be the President and Michael Ptasznik, who will be the Chief Financial Officer.

The Prospective Directors will be appointed to the Mergeco Board with effect from the Effective Date, subject to the required regulatory confirmations.

Part 10—"Regulation of the Merged Group" sets out details of the ongoing requirements relating to the composition of the Mergeco Board and its committees arising from the anticipated undertakings to be given in connection with the Securities Regulatory Approvals. Part 11—"Proposed Investment Canada Act undertakings" sets out details of the ongoing requirements relating to the composition of the Mergeco Board and its committees arising from the anticipated undertakings to be given in connection with Investment Canada Act Approval.

Set out below is information, at the LSEG Latest Practicable Date, regarding the individuals who will serve as initial directors of the Mergeco Board, their functions in the Merged Group and their relevant management expertise and experience. Details of current directorships, other than with TMX Group or LSEG, and directorships held by each individual within the past five years are set out in paragraph 1.2 within this Part 13—"Directors and officers of Mergeco". Details of the number of Existing Shares or TMX Group Shares beneficially owned, directly or indirectly by each individual, or over which they exercise control or discretion are set out in paragraph 6 within this Part 13—"Directors and officers of Mergeco", and information on remuneration paid to such individuals in the last financial year is set out in paragraph 4 within this Part 13—"Directors and officers of Mergeco".

1.1 *Biographies of Mergeco Directors*

Wayne C. Fox
Chairman

Mr Fox was appointed to the TMX Group Board in April 1997. He is the Chairman of TMX Group Inc. and a corporate director. Until September 2005, he was Vice-Chairman and Chief Risk Officer, Treasury, Balance Sheet and Risk Management, Canadian Imperial Bank of Commerce (chartered bank). In the previous five years, Mr Fox held several increasingly senior positions in CIBC and in several CIBC affiliates. In addition, he was a member of the Steering Committee on Regulatory Capital, Institute of International Finance Inc. and on the Board of Governors of McMaster University and Junior Achievement of Central Ontario. In 2006, Mr Fox became an accredited director through the Directors College program at McMaster University. Mr Fox is Governor Emeritus of Appleby College and is a member of the Accounting Standards Oversight Council.

Chris Gibson-Smith
Deputy Chairman

Mr Gibson-Smith was appointed to the LSEG Board in May 2003 and is currently the Chairman of LSEG. He is also Chairman of The British Land Company plc and a non-executive director of Qatar Financial Centre Authority. He is a trustee of the London Business School. Mr Gibson-Smith was previously Chairman of National Air Traffic Services Ltd from 2001 to 2005, director of Lloyds TSB plc from 1999 to 2005, Group Managing Director of BP plc from 1997 to 2001, and a past trustee of the Institute of Public Policy Research and the arts charity, Arts & Business.

Massimo Tononi
Deputy Chairman

Mr Tononi was appointed to the LSEG Board in September 2010. He is a director of Borsa Italiana S.p.A., Mittel S.p.A., Sorin S.p.A. and Prysmian S.p.A. Previously, he was a Partner and Managing Director in the investment banking division of Goldman Sachs from 2008 to July 2010. While at Goldman Sachs, Mr Tononi played a senior role in the business development and execution of investment banking transactions throughout Europe. Between 2006 and 2008, he was Treasury Undersecretary at the Italian Ministry of Economy & Finance in Rome.

Xavier Rolet
Chief Executive Officer

Mr Rolet was appointed to the LSEG Board in March 2009 and appointed Chief Executive Officer on 20 May 2009. From 2000 to 2008, he was a senior executive at Lehman Brothers and, latterly, Chief Executive Officer of Lehman in France. Prior to Lehman Brothers, Mr Rolet held senior positions at Dresdner Kleinwort Benson from 1997 to 2000, Credit Suisse First Boston from 1994 to 1996 and Goldman Sachs from 1984 to 1994. He was a non-executive director of LCH.Clearnet from June 2009 to July 2010.

Thomas A. Kloet
President

Mr Kloet was appointed to the TMX Group Board in July 2008. He is the Chief Executive Officer of TMX Group Inc., a position he assumed on 14 July 2008. Prior to joining TMX Group Inc., Mr Kloet was, from 2003, the Senior Executive Vice President and Chief Operating Officer of the American Zone for Fimat and its successor, Newedge Group. From 2000 to 2002, Mr Kloet served as the first Chief Executive Officer and executive director of the Singapore Exchange Limited. Mr Kloet has held various management positions in the securities industry throughout his career. He also serves on the boards of the World Federation of Exchanges, Investment Industry Regulatory Organization of Canada, Elmhurst College and the Elmhurst Memorial Hospital.

Michael S. Ptasznik
Chief Financial Officer

Mr Ptasznik is Chief Financial Officer of TMX Group Inc. He is also a member of the CanDeal.ca Inc. board of directors and the board of directors of The Canadian Depository for Securities Limited. Prior to his promotion to Chief Financial Officer in 2002, Mr Ptasznik held several senior positions at Toronto Stock Exchange, including Vice President, Finance & Administration, director, Financial Planning & Analysis, and director, Finance & Administration. Before joining Toronto Stock Exchange in 1996, Mr Ptasznik held a number of positions in Finance at Procter & Gamble Canada Inc.

Raffaele Jerusalmi
Executive Director

Appointed to the LSEG Board in June 2010. In addition to his role as director of Capital Markets, Raffaele was appointed Chief Executive Officer of Borsa Italiana S.p.A. in April 2010. He is also Institore of the LSEGH (Italy) group of companies. Prior to joining Borsa Italiana in 1998, he was head of trading for Italian fixed income at Credit Suisse First Boston from 1993 to 1998. From 1996 he was member of the proprietary trading group in London. From 1997 to 1998 he was a Board Member of MTS S.p.A., representing Credit Suisse First Boston and from 1989 to 1993 was head of trading for the fixed income and derivatives divisions at Cimo S.p.A. in Milan.

Raymond Chan
Non-Executive Director

Mr Chan was appointed to the TMX Group Board in July 2006. He is the Executive Chairman of Baytex Energy Corp. (public oil and gas company), a position he has held since 1 January 2009. Mr Chan was the Chief Executive Officer of Baytex Energy from September 2003 until 31 December 2008. Prior thereto, Mr Chan was Senior Vice- President and Chief Financial Officer and a director of Baytex Energy from October 1998. Mr Chan is a chartered accountant and has held senior executive positions in the Canadian oil and gas industry since 1982. Mr Chan also serves on the board of WestFire Energy Ltd.

Denyse Chicoyne
Non-Executive Director

Ms. Chicoyne is a corporate director who was appointed to the TMX Group Board in May 2008. She serves on the board of directors of Richelieu Hardware Ltd, Deans Knight Income Corporation, Canada Post Corporation and Purolator Holdings Inc. Ms. Chicoyne is also a member of the Investment Advisory Committee for the Pension Fund of Canada Post Corporation. Ms. Chicoyne has worked in the securities industry as a top ranked analyst for brokerage firms such as BMO Nesbitt Burns, Nesbitt Thomson, McNeil Mantha and was also a senior analyst and portfolio manager for the Caisse de depôt et placement du Québec. Ms. Chicoyne is also a member of the CFA Institute.

Gay Huey Evans
Non-Executive Director

Ms. Huey Evans was appointed to the LSEG Board in June 2010. She was appointed Vice Chairman of the Board and Non-Executive Chairman for Europe of The International Swaps and Derivatives Association in 2011. Previously, she was Vice Chairman of Investment Banking and Investment Management at Barclays plc from 2008 to 2010, Head of Governance at Citi Alternative Investments (EMEA) from 2007 to 2008, President of Tribeca Global Management from 2005 to 2007 (both part of Citigroup) and a director of Markets Division and Head of Capital Markets Sector at the FSA from 1998 to 2005.

Paul Heiden
Non-Executive Director

Mr Heiden was appointed to the LSEG Board in June 2010. He is Chairman of Talaris Topco Limited and an independent non-executive director of United Utilities Group plc. He has also recently been appointed as a non-executive director of Meggitt plc. Previously, Mr Heiden was Chief Executive Officer of FKI plc from 2003 to 2008 and Group Finance Director of Rolls-Royce plc from 1999 to 2003. He has had previous senior finance roles at Hanson plc and Mercury Communications, and was a Non-Executive Director of Bunzl plc from 1998 to 2005 and a non-executive director of Filtrona plc from 2005 to 2006.

J. Spencer Lanthier
Non-Executive Director

Mr Lanthier is a corporate director who was appointed to the TMX Group Board in February 2000. He also serves on the boards of Ellis-Don Inc. (Chairman), Zarlink Semiconductor Inc. and Wellspring Cancer Support. Mr Lanthier was Chairman of the board of Wellspring Cancer Support and previously served as lead director of the Bank of Canada and Biovail Inc. He is a former director of the board of Rona Inc. Mr Lanthier was appointed as a Member of the Order of Canada in 1999 and received an Honorary Doctor of Laws Degree from the University of Toronto in 2002. When he retired in 1999, Mr Lanthier was a partner of KPMG Canada and, from 1993 until 1999, he was Chairman and Chief Executive of KPMG Canada and a member of the KPMG International Executive Committee.

John P. Mulvihill
Non-Executive Director

Mr Mulvihill was appointed to the TMX Group Board in June 1996. He is Chairman and Chief Executive Officer of Mulvihill Capital Management Inc. (investment counsel), a position he has held for more than five years. Mr Mulvihill is the Chairman of the Board of University Health Network and is a director of 12 exchange-traded funds listed on Toronto Stock Exchange (Canadian Utilities & Telecom Income Fund, Core Canadian Dividend, Gold Participation & Income Fund, Government Strip Bond Trust, Premium Canadian Income Fund, Premium Canadian Bank, S Split Corp., Top 10 Canadian Financial Trust, Top 10 Split Trust and World Financial Split). Mr Mulvihill is also a member of the CFA Institute.

Andrea Munari
Non-Executive Director

Mr Munari was appointed to the LSEG Board in October 2007. He is Managing Director of Banca IMI (Intesa Sanpaolo group). Previously, he was a Managing Director of Morgan Stanley Fixed Income Division, Chief Executive Officer and Managing Director of Banca Caboto (now Banca IMI). In addition, he was a director of MTS S.p.A. from 2003 to 2005 and of TLX S.p.A. from January 2007 to September 2007.

Robert Webb Q.C.
Non-Executive Director

Mr Webb was appointed to the LSEG Board in February 2001. He is the Non-Executive Chairman of Autonomy Corporation plc, BBC Worldwide and of Sciemus Limited. He is also a non-executive director of the BBC Executive Board, Hakluyt Ltd, Argent Group plc and the Emerging Health Threats Forum. Bencher, Inner Temple. Mr Webb was General Counsel of British Airways from September 1998 to April 2009, responsible for law, government affairs, safety, security and risk management. He was also formerly the Head of Chambers at 5 Bell Yard, London.

Each member of the Mergeco Board may be contacted at the joint headquarters of the Merged Group.

1.2 *Other directorships/partnerships of current LSEG Directors who will sit on the Mergeco Board and Prospective Directors*

Other than current or former directorships of LSEG Group (in the case of current LSEG Directors) and TMX Group (in the case of the Prospective Directors), during the five years immediately prior to the date of this document, the current LSEG Directors who will sit on the Mergeco Board and the Prospective Directors have been members of the administrative, management or supervisory bodies or partners of the companies or partnerships (excluding Subsidiaries of any member of LSEG or TMX Group Inc. (as appropriate) of which they are also a member of the administrative, management or supervisory bodies) specified below:

Wayne C. Fox—has no current or former directorships.

Chris Gibson-Smith—current directorships are as follows: The British Land Company plc and Qatar Financial Centre Authority. Former directorships are as follows: Arts & Business Limited and Arts & Business Services Limited.

Massimo Tononi—current directorships are as follows: Mittel S.P.A., Sorin S.P.A. and Prysmian S.P.A.

Xavier Rolet—has no current directorships. Former directorships are as follows: Banque Lehman Brothers S.A., Lehman Brothers Counseil S.A., Lehman Brothers Services SNC, The Lehman Brothers Foundation Europe and LCH.Clearnet Group Limited.

Thomas A. Kloet—current directorships are as follows: IIROC, World Federation of Exchanges, Elmhurst Memorial Hospital, Elmhurst College and Tippie College of Business (University of Iowa).

Michael S. Ptasznik—current directorships are as follows: CanDeal.ca Inc., The Canadian Depository for Securities Limited, Leo Baeck Day School. Former directorship is as follows: Muki Baum Treatment Centres.

Raffaele Jerusalmi—has no current or former directorships.

Raymond Chan—current directorships are as follows: Baytex Energy Corp. and WestFire Energy Ltd. Former directorships are as follows: Result Energy Inc., Crew Energy Inc., Defiant Resources Corporation, TORC Oil & Gas Ltd. and Alberta Children's Hospital Foundation.

Denyse Chicoyne—current directorships are as follows: Richelieu Hardware Ltd, Deans Knight Income Corporation, Canada Post and Purolator. Former directorships are as follows: Groupe Laperriére & Verreault Inc. and Bourse de Montréal Inc.

Gay Huey Evans—current directorships are as follows: The Wigmore Hall Trust, Eaton Mansions (Westminster) Limited, London String Quartet Foundation, Wellbeing of Women and The International Swaps and Derivatives Association. Former directorships are as follows: Friends of Benjamin Franklin House, Benjamin Franklin House Limited, Tribeca Global Management (Europe) Limited, Krupaco Finance (UK) Limited and Citibank International Plc.

Paul Heiden—current directorships are as follows: United Utilities Group Plc, United Utilities Water plc, Talaris Topco Limited and Meggit Plc. Former directorships are as follows: FKI Limited, FKI Engineering Limited, FKI Industries Limited, FKI Nominees Limited, Bridon Limited, Danks Holdings Limited, Fisher-Karpark Holdings Limited, Hawker Siddeley Power Transformers Limited, United Utilities Plc and Filtrona Plc.

J. Spencer Lanthier—current directorships are as follows: Zarlink Semiconductor Inc. Former directorships are as follows: Rona Inc., Biovail Inc., Gerdau Ameristeel Corporation, Wellspring Cancer Support, Torstar Corporation and Emergis Inc.

John P. Mulvihill—current directorships are as follows: Mulvihill Capital Management Inc., World Financial Split Share Corp., S. Split Corp., Premium Income Corp., Mulvihill Family Foundation, MCM Group Holdings Inc., Mulvico Corp., Mulvihill RCA Ltd., 1513000 Ontario Ltd., 1412534 Ontario Ltd., Mulvihill Capital Management (US) Inc., 4259777 Canada Inc., 1698003 Ontario Ltd. and 1240823 Alberta Ltd. Former directorships are as follows: MCM Split Share Corp., Mulvihill Fund Services Inc., 1671482 Ontario Inc., 1684156 Ontario Inc., Global Telecom Split Share Corp. and Pro-AMS RSP Split Share Corp.

Andrea Munari—has no current directorships. Former directorships are as follows: TLX S.P.A., Association for Financial Markets in Europe and Banca Caboto.

Robert Webb Q.C.—current directorships are as follows: Hakluyt & Company Limited, Emerging Health Threats Forum CIC, Argent Group Plc, Argent (King's Cross) Limited, Argent Estates Limited, Argent King's Cross GP Limited, Argent King's Cross Nominee Limited, Argent Projects No 4 GP Limited, Argent Projects No 4 Nominee Limited, Autonomy Corporation Plc, BBC Worldwide Limited, BBC Commercial Holdings Limited and Sciemus Limited. Former directorships are as follows: London First.

1.3 Save as set out at paragraph 1.7 within this Part 13—"Directors and officers of Mergeco", none of the current LSEG Directors who will sit on the Mergeco Board or the Prospective Directors has any business interests nor performs any activities outside LSEG or TMX Group, as the case may be, that are significant with respect to LSEG or TMX Group, as the case may be.

1.4 Save as set out in paragraphs 1.5 and 1.6 within this Part 13—"Directors and officers of Mergeco", none of the current LSEG Directors who will sit on the Mergeco Board or the Prospective Directors have, during the last five years:

(i) been convicted in relation to a fraudulent offence;

(ii) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(iii) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);

(iv) been disqualified by court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company;

(v) while acting in the capacity as a director, Chief Executive Officer or Chief Financial Officer of a company, been the subject of a cease trade order or similar order, or an order that denied the company access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days;

(vi) while acting in the capacity as a director or executive officer of a company, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;

(vii) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or entered into a settlement agreement with a securities regulatory authority;

(viii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision; or

(ix) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

The information in this paragraph 1.4 applies in respect of the LSEG Directors who will sit on the Mergeco Board as at the LSEG Latest Practicable Date and in respect of the Prospective Directors as at the LSEG Latest Practicable Date.

1.5 Xavier Rolet was a director of Banque Lehman Brothers S.A. until 15 September 2008 and of Lehman Brothers Conseil S.A. and Lehman Brothers Services SNC until 7 January 2009 (all entities incorporated under French law). Banque Lehman Brothers S.A. entered into provisional administration as a solvent entity under the control of the French Commission Bancaire on 15 September 2008. On 5 January 2009, the Commercial Court of Paris formally approved by way of homologation: (i) the conciliation agreement entered into between Banque Lehman Brothers S.A., Banque Nomura France, Lehman Brothers Conseil S.A. and Lehman Brothers Services SNC; and (ii) the conciliation agreement entered into between Banque Lehman Brothers S.A., Lehman Holdings Inc., Lehman Brothers Conseil S.A. and Lehman Brothers Services SNC. On 7 January 2009, Banque Lehman Brothers S.A. merged with Lehman Brothers Conseil and Lehman Brothers Services, and the combined entity entered into solvent liquidation under French law on the same day.

1.6 Denyse Chicoyne was a director of Albums DF Ltée until 16 June 2003, when she withdrew from the board, which was six months before the bankruptcy of this company on 6 December 2003.

1.7 None of the current LSEG Directors who will sit on the Mergeco Board or any Prospective Director has, or has had, any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of LSEG or TMX Group, as the case may be, and which, taken as a whole, was effected by LSEG or TMX Group, as the case may be, in the current or three immediately preceding financial years of LSEG or TMX Group, as the case may be, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

1.8 No current LSEG Director who will sit on the Mergeco Board or any Prospective Director has any potential conflicts of interest between his or her duties to Mergeco and any private interests or other duties.

1.9 There are no family relationships between any of the persons who are current LSEG Directors who will sit on the Mergeco Board or any of the Prospective Directors.

2. Executive officers and senior managers of Mergeco

2.1 *Executive officers*

Following Completion, the following individuals will serve as executive officers of Mergeco:

- Xavier Rolet, Chief Executive Officer
- Thomas Kloet, President
- Michael Ptasznik, Chief Financial Officer
- Raffaele Jerusalmi, Chief Executive Officer and director of Capital Markets of Borsa Italiana

2.2 *Senior managers*

The senior managers of Mergeco will be confirmed following Completion. For more information regarding composition of the Mergeco senior management team, see Part 10—"Regulation of the Merged Group" and Part 11—"Proposed Investment Canada Act undertakings".

3. Governance of the Merged Group

3.1 *Mergeco Board*

The Mergeco Board will be responsible for setting and overseeing implementation of the Merged Group's strategic objectives and will be accountable for the financial and operational performance of the Merged Group.

LSEG Group and TMX Group are both committed to high standards of corporate governance and Mergeco will continue to be so following Completion. LSEG Group has complied with all provisions of the UK Corporate Governance Code and has reported to its shareholders on how it has done so (as required by the UK Listing Rules) on pages 40 to 47 of its annual report and accounts for the financial year ended 31 March 2011, which is incorporated by reference into this document.

In addition, LSEG Group and TMX Group have a number of codes of conduct, policies and procedures that are designed to outline and enhance the system of internal control both at board level and throughout their respective groups. These policies will be reviewed and updated to meet changing business needs and will be available to all employees. In particular, these policies address the statutory fiduciary duties that will apply to the Mergeco Directors, as well as reporting requirements in relation to unethical behaviour.

Following Completion, it is intended that Mergeco will continue to comply with the UK Corporate Governance Code. In addition, following Completion, Mergeco will comply with Canadian corporate governance principles and rules. Accordingly, following Completion, the Mergeco Board will carry out a review of the board terms of reference and adopt revised terms of reference appropriate in the context of the two governance regimes set out above.

The Mergeco Board will develop a written list of matters that may be undertaken only with the approval of the Mergeco Board.

As is currently the case in relation to the LSEG Board with respect to LSEG Group, at each of the regular meetings of the Mergeco Board, it is expected that the Chief Executive Officer will deliver a comprehensive written report on financial performance and key activities in each of the divisions of the Merged Group. It is expected that the Mergeco Board will require the executive management team to present to the Mergeco Board on their business responsibilities on a regular basis and will also present at the Mergeco Board's periodic strategy sessions.

The roles of the Chairman and Chief Executive Officer will continue to be distinct and separate, with a clear division of responsibilities. The chairman, who is an independent member of the Mergeco Board, will lead the Mergeco Board and will be responsible for ensuring its effectiveness. The Mergeco Board will have two deputy chairmen who will assume the responsibilities of the chairman when the chairman is unable to do so.

As is currently the case, it is expected that the Chief Executive Officer will have delegated authority from, and be responsible to, the Mergeco Board for managing the Merged Group's business.

It is expected that the independent Mergeco Directors will hold regular meetings at which non-independent Mergeco Directors and management are not in attendance and Mergeco committees will hold regular committee meetings at which only independent members of the particular committee will be in attendance.

It is expected that each new director will receive a comprehensive orientation, including an overview of the role of the Mergeco Board, the committees of the Mergeco Board and each individual member, the nature and operation of the Merged Group's business, and the contribution and time commitment the new director is expected to make. The orientation will include access to the Merged Group's senior management and facilities. The chairman will also meet with each new director to orient that director on the independent operation and functioning of the Mergeco Board. The Mergeco Directors are invited to ask questions at any time of any officer or Mergeco Director.

The Mergeco Board will consider, from time to time, appropriate continuing education for directors, which may include presentations from management, site visits and presentations from industry experts. Each Mergeco Director will be expected to maintain the necessary level of expertise to perform his or her responsibilities as a director and, as discussed in more detail below, is subject to an annual evaluation.

The Mergeco Board will carry out an annual review of the effectiveness of the Mergeco Board, its committees and individual Mergeco Directors. In fiscal year 2011 (prior to Completion), LSEG's annual review was conducted by the LSEG company secretary using a detailed questionnaire completed by all LSEG Directors. The results were discussed by the LSEG Board and actions agreed where appropriate. Following Completion, the Mergeco Board will continue to assess its performance on an annual basis.

3.2 ***Mergeco Board committees***

As a first order of business following Completion, it is expected that the Mergeco Board and committees will review the roles and responsibilities of the nomination, remuneration and audit and risk committees in order, among other things, to assess any changes required to comply with Canadian corporate governance requirements. Further information is set out below.

In connection with Securities Regulatory Approvals and the Investment Canada Act Approval, certain undertakings have been made as to representation of Canadian Directors on the committees of the Mergeco Board. See Part 10—"Regulation of the Merged Group" and Part 11—"Proposed Investment Canada Act undertakings" for further information. Following Completion, membership of the existing nomination, remuneration and audit and risk committees will be changed to reflect these undertakings, UK and Canadian governance requirements and the new Mergeco Board.

Nomination committee

The nomination committee of Mergeco will be constituted upon Completion. The nomination committee currently invites the Chief Executive Officer to attend its meetings. The nomination committee has written terms of reference, under which its current role is to review the size and structure of the LSEG Board, succession planning and to make recommendations to the LSEG Board on potential candidates for the LSEG Board.

It is expected that the terms of reference for the nomination committee adopted on Completion will be consistent with the UK Corporate Governance Code and Canadian corporate governance principles and rules.

Remuneration committee

The remuneration committee of Mergeco will be constituted upon Completion. The remuneration committee of LSEG currently invites the Chief Executive Officer, head of human resources and Chief Financial Officer to attend part of the meetings. The remuneration committee has written terms of reference, under which its current role includes presenting recommendations to the LSEG Board regarding remuneration and conditions of service of the Chairman, Chief Executive Officer, executive directors and senior managers and granting entitlements under employee share plans.

It is expected that the terms of reference for the remuneration committee adopted on Completion will be consistent with the UK Corporate Governance Code and Canadian corporate governance principles and rules.

Audit and risk committee

The audit and risk committee of Mergeco will be constituted upon Completion. As required by applicable laws and governance guidelines in the United Kingdom and Canada, the Mergeco Board will satisfy itself, from time to time, that various members of the audit and risk committee are independent, financially literate and have recent and relevant financial experience.

Please see Annex A to this Part 13—"Directors and officers of Mergeco" for a copy of the current LSEG audit and risk committee terms of reference. It is contemplated that new terms of reference for the audit and risk committee will be adopted on Completion to be consistent with both the UK Corporate Governance Code and Canadian corporate governance principles and rules.

4. Remuneration of Merged Group executives

4.1 *Overview*

As is currently the case with LSEG Group, the remuneration committee of the Mergeco Board will be responsible for establishing, implementing and overseeing the executive compensation policies and programs for the Merged Group. The remuneration committee will ensure that the total compensation paid to the executive directors and senior management of Mergeco is fair, reasonable, competitive and responsible, and structured in a way that motivates the executives to achieve individual and corporate objectives while ensuring that they do not take undue risks, helps to retain their talent, and aligns their interests appropriately with those of shareholders.

The Mergeco Board and the newly constituted remuneration committee will determine the executive compensation arrangements that will apply to the Merged Group for the future, after a comprehensive review of compensation practices and having regard to governance rules and principles in the United Kingdom and Canada. It is expected that the executive compensation arrangements will include a mix of base salary, annual bonus and share-based incentives.

4.2 *Compensation philosophy and objectives*

Following Completion, it is intended that Mergeco will comply with UK corporate governance standards on executive compensation. In addition, following Completion, Mergeco will comply with Canadian corporate governance standards on executive compensation. To this end, the Merged Group's philosophy will seek to:

- attract, motivate, reward and retain high quality key employees needed to support financial, operational and strategic success;

- link a significant proportion of compensation to corporate and individual performance;
- ensure performance related elements of compensation are stretching and motivate employees to achieve and promote the long-term success of the Merged Group;
- encourage executives to achieve exceptional performance by providing an opportunity to be compensated in the top quartile of the compensation paid by public companies with similar market capitalisations when superior results are achieved;
- provide flexibility to recognise and reward an individual executive's performance, responsibilities, experience, skills, value and contribution to the Merged Group;
- be sensitive to pay and conditions elsewhere in the Merged Group, especially when determining annual pay increases;
- comply with best practices as expressed by institutional shareholders and their representative bodies; and
- reflect the increasingly international nature of the Merged Group's business.

4.3 ***Elements of executive director compensation***

LSEG's current compensation arrangements for its executive directors include the following elements:

- **Base salary:** LSEG pays its executive directors basic salary to compensate them for services performed for LSEG.
- **Annual bonus:** LSEG Executive Directors are eligible to receive an annual cash bonus based on meeting or exceeding bonus targets that are set at the beginning of LSEG's financial year.
- **Share-based incentive compensation:** LSEG Executive Directors are eligible to receive share-based incentive compensation pursuant to the LSEG LTIP. The LSEG LTIP (which is described further below) has two elements: a conditional award of performance shares and an award of matching shares linked to investment by the executive director of some or all of his or her annual bonus or other income in Existing Shares.
- **Retirement:** for executive directors based in the UK, pension provision takes the form of a non-consolidated allowance, currently equivalent to 25 per cent. of salary, which may be invested in LSEG's defined contribution pension scheme up to HMRC lifetime allowance limits and, to the extent these are exceeded, or as elected by the executive director, paid as a cash supplement. Executive directors based in Italy are entitled to a statutory payment ("***trattamento di fine rapporto***") equal to 7.4 per cent. of all amounts paid during employment, which accrues during employment and is released or paid into a retirement fund as a lump sum when the employment ends.
- **Other benefits:** LSEG Executive Directors based in the UK receive a flexible benefits allowance of £20,000 per annum, together with certain other benefits in kind, which principally include private health care and life assurance arrangements. Executive directors in Italy enjoy similar benefit packages, including health care, life assurance, disability assurance, accident insurance cover, luncheon vouchers and car and fuel benefits.

4.4 ***Summary of compensation paid to the confirmed executive officers of Mergeco***

Details of the remuneration paid in respect of the most recently completed financial year of each of LSEG and TMX Group Inc. for the four confirmed executive officers of Mergeco are set out below. No decision has been taken yet on the remuneration to be paid to the executive officers of Mergeco following Completion.

Name and principal position	Year[1]	Salary	Performance Bonus	Benefits	Share-based awards	Option-based awards[15]	Non-equity incentive plan compensation Annual incentive plans[10]	Pension Value[16]	All other compensation	Total compensation
		C$/£000	C$/£000	C$/£000	C$/£000	C$/£000	C$/£000	C$/£000	C$/£000	C$/£000
Xavier Rolet[2][5] (Chief Executive Officer)	2010/2011	£670	£1,300[7]	£1[3]	£1,140[11]	—	—	—	£163[13]	£3,274
Michael Ptasznik[6] (Chief Financial Officer)	2010	C$375	—	C$40[4]	C$175[14]	C$175	C$320	C$39	C$4[17]	C$1,128
Thomas Kloet[6] (President)	2010	C$700	—	C$39[4]	C$700[14]	C$700	C$700	C$166	C$3[17]	C$3,008
Raffaele Jerusalmi[5][9] (Director)	2010/2011	£326[8]	£486[7]	£27[3]	£342[12]	—	—	—	—	£1,181

Notes:

(1) These figures relate to the respective financial years of LSEG and TMX Group Inc. For LSEG, this is the period ending 31 March 2011; for TMX Group Inc., this is the period ending 31 December 2010.

(2) The figure for Xavier Rolet's salary includes his flexible benefits allowance of £20,000.

(3) For Xavier Rolet and Raffaele Jerusalmi, "Benefits" represent the cash value of health and life assurance cover and, for Raffaele Jerusalmi only, the cash value of disability assurance, accident insurance cover, luncheon vouchers and car and fuel benefit.

(4) For Thomas Kloet and Michael Ptasznik, "Benefits" directly payable to the employee include a perquisite allowance and the employer contribution under the Employee Share Purchase Plan ("***ESPP***"). "Benefits" also include the cost to TMX Group Inc. of providing life insurance, health and dental, executive medical, parking and any security system.

(5) Amounts paid by LSEG (or its Subsidiaries).

(6) Amounts paid by TMX Group Inc. (or its Subsidiaries).

(7) For Xavier Rolet and Raffaele Jerusalmi, the bonus payments relate to the financial year ended 31 March 2011.

(8) This figure reflects the salary paid to Raffaele Jerusalmi prior to his appointment as a director on 4 June 2010 and the increased salary paid to him thereafter.

(9) Raffaele Jerusalmi is paid in Euros. Where remuneration is presented in pounds sterling, a Euro: pounds sterling conversion rate of 1:1.13 has been used for 2010 and 1:1.18 for 2011, respectively.

(10) For TMX Group Inc., all figures under "non-equity incentive plan compensation" are annual bonuses only. For Thomas Kloet and Michael Ptasznik the bonus payments relate to the financial year ended 31 December 2010.

(11) The amount shown represents the fair market value for accounting purposes of the share awards granted to Xavier Rolet under the LSEG LTIP during the year ended 31 March 2011, relating to a total of 234,930 Existing Shares, details of which are set out in paragraphs 8.1 and 9 below.

(12) The amount shown represents the fair market value for accounting purposes of the share awards granted to Raffaele Jerusalmi under the LSEG LTIP during the year ended 31 March 2011, relating to a total of 71,428 Existing Shares, details of which are set out in paragraphs 8.1 and 9 below.

(13) For Xavier Rolet, "All other compensation" represents a supplementary cash allowance in lieu of contributions to a pension plan.

(14) TMX Group Inc.'s share-based awards are comprised of TMX Group RSUs. The grant price of a TMX Group RSU is the closing price of one TMX Group Share on Toronto Stock Exchange at the close of business on 31 December or the last trading day of the previous year. To calculate the number of TMX Group RSUs to be granted the compensation value of the TMX Group RSU award is divided by 91.5 per cent. of the closing price. This discount reflects the assessment of risk and vesting (the TMX Group RSUs will not vest until 31 December of the second calendar year following the grant date). The closing price on 31 December 2010 was C$36.96 and the number of TMX Group RSUs granted in 2011 was determined by dividing the compensation value of the TMX Group RSU award by the discounted value of C$33.818.

(15) The Black Scholes valuation methodology is used to value the TMX Group Options as it is the predominant methodology in the Canadian marketplace. TMX Group Inc.'s compensation consultant, Towers Watson, provides TMX Group Inc. with the Black Scholes calculations. For TMX Group Options granted in 2011, the Black Scholes value of C$7.68 was used to determine the present value of the TMX Group Options, which represents a value ratio of 20.8 per cent. using the 31 December 2010 TMX Group Share closing price of C$36.96. The number of TMX Group Options granted was determined by dividing the value of the option award by C$7.68. The exercise price of a TMX Group Option will not be less than the fair market value of the TMX Group Shares, being the weighted-average trading price of the TMX Group Shares on Toronto Stock Exchange, for the five trading days immediately preceding the effective date of the grant.

(16) Pension value for Mr. Kloet and Mr. Ptasznik is the compensatory change that is provided in the table in paragraph 13.2.

(17) For 2010, "All other compensation" includes premiums for term life insurance maintained for the benefit of Mr. Kloet and Mr. Ptasznik and employer contributions to the Employee Share Purchase Plan.

Name	Life Insurance/ Medical Coverage/ Contribution to ESPP
	C$
Thomas A. Kloet	2,683
Michael Ptasznik	3,841

4.5 ***Share-based and other incentive compensation plan awards for the confirmed executive officers of Mergeco***

The table set out below shows the share-based and other incentive compensation plan awards, in respect of the most recently completed financial year of each of LSEG and TMX Group Inc., for the four confirmed executive officers of Mergeco:

Outstanding option-based awards and share-based awards for executive officers of Mergeco

	Option based awards					Share based awards		
Name	**Grant Date**	**Number of securities underlying unexercised options**	**Option exercise price**	**Option expiry date**	**Value of unexercised in-the-money options[6]**	**Grant Date**	**Number of shares or units of shares that have not vested**	**Market or payout value of share-based awards that have not vested**
		(#)	**(C$/£)**		**(C$/£)000**		**(#)**	**(C$/£)000**
Xavier Rolet[1][4]	—	—	—	—	—	17/3/09	290,016	£821[8]
(CEO)	—	—	—	—	—	16/7/09	147,928	£456[8]
	—	—	—	—	—	14/9/10	142,857	£1,189[8]
	—	—	—	—	—	27/9/10	92,073	767[8]
Michael Ptasznik[2][3][5][7]	2/2/05	9,726	C$29.64	1/2/12	C$71	—	—	—
(CFO)	10/2/06	7,762	C$49.64	9/2/13	—	—	—	—
	9/2/07	8,529	C$53.04	8/2/14	—	—	—	—
	22/2/08	10,983	C$45.23	21/2/15	—	2008	Paid 14 Jan 2011	C$28[7]
	11/8/08	50,000	C$36.46	10/8/15	C$25	—	—	—
	6/2/09	28,966	C$31.59	5/2/16	C$156	2009	7,539	C$70[7]
	22/2/10	20,345	C$29.52	21/2/17	C$151	2010	5,211	C$46[7]
Thomas Kloet[2][3][7]	11/8/08	50,000	C$36.46	10/8/15	C$25	—	—	—
(President)	6/2/09	64,317	C$31.59	5/2/16	C$345	2009	16,768	C$155[7]
	22/2/10	61,077	C$29.52	212/2/17	C$454	2010	15,623	C$138[7]
Raffaele Jerusalmi[1][4]	—	—	—	—	—	27/6/08	26,049	£0[9]
(Director)	—	—	—	—	—	23/7/08	40,213	£0[9]
	—	—	—	—	—	16/7/09	73,964	£228[9]
	—	—	—	—	—	14/9/10	71,428	£595[9]

Notes:

(1) Awards granted by LSEG over Existing Shares.

(2) Outstanding options granted by TMX Group Inc. over TMX Group Shares.

(3) Under the Plan of Arrangement, the outstanding TMX Group Options held by Thomas Kloet and Michael Ptasznik will be replaced with options to acquire Mergeco Shares. The number of Mergeco Shares under a Replacement Option will be equal to the number of TMX Group Shares shown against the corresponding TMX Group Option noted above multiplied by the Exchange Ratio, and the exercise price for each Replacement Option will be equal to the option exercise price of the corresponding TMX Group Option divided by the Exchange Ratio. Details of the Replacement Options are set out in paragraph 10 below.

(4) The number of Existing Shares over which a performance share or matching share award may vest is subject to the achievement of performance conditions, the details of which are set out in paragraph 9 below.

(5) Michael Ptasznik was awarded an off-cycle long-term incentive award in 2008 (granted 11 August 2008) to recognise the skill and experience required to transition the new Chief Executive Officer, and also as a means of retention.

(6) The value of unexercised in-the-money TMX Group Options at 31 December 2010 is the difference between the exercise price of the TMX Group Options, and the closing price of a TMX Group Share on Toronto Stock Exchange on 31 December 2010, which was C$36.960 per TMX Group Share.

(7) The 2008 TMX Group RSUs vested on 31 December 2010 and were paid on 14 January 2011 using the fair market value of C$37.079 and the minimum multiplier of 25 per cent.. Mr. Kloet and Mr. Ptasznik's 2009 and 2010 payout value estimates contemplate a minimum payout value, being 25 per cent. of accumulated units. TMX Group Inc. used the same fair market value and minimum multiplier to calculate the 2009 minimum TMX Group RSU payouts. For 2010 TMX Group RSUs, TMX Group Inc. used the same minimum multiplier but a 30 day FMV of C$35.231 per plan design. For the 2009 and 2010 minimum payouts, no assumptions were made for future dividend TMX Group RSU credits, and no assumptions were made for the TSR performance based multiplier. As outlined under "TMX Group RSU Plan", upon redemption, TMX Group Inc. adjusts the number of TMX Group RSUs by the TSR performance factor. If target TSR is achieved 100 per cent. of TMX Group RSUs will vest. If target TRS is exceeded, the number of TMX Group RSUs will be adjusted upwards to a maximum of 180 per cent. for awards granted prior to 2011. If target TSR is not achieved, the number of TMX Group RSUs will be adjusted downward, to a minimum multiplier of 25 per cent. for awards granted prior to 2011.

(8) The amount shown represents the fair market value of the share awards granted to Xavier Rolet under the LSEG LTIP and the LSEG Individual LTIP for Xavier Rolet that have not vested as at 31 March 2011, details of which are set out in paragraphs 8 and 9 below.

(9) The amount shown represents the fair market value of the share awards granted to Raffaele Jerusalmi under the LSEG LTIP that have not vested as at 31 March 2011, details of which are set out in paragraphs 8 and 9 below. The fair market value of awards granted in 2008 is zero since, as at 31 March 2011, the performance conditions to which these awards are subject had not been met. The awards will lapse on the third anniversary of the date of grant, unless the applicable performance conditions have been met at that date.

The table below shows the value vested or earned under incentive plan awards in respect of the most recently completed financial year for each of LSEG and TMX Group Inc. for the four confirmed executive officers of the Merged Group. Detailed information on the individual option and share-based awards held by Xavier Rolet and Raffaele Jerusalmi is set out in paragraphs 8 and 9 within this Part 13—"Directors and officers of Mergeco" and by Thomas Kloet and Michael Ptasznik is set out in paragraph 10 within this Part 13—"Directors and officers of Mergeco".

Executive officers incentive plan awards—value vested or earned during the year

Name	Option-based awards—Value vested during the year(1)	Share-based awards—Value vested during the year(2)	Non-equity incentive plan compensation—Value earned during the year(3)
	C$/£000	C$/£000	C$/£000
Xavier Rolet(4) (Chief Executive Officer)	—	—	£1,300
Michael Ptasznik(5) (Chief Financial Officer)	C$0	C$28	C$320
Thomas Kloet(5) (President)	C$0	—	C$700
Raffaele Jerusalmi(4) (Director)	—	—	£486

Notes:

(1) For TMX Group Inc., the value of option holdings was estimated using the closing price on the vesting date or the next trading day if the share options vested on a weekend.

(2) For TMX Group Inc., the 2008 performance RSUs vested on 31 December 2010. These were paid on 14 January 2011 using the minimum multiplier of 25 per cent. and a fair market value of C$37.079.

(3) For both LSEG and TMX Group Inc., under non-equity incentive plan compensation, all figures are annual bonuses.

(4) Amounts paid by LSEG.

(5) Amounts paid by TMX Group Inc.

5. Non-executive director compensation of Mergeco

5.1 The Mergeco Board will determine the compensation arrangements that will apply to the non-executive directors of the Mergeco Board following Completion, after a comprehensive review of compensation practices and having regard to governance rules and principles in the UK and Canada.

5.2 ***Non-executive director compensation table***

The table set out below shows the compensation paid in respect of the most recently completed financial year of each of LSEG and TMX Group Inc. for the current LSEG Directors who will sit on the Mergeco Board and the Prospective Directors (other than the four identified executive officers of Mergeco, details of whose compensation is set out in paragraph 4 within this Part 13—"Directors and officers of Mergeco"). No decision has been taken yet on the compensation to be paid to the non-executive directors of Mergeco following Completion.

Name	Fees/salary	Benefits	Share-based awards[3]	Option-based awards	Non-equity incentive plan compen-sation	Pension value	All other compen-sation	Total
	(£)/(C$)000	(£)/(C$)000	(£)/(C$)	(£)/(C$)	(£)/(C$)	(£)/(C$)	(£)/(C$)000	(£)/(C$)000
Wayne C. Fox[1]	C$125	—	C$150	—	—	—	—	C$275
Chris Gibson-Smith[2] . .	£370	£37	—	—	—	—	—	£407
Massimo Tononi[2]	£39	—	—	—	—	—	—	£39
Raymond Chan[1]	C$83	—	C$50	—	—	—	—	C$133
Denyse Chicoyne[1] . . .	C$72	—	C$50	—	—	—	C$6[4]	C$128
Paul Heiden[2]	£59	—	—	—	—	—	—	£59
Gay Huey Evans[2] . . .	£44	—	—	—	—	—	—	£44
J. Spencer Lanthier[1] . .	C$92	—	C$50	—	—	—		C$142
John P. Mulvihill[1] . . .	C$69	—	C$50	—	—	—	—	C$119
Andrea Munari[2]	£54	—	—	—	—	—	—	£54
Robert Webb Q.C[2] . . .	£72	—	—	—	—	—	—	£72

Notes:

(1) Amounts paid by TMX Group Inc. (or its Subsidiaries) for the financial year ended 31 December 2010.

(2) Amounts paid by LSEG (or its Subsidiaries) for the financial year ended 31 March 2011. For the financial year ended 31 March 2011 each of the current LSEG Non-Executive Directors (other than Chris Gibson Smith) received a base annual fee of £54,000. The fee for chairmanship of each of the audit and remuneration committees was £17,500.

(3) During 2010, TMX Group Inc. was regularly and actively engaged in activities relating to exploring acquisition or business combination opportunities which resulted in a prolonged "black out" period during which time the TMX Group Board was unable to grant the TMX Group Inc. director's annual TMX Group DSU retainer earned in respect of the 2010-2011 TMX Group Board year. On 8 February 2011, the TMX Group Board granted C$150,000 in TMX Group DSUs to the Chairman of the TMX Group Board and C$50,000 in TMX Group DSUs to each non-employee TMX Group Director representing the TMX Group DSUs annual retainer earned which would ordinarily have been granted immediately following the annual and special meeting in 2010.

(4) Ms. Chicoyne received retainer and meeting fees for sitting on MX's rules and policies committee. For 2010, the retainer and meeting fees received by Ms. Chicoyne was C$6,000.

5.3 With effect from 1 April 2011, each of the current LSEG Non-Executive Directors (other than Chris Gibson-Smith) receives a base annual fee of £60,000 plus £5,000 for any committee membership. The chairman of each of the audit and remuneration committees receives an annual fee of £20,000.

5.4 The LSEG Non-Executive Directors are not eligible, and following their appointment, the Prospective Directors (other than the Prospective Executive Directors) will not be eligible, to participate in any incentive or pension arrangements of Mergeco.

5.5 There is no arrangement under which any current LSEG Director who will sit on the Mergeco Board has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year ended 31 March 2011.

6. Interests of current LSEG Directors who will sit on the Mergeco Board

6.1 The interests of the current LSEG Directors who will sit on the Mergeco Board and persons connected with them, all of which are beneficial, in the issued share capital of LSEG as at the LSEG Latest Practicable Date, and in the issued share capital of Mergeco immediately upon Admission, are as follows:

	Number of Existing Shares	Percentage holding in existing issued share capital of LSEG (%)	Percentage holding in issued share capital of Mergeco immediately upon Admission[1]
		(%)	(%)
Directors			
Chris Gibson-Smith	63,757	0.0235	0.0129
Massimo Tononi	—	—	—
Xavier Rolet	23,000	0.0085	0.0046
Raffaele Jerusalmi	40,100	0.0148	0.0081
Paul Heiden	3,000	0.0011	0.0006
Gay Huey Evans	—	—	—
Andrea Munari	—	—	—
Robert Webb	1,200	0.0004	0.0002

Note:

(1) Based on LSEG's and TMX Group Inc.'s issued share capital as at the LSEG Latest Practicable Date, 223,529,858 New Shares will be issued pursuant to the Merger (assuming that no options to acquire Existing Shares are exercised or Existing Shares issued under the LSEG Employee Share Plans and no options to acquire TMX Group Shares are exercised between the LSEG Latest Practicable Date and Admission of the New Shares).

Share awards and share options granted under the LSEG Employee Share Plans to the current LSEG Directors who will sit on the Mergeco Board are summarised in paragraph 8 within this Part 13—"Directors and officers of Mergeco".

6.2 Except as disclosed in this paragraph 6 and paragraph 8 within this Part 13—"Directors and officers of Mergeco", none of the current LSEG Directors who will sit on the Mergeco Board or their immediate families, nor any person connected with any such LSEG Director (within the meaning of section 252 of the Companies Act) will, at Admission, have any interest, whether beneficial or non beneficial, in any share or loan capital of Mergeco or any of its Subsidiaries.

6.3 The interests in the issued share capital of LSEG of the current LSEG Directors who will not sit on the Mergeco Board and of the current LSEG Senior Managers are described in paragraph 6 of Part 20—"Additional information".

7. Interests of Prospective Directors

7.1 The interests of the Prospective Directors and persons connected with them, all of which are beneficial, in the issued share capital of TMX Group Inc. as at the LSEG Latest Practicable Date and in the issued share capital of Mergeco immediately upon Admission, are as follows:

Directors	Number of TMX Group Shares	Corresponding number of Mergeco Shares immediately upon Admission[1]	Percentage holding in issued share capital of Mergeco immediately upon Admission[1]	Number of TMX Group Shares to which TMX Group DSUs relate[2]	Equity at Risk[3]	Corresponding Number of Mergeco Shares to which Amended DSUs will relate immediately upon Admission[4]
			(%)		(C$000)	
Thomas A. Kloet (CEO) .	17,500	**52,435**	0.011	41,316	2,593	**123,794**
Michael Ptasznik (CFO) . .	11,917	**35,706**	0.007	27,338	1,730	**81,911**
Wayne C. Fox (Chairman) .	0	0	0.000	76,590	3,377	**229,486**
Raymond Chan (Director)	10,000	**29,963**	0.006	6,659	734	**19,952**
Denyse Chicoyne (Director)	74,595	**223,508**	0.045	4,213	3,472	**12,624**
J. Spencer Lanthier (Director)	0	0	0.000	27,268	1,202	**81,702**
John P. Mulvihill (Director)[5]	0	0	0.000	28,179	1,242	**84,434**

Notes:

(1) Based on LSEG's and TMX Group Inc.'s issued share capital as at the LSEG Latest Practicable Date, 223,529,858 New Shares will be issued pursuant to the Merger (assuming that no options to acquire Existing Shares are exercised or Existing Shares issued under the LSEG Employee Share Plans and no options to acquire TMX Group Shares are exercised or TMX Group Shares acquired under the ESPP between the LSEG Latest Practicable Date and Admission of the New Shares).

(2) The DSU interests noted above entitle the individual to a cash payment equal to the fair market value of one TMX Group Share for each DSU subject to the terms of the TMX Group DSU Plans, which are described in paragraph 10 below.

(3) Equity at Risk is determined by adding the value of TMX Group Shares and TMX Group DSUs owned. The value of all TMX Group Shares is determined with reference to the closing price for TMX Group Shares on the Toronto Stock Exchange on the TMX Group Latest Practicable Date, which was C$44.060. The value of all TMX Group DSUs is determined with reference to the fair market value of a TMX Group DSU on the TMX Group Latest Practicable Date, calculated based on the weighted average trading price of TMX Group Shares on the Toronto Stock Exchange for the five trading days preceding the TMX Group Latest Practicable Date, which was C$44.088.

(4) Each of the TMX Group DSU Plans will be amended to reflect, from and after the Effective Date: (i) a conversion of the number of TMX Group DSUs then in each participant's account (including dividend DSUs) into Amended DSUs by multiplying each TMX Group DSU by 2.9963; (ii) a reference to Mergeco Shares in substitution for TMX Group Shares to which such Amended DSUs relate; (iii) a reference to dividends accruing on such Amended DSUs as dividends are paid on the Mergeco Shares (in substitution for TMX Group Shares); and (iv) that the amount to be paid on redemption of the Amended DSUs will be linked to the fair market value of one Mergeco Share for each Amended DSU, subject to the terms of the TMX Group DSU Plans, which are described in paragraph 10 below.

(5) Mr Mulvihill is prohibited from purchasing common shares of TMX Group Inc. by the terms of his employment with his employer.

7.2 Details of the Replacement Options, Amended RSUs and Amended DSUs that will be held by Thomas Kloet and Michael Ptasznik immediately upon Admission and following Completion are as follows:

Outstanding Replacement Options, Amended RSUs and Amended DSUs awards for executive officers

	Replacement Options				Amended RSUs[1]			Amended DSUs[2]		
Name	Grant Date	Number of Mergeco Shares underlying unexercised Replacement Options	Replacement Options exercise price	Replacement Options expiry date	Number of Mergeco Shares to which Amended RSUs relate under award	Date of award	Final vesting date	Number of Mergeco Shares to which Amended DSUs relate under award	Date of award	Final vesting date
		(#)	(C$)		(#)			(#)		
Thomas Kloet (President) .	11/8/08	149,815	C$12.17	10/8/15	50,755	6/2/09	31/12/11	22,268	25/2/11	-[3]
	6/2/09	192,713	C$10.54	5/2/16	47,289	22/2/10	31/12/12	101,525	17/2/11	-[4]
	22/2/10	183,005	C$9.85	21/2/17	62,657	17/2/11	31/12/13	—	—	—
	17/2/11	273,089	C$13.93	16/2/18	—	—	—	—	—	—
Michael Ptasznik (CFO) . .	10/02/06	23,257	C$16.57	9/2/13	22,821	6/2/09	31/12/11	31,359	31/12/01	-[3]
	9/2/07	25,555	C$17.70	8/2/14	15,774	22/2/10	31/12/12	50,552	31/12/02	-[3]
	22/2/08	32,908	C$15,09	21/2/15	15,649	17/2/11	31/12/13	—	—	—
	11/8/08	149,815	C$12.17	10/8/15	25,381	17/2/11	17/2/14	—	—	—
	6/2/09	86,791	C$10.54	5/2/16	—	—	—	—	—	—
	22/2/10	60,960	C$9.85	21/2/17	—	—	—	—	—	—
	17/2/11	68,337	C$13.93	16/2/18	—	—	—	—	—	—

Notes:

(1) The TMX Group RSU Plan and TMX Group Special Retention RSU plans will be amended to reflect, from and after the Effective Date: (i) a conversion of the number of TMX Group RSUs and TMX Group Special Retention RSUs then in each participant's account (including dividend RSUs) into Amended RSUs by multiplying each TMX Group RSU and TMX Group Special Retention RSU by 2.9963; (ii) a conversion of the grant price for the TMX Group RSUs and TMX Group Special Retention RSUs into an amended grant price by dividing the grant price by 2.9963; (iii) a reference to Mergeco Shares in substitution for TMX Group Shares to which such Amended RSUs relate; (iv) a reference to dividends accruing on such Amended RSUs as dividends are paid on the Mergeco Shares (in substitution for TMX Group Shares); and (v) that the amount to be paid on redemption of the Amended RSUs will be linked to the fair market value of one Mergeco Share for each Amended RSU subject to the terms of the TMX Group RSU Plan, which are described in paragraph 10 below.

(2) The TMX Group DSU Plans will be amended to reflect, from and after the Effective Date: (i) a conversion of the number of TMX Group DSUs then in each participant's account (including dividend DSUs) into Amended DSUs by multiplying each TMX Group DSU by 2.9963; (ii) a reference to Mergeco Shares in substitution for TMX Group Shares to which such Amended DSUs relate; (iii) a reference to dividends accruing on such Amended DSUs as dividends are paid on the Mergeco Shares (in substitution for TMX Group Shares); and (iv) that the amount to be paid on redemption of the Amended DSUs will be linked to the fair market value of one Mergeco Share for each Amended DSU subject to the terms of the TMX Group DSU Plans, which are described in paragraph 10, below.

(3) These TMX Group DSU awards are 100 per cent. vested. They will be redeemed upon termination of employment subject to the TMX Group Executive DSU Plan provisions.

(4) This TMX Group DSU award will vest 100 per cent. on 17 February 2014. Once vested, it will be redeemed upon termination of employment, subject to the TMX Group Executive DSU Plan provisions.

Save as disclosed within paragraph 4 and this paragraph 7 within this Part 13—"Directors and officers of Mergeco", none of the Prospective Directors or their immediate families, nor any person connected with any such Prospective Director (within the meaning of section 252 of the Companies Act) will, at Admission, have any interest, whether beneficial or non-beneficial, in any share or any capital of Mergeco or any of its Subsidiaries.

8. Participation in LSEG Employee Share Plans by current LSEG Directors who will sit on the Mergeco Board

8.1 *LSEG LTIP*

As at the LSEG Latest Practicable Date, awards over Existing Shares, the vesting of which is dependent on the achievement of performance targets, which are termed "***performance share awards***", are held under the LSEG LTIP by Xavier Rolet and Raffaele Jerusalmi:

	Performance Share Awards			
	Maximum number of Existing Shares under award	Price at award date	Date of award	Final vesting date
		(£)		
LSEG Directors				
Xavier Rolet	147,928[(2)]	6.76	16/07/09	16/07/12
	142,857[(3)]	7.00	14/09/10	14/09/13
Raffaele Jerusalmi	40,213[(1)]	7.84	23/07/08	23/07/11
	73,964[(2)]	6.76	16/07/09	16/07/12
	71,428[(3)]	7.00	14/09/10	14/09/13

Notes:

(1) The number of Existing Shares over which the award may vest is subject to the achievement of performance conditions, the details of which are set out in paragraph 9.2 (a) (iii) within this Part 13—"Directors and officers of Mergeco".

(2) The number of Existing Shares over which the award may vest is subject to the achievement of performance conditions, the details of which are set out in paragraph 9.2 (a) (ii) within this Part 13—"Directors and officers of Mergeco".

(3) The number of Existing Shares over which the award may vest is subject to the achievement of performance conditions, the details of which are set out in paragraph 9.2 (a) (i) within this Part 13—"Directors and officers of Mergeco".

The following LSEG Directors who will sit on the Mergeco Board elected to acquire Existing Shares under the LSEG LTIP (which are termed "***Invested Shares***") and consequently further awards over Existing Shares, the vesting of which is dependent on the achievement of performance targets and which are termed "***matching share awards***", are held under the LSEG LTIP as follows:

	Matching share awards			
	Maximum number of Existing Shares under award	Price at award date	Date of award	Final vesting date
		(£)		
LSEG Directors				
Xavier Rolet	92,073[(1)]	7.03	27/09/10	27/09/13
Raffaele Jerusalmi	26,049[(2)]	8.06	27/06/08	27/06/11

Notes:

(1) The number of Existing Shares over which the award may vest is subject to the achievement of performance conditions, the details of which are set out in paragraph 9.2 (a) (i) within this Part 13—"Directors and officers of Mergeco".

(2) The number of Existing Shares over which the award may vest is subject to the achievement of performance conditions, the details of which are set out in paragraph 9.2 (a) (iii) within this Part 13—"Directors and officers of Mergeco".

The terms of the LSEG LTIP are described in paragraph 9.2 (a) within this Part 13—"Directors and officers of Mergeco".

8.2 *LSEG Individual LTIP for Xavier Rolet*

The following awards are held by Xavier Rolet under his LSEG Individual LTIP:

	Awards			
	Maximum number of Existing Shares under award	**Price at award date**	**Date of award**	**Final vesting date**
		(£)		
Xavier Rolet	290,016[1]	4.48	17/03/09	May 2012[2]

Note:

(1) The number of Existing Shares over which the award may vest is subject to the achievement of performance conditions the details of which are set out in paragraph 9.2 (b) within this Part 13—"Directors and officers of Mergeco".

(2) The date on which the preliminary results of LSEG, or, following completion, Mergeco, for the year ended 31 March 2012 are announced, expected to be in May 2012.

The terms of the LSEG Individual LTIP for Xavier Rolet are described in paragraph 9.2 (b) within this Part 13—"Directors and officers of Mergeco".

9. Share-based incentive compensation plans operated by LSEG

9.1 LSEG currently operates the LSEG LTIP, the ESOP, the Performance Aligned RSA Plan and the International Sharesave Plan.

The SAYE Option Scheme, LSEG Individual LTIPs, the TRM2 Plan, the ESOS and the Initial and Annual Share Plans are closed in respect of new awards.

9.2 Current LSEG Executive Directors who will sit on the Mergeco Board have been granted awards under the LSEG LTIP and the LSEG Individual LTIP for Xavier Rolet as described in paragraph 8 within this Part 13—"Directors and officers of Mergeco".

The terms of the LSEG LTIP and the LSEG Individual LTIP for Xavier Rolet are described in paragraphs (a) and (b) within this paragraph 9.2, respectively. The terms of all other employee share plans of LSEG are set out in paragraph 8 of Part 20—"Additional information".

(a) ***LSEG LTIP***

Eligibility

Any employee of LSEG is eligible to participate in the LSEG LTIP. The matching share award element of the LSEG LTIP only applies to LSEG Executive Directors and selected other executives. A wider group of executives, as well as the LSEG Executive Directors and selected other executives, are also eligible for the performance share award element of the LSEG LTIP.

Grant of awards

The LSEG LTIP is operated in conjunction with shareholding guidelines, under which LSEG Executive Directors and a number of other senior executives are expected to build up, over a three-year period, and then hold Existing Shares with a value (measured at the time of their acquisition) at least equal to their base salary.

Awards will normally only be granted within 42 days after the announcement by LSEG of its results for any period or, in exceptional circumstances, at such other time as LSEG's remuneration committee considers that a grant would be appropriate.

No awards may be granted under the LSEG LTIP after 13 July 2014.

Performance share awards

The total market value (at the time of grant) of Existing Shares subject to performance share awards granted to a participant, in any financial year, may not be more than 200 per cent. of the participant's basic salary, or if the remuneration committee considers that exceptional circumstances apply to any particular grant, 300 per cent. of the participant's basic salary.

Performance share awards will normally vest three years after grant, provided the participant is still employed in LSEG (or any of its Subsidiaries) at that time. The number of Existing Shares that may be acquired on vesting of a performance share award will depend on the extent to which the performance condition applying to the award has been satisfied at the end of a performance period of three financial years, beginning on the first day of the financial year in which the award is made. Participants will not be required to make any payment to acquire these shares.

Matching share awards

Participants may be invited to invest in Existing Shares using their annual cash bonus or such other income as the remuneration committee may permit.

The remuneration committee may determine, at its discretion, that Existing Shares will be designated as Invested Shares for the purposes of the LSEG LTIP where a spouse or civil partner of a participant has applied the relevant amount in acquiring shares; or where such an amount has been applied for the benefit of the participant by or through a self invested pension plan or other similar individual pension arrangement, or through a recognised investment vehicle or by a family trust of which the participant may be a beneficiary.

The maximum amount of annual bonus or other income (expressed on a pre-tax basis) which may be used to acquire Invested Shares will be set by the remuneration committee but may not exceed 50 per cent. of a participant's basic annual salary (expressed on a pre-tax basis). A participant who has designated Invested Shares will be granted a matching share award over Existing Shares having a value of not more than 200 per cent. of the gross value of the amount invested.

The extent to which matching share awards will vest at the end of the performance period will be determined on the same basis as for performance share awards. However, if a participant sells or otherwise deals with any of his or her invested shares before the end of the performance period, the matching share awards will lapse proportionately. Participants will not be required to make any payment to acquire the Existing Shares under matching awards.

Performance conditions

(i) For performance and matching share awards granted in the year to 31 March 2011, the proportion of Existing Shares which vest is determined 50 per cent. by LSEG's Absolute TSR performance and 50 per cent. by LSEG's AEPS performance over a single three year performance period beginning on the first day of the financial year in which the award is made. Absolute TSR represents share price appreciation over the relevant performance period plus the value of dividends paid in that period assuming they are reinvested in shares. Share price appreciation is calculated using a two month average share price at the start and end of the performance period to ensure that any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three-year period.

For awards made in the year to 31 March 2011, the following vesting schedules apply:

Absolute TSR growth	**Percentage of Existing Shares in TSR tranche that vest**
Less than 8 percentage points per annum	0%
8 percentage points per annum	30%
Straight line pro-rating applies between these points.	
16 percentage points per annum	100%

Absolute AEPS growth	**Percentage of Existing Shares in AEPS tranche that vest**
Below 6 percentage points per annum	0%
6 percentage points per annum	30%
Straight line pro-rating applies between these points.	
12 percentage points or more per annum	100%

(ii) For performance and matching share awards granted in the year to 31 March 2010, the proportion of Existing Shares which vest is determined 50 per cent. by LSEG's comparative total shareholder return ("***Comparative TSR***") performance and 50 per cent. by LSEG's aggregate adjusted earnings per share performance ("***Aggregate AEPS***") over a single three-year performance period beginning on the first day of the financial year in which the award is made. Comparative TSR represents share price appreciation over the relevant performance period plus the value of dividends paid in that period assuming they are reinvested in shares. Share price appreciation is calculated using a two month average share price at the start and end of the performance period to ensure that any anomalous share price movements at these measurement points do not have a disproportionate effect on the assessment of performance over the full three-year period.

For awards made in the year to 31 March 2010, the following vesting schedules apply:

Comparative TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of Comparative TSR element vesting
Less than median	0%
Median	30%
Straight line pro-rating applies between these points.	
Upper quintile	100%

Aggregate AEPS performance over the three-year period	Proportion of Aggregate AEPS element vesting
Below 181p	0%
181p	30%
Straight line pro-rating applies between these points.	
234p or above	100%

(iii) For performance and matching share awards granted in the year to 31 March 2009, the proportion of Existing Shares which vest is determined 50 per cent. by LSEG's Comparative TSR performance and 50 per cent. by LSEG's earnings per share in excess of the retail price index increase performance ("***Excess EPS***") over a single three-year performance period beginning on the first day of the financial year in which the award is made. For Comparative TSR, performance is determined relative to the companies (excluding investment trusts) which are ranked between 31st and 100th in the FTSE Index at the start of the performance period. For the Excess EPS, performance is calculated by comparing the earning per share in the final year of the performance period and with the earnings per share in the year preceding the grant date. This is compared with the increase in the retail price index over the same performance period.

For awards made in the year to 31 March 2009, the following vesting schedules apply:

Comparative TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of Comparative TSR element vesting
Less than median	0%
Median	30%
Straight line pro-rating applies between these points.	
Upper quintile	100%

Excess EPS growth over the three-year period	Proportion of Excess EPS element vesting
Less than 5% p.a.	0%
5% p.a.	30%
Straight line pro-rating applies between these points.	
9% p.a. or above	100%

An award will lapse to the extent the relevant performance condition is not met at the end of the performance period.

Cessation of employment

Awards will normally lapse if the participant ceases to be employed by LSEG or any of its Subsidiaries before vesting. However, an award will vest early in the event of the participant's death or if he or she leaves by reason of injury, disability, ill health, redundancy, or upon a sale of the business or company in which he or she is employed or in other circumstances at the remuneration committee's discretion.

The award will vest on the date of death or cessation to the extent that the performance condition is satisfied at the end of the performance period, but the number of shares (if any) in respect of which it vests will be reduced, on time pro-rated basis, to reflect the proportion of the performance period completed prior to the date of death or cessation of employment.

If a participant retires, whether by reason of early or normal retirement, the performance share award will continue until the end of the performance period and will then vest, to the extent that the performance condition is satisfied at the end of the performance period. The remuneration committee may, however, allow awards to vest at the time of retirement, in which case, the award will vest to the extent the performance condition is satisfied to the date of retirement and the number of shares will be reduced on a time pro-rated basis.

Change of control

If there is a change of control of LSEG by way of a takeover offer or a scheme of arrangement (but not a restructuring), awards will vest to the extent that the performance condition has been satisfied at the date of the change of control, but the number of shares to which a participant will be entitled will be reduced on a time pro-rated basis (subject to the remuneration committee's discretion to override the time pro-rating if the circumstances of the change of control so warrant).

Alternatively, awards may be exchanged for equivalent awards over shares in an acquiring company, subject to the consent of that company. These awards would include broadly similar performance conditions.

Variation of capital

If there is a variation in LSEG's or Mergeco's share capital (such as a rights issue, dividend in specie or any capitalisation issue) or if a transaction occurs which would affect the value of awards (such as a demerger), the remuneration committee may adjust the number of shares, subject to an award (and/or the exercise price of an option, if any) in such manner as it considers appropriate.

Dilution limits

No award may be made under the LSEG LTIP which would, at the time of award, cause the aggregate number of Existing Shares which have been or may be issued or transferred from treasury under that award and other awards or options granted in the previous 10 years:

(i) under the LSEG LTIP and all other share plans established by LSEG, to exceed 10 per cent. of LSEG's issued ordinary share capital from time to time; and

(ii) under the LSEG LTIP and all other discretionary share plans established by LSEG, to exceed 5 per cent. of LSEG's issued ordinary share capital from time to time.

Awards may be satisfied by issuing new Existing Shares or by transferring Existing Shares from treasury or by the transfer of Existing Shares.

Amendments

The remuneration committee may amend the LSEG LTIP at any time, but any amendments to the provisions governing eligibility, individual participation limits, plan limits, the basis for determining a participant's entitlement to shares, the terms of the shares and the consequences of any capitalisation issue, rights issue or subdivision or any other variation of capital that are to the advantage of participants or eligible employees, will require the prior approval of LSEG Shareholders.

The approval of LSEG Shareholders will not be required for any minor amendment that is to benefit the administration of the LSEG LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or any member of LSEG (or any of its Subsidiaries).

(b) ***LSEG Individual LTIP for Xavier Rolet***

An award was made under the LSEG Individual LTIP for Xavier Rolet in March 2009 when Mr Rolet joined LSEG. The terms of the LSEG Individual LTIP for Xavier Rolet are substantially the same as the LSEG LTIP (as described in sub-paragraph (a) of this paragraph 9.2) with the following vesting schedules each applying to 50 per cent. of the award:

Comparative TSR performance against FTSE 31-100 (excluding investment trusts)	Proportion of Comparative TSR element vesting
Less than median	0%
Median	30%
Straight line pro-rating applies between these points.	
Upper quintile	100%

Excess EPS growth over the three-year period	Proportion of Excess EPS element vesting
Less than 5% p.a.	0%
5% p.a.	30%
Straight line pro-rating applies between these points.	
9% p.a. or above	100%

10. Share-based incentive compensation plans operated by TMX Group Inc.

TMX Group Inc. operates a number of share-based incentive plans which are described below. No further grants will be made under these plans following Completion.

10.1 ***The TMX Group Option Plan and MX Replacement Options***

TMX Group Option Plan—general

The TMX Group Option Plan was designed to motivate participants to focus on creating shareholder value. Employees or officers of TMX Group Inc. (and those of TMX Group Inc.'s designated Subsidiaries), at or above the director-level, are eligible to be granted options to acquire TMX Group Shares under the TMX Group Option Plan.

TMX Group Inc. reserved 3,775,933 TMX Group Shares for issuance upon exercise of options granted under the plan, representing approximately 5.1 per cent. of the outstanding TMX Group Shares. The exercise price of a share option may not be less than the fair market value of TMX Group Shares, being the weighted-average trading price of TMX Group Shares on TSX, for the five trading days immediately preceding the effective date of the grant. The TMX Group human resource committee determines the vesting schedule and term of TMX Group Options, subject to a maximum 10-year term.

The aggregate number of TMX Group Shares issuable to "insiders" of TMX Group Inc. (as such terms is defined in the Securities Act) at any time, and issued to TMX Group Inc. insiders within any one year period, is limited. Such number of TMX Group Shares cannot exceed 10 per cent. of the issued and outstanding TMX Group Shares. Under no circumstances may any one person's TMX Group Options and all other share compensation arrangements exceed 5 per cent. of the outstanding TMX Group Shares.

Vesting

Under the TMX Group Option Plan, TMX Group Options will vest no later than four years after the date of grant and normally vest over three years, with one-third vesting in each of the first three years.

MX Replacement Options

As a result of the MX Combination, unexercised options held by MX option holders were cancelled. MX optionees were granted MX Replacement Options using an exchange ratio of 0.7784 (for every one MX option, 0.7784 of a TMX Group Inc. share option was granted). In total, 162,194 TMX Group Inc. share options were granted. Original grant prices were also adjusted using the same exchange ratio of 0.7784.

There is a separate reserve of 162,194 TMX Group Shares for issuance upon exercise of options granted under the MX Replacement Option plan, being the number of MX Replacement Options issued on 1 May 2008. Forfeited options do not go back into the general reserve with effect from the MX Combination. There will be no other grants to be made under this plan.

The MX Replacement Options are governed by a separate plan. Upon conversion, each employee signed an individual agreement.

Vesting of MX Replacement Options

Half of unvested options will automatically time vest. The remaining half is subject to performance vesting. At the beginning of each year, TMX Group Inc.'s human resources committee determines the performance vesting criteria for the upcoming tranche.

Cessation of employment

All unvested TMX Group Options (which include MX Replacement Options) will be forfeited where a participant ceases employment prior to the vesting date except in the case of death for MX Replacement Options. Vested TMX Group Options and MX Replacement Options may be exercised during set periods where a participant ceases employment as a result of resignation, retirement, death and termination with or without just cause.

Variation of share capital

TMX Group Inc.'s human resources committee may adjust the number and kind of shares over which options are granted in the event of a stock dividend, stock split, combination, exchange of shares or merger.

Amendments

TMX Group Inc.'s human resources committee may amend or terminate the TMX Group Option Plan or MX Replacement Option Plan at any time. Any amendment that would materially prejudice the interests of participants in the plan requires prior written consent of such participants and any amendments must ensure that TMX Group Options continue to be excluded from the salary deferral arrangement rules of the Canadian Tax Act.

Replacement of TMX Group Options upon the Merger

Under the Plan of Arrangement, outstanding TMX Group Options that have not been duly exercised prior to the Effective Time will be replaced with options to acquire New Shares granted by Mergeco. The number of New Shares under a Replacement Option will be equal to the number of TMX Group Shares under the corresponding TMX Group Option multiplied by the Exchange Ratio, and the exercise price for each Replacement Option will be equal to the current exercise price of the TMX Group Option divided by the Exchange Ratio. The existing terms of the TMX Group Options will otherwise remain unchanged. The replacement of TMX Group Options is conditional on TMX Group Shareholders approving the Arrangement Resolution.

As at the TMX Group Latest Practicable Date, subsisting TMX Group Options were outstanding over 1,902,912 TMX Group Shares representing 2.6 per cent. of the issued share capital of TMX Group Inc.

On the basis of the Exchange Ratio, and on the assumption that at the Effective Date there are outstanding TMX Group Options under the TMX Group Option Plan over 1,902,912 TMX Group Shares, Replacement Options will be granted over an aggregate of approximately 5,701,695 New Shares.

No further TMX Group Options will be granted under the TMX Group Option Plan following Completion.

10.2 *TMX Group RSU Plans*

TMX Group RSU Plan

The TMX Group RSU Plan has been designed to further align management's interest with that of its shareholders. TMX Group Inc. employees (or those of TMX Group Inc.'s designated Subsidiaries) at or above the director-level, and certain employees below the director level designated by the Chief Executive

Officer are eligible to be granted restricted share units ("***TMX Group RSUs***") under the TMX Group RSU Plan.

A TMX Group RSU is a bookkeeping entry that is credited to an account maintained by TMX Group Inc. for the individual entitled to the TMX Group RSU. The grant price of a TMX Group RSU is the closing price of one TMX Group Share on TSX as of the close of business on 31 December or the last trading day of the year if 31 December is not a trading day.

TMX Group Inc. credits additional TMX Group RSUs, or fractional TMX Group RSUs, to an individual's account to reflect notional equivalents of dividends paid on TMX Group Shares.

Vesting

TMX Group RSUs vest on 31 December of the second calendar year following the year in which the TMX Group RSUs were granted. Upon vesting, TMX Group RSUs are redeemed as described below, and a lump sum cash payment is made to the participant (net of any applicable withholdings) equal to the redemption value of the vested TMX Group RSUs.

Redemption

The number of TMX Group RSUs to be redeemed is subject to the TSR performance of TMX Group Inc. over the applicable vesting period. TSR represents the share price appreciation on TMX Group Shares plus the value of the dividends paid over the term of the TMX Group RSUs. Upon redemption, the TSR is calculated along with a corresponding performance multiplier. The performance multiplier is used to determine the final number of TMX Group RSUs to be redeemed. For TMX Group RSUs granted up to and including 2010, the target TSR is 40 per cent. If target TSR is achieved, the accumulated TMX Group RSUs are redeemed using a multiplier of 100 per cent., which is TMX Group Inc.'s target multiplier. If target TSR is exceeded, the number of TMX Group RSUs will be adjusted upwards. The maximum multiplier is 180 per cent. for a TSR of 70 per cent. or greater. If target TSR is not achieved, the number of TMX Group RSUs will be adjusted downward. In any event, 25 per cent. of the number of accumulated TMX Group RSUs will be redeemed.

For TMX Group RSUs granted as part of the usual TMX Group Inc. long-term incentive plan in 2011, the target TSR is 26 per cent. If target TSR is achieved, the accumulated TMX Group RSUs are redeemed using a multiplier of 100 per cent. If target TSR is exceeded, the number of TMX Group RSUs will be adjusted upwards. The maximum multiplier is 125 per cent. for a TSR of 32.5 per cent. or greater. If target TSR is not achieved, the number of TMX Group RSUs will be adjusted downward. In any event, 75 per cent. of the number of accumulated TMX Group RSUs will be redeemed.

TMX Group Special Retention RSU Plan

In February 2011, the TMX Group Inc. human resources committee approved special retention RSU awards ("***TMX Group Special Retention RSUs***") for all TMX Group employees (excluding TMX Group Inc.'s Chief Executive Officer) who received TMX Group LTIP awards relating to the 2010 fiscal year. The grant price of the TMX Group Special Retention RSUs is the fair market value of TMX Group Shares, being the weighted-average trading price of TMX Group Shares on TSX, for the five trading days preceding the effective date of the grant. The TMX Group Special Retention RSUs will cliff vest on the third anniversary of the grant date (17 February 2014). The TMX Group Special Retention RSUs will be forfeited if the recipient employee is no longer employed at time of vesting.

There are no performance conditions or multipliers applied to the TMX Group Special Retention RSU grants. The TMX Group Special Retention RSUs will be valued using the fair market value per Mergeco Share determined as at the date of redemption. The number of TMX Group Special Retention RSUs to be redeemed is multiplied by the fair market value.

Valuation

The redemption value of TMX Group RSUs is equal to the fair market value of a TMX Group Share determined as at the date of redemption multiplied by the number of TMX Group RSUs to be redeemed.

For TMX Group RSUs granted prior to 2010, the fair market value is calculated using the weighted-average trading price of TMX Group Shares on TSX for the five trading days immediately preceding the redemption date.

For TMX Group RSUs granted in 2010 and 2011, and the TMX Group Special Retention RSUs, the fair market value is calculated using the weighted-average trading price of TMX Group Shares on TSX for the 30 trading days immediately preceding the redemption date.

Cessation of employment

If the employee has resigned or employment is terminated for cause prior to the vesting date of the TMX Group RSUs, the employee forfeits all right, title and interest with respect to the TMX Group RSUs. If employment has ceased prior to the vesting date for any reason other than resignation or termination for cause, the number of TMX Group RSUs is pro-rated for time elapsed from grant date to termination date and the TSR is calculated as at termination date. The lump sum cash payment is equal to the performance adjusted number of TMX Group RSUs multiplied by the fair market value per TMX Group Share determined as at the date of such termination (net of any applicable withholdings).

Additionally, with respect to the TMX Group Special Retention RSUs, if the employee resigns, retires or is terminated for any reason prior to the redemption date, all TMX Group Special Retention RSUs will be forfeited with no compensation paid.

The TMX Group RSU Plan and the TMX Group Special Retention RSU Plan do not provide for automatic accelerated vesting of TMX Group RSUs in cases where employment is terminated, upon retirement, or if there is a change of control of TMX Group Inc.

Amendments

Under the TMX Group RSU Plan and the TMX Group Special Retention RSU Plan, TMX Group Inc.'s human resources committee may, at any time, subject to any required regulatory approval or shareholder approval, amend, suspend or terminate the TMX Group RSU Plan, in whole or in part.

Proposed changes to the TMX Group RSU Plans and the TMX Group Special Retention RSU Plan under the Merger

Upon Completion, the TMX Group RSU Plan and the TMX Group Special Retention RSU Plan will be amended to reflect from and after the Effective Date: (i) a conversion of the number of TMX Group RSUs and TMX Group Special Retention RSUs then in each participant's account (including dividend RSUs) into Amended RSUs by multiplying each TMX Group RSU and TMX Group Special Retention RSU by 2.9963; (ii) a conversion of the grant price for the TMX Group RSUs and TMX Group Special Retention RSUs into an amended grant price by dividing the grant price by 2.9963; (iii) a reference to Mergeco Shares in substitution for TMX Group Shares to which such Amended RSUs relate; (iv) a reference to dividends accruing on such Amended RSUs as dividends are paid on the Mergeco Shares (in substitution for TMX Group Shares); and (v) that the amount to be paid on redemption of the Amended RSUs will be linked to the fair market value of a Mergeco Share.

No further TMX Group RSUs or TMX Group Special Retention RSUs will be granted under the TMX Group RSU Plan or the TMX Group Special Retention RSU Plan following Completion.

10.3 *TMX Group Inc. non-executive directors deferred share unit plan and TMX Group Inc. executives deferred share unit plan*

A deferred share unit represents an entitlement to be paid a lump sum cash amount upon redemption of the deferred share unit, subject to the terms of the relevant plan, equal to the fair market value of one TMX Group Share.

TMX Group Inc. non-executive directors deferred share unit plan

TMX Group Inc.'s non-executive (non-employee) directors must achieve ownership of C$250,000 of TMX Group Shares over a five year period (including ownership of Deferred Share Units or "***TMX Group DSUs***"). Until the mandated level of ownership is reached, these non-executive directors must take at least 50 per cent. of their TMX Group Board and committee compensation in the form of TMX Group DSUs (although non-executive directors are free to elect a higher level of TMX Group DSU participation). Each TMX Group DSU has a value based on the value of one TMX Group Share. TMX Group Inc. credits TMX Group DSUs to a non-executive director's DSU account by dividing the dollar value of the Director's TMX Group Inc. board and committee compensation by the weighted-average trading price for the TMX Group Shares on TSX for the five trading days before the date of payment of a non-executive director's retainer or attendance fee. DSUs can only be redeemed at the time a non-executive director ceases to be a director of TMX Group Inc. TMX Group Inc. does not issue or transfer any TMX Group Shares on redemption of TMX Group DSUs; only cash payments are made.

TMX Group Inc. executives deferred share unit plan

General

In 2001 and 2002, TMX Group Inc. awarded grants to officers and director-level employees under an interim bonus plan, which was introduced in lieu of a long-term compensation plan for those years. The interim bonus plan provided eligible employees with a deferred award based on TMX Group Inc.'s annual financial performance. For officers, TMX Group Inc. converted the deferred awards into TMX Group DSUs. TMX Group Inc. converted the awards for 2001 at its IPO share price of C$9.00, and for 2002 at the share price of C$10.566, being the weighted-average price for the five trading days before 31 December 2002. All TMX Group DSUs granted under the interim bonus plan are fully vested.

A TMX Group DSU is a bookkeeping entry that is credited to an account maintained by TMX Group Inc. for the individual entitled to the TMX Group DSU. The fair market value of a TMX Group DSU is based on the weighted-average trading price of TMX Group Shares on TSX for the five trading days before the applicable conversion date. TMX Group Inc. credits additional TMX Group DSUs or fractional TMX Group DSUs to an individual's account to reflect notional equivalents of dividends paid on TMX Group Shares.

The TMX Group Executive DSU Plan is also used to assist officers with respect to meeting their equity ownership requirements, TMX Group Inc. gives its officers the opportunity to convert all or part of their short-term incentive plan award into TMX Group DSUs. TMX Group Inc. limits this opportunity to those officers who have not yet achieved their required level of equity ownership.

The TMX Group Executive DSU Plan was recently amended to facilitate participation by US Employees. TMX Group DSUs are not transferable or assignable other than by will or the laws of descent and distribution.

In February 2011, the TMX Group Board approved a special TMX Group DSU award for Mr Kloet. The award is subject to the terms and conditions of the TMX Group Executive DSU Plan, with the exception that the TMX Group DSUs do not vest until the third anniversary of the grant date and will be forfeited if Mr Kloet resigns, retires or is terminated for any reason prior to the vesting date.

Cessation of employment

If a Canadian employee retires or otherwise ceases to be an employee (other than for reason of death), the employee must file a notice of redemption on or before 15 December of the first calendar year which commences after the date of retirement or termination. If a US Employee retires or otherwise ceases to be an employee (other than for reason of death), the employee's TMX Group DSUs will be redeemed on the date the employee ceases to be an employee ("***US Employee Redemption Date***"). TMX Group Inc. will then pay the employee a cash payment (net of any applicable withholdings) equal to the number of TMX Group DSUs as of the filing date (for Canadian employees) or the US Employee Redemption Date multiplied by the fair market value per TMX Group Share determined as at the date of filing the notice of redemption or the US Employee Redemption Date, as applicable. If an employee dies while employed (or after ceasing to hold all positions but before filing a notice of redemption), then within 90 days (in the case of a Canadian employee) or 30 days (in the case of a US Employee) of the employee's death, TMX Group Inc. must redeem all of the employee's TMX Group DSUs and make a lump sum cash payment to or for the benefit of the legal representative of the employee. The lump sum payment will be equal to the number of TMX Group DSUs as of the date of the employee's death multiplied by the fair market value per TMX Group Share determined as of the date of the employee's death.

With respect to Mr Kloet's special 2011 DSU grant, if Mr Kloet resigns, retires or is terminated for any reason prior to the vesting date, all special DSUs granted to Mr Kloet will be forfeited with no compensation paid.

Valuation

For TMX Group DSUs granted prior to 2010, the fair market value is calculated by reference to the weighted-average trading price of TMX Group Shares on TSX for the five trading days immediately preceding the date of retirement, termination or death. For TMX Group DSUs issued from 2010 onwards, the fair market value is calculated by reference to the weighted-average trading price of TMX Group Shares on TSX for the 30 trading days immediately preceding such date.

Amendment

Under the TMX Group Executive DSU Plan, the TMX Group human resources committee may, at any time, subject to any required regulatory approval or shareholder approval, amend, suspend or terminate the TMX Group Executive DSU Plan, in whole or in part.

Proposed changes to the TMX Group DSU Plans under the Merger

Upon Completion, the TMX Group DSU Plans, which for greater certainty, refers to both the TMX Group Executive DSU Plan dated 10 February 2010 and the TMX Group Non-Executive Director DSU Plan for non-executive directors dated 3 March 2010, will be amended to reflect, from and after the Effective Date: (i) a conversion of the number of TMX Group DSUs then in each participant's account (including dividend DSUs) into Amended DSUs by multiplying each TMX Group DSU by 2.9963; (ii) a reference to Mergeco Shares in substitution for TMX Group Shares to which such Amended DSUs relate; (iii) a reference to dividends accruing on such Amended DSUs as dividends are paid on the Mergeco Shares (in substitution for TMX Group Shares); and (iv) that the amount to be paid on redemption of the Amended DSUs will be linked to the fair market value of a Mergeco Share.

No further TMX Group DSUs will be granted under the TMX Group DSU Plans.

11. Indebtedness of Mergeco Directors and executive officers of Mergeco

None of the current LSEG Directors who will sit on the Mergeco Board are indebted to and no outstanding guarantees have been granted or provided to or for the benefit of any current LSEG Director who will sit on the Mergeco Board by LSEG or any of its Subsidiaries as at the LSEG Latest Practicable Date. None of the Prospective Directors are indebted to LSEG or any of its Subsidiaries as at the LSEG Latest Practicable Date.

12. Executive director service agreements and non-executive director letters of appointment

Save as specified in this paragraph 12, there are no existing or proposed service agreements between any of the current LSEG Directors who will sit on the Mergeco Board and LSEG or any of its Subsidiaries or between any of the Prospective Directors and TMX Group Inc. or any of its Subsidiaries.

Each of the LSEG Executive Directors and the Prospective Executive Directors will continue to be employed under the terms of their existing service agreements up to and including Admission. Any material differences between the terms of their service agreements as Mergeco directors and their existing service agreements as set out in this document will be disclosed in a supplementary prospectus to be issued prior to Admission.

12.1 *Service agreements for current LSEG Executive Directors who will sit on the Mergeco Board*

Xavier Rolet has a service agreement with LSEG and Raffaele Jerusalmi has a service agreement with Borsa Italiana relating to his position as General Manager of that company and head of Capital Markets and a service agreement with LSEG Holdings (Italy) Limited Italian Branch relating to his position as Institore. The terms of each service agreement are set out below:

(a) Xavier Rolet entered into a service contract with LSEG on 16 March 2009. The service agreement may be terminated by Mr Rolet or LSEG on not less than 12 months' notice. Alternatively, LSEG may terminate the contract by payment in lieu of notice of a sum equal to 12 months salary and benefits paid in a lump sum or, at the discretion of LSEG's remuneration committee, on a monthly basis. Instalments will be reduced by any earnings from new employment taken up within 12 months after leaving employment. Xavier Rolet's annual salary with effect from 1 April 2011 is £675,000.

(b) Raffaele Jerusalmi entered into a service contract with each of Borsa Italiana and LSEG Holdings (Italy) Limited Italian Branch on 3 May 2011 effective from 4 May 2011. He has been employed by Borsa Italiana since 1 October 2001 and he is treated as having continuous employment with each company since that date. The terms of his employment with each company are substantially the same. The contracts state that no collective agreement applies to his employment and accordingly the terms applying to the termination of his employment under both contracts are governed by Italian law. If Mr Jerusalmi is dismissed, his notice period will be equal to eight months, if the length of service is between nine and 15 years, or nine months, if the length of service is 15 years or more. If Mr Jerusalmi resigns he is required to give three months' notice. On termination of either employment for any

reason, Mr Jerusalmi is entitled to severance payments under Italian law. Mr Jerusalmi has an entitlement under Italian law to: (i) *trattamento di fine rapporto*, which accrues during his employment and is released or paid into a retirement fund as a lump sum payment when the employment ends and is equal to 7.4 per cent. of all sums paid to Mr Jerusalmi during his employment; (ii) pro-rated supplementary monthly payments (the annual salary is normally paid in 12 instalments plus 2 supplementary monthly payments); and (iii) payment in lieu of untaken holidays, if any. Where no just cause for termination exists, a payment in lieu of notice is payable if the employment is terminated with immediate effect. The payment in lieu of notice is paid in addition to the payments at (i), (ii) and (iii) above and is equal to the overall salary due to Mr Jerusalmi during the notice period. For these purposes monthly salary includes base salary, the average of any bonuses or commissions paid during the last 36 months of the employment relationship and benefits in kind. Raffaele Jerusalmi's annual salary is €380,000 (being €190,000 under each employment).

(c) Xavier Rolet and Raffaele Jerusalmi each receive benefits in kind, principally health care and life assurance. Mr Jerusalmi also receives disability assurance, accident insurance cover, luncheon vouchers and car and fuel benefit. In addition, Xavier Rolet (in common with all LSEG staff) participates in a flexible benefit plan whereby he receives an allowance in the amount of £20,000 per annum from which he can purchase additional benefits or receive all or a portion as a cash supplement. This flexible benefit allowance is not used to calculate bonus payments or pension contributions.

(d) In addition, Xavier Rolet and Raffaele Jerusalmi are eligible to:

  (i) participate in the LSEG annual bonus plan. Cash bonus awards are approved by LSEG's remuneration committee and are based on annual financial targets and individual performance; and

  (ii) participate in the LSEG LTIP which comprises a conditional performance share awards and matching share awards linked to investment by the participant in Existing Shares.

(e) The pension arrangements for Xavier Rolet and Raffaele Jerusalmi are described in paragraph 13.1 within this Part 13—"Directors and officers of Mergeco".

12.2 ***Service agreements for Prospective Directors***

Thomas Kloet has a service agreement with TMX Group Inc. The terms of his service agreement are set out below:

(a) Thomas Kloet entered into a service agreement with TMX Group Inc. on 9 June 2008. Pursuant to this service agreement, Mr Kloet's salary is C$700,000 per annum. Additionally, in connection with the Merger, Mr Kloet entered into an addendum to his service agreement, which amends and supersedes certain sections of Mr Kloet's current service agreement with TMX Group Inc. In the event of termination of Mr Kloet's employment by Mergeco without cause during the term of his employment agreement (or upon resignation during the period that is between twelve months from the Effective Date and the date that is 30 days from the end of such twelve month period (the "***Resignation Window***")), Mr Kloet will be entitled to receive: (i) all termination payments specified in his current employment agreement, being (A) a lump sum payment equal to his total cash remuneration (being his current base salary and short-term incentive plan at target which is 100 per cent. of base salary) plus pro-rated incentive awards at target year to date; (B) continuation of pension and benefit coverage for twelve months; (C) if terminated prior to 11 August 2011, a cash payment equal to the in-the-money value of Mr Kloet's signing bonus (50,000 share options valued at the time of grant to be C$568,500); and (D) if terminated prior to 14 July 2011, an amount up to C$25,000 to assist in relocating out of Canada (collectively, the "***Existing Termination Payments***"); and (ii) continued coverage of US health insurance for twelve months. Additionally, all unvested TMX Group Options and TMX Group RSUs granted prior to the Effective Date will be forfeited on termination. Mr Kloet will receive a cash amount equal to the compensation value (attributed to the respective awards at the time of grant) of such forfeited unvested TMX Group Options and TMX Group RSUs (less applicable withholdings). If Mr Kloet resigns outside of the Resignation Window, he will be entitled only to the Existing Termination Payments and to regular treatment of TMX Group Options and TMX Group RSUs in accordance with the rules of those plans but not the cash payment in lieu of forfeiture of unvested TMX Group Options and TMX Group RSUs. If Mr Kloet secures employment elsewhere within twelve months following termination, coverage under all pension and benefits

programs maintained by TMX Group Inc. (or the Merged Group following Completion) will immediately cease.

(b) Michael Ptasznik began employment with TMX Group Inc. on 15 October 1996. Mr Ptasznik does not have a current service agreement. Mr Ptasznik's employment may, however, be terminated without cause by TMX Group Inc. in accordance with the Ontario *Employment Standards Act, 2000* and applicable common law. Under the *Employment Standards Act, 2000*, an employee terminated without cause may be entitled to a maximum of eight weeks' notice plus severance pay, if any, based on length of service. Common law entitlements are based on the court's evaluation of the circumstances surrounding the termination, including, but not limited to, his age, length of service, position with the company and ability to find alternative employment. Due to common law considerations and factors, Mr Ptasznik's entitlement at common law would significantly exceed the legislative requirements. On termination of employment with cause, resignation or retirement, Mr Ptasznik would be entitled to any earned but unpaid compensation up to his last day of employment.

(c) Thomas Kloet and Michael Ptasznik receive benefits in kind, principally health care, dental care, vision care, emergency travel accident insurance and life assurance. In addition, they are eligible to:

   (i) participate in TMX Group Inc.'s short-term incentive plan under which they will receive a cash bonus with, in the case of Mr Ptasznik, a value of between 60 per cent. and 120 per cent. of his base salary and, in the case of Mr Kloet, a value of between 100 per cent. and 200 per cent. of his base salary. For Mr Kloet only, cash bonus awards are approved by the TMX Group Board and are based on financial and non-financial targets agreed by Mr Kloet and TMX Group Inc.;

   (ii) participate in TMX Group Inc.'s long-term incentive award program which comprises an award of TMX Group Options and TMX Group RSUs, as described above. Vesting of awards granted to Mr Kloet or Mr Ptasznik will not be accelerated as a result of the Merger; and

   (iii) receive annual taxable cash perquisite allowances. Other perquisites include parking, medical exams and home security where warranted.

(d) The pension arrangements for Thomas Kloet and Michael Ptasznik are described in paragraph 13.2 within this Part 13—"Directors and officers of Mergeco".

12.3 ***Non-executive directors letters of appointment***

Wayne Fox, Raymond Chan, Denyse Chicoyne, J. Spencer Lanthier and John P. Mulvihill will each enter into a letter of appointment with Mergeco, which will take effect from their appointment as directors of the Mergeco Board on the Effective Date and will expire on the third anniversary of the Effective Date. Any material differences between the terms of their appointment as Mergeco Directors and their existing terms of appointment as set out in this document will be disclosed in a supplementary prospectus to be issued prior to Admission.

Chris Gibson-Smith has a letter of appointment with LSEG dated 15 July 2009. His appointment is for a period of three years, until the annual general meeting in 2012, is terminable on six months' notice and will continue on the same basis upon appointment as Deputy Chairman of Mergeco.

On the Effective Date Massimo Tononi will be appointed as deputy chairman of Mergeco, a position he will hold jointly with Chris Gibson-Smith. The terms of his appointment have not yet been determined.

The other current LSEG Non-Executive Directors who will sit on the Mergeco Board have letters of appointment with LSEG which sets out their respective responsibilities and commitments. Each of the appointments is for an initial period of three years, expiring on the dates noted below, unless the LSEG Non-Executive Director is not re-elected by LSEG Shareholders at the next annual general meeting at which he or she is required to stand for re-election. The LSEG Non-Executive Directors (other than Chris

Gibson-Smith) are not entitled to any compensation on termination or non-renewal of their appointment. The dates of their appointment or reappointment and expiry are as follows:

LSEG Directors	Position	Date of appointment or reappointment	Date of expiry of appointment
Chris Gibson-Smith .	Chairman	15 July 2009	2012[(1)]
Massimo Tononi	Non-Executive Director	27 September 2010	26 September 2013
Paul Heiden	Non-Executive Director	4 June 2010	4 June 2013
Gay Huey Evans	Non-Executive Director	4 June 2010	4 June 2013
Andrea Munari	Non-Executive Director	1 October 2010	30 September 2013
Robert Webb Q.C. . .	Non-Executive Director	1 February 2010	31 January 2013

Note:

(1) Chris Gibson-Smith's appointment expires at the end of the 2012 AGM.

13. Pension plan benefits

13.1 *LSEG*

Xavier Rolet is entitled to a cash supplement in lieu of contribution to a pension plan equal to 25 per cent. of his basic salary.

Raffaele Jerusalmi is entitled, under Italian law, to *trattamento di fine rapporto* (a form of deferred salary which is granted to all employed workers in the private sector in Italy), which accrues during his employment and is released or paid into a retirement fund as a lump sum when the employment ends and is equal to 7.4 per cent. of all sums paid to Mr Jerusalmi during his employment relationship with Borsa Italiana.

With the exception of Thomas Kloet and Michael Ptasznik (details of whose pension arrangements are set out below) none of the other current LSEG Directors who will sit on the Mergeco Board nor any of the other Prospective Directors is eligible to receive pension plan benefits from Mergeco.

In relation to the last full financial year, save as described above and in paragraph 12.1 there are no amounts set aside or accrued by LSEG Group to provide pension, retirement or similar benefits to current LSEG Directors who will sit on the Mergeco Board.

13.2 *TMX Group Inc.*

Michael Ptasznik participates as a non-contributory member in the defined benefit component of TMX Group Inc.'s registered pension plan for employees. The pension benefit under the registered pension plan will be limited to the maximum amount prescribed under the Canadian Tax Act.

TMX Group Inc. also maintains a non-contributory supplementary retirement plan for executive officers and other members of senior management. The supplementary retirement plan provides the portion of the pension benefits that exceed the maximum permitted under the defined benefit tier of the registered pension plan. Benefits provided by the supplementary retirement plan are securely funded through a retirement compensation arrangement.

If Mr Ptasznik retires on the normal retirement date, the amount of annual pension from the registered pension plan and supplementary retirement plan combined will be 2 per cent. of the average of the best three consecutive years of pensionable earnings multiplied by credited years of service, subject to a maximum annual pension of 100 per cent. of final salary. Pensionable earnings refers to base salary plus short-term incentive bonus, with the amount of bonus being capped at 50 per cent. of salary for Mr Ptasznik, commencing in 2006.

Thomas Kloet participates in a non-contributory supplementary pension plan that is funded through a retirement compensation arrangement. The total pension payable from the supplementary retirement plan will be 2 per cent. of the average of the best three consecutive years of pensionable earnings multiplied by credited years of service, subject to a maximum annual pension of 100 per cent. of final salary. Pensionable earnings refer to base salary plus short-term incentive bonus, with the amount of bonus being capped at 50 per cent. of salary.

The pension benefit is payable in a lump sum equal to the commuted value of the annual pension determined in respect of the member. Mr Kloet is guaranteed the greater of the commuted value of his

accrued pension benefit and the amount equivalent to 10 per cent. of his pensionable earnings accumulated each year with interest while a member of the supplementary retirement plan.

The table set out below shows the annual benefits payable to Mr Kloet and Mr Ptasznik upon retirement in connection with each of their defined benefit pension plans, as described above.

Name	Number of years credited service	Annual benefits payable		Accrued obligation at start of year	Compensatory change	Non-compensatory change	Accrued obligation at year end
	(#)	(C$000)		(C$000)[1]	(C$000)[2]	(C$000)[3]	(C$000)[4]
		At year end	At age 65				
Thomas A. Kloet	2.5	52	313	270	166	137	573
Michael Ptasznik	12.2	131	362	877	39	427	1,343

Notes:

(1) Accrued obligation at start of year is the value of the projected pension earned for service up to 31 December 2009 determined using the same actuarial assumption used to calculate the pension plan obligations at 31 December 2009, as disclosed in the notes to the 2009 financial statements.

(2) The values shown under the column headed compensatory change include the value of the projected pension earned for service in the year, using the same actuarial methods and assumptions used to calculate the current service cost for the 2010 pension expense, disclosed in the 2010 financial statements, plus the increase or decrease in the accrued obligation due to the difference between actual compensation in the year and the actuarial assumption for the year that was assumed at the end of the prior year.

(3) The values shown under the column headed non-compensatory change include amounts attributable to interest accruing on the beginning-of-year obligation, experience gains and losses other than those associated with compensation levels and changes in actuarial assumptions.

(4) Accrued obligation at year end is the value of the projected pension earned for service up to 31 December 2010, determined using the same actuarial assumption used to calculate the pension plan obligations at 31 December 2010, as disclosed in the notes to the 2010 financial statements.

ANNEX A

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

London Stock Exchange Group plc ("the Company")

1. Membership

1.1 Members of the committee shall be appointed by the board. The committee shall be made up of at least 3 members.

1.2 All members of the committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the board shall not be a member of the committee.

1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chairman of the board, chief executive, other directors and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.

1.4 The external auditors, head of internal audit, the risk management and business continuity manager, Chief Financial Officer and group financial controller will be invited to attend meetings of the committee on a regular basis.

1.5 The board shall appoint the committee Chairman who shall be an independent non-executive director. In the absence of the committee Chairman and/or an appointed Deputy, the remaining members present shall elect one of themselves to Chairman the meeting.

2. Secretary

2.1 The company secretary or their nominee shall act as the secretary of the committee.

3. Quorum

3.1 The quorum necessary for the transaction of business shall be 2 members. The Committee may co-opt additional directors to join the Committee in the absence of a quorum from amongst its members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.

4. Frequency of meetings

4.1 The committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. Notice of meetings

5.1 Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

6. Minutes of meetings

6.1 The secretary shall minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

7. Annual General Meeting

7.1 The Chairman of the committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the committee's activities.

8. Duties

8.1 Financial reporting

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary results' announcements and any other formal

announcement relating to its financial performance (although the standard quarterly IMS will normally be reviewed just by the Board), reviewing significant financial reporting issues and judgements which they contain.

8.1.2 The committee shall review and challenge where necessary:

8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4 the clarity of disclosure in the company's financial reports and the context in which statements are made; and

8.1.2.5 all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to the audit and risk management committee areas of responsibility).

8.2 Internal controls and risk management systems

The committee shall:

8.2.1 keep under review the effectiveness of the company's internal control systems and (including financial, operational and compliance controls and risk management systems);

8.2.2 consider reports from management and the internal auditors on their monitoring of the system of internal control and risk management;

8.2.3 make recommendations to the board regarding the effectiveness of the Group's internal control and risk management systems; and

8.2.4 review and recommend to the board the statements to be included in the annual report concerning internal controls and risk management prior to approval by the board; and

8.3 Treasury

The Committee shall:

8.3.1 approve the taking of any actions which fall outside the Group Treasury Policy;

8.3.2 consider material financing and treasury transactions reserved for the board ahead of review by the board; and

8.3.3 consider a report from the Group Treasurer on at least an annual basis.

8.4 Whistleblowing and fraud

The committee shall:

8.4.1 review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and

8.4.2 review the company's procedures for detecting fraud.

8.5 Internal audit

The committee shall:

8.5.1 monitor and review the effectiveness of the company's internal audit function in the context of the company's overall financial control and risk management system;

8.5.2 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively

and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate standing and is free from management or other restrictions;

8.5.3 review and assess the annual internal audit plan;

8.5.4 review promptly all reports on the company from the internal auditors which are presented to the Committee;

8.5.5 review and monitor management's responsiveness to the findings and recommendations of the internal auditor;

8.5.6 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the board and to the committee; and

8.5.7 be consulted on the appointment or removal of the head of audit.

8.6 External Audit

The committee shall:

8.6.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor taking account of, amongst other matters, the risk of the withdrawal of the auditor from the market. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required.

8.6.2 oversee the relationship with the external auditor including (but not limited to):

8.6.2.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

8.6.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.6.2.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

8.6.2.4 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;

8.6.2.5 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and

8.6.2.6 seeking to ensure co-ordination with the activities of the internal audit function.

8.6.3 meet regularly with the external auditor. The committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.

8.6.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.

8.6.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.5.1 a discussion of any major issues which arose during the audit;

8.6.5.2 any accounting and audit judgements; and

8.6.5.3 levels of errors identified during the audit.

The committee shall also review the effectiveness of the audit:

8.6.6 review any representation letter(s) requested by the external auditor before they are signed by management;

8.6.7 review the management letter and management's response to the auditor's findings and recommendations; and

8.6.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

8.7 Reporting responsibilities

8.7.1 The committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.7.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

8.7.3 The committee shall compile a report to shareholders on its activities to be included in the company's annual report taking account of any relevant guidance.

8.8 Other matters

The committee shall:

8.8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

8.8.2 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate; and

8.8.3 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort.

9. Authority

The committee is authorised:

9.1 to seek any information it requires from any employee of the company in order to perform its duties;

9.2 to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and

9.3 to call any employee to be questioned at a meeting of the committee as and when required.

PART 14

OPERATING AND FINANCIAL REVIEW FOR THE LSEG GROUP

The following information should be read in conjunction with the financial information incorporated by reference into this document and as referred to in Part 16—"Historical financial information relating to the LSEG Group" of this document. The financial information set out below and referred to within this Part 14—"Operating and financial review for the LSEG Group" has been extracted without material adjustment from the financial information incorporated by reference into this document and as referred to in Part 16—"Historical financial information relating to the LSEG Group".

The operating information discussed below is derived from LSEG's internal operational and financial reporting systems. In addition to historical information, this review also contains information around the future performance of the LSEG Group. Readers should be aware that these areas are subject to risks and uncertainties that could cause actual results to differ as compared to past performance. Readers should see under the heading "Information regarding forward-looking statements" in Part 3—"General information" for information on the risks and uncertainties regarding forward-looking information and also read Part 2—"Risk factors" for a discussion of certain factors that may affect the business, financial conditions or results of operations of the LSEG Group, TMX Group and, following Completion, the Merged Group. Readers should see under the heading "Material factors affecting results of operations and financial condition" within this Part 14—"Operating and financial review for the LSEG Group" when considering the future performance of the LSEG Group.

The information presented within this Part 14—"Operating and financial review for the LSEG Group" is provided to enable the reader to assess the financial condition and material changes in financial and operating conditions of the LSEG Group. Unless otherwise stated, all amounts are in pounds sterling.

References to 'constant currency' within this Part 14—"Operating and financial review for the LSEG Group" refer to the measure used by LSEG to show financial performance excluding the impact of exchange rate movements. For the purposes of this measure, exchange rates for both of the financial years being compared are held consistent with those in the latter financial year when translating the results generated in Italy and Sri Lanka. Movements in Euro and Sri Lankan Rupee rates against pound sterling are the primary cause of exchange rate movements affecting the LSEG Group's financial performance.

References within this Part 14—"Operating and financial review for the LSEG Group" to "2012", "2011", "2010" and "2009" refer to the years ended 31 March 2012, 31 March 2011, 31 March 2010 and 31 March 2009, respectively.

The discussion and analysis within this Part 14—"Operating and financial review for the LSEG Group" is organised as follows:

- *Non-GAAP performance measures.* This section provides a discussion of certain non-GAAP financial measures LSEG uses to assess the performance of its business.
- *Overview.* This section includes a general description of the LSEG Group's business and segments as well as a summary of its material acquisitions since 1 April 2008.
- *Material factors affecting results of operations and financial condition.* This section includes an overview of trends affecting the LSEG Group and the actions of LSEG's management relating to such trends. Forward-looking statements that provide a general description of recent and projected industry and company developments that are important to understanding the LSEG Group's results of operations are also included in this section.
- *Overview of results of operations and financial conditions.* This section summarises the LSEG Group's results of operations and year end financial position for the years ended 31 March 2011, 31 March 2010 and 31 March 2009.
- *Results of operations and financial conditions for the year ended 31 March 2011 compared to the year ended 31 March 2010.* This section contains an analysis of the LSEG Group's results of operations by comparing the results for the year ended 31 March 2011 to the year ended 31 March 2010.
- *Results of operations and financial conditions for the year ended 31 March 2010 compared to the year ended 31 March 2009.* This section contains an analysis of the LSEG Group's results of operations by comparing the results for the year ended 31 March 2010 to the year ended 31 March 2009.

- *Semi-annual results of operations.* This section contains an analysis of the LSEG Group's results of operations by comparing the results for the six month periods ended 31 March 2011, 30 September 2010, 31 March 2010 and 30 September 2009.
- *Liquidity and capital resources.* This section contains an analysis of LSEG's capitalisation, cash flows and a discussion and table of outstanding debt and commitments. Forward-looking statements that are important to understanding the LSEG Group's financial condition are also included in this section.
- *Transactions with related parties.* This section summarises the related party transactions between LSEG and its Subsidiaries entered into during the financial years ended 31 March 2011, 2010 and 2009.
- *Proposed transactions.*
- *Financial instruments and other instruments.* This section includes a description of the financial instruments of LSEG as at 31 March 2011.
- *Financial risk management.* This section contains a discussion of the financial risks potentially affecting the LSEG Group's financial position, results of operations or cash flows.
- *Critical accounting policies and estimates.* This section contains a discussion of the accounting policies that LSEG believes are important to the LSEG Group's financial condition and results of operations and of the allowances and reserves that require significant judgment and estimates on the part of LSEG's management. In addition, all of LSEG's accounting policies are summarised in Note 1 and significant judgements and estimates, are summarised in notes 3, 3 and 5 of the LSEG Group's financial statements for the years ended 31 March 2011, 2010 and 2009, respectively, which are incorporated by reference into this document and as referred to in Part 16—"Historical financial information relating to the LSEG Group".
- *Changes in accounting policy.*
- *Ordinary share capital.*
- *Transfer pricing.* This section includes the principles that form the basis of LSEG's transfer pricing policy.
- *Current trading.*

1. Non-GAAP performance measures

In this document, LSEG presents certain financial measures which are not recognised by IFRS. LSEG believes that these measures are widely used in the LSEG Group's industry as a means of evaluating operating performance. These measures may not be comparable with similarly titled measures used by other companies and are not measurements under IFRS or any other body of generally accepted accounting principles. Further, certain measures do not reflect the impact of items that the LSEG Directors have deemed to be non-recurring. Consequently, these measures should not be considered substitutes for the information incorporated by reference into this document and as referred to in Part 16—"Historical financial information relating to the LSEG Group".

LSEG uses non-GAAP performance measures as key financial indicators. The effect of impairment of goodwill, acquisition amortisation (being amortisation of acquired intangibles) and non-recurring items are excluded from adjusted operating profit and, along with the associated tax effect, adjusted earnings per share.

In each of its annual reports for the financial years ended 31 March 2011, 2010 and 2009 (which are incorporated by reference into this document), LSEG uses a columnar format for the presentation of its consolidated income statement. This enables LSEG to aid the reader's understanding of its results by presenting profit for the year before impairment of goodwill, acquisition amortisation and non-recurring items. This profit measure is used to calculate adjusted earnings per share and is considered to be the most appropriate measure by LSEG as it best reflects LSEG's underlying performance and is the primary measure of performance monitored by LSEG's executive committee.

Profit before impairment of goodwill, acquisition amortisation and non-recurring items is reconciled to profit before taxation on the face of the income statement within each of LSEG's annual reports for the years ended 31 March 2011, 2010 and 2009 on pages 64, 60 and 55 respectively (which are incorporated by reference into this document).

Adjusted earnings per share

Adjusted earnings per share is a supplementary measure of performance and is not required by, presented in accordance with, or defined under, IFRS. Adjusted earnings per share is presented to enhance a reader's understanding of the LSEG Group's financial condition and results of operations.

The LSEG Directors use adjusted earnings per share as a key performance indicator of the LSEG Group's business. LSEG finds adjusted earnings per share to be a useful tool to assist in evaluating performance. However, adjusted earnings per share is not defined under IFRS and other companies may calculate it differently or may use it for different purposes than LSEG, limiting its usefulness as a comparative measure.

A reconciliation of earnings per share for the years ended 31 March 2011, 2010 and 2009 can be found in notes 10, 10 and 12 on pages 80, 77 and 70, respectively of LSEG's annual reports (which are incorporated by reference into this document).

Non-recurring items

These are items of income or expense that are material by size and/or nature and are non-recurring. Separate reporting of these items together with impairment of goodwill and acquisition amortisation helps give the reader an indication of the LSEG Group's underlying performance.

A full breakdown and discussion of non-recurring items reported by LSEG for the years ended 31 March 2011, 2010 and 2009 are documented separately under the section entitled "Results of operations and financial conditions" within this Part 14—"Operating and financial review for the LSEG Group".

Operating net debt and Adjusted EBITDA

The LSEG Directors use operating net debt to provide a more realistic net leverage metric (calculation of operating net debt to Adjusted EBITDA) as they deem the cash set aside for regulatory and other operating purposes as not available to apply against borrowings. The ratio of operating net debt to Adjusted EBITDA is used by LSEG management as a key indicator as part of LSEG's capital management.

The LSEG Group sets aside £125 million of cash in aggregate to meet specific regulatory, clearing and commercial requirements. Operating net debt is net debt adjusted for such cash set aside, calculated as total borrowings less total cash and cash equivalents with £125 million of cash added back.

For more information, please see the table under the heading "Indebtedness" within this Part 14—"Operating and financial review for the LSEG Group".

Adjusted operating profit

Adjusted operating profit is a supplementary measure of performance and liquidity and is not required by, presented in accordance with, or defined under, IFRS. Adjusted operating profit is presented to enhance a reader's understanding of the LSEG Group's financial condition and results of operations.

Adjusted operating profit, as used in this document, represents profit before impairment of goodwill, acquisition amortisation and non-recurring items.

The LSEG Directors use adjusted operating profit as a key performance indicator of the LSEG Group's business. LSEG uses adjusted operating profit in its business operations to, amongst other things, evaluate the performance of its operations, develop budgets and measure its performance against those budgets. LSEG finds adjusted operating profit to be a useful tool to assist in evaluating operating performance. Furthermore, LSEG believes that adjusted operating profit may be reported by comparable businesses and used by investors in comparing the performance of businesses on a consistent basis. However, adjusted operating profit is not defined under IFRS and other companies may calculate adjusted operating profit differently or may use adjusted net income for different purposes to LSEG, therefore limiting its usefulness as a comparative measure.

Adjusted operating profit is reconciled within the tables under the headings "Overview of results of operations and financial conditions" and "Semi-annual results of operations" within this Part 14—"Operating and financial review for the LSEG Group".

Free cash flow

Free cash flow is a supplementary measure of performance and liquidity and is not required by, presented in accordance with, or defined under, IFRS. Free cash flow is presented to enhance a reader's understanding of the LSEG Group's financial condition and results of operations.

Free cash flow, as used in this document, represents cash flow from operating activities adjusted for net interest paid, corporation and withholding tax paid, investing activities (excluding acquisition or disposal of majority and minority stakes in 2010 and 2009) and dividends.

Other companies may calculate free cash flow differently or may use free cash flow for different purposes to LSEG, therefore limiting its usefulness as a comparative measure.

Free cash flow is reconciled under the heading "Liquidity" within this Part 14—"Operating and financial review for the LSEG Group".

2. Overview

The LSEG Group's business and strategy

The LSEG Group's core business areas are set out below:

- Capital markets, which includes:

  primary markets—which facilitate the raising of capital through the issuing of securities by entities from around the world; and

  secondary markets—which provide fast and efficient trading for:

  — cash equities, via a range of reliable electronic trading systems, in an effective regulatory environment and with a high level of price and trade transparency;

  — derivatives, through the IDEM and IDEX markets in Italy and to include Turquoise Derivatives based in the UK; and

  — fixed income, through a range of electronic trading venues, including LSEG's majority owned Subsidiary, MTS, and the Italian MOT business.

- Post-trade services, which provides clearing, settlement and custody services for cash equity, derivative and fixed income securities through CC&G and Monte Titoli.
- Information services, which distributes high quality, real-time price, news and other information-related products. Included in this business segment is Turquoise, which is a Multilateral Trading Facility offering trading in pan-European and some US cash equities on a range of markets and FTSE, a joint venture with the Financial Times.
- Technology services, which provides technology to a range of customers, both within the financial services sector and, through MillenniumIT, outside of the financial services sector. In addition, London Stock Exchange also offers server co-location services in its data centres.

LSEG has set out a clear strategy with customer focus and improving operational efficiency central to its plans. Within this context, LSEG's strategy can be broadly characterised as: "getting in shape"; "leveraging our assets"; and "developing opportunities". The imperatives are fourfold: namely, to drive efficiency; build scale; increase scope; and extend reach.

Please see Part 6—"Information on the LSEG Group's business" for further details regarding the LSEG Group.

Acquisitions and strategic combinations

In October 2009, LSEG acquired MillenniumIT, a Sri Lankan based technology services group serving the capital markets industry, for US$30 million. The purpose of the acquisition was for MillenniumIT's high performance technology to provide the LSEG Group with a scalable and low latency trading system with multi-asset class functionality and quicker product speed to market. In addition, the transaction provided MillenniumIT with additional resources to enable it to further develop its global exchange technology business.

In February 2010, LSEG acquired Turquoise and merged its existing Baikal business with Turquoise to create a new pan-European trading venture through the creation of Turquoise Derivatives. The new venture, an FSA regulated Multilateral Trading Facility, aims to expand the LSEG Group's visible and

hidden trading platforms across Europe and its liquidity aggregation services. The merged Multilateral Trading Facility business is, at the date of this document, 51 per cent. owned by LSEG and 49 per cent. owned by global investment banking clients of the LSEG Group.

In connection with the establishment of Turquoise Derivatives, Turquoise acquired the EDX business (including its related assets and liabilities) from EDX for nominal consideration under a sale and purchase agreement dated 23 February 2011. Prior to this transfer, LSEG acquired TMX Group Inc.'s 19.9 per cent. stake in EDX for £3.9 million under a sale and purchase agreement dated 23 February 2011. The remaining assets of EDX not transferred to Turquoise will be distributed throughout the LSEG Group. The transaction completed on 1 May 2011.

3. Material factors affecting results of operations and financial condition

As an operator of regulated exchanges and Multilateral Trading Facilities, the LSEG Group is a stable, trusted and neutral provider of market infrastructure and will endeavour to continue to respond to this dynamic market environment in order to create value for both customers and shareholders by providing reliable, transparent and fully compliant products and services.

In addition to the principal drivers affecting the LSEG Group's key financial indicators described below, the LSEG Group's results of operations may be affected by a number of more general factors, many of which are beyond its control. Please see Part 2—"Risk factors".

The following factors have, and are likely to continue to have a material affect on the LSEG Group's results, operations and financial condition:

Global economic conditions

Since the latter part of 2007, market conditions have been turbulent. It is clear that uncertainty remains, including sovereign debt concerns for some Eurozone countries and political tensions in the Middle East and Northern Africa, with related concerns over possible contagion into other developing markets. The LSEG Group's own domestic economies, in the UK and Italy, remain sluggish as governments restrict spending in order to balance their books.

Nevertheless, macro-economic factors are indicating a recovery from the recent economic downturn, with strengthening demand for equity capital, as companies rebuild balance sheets and invest for the future and increased numbers of international initial capital raisings on the LSEG Group's markets. Since 2009, the LSEG Group has experienced stronger levels of primary and secondary capital raisings on its markets as it supports the capital needs of companies, with £223 billion raised on its markets since 2009. With improving economic conditions, the LSEG Group expects increased numbers of new issues to come to market and that secondary issues will remain healthy, as a means to fund growth and expansion.

Overall levels of equities trading remain lower than pre-credit crisis levels. There has been a scaling back of proprietary trading, hedge funds have de-leveraged and banks have been (and potentially will continue to be) constrained by higher capital requirements. Increased competition, tighter margins and further commoditisation of equities trading makes operating in this environment challenging for all participants.

During the year ended 31 March 2011, principal global indices have continued to show strength, leaving behind the lows of early 2009. Furthermore, equity trading levels have also started to show an improvement, although a number of Eurozone countries' credit ratings were downgraded, notably Greece, Ireland and Portugal. This had a significant impact on the level of trading in many sovereign debt products. European Central Bank initiatives and government support have helped stabilise the position and aid some recovery in fixed income trading volumes in the latter part of the year.

The LSEG Group believes that these improvements, along with other structural changes, indicate a steady recovery in secondary market activity.

Changing regulatory environment

In recent years, regulation and technology have transformed the capital markets into a global marketplace by removing the barriers to cross-border trading and lowering the costs of entry for new providers of trading services. This has led to greater competition: there are now over 40 active equity trading venues in Europe alone. In part due to G20 commitments, regulation of financial services remains a key priority of national and EU governments and is likely to have significant effects on the environment in which the LSEG Group and its customers operate. A number of initiatives, including the MiFID Review, Target2 Securities, OTC derivatives and clearing (EMIR), short selling and the post-trade arena, are likely to

change the competitive environment. In addition, it is expected that there will be EU proposals in the following areas: corporate governance, market abuse, issuer transparency, financial transaction/activity taxes and crisis management. Some may reduce the LSEG Group's profitability and its proportion of the markets in which it operates but others may provide new growth opportunities.

In the UK, the government proposes creating a Financial Policy Committee responsible for considering macro-systemic risk and transferring the micro prudential functions of the FSA to the PRA, a new subsidiary of the Bank of England and the conduct and market functions of the FSA (including the UKLA) to a new body, the FCA. The FCA will represent the UK at the new European Securities and Markets Authority and the PRA will represent the UK at the European Banking Authority. These new European supervisory authorities, which have greater powers than their predecessor organisations, will be responsible for limited direct supervision activities, the implementation of certain of the above reforms and the development of the EU "single rule book".

Regulatory restrictions on the risk-taking activities of major clients and other trading companies through higher capital requirements and/or restrictions on proprietary trading may lead to a curtailment of trading volumes, although they may also provide potential opportunities in the form of, for example, a move to trading on an exchange or clearing through a CCP. Regulators may likewise impose higher capital requirements on entities within the LSEG Group. LSEG is engaged in discussions with the FSA about a possible increase in the regulatory capital requirement for its main UK operating company for 2012. However, indications are that the overall cash set aside by the LSEG Group in aggregate to meet its regulatory, clearing and commercial requirements for 2012 will increase by no more than one third above the current £125 million.

The LSEG Group continually monitors developments and engages in direct dialogue with regulatory and government authorities at both the national and EU level, as well as in the US. The LSEG Group's strategic planning takes account of the uncertain regulatory environment and its plans are flexible, with alternative options dependent on how the regulatory environment develops. The LSEG Group works closely with its clients to best align its services to their needs in the context of emerging regulation.

Fiscal regime

Public finances in Europe are under increasing pressure as governments tighten the fiscal environment, which could reduce activity in capital markets. London's status as a global financial centre could be diminished by a tax regime that is less attractive than alternative global locations and by increasing regulatory pressures, thereby reducing its ability to retain and/or attract investment. This could have a significant impact on the LSEG Group's revenues.

The reduction in UK corporation tax over the next four years provides some certainty and benefit for the LSEG Group.

The LSEG Group liaises closely with government bodies and maintains cross-party political relationships, playing an active role by sharing expertise and experience with policy makers on the impact of government and regulatory decisions on financial markets. The LSEG Group's revenue base is not wholly dependent on London, with approximately half its total annual income being generated from its Italian businesses.

The move away from corporate debt (and in particular bank) financing is positive for the LSEG Group's equity business. In addition, government debt requirements can assist its fixed income business.

Security threats

The LSEG Group is dependent on having secure premises and uninterrupted operation of its IT systems and infrastructure. Potential security threats therefore require continuous monitoring and assessment. Terrorist and cyber attacks and similar activities directed against the LSEG Group's offices, operations, computer systems or networks could disrupt the LSEG Group's markets, harm staff, tenants and visitors and severely disrupt its business and operations. Similarly, civil or political unrest could impact companies within the LSEG Group.

Long-term unavailability of key premises or trading and information outages and corruption of data could lead to the loss of client confidence and reputational damage, although risks have escalated due to increasing sophistication of cyber crime.

The LSEG Group has well established business continuity and crisis management procedures and takes security threats very seriously. Extensive information and IT security measures are in place, which include the monitoring of intelligence and close liaison with the police and government agencies. Security risk has increased, however, risk mitigation against both physical and IT threats is long and well-established.

Clients and competition

The LSEG Group operates in markets that are characterised by increasing competition and choice for clients, as well as continued concentration of business from a relatively small customer base. Client alignment is paramount to the successful operation and growth of the LSEG Group's business. Whilst regulatory changes removed some barriers to competition and afforded the LSEG Group the opportunity to compete for pan-European trading, it also resulted in increased competition, a consequent loss of market share and pressure on fee levels in its existing markets. In the international primary markets business, New York remains competitive but there is increasing competition from Asia, particularly Hong Kong, which is seeking to attract high profile international listings.

The LSEG Group has implemented a new, structured client engagement programme with senior management sponsorship and named individuals responsible for ensuring effective customer liaison. This, coupled with a focus on cost reduction and new technology deployments, is designed to increase our competitiveness. The early results of these initiatives have seen the LSEG Group's share of trading in cash equities stabilise in the past year.

The LSEG Group aims to align its commercial activities with the interests of its major clients, as demonstrated by the LSEG Group's successful partnership with 12 global investment banks to grow the market for pan-European equity and derivatives trading through Turquoise. The LSEG Group maintains a dedicated international marketing team focused on key target markets, promoting the benefits of listing on the LSEG Group's markets to international issuers, the global advisory community and the stakeholders.

Counterparty credit and investment risk

The LSEG Group's counterparty credit risk is predominantly limited to its clearing operations, through which it closely monitors its exposure to clearing members. CC&G guarantees trades and manages counterparty risk in a range of assets and instruments, including cash equities, derivatives, energy products and government bonds. As such, the LSEG Group is exposed to country risk, credit risk, issuer risk, market risk, liquidity risk, interest rate risk and foreign exchange risk.

CC&G addresses this exposure by strict membership rules, the maintenance of prudent levels of margin and default funds to cover exposures to participants (for further details, please see note 22 of the annual report for the year ended 31 March 2011, which is incorporated by reference into this document) and back up credit facilities supporting daily liquidity. There is a risk that the significant quantum of the margin deposits and default funds could be insufficient in the event of the failure of one or more of the clearing members.

Separately, the failure of one or more of the deposit-taking banks into which CC&G places cash contributions for margin and default funds could result in a direct financial loss to CC&G.

CC&G maintains a financial risk committee that is responsible for managing the risks connected to the placement of funds held by CC&G and of the operational limits concerned. Investments are made in compliance with the financial management policy issued by the financial risk committee which limits deposits of margin and default funds to investment grade banks or (if unrated) Italian listed banks that are appropriately capitalised. During the year ended 31 March 2011, CC&G increased the number of counterparties that take its deposits to diversify this risk and maintains close dialogue with the Bank of Italy, the regulator of CC&G and its deposit-taking bank counterparties. All deposits are monitored daily and are subject to regular reporting to LSEG's senior management.

As at the date of this document, CC&G has not experienced a loss as a result of the default of a member or a failure of one of its deposit counterparties.

Change management

The LSEG Group has a number of major, complex projects and strategic actions underway concurrently, including implementation of new technology, cost management initiatives, a client engagement programme and strategic development of the LSEG Group's post-trade and derivatives businesses. If not delivered to sufficiently high standards and within agreed timescales, certain initiatives could have an adverse impact on the operation of core services, revenue and revenue growth, as well as damage the LSEG Group's reputation. The volume of simultaneous change could also lead to a loss of client goodwill, and the projects are not certain to deliver the anticipated synergies and cost benefits. With regard to the capability of the LSEG Group's MillenniumIT offering, losing the balance between key growth projects and on-going

product development may undermine the future competitiveness of the LSEG Group's technology platforms.

In view of their importance to the LSEG Group's future success, senior management are focused on the implementation of the LSEG Group's project pipeline. Each project is managed via a dedicated project work stream and overseen by senior management. Rigorous software design methodologies, testing regimes and test environments are employed to minimise implementation risk. Product development teams are being strengthened to ensure that the LSEG Group can continue to deliver advanced trading and information technology to meet its clients' needs.

Ongoing operations

LSEG Group's businesses and major revenue stream are highly dependent on secure and stable technology which performs to high levels of availability and throughput. Any technology failures will impact customers and can potentially lead to a loss of trading volumes and adversely impact the LSEG Group's reputation and brand.

The LSEG Group relies on specifically configured software for the operation of its trading platforms and now increasingly performs its IT development and operations in-house, with particular reliance on MillenniumIT following the successful migration of its UK markets (for example, London Stock Exchange and Turquoise) on to MillenniumIT technology. Whilst this gives the LSEG Group a greater degree of control in this area, there remains a risk of resource over-stretch to meet both the requirements of the LSEG Group and those of third parties. The LSEG Group also has dependencies on a number of third parties for the provision of hardware, software, communication and networks for elements of its trading, data and other systems.

The performance and availability of the LSEG Group's systems are constantly reviewed and monitored to prevent problems arising, where possible, and to ensure a prompt response to any potential service interruption issues. The LSEG Group's technology services management team ensures prioritisation of all development and operations activities and resource utilisation and allocation is kept under constant review. The MillenniumIT systems are designed to be fault tolerant and, in addition, alternative standby computer facilities are maintained to minimise the risk of system disruptions.

The LSEG Group actively manages relationships with key strategic IT suppliers to avoid any breakdown in service provision which could adversely affect its businesses. Where possible, the LSEG Group has identified alternative suppliers that could be engaged in the event of a third party failing to deliver on its contractual commitments.

Employees

The calibre, quality and retention of the LSEG Group's employees is critical to its success. The LSEG Group's ability to attract and retain high quality individuals depends on the condition of recruitment markets and corresponding compensation packages of financial services, technology firms and regulators with whom the LSEG Group competes for the same key staff. The likelihood of this risk materialising has fluctuated in the year ended 31 March 2011 in the context of increased recruitment activity (particularly in the financial services sector in London), which has resulted in some increase in staff attrition rates; LSEG LTIP awards not vesting in recent years; and a streamlined organisation following the restructuring in 2009. The loss of key members of staff could have an adverse impact on the LSEG Group's operations and ability to execute its change programme. The LSEG Group recognises the importance of retaining and developing employee skills and balancing resource allocation in the face of the changing nature of the LSEG Group's business environment.

A performance related annual bonus and pay review process is in place for all employees and regular benchmarking of reward and incentive systems is performed to ensure they are competitive. The LSEG Group also offers LTIPs for high performers and critical staff (for further details, please see under the headings "LSEG LTIP" within Part 13—"Directors and officers of Mergeco" and "LSEG Employee Share Plans" within Part 20—"Additional information"), although these have not realised any value in recent years. Staff turnover is monitored and reported to LSEG's executive committee quarterly. The LSEG Group operates a performance management and appraisal system, and executive development opportunities are provided, with LSEG's nomination committee responsible for considering succession plans for key senior positions. A centralised training budget allows a co-ordinated approach to development across the LSEG Group.

Nature of cost base

Many of the LSEG Group's expenses are fixed, and are not able to be varied in the short-term. As a result, while this is beneficial during periods of rising revenues, operating profit and the LSEG Group's financial condition are generally more susceptible to falling revenue. The LSEG Group regularly monitors trading performance and updates financial forecasts with a view to identifying potential future downturns so that appropriate mitigating action can be taken.

Costs and operational delivery are a key and continuous focus for the LSEG Group. On a constant currency basis, organic operating expenses before impairment of goodwill, acquisition amortisation and non-recurring items fell by £24.8 million in the year ended 31 March 2011 (in addition to the decrease of £26.7 million in the year ended 31 March 2010).

Admission and annual fees

Revenue for the LSEG Group's primary markets is derived from admission fees charged to issuers for initial listing or raising further capital on the LSEG Group's markets, as well as annual fees based on market capitalisation. The number of companies listing and raising further capital on LSEG Group's markets, as well as market capitalisation levels are dependent upon market conditions and will vary accordingly.

The LSEG Group continues to increase its marketing activities internationally, and in particular, focus on growth markets in order to benefit from the LSEG Group's global listing brand. As at 31 March 2011, there were 600 international companies from 69 countries on the LSEG Group's markets.

While the majority of annual fees on the LSEG Group's markets are based on market capitalisation, the tariff structure is designed to limit the impact of stock market fluctuations. AIM charges a flat annual fee irrespective of market capitalisation.

Volumes/value traded

Of the total capital markets revenue for the year ended 31 March 2011, £117.1 million (42 per cent.) related to trading through the LSEG Group's order books. Revenue generated from order book trading depends on the value and volume of trades transacted on the LSEG Group's platforms. The volume of trading will vary according to market conditions and customer behaviour which are influenced by a variety of factors, including, but not limited to, demographic changes, government policy, interest rates and EU and domestic legislation. The LSEG Group is unable to control these factors, however, management continuously monitors trends and engages in dialogue with regulatory and governmental authorities. It is also affected by the relative attractiveness of its offering compared to those of its competitors. The LSEG Group is in constant discussion with its clients and the recent move to the MillenniumIT trading platform has enabled the LSEG Group to offer an improved technology platform to its clients.

Real-time data terminals

The information services division delivers real-time market data through Infolect and DDM plus, the LSEG Group's proprietary information services. Revenue from data charges is dependent upon the number of subscribers to the LSEG Group's real-time data services. The number of terminals varies with market conditions and cyclical factors over which the LSEG Group has minimal control. The LSEG Group has sought to diversify its sources of revenue in order to protect the information services division against potential falls in demand for terminals by the introduction of new services, such as UnaVista, the LSEG Group's global, hosted platform for matching, validation and reconciliation needs. For the year ended 31 March 2011 other information services accounted for 45 per cent. of total information services revenues (2010: 39 per cent.).

Post-trade

The post-trade industry is undergoing potentially profound change, driven by a combination of clients' desires to see a more competitive environment and European regulators' desire to create a more efficient and safe structure where systemic risk can be more reliably monitored and controlled.

Of the total post-trade services income for the year ended 31 March 2011, £35.9 million related to clearing services. Clearing revenues depend on the volumes traded on the secondary market and on the number of markets that are guaranteed by the CCP. While the LSEG Group is unable to control the underlying

drivers of volume trends, it is actively marketing its services in order to increase the number of markets that are centrally guaranteed.

Custody and settlement revenues constitute 42 per cent. of total post-trade income (£63.4 million) for the year ended 31 March 2011. Custody revenues are dependent on the movements in the value of the underlying assets under custody, over which the LSEG Group has no control. However, measures are being put in place to increase the number of products and services linked to the custody of securities in order to attract additional assets as well as generate a higher level of revenues from the existing stock of assets. Settlement services are dependent on the volumes of transactions both on-exchange and off-exchange. In addition to having no control on market dynamics, the LSEG Group is also affected by the overall market trend of increasingly guaranteed markets (clearing through a CCP) that reduce the numbers of net transactions to be settled. In the future, the Target2 Securities project is likely to change the settlement services landscape, by introducing a common platform for all CSDs, further increasing competition between, and commoditisation of settlement services.

Volatility fluctuations, movements in fixed income and derivatives trading volumes, as well as changes in conditions for interbank deposits and lending are factors that may impact CCP net treasury income. CCP net treasury income increased significantly in the year ended 31 March 2011, principally reflecting volume increases in the LSEG Group's fixed income and derivatives businesses resulting in higher average margins held, and proactive treasury management improving the rates achieved on investment of margin funds with Italian banks. Net treasury income through CCP business accounted for 34 per cent. of post-trade income for the year ended 31 March 2011 (2010: 14 per cent.).

In this changing regulatory framework, two landmark pan-European industry initiatives are taking longer to reach fruition than the LSEG Group had envisaged. The first initiative is interoperability, the means by which CCPs can interact with one another, thereby providing valuable choice to trading platforms and their clients. This requires greater harmonisation of risk management procedures across Europe to become effective.

The second initiative is the European Central Bank's Target2 Securities project, aimed at facilitating cheaper cross-border settlement across Europe, the implementation of which has been delayed beyond 2013. Nonetheless, the LSEG Group is determined to be at the forefront of innovation in the market and has been chosen to be amongst the first set of participants in the Target2 Securities implementation.

4. Overview of results of operations and financial conditions

The following table summarises selected financial information from the annual reports for the years ended 31 March 2011 and 2010, which are incorporated by reference into this document. The table contains audited information.

As at 31 March 2011 LSEG's only class of shares were ordinary shares. As at 31 March 2009, 1.1 million class B shares were in issue. On 1 June 2009, all remaining class B shares were redeemed by LSEG in

accordance with their terms. As class B shares were designated as borrowings, all relevant references to earnings per share are in relation to ordinary shares.

Income statement	Year ended 31 March		
	2011	2010	2009
	£m	£m	£m
Total revenue	**615.9**	605.6	644.7
Net treasury income through CCP business	**51.3**	16.2	20.8
Other income	**7.7**	6.5	5.9
Total income	**674.9**	628.3	671.4
—Operating expenses before goodwill impairment, acquisition amortisation and non-recurring items	**(336.9)**	(349.6)	(332.8)
—Share of profit after tax of joint ventures/associates	**3.1**	1.6	2.1
Adjusted operating profit	**341.1**	280.3	340.7
—Acquisition amortisation and non-recurring items	**(58.1)**	(98.0)	(64.6)
—Impairment of goodwill	**—**	—	(484.0)
Operating profit/(loss)	**283.0**	182.3	(207.9)
Profit/(loss) for the financial year	**156.5**	91.7	(332.8)
Earnings per share			
Basic earnings per share/(loss) per share	**56.4p**	33.8p	(126.1)p
Diluted earnings/(loss) per share	**55.9p**	33.5p	(126.1)p
Adjusted basic earnings per share	**73.7p**	60.1p	74.2p
Adjusted diluted earnings per share	**72.9p**	59.6p	73.6p
Balance sheet			
Total assets	**118,095.2**	86,197.1	37,617.6
Total liabilities	**(116,958.2)**	(85,166.3)	(36,564.4)
Other information			
Total dividend per share declared in respect of financial year	**26.8p**	24.4p	24.4p

Year ended 31 March 2011

Total income for the year ended 31 March 2011 increased to £674.9 million (2010: £628.3 million) as net treasury income increased 217 per cent. reflecting higher average margins held and proactive treasury management. Other information services revenues also increased, principally reflecting improvements in non real-time data products in addition to the LSEG Group benefiting from a full 12 months of Turquoise and MillenniumIT revenues. These increases were partly offset by lower UK cash equities yields and a weakening of the Euro.

Operating expenses, before impairment of goodwill, acquisition amortisation and non-recurring items totalled £336.9 million (2010: £349.6 million) as the LSEG Group benefited from previously announced headcount and property restructuring and other cost savings. One-off costs relating to the replacement of the TradElect platform were lower than the 12 months ended 31 March 2010. This was partially offset by increased costs relating to acquisitions.

Non-recurring items, including acquisition amortisation, reduced to £58.1 million (2010: £98.0 million).

Total assets and liabilities increased, primarily as a result of an increase in the volume and average term of the repurchase transactions that remained open at CC&G on 31 March 2011.

Year ended 31 March 2010

Total income for the year ended 31 March 2010 declined to £628.3 million (2009: £671.4 million) as revenues from capital markets decreased 16 per cent. reflecting lower value traded in the UK cash equities markets, as well as continued competition from alternative trading venues, resulting in price changes and lower yields. Scandinavian volumes fell as EDX migrated to the SOLA platform causing a decline in revenues. The declines in capital markets were partially offset by increased revenues from information and technology services as the segment benefited from a first time contribution of MillenniumIT revenues, as well as increased revenues from "other information services" due to growth in SEDOL, UnaVista, FTSE royalties and Proquote.

Operating expenses, before impairment of goodwill, acquisition amortisation and non-recurring items totalled £349.6 million (2009: £332.8 million) as the LSEG Group benefited from the continued focus on cost reduction and efficient operational delivery. Reduced staff costs reflected headcount savings although this was offset by the acquisition of MillenniumIT. The LSEG Group incurred one-off accelerated depreciation and IT costs of £25.3 million following the acquisition of MillenniumIT, relating to the existing TradElect platform.

Non-recurring items, including impairment of goodwill and acquisition amortisation, reduced to £98.0 million (2009: £548.6 million) as the year ended 31 March 2009 included £484.0 million non-cash impairment, primarily in respect of the all share merger with Borsa Italiana.

Total assets and liabilities increased significantly, principally reflecting the higher number and value of repurchase transactions that remained open on 31 March 2010, together with an increase in the volatility of their nominal values compared to prior reporting dates.

5. Results of operations and financial conditions for the year ended 31 March 2011 compared with the year ended 31 March 2010

Total income increased 7 per cent. to £674.9 million (2010: £628.3 million) and adjusted operating profit increased 22 per cent. to £341.1 million (2010: £280.3 million).

Total operating profit and basic earnings per share increased to £283.0 million (2010: £182.3 million) and 56.4 pence (2010: 33.8 pence) respectively. Adjusted basic earnings per share increased 23 per cent. to 73.7 pence per share from 60.1 pence per share.

Increased total income, primarily due to net treasury income through CCP business was partially offset by lower cash equity revenues, which along with reduced operating expenses resulted in increased operating profit for the LSEG Group.

Primarily as a result of the weakening of the Euro total income decreased by £11.6 million, due to the impact of movements in exchange rates, whilst operating costs before acquisition amortisation and non-recurring items decreased by £5.8 million.

Segmental reporting reflects the management organisation and reporting of the business lines during the year ended 31 March 2011. During the year information services and technology services were reported as separate segments, whereas for the year ended 31 March 2010 the two segments were reported on a combined basis, as such the table below and commentaries reflect the segments as they were then reported.

Segmented results of operations

	Year ended 31 March		Variance	
Revenues	**2011**	**2010**		
	£m	**£m**	**£m**	**%**
Revenue				
—Capital markets	**281.5**	295.3	(13.8)	(5%)
—Post-trade services	**99.3**	100.0	(0.7)	(1%)
—Information services	**184.7**	169.3	15.4	9%
—Technology services	**48.6**	39.4	9.2	23%
—Other	**1.8**	1.6	0.2	13%
Total revenue	**615.9**	605.6	10.3	2%
Net treasury income through CCP business	**51.3**	16.2	35.1	217%
Other income	**7.7**	6.5	1.2	18%
Total income	**674.9**	628.3	46.6	7%

Capital markets

Total capital markets revenues fell by £13.8 million, 5 per cent., to £281.5 million in the year ended 31 March 2011, primarily due to a decline in UK cash equities as a result of lower average yield due to pricing changes in September 2009 and May 2010. Capital markets accounted for 42 per cent. of total LSEG Group income (2010: 47 per cent.).

Revenues	Year ended 31 March		Variance	
	2011	2010		
	£m	£m	£m	%
Primary markets				
Annual fees	**37.8**	35.2	2.6	7%
Admission fees	**33.0**	34.0	(1.0)	(3%)
	70.8	69.2	1.6	2%
Secondary markets				
Cash equities: UK	**86.4**	101.8	(15.4)	(15%)
Cash equities: Italy	**30.7**	31.7	(1.0)	(3%)
Derivatives	**16.8**	19.5	(2.7)	(14%)
Fixed income	**32.4**	29.3	3.1	11%
	166.3	182.3	(16.0)	(9%)
Other	**44.4**	43.8	0.6	1%
Total revenue	**281.5**	295.3	(13.8)	(5%)

— Primary markets

Primary markets revenues increased £1.6 million to £70.8 million (2010: £69.2 million).

Annual fees generated revenues of £37.8 million, an increase of 7 per cent., with UK market capitalisations at the end of November 2009 (which formed the basis of UK fees for the year ended 31 March 2011) up 27 per cent compared with the prior year. This was partially offset by a 14 per cent. reduction in AIM companies versus the prior year to 1,253 as at April 2010 (which formed the basis for AIM annual fees for the year ended 31 March 2011). In Italy, average market capitalisation for the year ended 31 December 2010 was 5 per cent. higher than the corresponding prior year (fees are set on a calendar half-yearly basis based on average market capitalisation for the prior six months), whilst company numbers were broadly stable, at 296.

Admission fee revenues fell 3 per cent. to £33.0 million (2010: £34.0 million) as activity from new admissions increased 68 per cent. to 185, including 50 international companies joining the LSEG Group's markets (2010: 25), and a more than doubling of new companies joining AIM. In revenue terms, these increases were offset by a reduction in further issues as 2010 reported a high level and mix of secondary raisings as companies repaired their balance sheets following the credit crisis. Money raised from further issues reduced 63 per cent. to £27 billion however, money raised from new issues totalled £13 billion, an increase of over 235 per cent.

— Secondary markets

Secondary markets revenues decreased by £16.0 million to £166.3 million (2010: £182.3 million).

1. *Cash equities*

Total revenues from cash equities declined 12 per cent. to £117.1 million (2010: £133.5 million).

UK revenues decreased 15 per cent. to £86.4 million (2010: £101.8 million) although UK average daily value traded on the order book increased 2 per cent. to £4.7 billion per day (2010: £4.6 billion), whilst London Stock Exchange's share of value traded averaged 63.5 per cent (versus 61.4 per cent. for the month of April 2010). The average basis point yield decreased 17 per cent. from 0.86 in 2010 to 0.71 in 2011, mainly reflecting pricing changes in September 2009 and May 2010 to improve London Stock Exchange's competitiveness and client relationships.

In Italy equity trading revenues are charged on the basis of the volume of trades completed; the average daily number of trades increased by 2 per cent. to 257,000 trades per day (2010: 252,000). Due to the

weakening of the Euro, revenues fell by 3 per cent. to £30.7 million (2010: £31.7 million); at constant currency revenues increased by 1 per cent.

The value traded, volume and number of ETFs and ETCs on the LSEG's Group's markets performed strongly. In aggregate there were 1,345 ETFs listed on the London Stock Exchange and Borsa Italiana at the year ended 31 March 2011, up 56 per cent on the previous year. Average daily value traded for the year reached £483 million, comprising an average 18,291 trades a day. Retail demand for ETF trading continued to be strong.

2. *Derivatives*

Total derivatives revenues declined 14 per cent. to £16.8 million (2010: £19.5 million).

The year ended 31 March 2011 was a record year for trading volumes on IDEM, with Q1 particularly strong, resulting from an active market and earlier fee changes. The total number of IDEM contracts traded increased 13 per cent from 2010, reaching 46.4 million partially offsetting, the 37 per cent. decline in the number of EDX contracts traded, to 35.6 million, principally reflecting the loss of Scandinavian derivatives trading at the end of 2009.

3. *Fixed income*

Fixed income revenues increased to £32.4 million (2010: £29.3 million), with value traded in MTS markets up 51 per cent. to €68 trillion for the year. Trading at the start of the year was affected by the Eurozone sovereign debt crisis, however, actions taken by the European Central Bank gave confidence to the markets which helped restore volumes. Trading on the retail bond markets remained stable, with MOT attracting 4.0 million trades (2010: 3.5 million) in the year ended 31 March 2011. In the UK, ORB increased the number of corporate, government and supranational bonds to 147 that were available for trading by the end of 2011, up from 73 at launch in February 2010, with 23 participants providing liquidity.

Other capital markets revenues consist of fees for membership of all the LSEG Group's markets and other non-trading revenues.

Post-trade services

Revenue decreased 1 per cent. to £99.3 million (2010: £100.0 million), although on a constant currency basis revenues were up 3 per cent. as performance was impacted by the weakening of the Euro. Including net interest income through CCP business, total income from post-trade increased 30 per cent. to £150.6 million (2010: £116.2 million), constituting 22 per cent. of the total LSEG Group income (2010: 19 per cent.).

Revenues	Year ended 31 March 2011	2010	Variance	
	£m	£m	£m	%
Clearing	**35.9**	33.4	2.5	7%
Settlement	**18.2**	21.1	(2.9)	(14%)
Custody and other	**45.2**	45.5	(0.3)	(1%)
Total revenue	**99.3**	100.0	(0.7)	(1%)
Net treasury income through CCP business	**51.3**	16.2	35.1	217%
Total income	**150.6**	116.2	34.4	30%

— *Clearing*

Total clearing revenues for the year ended 31 March 2011 increased 7 per cent. to £35.9 million (2010: £33.4 million) as equity and derivatives clearing transaction volumes increased 4 and 13 per cent., respectively.

As at 31 March 2011, CC&G had 171 members, up 22 per cent. from last year, from 10 countries around Europe. 73 members are from outside Italy, and they account for 68 per cent. of volumes in derivatives and 54 per cent. in equities.

— *Settlement*

The fall in settlement revenues to £18.2 million in the year ended 31 March 2011 (2010: £21.1 million) was primarily driven by a reduction in OTC volumes driving lower pre-settlement and settlement contracts of 10 and 22 per cent. respectively, and increased netting driven by a rise in the number of markets (such as MOT) guaranteed by the CCP.

— *Custody and other*

Custody and other revenues of £45.2 million (2010: £45.5 million) declined 1 per cent. as the value of assets under management increased 5 per cent. to €3.0 trillion was offset by lower activity in Servizio Titoli S.p.A, the shareholder services business. On 10 May 2011, the sale of Servizio Titoli S.p.A. to Computershare plc was completed for a consideration of €32.4 million.

— *Net treasury income through CCP business*

The increase in net income through CCP business revenue to £51.3 million in the year ended 31 March 2011 (2010: £16.2 million) resulted from a 53 per cent higher average initial margin held, mainly driven by increased fixed income and derivative trading volumes and additional fixed income markets, in addition to significant investment in risk and treasury management functions enabling the LSEG Group to improve the rates achieved on investment of margin funds with Italian banks.

Information services

Information services revenues rose 9 per cent. to £184.7 million (2010: £169.3 million), accounting for 27 per cent. of total income (2010: 27 per cent.).

Revenues	Year ended 31 March		Variance	
	2011	2010		
	£m	£m	£m	%
Real-time data	**101.2**	103.7	(2.5)	(2%)
Other information services	**83.5**	65.6	17.9	27%
Total revenue	**184.7**	169.3	15.4	9%

— *Real-time data*

Real-time data revenues fell 2 per cent. to £101.2 million (2010: £103.7 million) as demand for London Stock Exchange real time data remained unchanged with 93,000 professional users, although Borsa Italiana professional users fell 2 per cent. to 139,000 (2010: 142,000) with the revenue impact heightened by the weakening of the Euro.

In the year ended 31 March 2011 the LSEG Group introduced new pricing and service initiatives for direct reporting and non-display and other application usage, which more appropriately reflect data usage and reduces costs for a number of clients.

— *Other information services*

Other information services revenues rose 27 per cent. to £83.5 million (2010: £65.6 million), with growth provided by SEDOL (which provides unique identification for a range of global tradable securities), UnaVista (a post-trade data matching service), royalties from the FTSE indices joint venture and Proquote. For the first time, Turquoise contributed a full year of revenue of £10.0 million, in the year ended 31 March 2011 (2010: £0.3 million) following its acquisition in February 2010. Turquoise revenues are shown gross of £5.8 million of maker rebates, which are included within cost of sales.

The SMF database provided clients access to query reference data on over 19 million instruments (up from 10 million in 2010), sourced from over 80 countries worldwide.

UnaVista is the LSEG's Group's secure, hosted platform for all matching, validation and reconciliation needs and achieved growth in all of the business solutions it offers: post-trade services (including the newly launched post-trade confirmation portal and swaps portal), data solutions and reconciliations.

Technology services

Technology services' revenue rose 23 per cent. to £48.6 million (2010: £39.4 million), accounting for 7 per cent. of total income (2010: 6 per cent.).

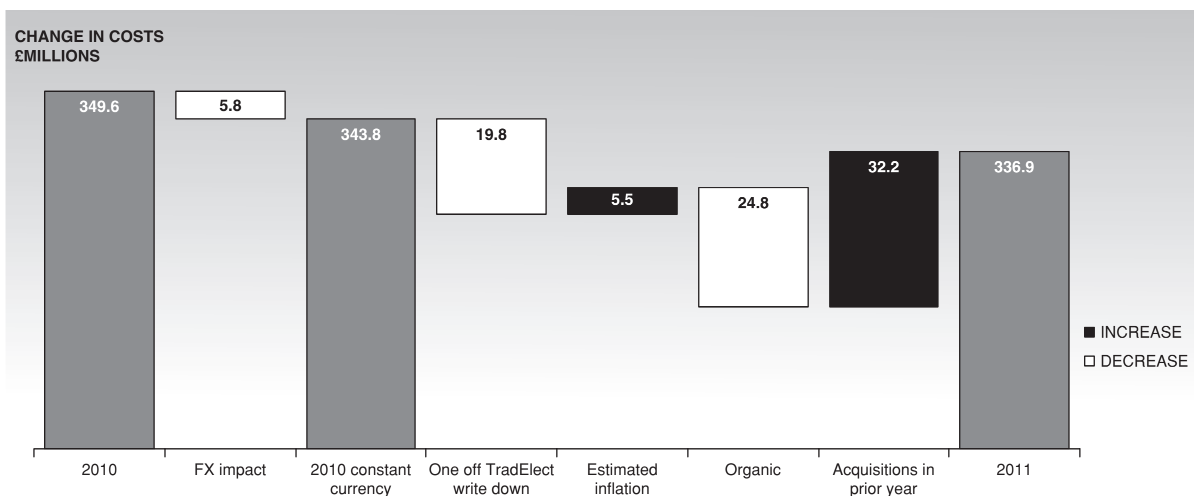
Revenues	Year ended 31 March		Variance	
	2011	2010		
	£m	£m	£m	%
MillenniumIT	**18.2**	6.7	11.5	172%
Technology	**30.4**	32.7	(2.3)	(7%)
Total revenue	**48.6**	39.4	9.2	23%

Increased revenues included a full 12 months contribution from MillenniumIT, which delivered £18.2 million (2010 (5½ months): £6.7 million) of revenue following its acquisition in October 2009. MillenniumIT's principal focus of activity was developing technology for the LSEG Group, although in the year ended 31 March 2011 Millennium took a number of third party customers live, including a commodity exchange in India and smart order routing technology in Canada, and was awarded contracts including Tullett Prebon, the Chittagong Stock Exchange and a large Indian Bank. MillenniumIT will also be a key part of the agreement to restructure and develop the Mongolian Stock Exchange, with whom a contract was signed shortly after the year end.

In the year ended 31 March 2011 Turquoise and London Stock Exchange cash equities migrated to the MillenniumIT trading platform. Subsequently current latency average, measured at the 99th percentile, dropped from 1.4 milliseconds to below 125 microseconds in comparison to the TradElect platform (the previous trading platform used by London Stock Exchange cash equities). Development also began during 2011 on the migration of Borsa Italiana cash equities.

Technology revenues of £30.4 million (2010: £32.7 million) decreased 7 per cent. as the division benefited from London Stock Exchange's expansion of the UK server co-location offering, which was launched last year, and growth in the Italian ASP business due to the consolidation of services provided to clients and product diversification to attract new customers. This was offset by the transfer of the supply of external UK communications network to a third party from August 2010 which resulted in a £4.4 million reduction in revenues.

Operating expenses



	Year ended 31 March		Variance	
	2011	2010		
	£m	£m	£m	%
Employee costs	**117.4**	111.0	6.4	6%
Depreciation and non acquisition software amortisation	**49.5**	62.8	(13.3)	(21%)
Other costs	**170.0**	175.8	(5.8)	(3%)
Operating expenses before acquisition amortisation, and non-recurring items	**336.9**	349.6	(12.7)	(4%)

The LSEG Group's organic operating cost base, before acquisition amortisation and non-recurring items, reduced by 8 per cent on a constant currency basis, reflecting previously announced headcount and property restructuring and other cost savings, including a net £5.6 million benefit arising from an agreement with HMRC over the methodology used in recovering input VAT and £4.1 million relating to the outsourcing of external UK communications network to a third party. The savings were partly offset by an increase in the variable staff costs reflecting the improved performance of the LSEG Group.

Included within the LSEG Group's net organic cost reduction is approximately £6 million early delivery of savings out of the £10 million per annum targeted for the year ending 31 March 2012 from the roll-out of the Millennium Exchange system.

Total employee costs including acquisitions increased 6 per cent. to £117.4 million principally reflecting a full twelve months of additional headcount in relation to acquisitions, reported for the first time, and an increase in variable staff costs.

One-off costs relating to the replacement of the TradElect platform amounted to £5.5 million (2010: £25.3 million) and comprised accelerated depreciation and other IT costs. Total depreciation and non acquisition software amortisation decreased to £49.5 million (2010: £62.8 million) whilst total IT costs fell to £65.7 million (2010: £72.5 million). Cost of sales included £5.8 million of Turquoise maker rebates.

Primarily as a result of the weakening Euro due to the impact of movements in exchange rates, the total LSEG Group costs decreased by £5.8 million during the year ended 31 March 2011.

Acquisition amortisation of purchased intangible assets and non-recurring items

	Year ended 31 March		Variance	
	2011	2010		
	£m	£m	£m	%
Acquisition amortisation of purchased intangible assets	**(47.1)**	(54.3)		
Merger costs	**(15.4)**	—		
Restructuring costs	**(3.5)**	(30.1)		
Property costs	**(2.1)**	—		
Integration costs	**—**	(13.6)		
Acquisition costs	**10.0**	—		
Total affecting operating profit	**(58.1)**	(98.0)	39.9	41%

Non-recurring items comprised £15.4 million of non-contingent costs associated with the proposed Merger, £3.5 million restructuring costs mainly relating to headcount restructuring in May 2010 and £2.1 million of property costs largely comprising an impairment provision on a freehold property now surplus to requirements and held for resale. These costs were partly offset by a £10.0 million accounting gain triggered by the acquisition by LSEG's FTSE joint venture of the remaining 50 per cent. of the FXI Chinese index business.

Operating profit

Adjusted operating profit increased 22 per cent. to £341.1 million (2010: £280.3 million).

Total operating profit increased to £283.0 million (2010: £182.3 million).

Net finance costs

Net finance costs increased £4.1 million principally reflecting the payment of a full year's coupon on the 2019 Notes issued in June 2009.

Tax rate

The LSEG Group's effective tax rate on profit before amortisation of purchased intangibles and non-recurring items was 30.3 per cent. (2010: 30.5 per cent.). This reflects strong results from Italy taxed at a higher rate than UK profits offset by the benefit of the relative tax treatment between the UK and Sri Lanka, where the LSEG Group currently has a corporate tax holiday, relating to the Millennium Exchange licence fee for the UK trading system.

Profit attributable to equity holders

Profit attributable to equity holders for the year ended 31 March 2011, after tax and minority interests, was up 68 per cent. to £151.6 million (2010: £90.4 million).

Foreign exchange

The LSEG Group's principal foreign exchange exposure is on the translation of its Euro denominated earnings, assets and liabilities into pounds sterling. During the year ended 31 March 2011, the LSEG Group's income was reduced by a weakening of the average Euro rate against sterling.

A €5c movement in the average £/€ rate for the year would have changed the LSEG Group's operating profit before amortisation of purchased intangibles and non-recurring items by approximately £8 million.

Cash flow and balance sheet

Cash generated from operations increased by 27 per cent. to £381.8 million (2010: £301.2 million), whilst the LSEG Group's net cash inflow from operating activities was 23 per cent. higher than prior year at £264.5 million (2010: £215.2 million). The LSEG Group's net cash investment in the business of £48.5 million included £43.0 million of capital expenditure and £5.5 million of investments, net of cash acquired in Subsidiary undertakings (comprising the acquisitions of ProMac S.p.A. and MTS France S.A.S. and buying out the non-controlling interests in EDX London Limited and Servizio Titoli S.p.A.).

LSEG Group had net assets of £1,137.0 million as at 31 March 2011 (2010: £1,030.8 million). The CCP clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties. The gross clearing balances increased year-on-year primarily as a result of an increase in the volume and average term of the repurchase transactions that remained open.

The surplus on LSEG Group's UK defined benefit pension plan increased to £37.6 million as at 31 March 2011 (2010: £4.6 million). On 7 April 2011 the trustees of the plan signed an agreement with PIC to insure for a premium of around £158 million on all future payments to scheme members who were pensioners as at 31 March 2011. This will eliminate any investment, inflation, and mortality risks associated with these benefits. The actuarial liability of these benefits at 31 March 2011 was £140.5 million, with the excess of the insurance premium over the liabilities being funded from the plan surplus. The contract includes an obligation to insure future retirements over the next five years on consistent pricing terms for a total premium currently estimated to be £45 million.

6. Results of operations and financial conditions for the year ended 31 March 2010 compared with the year ended 31 March 2009

Total income decreased 6 per cent. to £628.3 million (2009: £671.4 million) and adjusted operating profit decreased 18 per cent. to £280.3 million (2009: £340.7 million).

Total operating profit and basic earnings per share increased to £182.3 million (2009: loss of £207.9 million) and 33.8p (2009: 126.1p loss), respectively, primarily as a result of a non-cash impairment of goodwill in 2009. Adjusted basic earnings per share decreased 19 per cent. to 60.1 pence per share from 74.2 pence per share.

Declines in revenues, primarily due to lower UK cash equities trading, were partially offset by increased revenues from the first time addition of MillenniumIT and the accelerated write-down of the TradElect

system, associated with the acquisition of MillenniumIT, resulted in lower adjusted operating profit for the LSEG Group. The LSEG Group benefited from the strengthening of the Euro due to the impact of movements in exchange rates; revenues increased by £17.1 million whilst operating costs increased by £9.9 million.

Segmental reporting reflects the management organisation and reporting of the business lines during the year ended 31 March 2010. Prior to 2011, Information and technology services were reported as a combined segment and, as such, the table and commentaries for the year ended 31 March 2010 compared with 31 March 2009 are presented on a combined basis.

Segmented results of operations

Revenues	Year ended 31 March		Variance	
	2010	2009		
	£m	£m	£m	%
—Capital markets	**287.4**	341.5	(54.1)	(16%)
—Post-trade services	**100.0**	91.6	8.4	9%
—Information and technology services	**216.6**	207.5	9.1	4%
—Other	**1.6**	4.1	(2.5)	(61%)
Total revenue	**605.6**	644.7	(39.1)	(6%)
Net treasury income through CCP business	**16.2**	20.8	(4.6)	(22%)
Other income	**6.5**	5.9	0.6	10%
Total income	**628.3**	671.4	(43.1)	(6%)

Capital markets

Total capital markets revenues fell by £54.1 million, a decrease of 16 per cent., to £287.4 million in the year ended 31 March 2010, primarily due to a decline in UK cash equities trading as a result of increased competition and lower value traded in the market. Capital markets accounted for 46 per cent. of the total LSEG Group income (2009: 51 per cent.).

Revenues	Year ended 31 March		Variance	
	2010	2009		
	£m	£m	£m	%
Primary markets				
Annual fees	**35.2**	41.0	(5.8)	(14%)
Admission fees	**34.0**	28.1	5.9	21%
	69.2	69.1	0.1	0%
Secondary markets				
Cash equities: UK	**101.8**	156.2	(54.4)	(35%)
Cash equities: Italy	**31.7**	28.0	3.7	13%
Derivatives	**19.5**	25.6	(6.1)	(24%)
Fixed income	**29.3**	25.8	3.5	14%
	182.3	235.6	(53.3)	(23%)
Other	**35.9**	36.8	(0.9)	(2%)
Total revenue	**287.4**	341.5	(54.1)	(16%)

— ***Primary markets***

Primary markets revenues increased £0.1 million to £69.2 million (2009: £69.1 million).

Annual fee revenues fell by 14 per cent. to £35.2 million (2009: £41.0 million), reflecting the reduction in market capitalisations in 2008 (the London Stock Exchange's annual fees are set based on the market capitalisation on 30 November of the prior year) and a fall in the number of companies listed on AIM. The total number of companies listed on markets across the LSEG Group fell to 3,046 (2009: 3,304). The international profile of the LSEG Group's primary markets was enhanced further with 17 international listings on the Main Market of the London Stock Exchange (2009: 15).

Admission fee revenues grew 21 per cent. to £34.0 million (2009: £28.1 million) due to the high level and mix of secondary capital raisings, with a larger proportion of smaller and medium sized companies compared to 2009. Capital raised by new and further issues decreased to £77 billion (2009: £106 billion), although AIM reported an increase in capital raised from new issues; £980 million from 47 new issues (2009: £820 million; 87). New issues across the LSEG Group decreased to 110 (2009: 160) as a result of market conditions.

— ***Secondary markets***

Secondary markets revenues decreased by £53.3 million to £182.3 million (2009: £235.6 million).

1. *Cash equities*

Total revenues from cash equities declined 28 per cent. to £133.5 million (2009: £184.2 million).

UK revenues decreased 35 per cent. to £101.8 million (2009: £156.2 million) as UK average daily value traded on the order book decreased 33 per cent. to £4.6 billion per day (2009: £6.9 billion), in part reflecting continued competition from alternative trading venues as well as an overall lower level of value traded in the market. As a result of pricing changes in September 2009, the average basis point yield decreased 13 per cent. from 0.92 in the first half of the year to 0.80 in the second half, giving a full year 0.86 basis point average (2009: 0.87 basis points). The change in pricing was undertaken to simplify the fee structure, lower the threshold for volume discounts and increase the number of firms benefiting from incentives.

In Italy the average daily number of trades was more resilient, declining 2 per cent. to 252,000 trades per day (2009: 256,000), reflecting stronger retail trading and the cost efficient straight through processing provided by the LSEG Group's integrated trading and post-trade operations.

ETFs, ETCs and ETNs continued to deliver strong growth as individual investors increased the extent to which they personally manage their portfolios. In aggregate, there were 861 ETFs listed on the London Stock Exchange and Borsa Italiana as at 31 March 2010, up 30 per cent. on the year ended 31 March 2009. Average daily turnover for the year ended 31 March 2010 reached £366 million, comprising an average of 13,987 trades a day; which is an increase of 83 per cent. on the year ended 31 March 2009.

2. *Derivatives*

Total derivatives revenues declined 24 per cent. to £19.5 million (2009: £25.6 million).

EDX volumes fell 8 per cent. to 56.5 million contracts (2009: 61.1 million), with a doubling in Russian derivatives trading to 37.4 million contracts (2009: 19.0 million), which helped to offset a fall in Scandinavian business as a result of EDX migrating from the NASDAQ OMX system to the SOLA trading platform in December 2009. IDEM volumes increased 11 per cent. to 41.0 million (2009: 37.0 million) following the introduction of tariff caps earlier in the year, although a shift away from index products, together with the tariff changes, reduced the average yield.

3. *Fixed income*

Fixed income revenues increased to £29.3 million (2009: £25.8 million), with value traded in MTS up 31 per cent. to €45 trillion for the year, primarily in the second half of 2010. The LSEG Group's retail offering also delivered good growth, with Borsa Italiana's retail bond market attracting 3.5 million trades (2009: 3.4 million). During the year, the Italian market structure was adapted for the UK market, with the London Stock Exchange launching a retail bond market for trading in corporate bonds and gilts from 1 February 2010.

Other capital markets revenues consist of fees for membership of all the LSEG Group's markets and other non-trading revenues within MTS.

Post-trade services

Revenue increased 9 per cent. to £100.0 million (2009: £91.6 million). Including net treasury income through CCP business, total income from post-trade increased 3 per cent. to £116.2 million (2009:

£112.4 million), constituting 19 per cent. of the total LSEG Group income (2009: 17 per cent.), primarily due to higher clearing transaction volumes and increased share of OTC business settled by Monte Titoli.

Revenues	Year ended 31 March		Variance	
	2010	2009		
	£m	£m	£m	%
Clearing	**33.4**	32.0	1.4	4%
Settlement	**21.1**	17.2	3.9	23%
Custody and other	**45.5**	42.4	3.1	7%
Total revenue	**100.0**	91.6	8.4	9%
Net treasury income through CCP business	**16.2**	20.8	(4.6)	(22%)
Total income	**116.2**	112.4	3.8	3%

— *Clearing*

Total clearing revenues for the year ended 31 March 2010 increased 4 per cent. to £33.4 million (2009: £32.0 million) driven by higher clearing transaction volumes (up 4 per cent.), primarily as a result of higher derivative and fixed income volumes. This was offset by a reduction in non-transaction revenues and fail fees. In the year ended 31 March 2010, CC&G was approved by the FSA in the UK as a Recognised Overseas Clearing House, and it provided services for the LSEG Group's London-based derivatives market, EDX.

As at 31 March 2010, the CC&G customer base had expanded to 140 members from 11 European countries. Nearly half of the members are now non-Italian, and they account for 56 per cent. of volumes in derivatives and 38 per cent. in equities.

— *Settlement*

The growth in settlement revenues to £21.1 million in the year ended 31 March 2010 (2009: £17.2 million) was primarily driven by an increased share of OTC business settled by Monte Titoli.

— *Custody and other*

Custody and other revenues benefitted from a 7 per cent. increase in the average value of assets under custody. The increase was partially offset by a decline in secretarial services business revenues arising from a decrease in the number of quoted companies and shareholders serviced. Total revenues increased by 7 per cent. to £45.5 million (2009: £42.4 million).

— *Net treasury income through CCP business*

The decline in net treasury income through CCP business revenue to £16.2 million in the year ended 31 March 2010 (2009: £20.8 million) reflected a reduction in the net interest earned compared with the unusually high level experienced during the volatile markets in the year ended 31 March 2009, primarily due to lower spreads between EONIA (the basis for interest payments to members) and EURIBOR (the basis for interest received on cash deposits).

Information and technology services

In the year ended 31 March 2010, information services and technology services were reported as one segment.

Information and technology services revenues rose 4 per cent. to £216.6 million (2009: £207.5 million), accounting for 34 per cent. of total income (2009: 31 per cent.).

Revenues	Year ended 31 March		Variance	
	2010	2009		
	£m	£m	£m	%
Real-time data	**103.7**	114.4	(10.7)	(9%)
Other information services	**65.6**	59.2	6.4	11%
Technology services	**47.3**	33.9	13.4	40%
Total revenue	**216.6**	207.5	9.1	4%

— *Real-time data*

Real-time data revenues fell 9 per cent. to £103.7 million (2009: £114.4 million) as demand for real-time data was affected by difficult economic and market conditions. At 31 March 2010, there were 93,000 and 142,000 professional users accessing the London Stock Exchange's and Borsa Italiana's real-time data, respectively, via the LSEG Group's direct network and also via over 200 network service providers and market data vendor partners (2009: 104,000 and 151,000, respectively).

— *Other information services*

Other information services revenues rose 11 per cent. to £65.6 million (2009: £59.2 million), with growth provided by SEDOL (which provides unique identification for a range of global tradable securities), UnaVista (a post-trade data matching service), royalties from the FTSE indices joint venture and Proquote. Turquoise contributed £0.3 million of revenue following its acquisition in February 2010.

Nearly 4.5 million new identification codes were added to the LSEG Group's global, multi-asset class SEDOL master file (database) in 2010, bringing the total number to 10 million. The majority of the new SEDOL codes were allocated against ETDs, sourced from over 80 countries worldwide. The number of SEDOL Masterfile customers continued to increase, with over 200 new subscribers across the UK, Europe and the US, bringing the total customer base to over 1,500 (2009: 1,300). SEDOL Masterfile usage grew across Asia following the establishment of a stronger sales presence in the region.

In 2010, the UnaVista reconciliation services were extended to facilitate cash and stock reconciliations, exchange reconciliations and commission sharing. The LSEG Group also introduced the UnaVista Confirmation Portal, a central service enabling broker to broker matching and improving post-trade communications between sell side and buy side firms.

In addition to reference data services, the LSEG Group's desktop solutions provide a front-end for market data, as well as order and execution management systems, all provided through the LSEG Group's Proquote brand. In Italy, Proquote screens totalled 34,000 by the end of 2010 (2009: 26,000). In the UK, the number of terminals totalled 4,900 (2009: 4,800). As well as distributing and displaying market data, Proquote provides order management and execution services, predominantly to the private client broking agency in the UK, with connections to 28 Retail Service Providers. Over the course of 2010, Proquote's RSP order flow increased by 150 per cent.

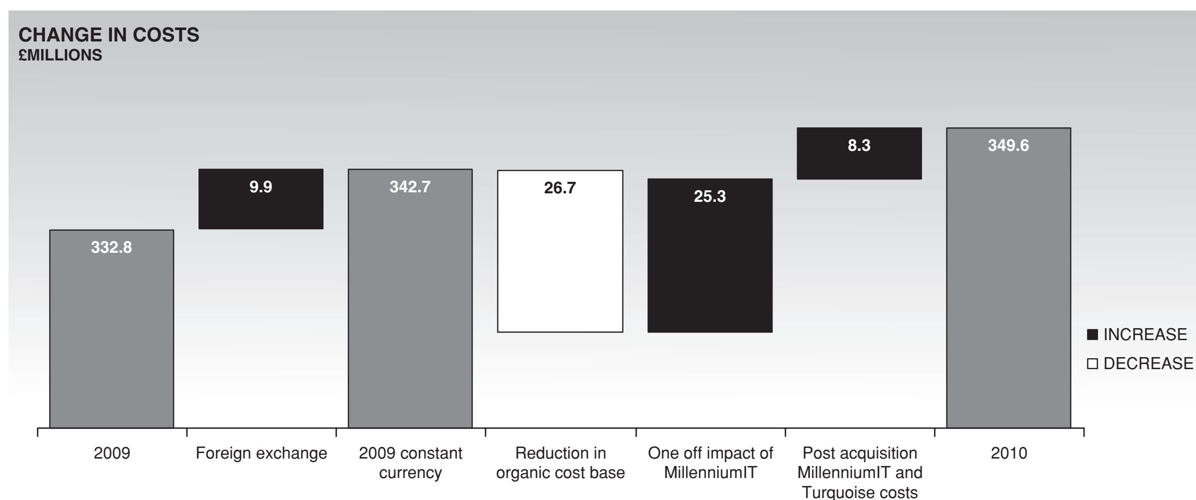
— *Technology services*

Technology services revenues increased by 40 per cent. to £47.3 million (2009: £33.9 million). The increase included a first time contribution from MillenniumIT, which delivered £6.7million of revenue following its acquisition in October 2009. Excluding MillenniumIT, organic constant currency growth in technology services of 18 per cent. reflected revenues from the hosting business and the Oslo Børs exchange partnership, both initiated at the end of the prior year.

In the year ended 31 March 2010, trading platform latency dropped from 4.6 to 1.4 milliseconds due to development work on the TradElect trading platform.

Technology services continued to provide a wide range of connectivity options for customers, and in 2010 this offering was augmented with hosting services. Hosting allows latency sensitive customers to place their trading technology systems within the same data centre as the matching engine and market data. This investment underlined the LSEG Group's commitment to encourage market efficiency through decreased round trip latency. By the year ended 31 March 2010, the LSEG Group had 33 hosting customers with demand expected to increase significantly.

Operating expenses



	Year ended 31 March		Variance	
	2010	**2009**		
	£m	**£m**	**£m**	**%**
Employee costs	**111.0**	113.3	(2.3)	(2%)
Depreciation and non acquisition software amortisation	**62.8**	36.4	26.4	73%
Other costs	**175.8**	183.1	(7.3)	(4%)
Operating expenses before impairment of goodwill, acquisition amortisation and non-recurring items	**349.6**	332.8	16.8	5%

The LSEG Group's organic operating cost base before impairment of goodwill, acquisition amortisation and non-recurring items, was reduced by 8 per cent. on a constant currency basis, highlighting the LSEG Group's continued focus on cost reduction and more efficient operational delivery. These improvements included a full year's benefit from completion of the Borsa Italiana integration and an initial £6 million saving following the 12 per cent. reduction in the LSEG Group's UK and Italy headcount during 2009. Costs during 2010 also benefited from a £6.7 million reduction in expenses related to long-term incentive arrangements, reflecting the reduction in headcount and scheme performance in the year.

Total employee costs, including acquisitions, declined 2 per cent. to £111.0 million, reflecting the decline in organic headcount (down 13 per cent. to 991), although total headcount increased as a result of an additional 497 staff from MillenniumIT and Turquoise.

One-off costs of £25.3 million that were incurred following LSEG's acquisition of MillenniumIT comprised of non-recurring accelerated depreciation (£19.7 million) and other IT costs (£5.6 million) relating to the existing TradElect platform.

As a result of the strengthening Euro due to the impact of movements in exchange rates, LSEG costs increased in sterling terms by £9.9 million during the year ended 31 March 2010.

Goodwill impairment, acquisition amortisation of purchased intangible assets and non-recurring items

	Year ended 31 March		Variance	
	2010	**2009**		
	£m	**£m**	**£m**	**%**
Impairment of goodwill	**—**	(484.0)		
Acquisition amortisation of purchased intangible assets	**(54.3)**	(49.4)		
Restructuring costs	**(30.1)**	—		
Integration costs	**(13.6)**	(15.2)		
Total affecting operating profit	**(98.0)**	(548.6)	(450.6)	(82%)

Non-recurring items comprise £30.1 million of restructuring costs, including £17.1 million primarily associated with the 2009 headcount reduction programme and £13.0 million relating to the subletting of surplus space in the LSEG Group's Paternoster Square premises. Integration costs principally include £12.4 million associated with the acquisition of Turquoise and a residual £0.9 million for the integration of the London Stock Exchange and Borsa Italiana.

In 2009 non-recurring items included a £484.0 million non-cash impairment, primarily in respect of goodwill recognised on the all share merger with Borsa Italiana. The impairment reflected the deterioration in economic conditions but had no impact on day-to-day operations, the LSEG Group's ability to generate cash or its banking covenants.

Operating profit

Adjusted operating profit decreased 18 per cent. to £280.3 million (2009: £340.7 million). Excluding one off costs associated with the acquisition of MillenniumIT and early replacement of the TradElect system, operating profit of £305.6 million was 10 per cent. lower than in 2009.

Total operating profit increased to £182.3 million (2009: £207.9 million loss) as a result of the non-cash goodwill impairment in the year ended 31 March 2009.

Net finance costs

Net finance costs declined £4.2 million, reflecting gilt lock hedge costs (a hedge of the UK gilt linked to a proposed bond issue in 2007 that could not be executed as markets closed as a result of the credit crisis) in 2009 not recurring in the year ended 31 March 2010, partially offset by lower market rates on the LSEG Group's cash balances and the higher coupon on the 2019 Notes issued in 2009.

Tax rate

The LSEG Group's underlying effective tax rate was 30.5 per cent. (2009: 32.0 per cent.), reflecting the mix of lower UK and higher Italian effective rates and a greater benefit in 2010 from settling open tax filings.

Profit attributable to equity holders

The profit attributable to equity holders for the year, after tax and minority interests, was £90.4 million (2009: £338.0 million loss).

Foreign exchange

The LSEG Group's foreign exchange exposure arises mainly from translating the LSEG Group's Euro earnings, assets and liabilities into pounds sterling. During the year ended 31 March 2010, the LSEG Group's income benefited from the strengthening of the average Euro rate against sterling.

A €5c weakening in the average £/€ rate for 2010 would have reduced the LSEG Group's adjusted operating profit by approximately £6.1 million.

Cash flow and balance sheet

Cash generated from operations decreased by 15 per cent. to £301.2 million (2009: £352.6 million), and the LSEG Group's net cash inflow from operating activities decreased by 4 per cent. to £215.2 million (2009: £225.1 million), reflecting the reduced underlying profitability. The LSEG Group's net cash investment in

the business of £49.5 million included £42.2 million of capital expenditure, £16.3 million spent to acquire MillenniumIT and Turquoise and £6.1 million of funding to the TOKYO AIM joint venture, partially offset by the proceeds from the sale of non-controlling interests in Subsidiaries and net cash inflow from acquisitions.

The LSEG Group had net assets of £1,030.8 million at 31 March 2010 (2009: £1,053.2 million). The CCP clearing business assets and liabilities within CC&G largely offset each other and are shown gross on the balance sheet as the amounts receivable and payable are with different counterparties. The gross clearing balances increased substantially year-on-year, primarily as a result of a higher number and value of repurchase transactions processed.

7. Semi-annual results of operations

	Six months ended			
Income statement	**31 March 2011**	**30 September 2010**	**31 March 2010**	**30 September 2009**
	Unaudited £m	**Unaudited £m**	**Unaudited £m**	**Unaudited £m**
Total revenue	**318.0**	297.9	304.4	301.2
Net treasury income through CCP business	**34.6**	16.7	6.5	9.7
Other income	**3.9**	3.8	3.4	3.1
Total income	**356.5**	318.4	314.3	314.0
—operating expenses before acquisition amortisation and non-recurring items	**(171.7)**	(165.2)	(169.4)	(180.2)
—Share of profit after tax of joint ventures/ associates	**1.5**	1.6	0.6	1.0
Adjusted operating profit	**186.3**	154.8	145.5	134.8
—acquisition amortisation and non-recurring items	**(26.2)**	(31.9)	(59.0)	(39.0)
Operating profit	**160.1**	122.9	86.5	95.8
Profit for the period	**94.3**	62.2	40.8	50.9
Earnings per share				
Basic earnings per share per share	**33.2p**	23.2p	15.3p	18.5p
Diluted earnings per share	**32.9p**	23.0p	15.1p	18.4p
Adjusted basic earnings per share	**41.5p**	32.2p	31.1p	29.0p
Adjusted diluted earnings per share	**40.9p**	32.0p	30.7p	28.9p

Six months ended 31 March 2011

Total income for the six months ended 31 March 2011 increased by £38.1 million over the six months ended 30 September 2010, primarily due to treasury income through the CCP business increasing to £34.6 million (30 September 2010: £16.7 million) as a result of higher margins held and active treasury management by CC&G, along with higher revenues from admission fees and the seasonality and improving market conditions of fixed income trading.

Adjusted operating profit increased to £186.3 million (30 September 2010: £154.8 million) principally due to the improved revenue performance in the period. This was partially offset by increased operating expenses primarily resulting from variable employee costs reflecting the improved performance.

Operating profit for the six months ended 31 March 2011 also increased (£160.1 million) as acquisition amortisation and non-recurring items reduced by £5.7 million to £26.2 million.

Cash flow generated from operations for the six months of £188.2 million was broadly unchanged over the prior six months with stronger profitability offset primarily by an increase in trade receivables driven by higher revenues and the seasonality of revenue collections. Cash and cash equivalents increased in the period by £73.1 million compared to a decrease in the previous six months of £29.2 million mainly as a result of a repayment of borrowings of £103.9 million in the prior period. In addition, an interim dividend of £23.7 million paid to shareholders was £19.2 million lower than the final dividend that was paid to shareholders in the preceding six months.

Six months ended 30 September 2010

Total income for the six months ended 30 September 2010 increased by £4.1 million over the six months ended 31 March 2010, primarily due to treasury income through the CCP business increasing to £16.7 million (31 March 2010: £6.5 million) as a result of higher margins held and active treasury management by CC&G; the period benefited from a full six month inclusion of Turquoise revenues in addition to a good performance from the FTSE indices business, SEDOL, Proquote and UnaVista. The increases were partially offset by lower yields from pricing promotions on UK cash equities in conjunction with the absence of Scandinavian derivatives trading in EDX.

Adjusted operating profit increased to £154.8 million (31 March 2010: £145.5 million) as the six months ended 30 September 2010 included a £5.6 million non-recurring benefit arising from an agreement with HMRC over the methodology used in recovering input VAT, partially offset by a full six months of Turquoise costs. Reduced operating expenses also reflected savings in relation to previously announced headcount and property restructuring.

Operating profit for the six months ended 30 September 2010 increased to £122.9 million due to acquisition amortisation and non-recurring items reducing to £31.9 million (31 March 2010: £59.0 million) as the LSEG Group reported two significant costs in relation to property restructuring and Turquoise integration in the six months ended 31 March 2010.

Cash flow generated from operations for the six months of £193.6 million increased by £47.6 million over the prior six months, primarily due to the seasonality of revenue collections (as the London Stock Exchange collects annual membership fees in its first quarter), stronger profitability and working capital benefits, including a decrease in trade receivables. However, cash and cash equivalents reduced in the period by £29.2 million compared to an increase in the previous six months of £53.6 million mainly as a result of a repayment of borrowings from free cash of £103.9 million. A final dividend of £42.9 million paid to shareholders, which was £20.4 million higher than the interim dividend that was paid to shareholders in the preceding six months.

Six months ended 31 March 2010

Total income for the six months ended 31 March 2010 increased by £0.3 million over the prior six months, primarily as a result of market conditions and lower yields from pricing reductions impacting cash equities revenues; offset by the addition of MillenniumIT revenues and the expansion of the hosting service increasing technology revenues.

Adjusted operating profit for the six months ended 31 March 2010 increased to £145.5 million as the period reported lower operating costs (£10.8 million), primarily as the prior six months included £20.4 million of accelerated depreciation and IT costs relating to the TradElect platform as a consequence of the MillenniumIT acquisition, partially offset by the addition of five and a half months of MillenniumIT costs post acquisition.

Operating profit decreased to £86.5 million as a result of impairment of goodwill, acquisition amortisation and non-recurring items for the period increasing to £59.0 million as the LSEG Group reported significant costs in relation to property restructuring and the integration of Turquoise.

Cash flow generated from operations for the six months of £146.0 million decreased by £9.2 million over the prior six months, primarily due to an increase in trade receivables of £22.9 million and the seasonality of revenue collections. Compared to the preceding six months, the LSEG Group increased its investment activities with the acquisition of MillenniumIT and the investment in Turquoise. In addition, interim dividends to shareholders at £22.5 million were £20.2 million lower than the final dividends paid in the prior six month period. Cash and cash equivalents increased by £53.6 million.

Six months ended 30 September 2009

Total income for the six months ended 30 September 2009 declined over the prior period, as revenues reflected difficult market conditions in cash equities and derivatives although this was partially offset by increases in fixed income, where market conditions improved, and admission fee revenues driven by further issues.

Adjusted operating profit for the six months ended 30 September 2009 declined as operating costs increased to £180.2 million, primarily as a result of accelerated depreciation and IT costs relating to the TradElect platform.

Impairment of goodwill, acquisition amortisation and non-recurring items for the period of £39.0 million increased primarily due to headcount savings.

Operating profit of £95.8 million declined due to lower revenues as well as increased operating expenses and impairment of goodwill, acquisition amortisation and non-recurring items in comparison to the prior six months.

Cash flow generated from operations for the six months of £155.2 million increased by £13.5 million over the prior six month period, principally driven by seasonality of revenue collections and working capital improvements (reduction in trade payables £0.6 million in the period compared to £38.0 million for the prior period). Interest paid at £13.0 million was significantly lower given the cancellation and cash-settlement of a gilt lock transaction in the prior period (interest paid of £27.9 million). The LSEG Group invested £22.4 million in capital expenditure during the period, down from £32.0 million in the previous six months, including development of the EDX derivatives platform, a secondary data centre and investment in Baikal, its dark pool venture. In addition, £6.1 million was invested in LSEG's AIM market joint venture with the Tokyo Stock Exchange, TOKYO AIM. Cash and cash equivalents increased by £25.8 million in the period.

8. Liquidity and capital resources

Liquidity

LSEG's principal sources of liquidity are cash generated from operations and borrowings available under committed revolving credit facilities. Cash generated from operations is made available to LSEG through intra-group loan arrangements controlled centrally by the LSEG Group's treasury function or through Subsidiary dividends. LSEG maintains committed credit facility arrangements sufficient to meet its planned obligations for the next 24 months. In addition, LSEG endeavours to arrange its debt facilities to avoid significant maturity overlap. LSEG is potentially able to access further capital through the equity and debt markets.

At CC&G, margin and default funds are maintained to protect its position as guarantor of each trade executed by participants in the Italian financial markets, should a counterparty fail. CC&G also has access to committed and uncommitted lines of credit with Italian commercial banks for short-term liquidity support purposes. As at 31 March 2011, these credit lines have remained undrawn.

The LSEG Group's principal uses of cash have been capital expenditures, small and medium sized acquisitions and strategic investments, capital returns to shareholders (including dividends) and debt servicing. Other than timing of collection of annual listing fees in its first quarter of each financial year, the LSEG Group does not have significant seasonality in its operating cash cycle. The LSEG Group's cash cycle is discussed in further detail under the heading "Semi-annual results of operations" within this Part 14—"Operating and financial review for the LSEG Group". The LSEG Group's working capital requirements are relatively small.

Cash generated from operations for the 12 months ended 31 March 2011 is discussed in "Results of operations and financial conditions for the year ended 31 March 2011 compared with the year ended 31 March 2010" within this Part 14—"Operating and financial review for the LSEG Group".

Cash generated from operations for the 12 months ended 31 March 2010 is discussed under the heading "Results of operations and financial conditions for the year ended 31 March 2010 compared with the year ended 31 March 2009" within this Part 14—"Operating and financial review for the LSEG Group."

For the 12 months ended 31 March 2011 cash used in financing activities was £174.0 million compared to £83.2 million for the 12 months ended 31 March 2010, due to higher net borrowing repayments year on year from free cash of £96.2 million. For the year ended 31 March 2011 cash and cash equivalents increased by £43.9 million.

For the 12 months ended 31 March 2010, cash used in financing activities was £83.2 million compared to £237.8 million for the 12 months ended 31 March 2009. The principal reasons for the year-on-year reduction were £77.8 million of cash invested in share repurchases and £74.9 million greater net borrowing repayments both made in the preceding 12 months.

The following table sets out the calculation of the LSEG Group's free cash flow available for strategic investments and repayment of debt, for the past three years:

Free cash flow	**Year ended 31 March**		
	2011	**2010**	**2009**
	Unaudited £m	**Unaudited £m**	**Unaudited £m**
Cash generated from operations	**381.8**	301.2	352.6
Net interest paid	**(43.5)**	(28.9)	(45.1)
Corporation and withholding tax paid	**(73.8)**	(57.1)	(82.4)
Investing activities*	**(43.8)**	(39.7)	(52.6)
Dividends	**(72.7)**	(73.9)	(72.3)
Free cash flow	**148.0**	101.6	100.2

* Excluding acquisition or disposal of majority and minority stakes in 2010 and 2009.

Free cash flow generation in 2011 was £46.4 million higher than in 2010. The main differences year-on-year comprised of stronger profitability driving higher cash generated from operations of £80.6 million, offset by higher net interest expense of £14.6 million due to a full year's coupon on the 2019 Notes (issued in June 2009), and higher taxes of £16.7 million. Investing activities in 2011 included investments in Subsidiaries and joint ventures, net of cash acquired, and proceeds from sale of minority interests in Subsidiaries which totalled £5.5 million. These elements were not included in the computation of free cash flow in previous years.

Free cash flow generation in 2010 was in line with that in 2009. A reduction in cash flow from operating activities of £51 million was offset by lower cash interest paid, primarily due to the timing of coupon payments on the 2019 Notes falling after the end of the financial year, reduced taxes driven in part by operating performance year-on-year and a reduction in cash investment by the LSEG Group (including capital expenditure).

In November 2010, LSEG entered into the 2010 Facility Agreement to take advantage of improved conditions in the bank lending market and to refinance existing, shorter-dated facilities. The new facility, together with the existing 2008 Facility Agreement, gives LSEG access to £500 million of facility headroom as at 31 March 2011, and the refinancing extends maturities to an average maturity of over five years. Neither the interest margin nor the financial covenants are linked to the credit rating performance of LSEG.

The 2016 Notes and the 2019 Notes have terms and conditions customary in the sterling debt capital market for investment grade borrowers, including negative pledges. A change of control of LSEG, together with a drop in the credit ratings of LSEG to sub-investment grade (within 12 months of the change of control), would allow investors to redeem the 2016 Notes and the 2019 Notes.

Capital resources

At 31 March 2011, the last reported balance sheet date, cash and cash equivalents amounted to £267.0 million (2010: £223.1 million), which were mainly deposited with banks in short-term deposits, placed with AAA rated liquidity funds or held short-term on interest-bearing call accounts. Balances are held primarily in pounds sterling in the LSEG Group's UK-based entities and in Euros in its Italy-based entities.

At 31 March 2011, the LSEG Group's net financial funding (audited, and stated under IFRS) was £232.1 million (2010: £383.6 million), comprising £267.0 million cash and cash equivalents (2010: £223.1 million), including restricted cash, offset by £0.1 million current financial debt (2010: £0.9 million) and £499.0 million non-current loans (2010: £605.8 million). A table of the LSEG Group's unaudited capitalisation and indebtedness as at 31 March 2011 is set out in paragraph 14 of Part 20—"Additional information".

The LSEG Group funds its operations through retained earnings, equity, notes and committed bank facilities. Details of LSEG's debt are summarised below. With the exception of the timing of the collection of annual listing fees in the first quarter of each financial year, the LSEG Group is not subject to significant seasonal trends, cash flows vary from month to month as a result of factors such as significant payments (for example, bond interest and dividends) and billing arrangements.

Except for customary restrictions on any such payments under corporate law in their respective jurisdictions of incorporation and regulatory requirements that certain entities within the LSEG Group must adhere to, there are no specific restrictions that materially affect the ability of the Subsidiaries of LSEG to make payments to LSEG in the form of dividends, loans or advances. The FSA requires the London Stock Exchange and EDX London Limited to hold a certain level of cash and cash equivalents, linked to the amount of costs in each business, to cover the orderly wind-down of these markets in extreme circumstances. The LSEG Group holds cash in its other regulated businesses either as part of its regulatory capital requirement and/or to underpin the smooth ongoing operation of the related markets. At CC&G, surplus cash is traditionally retained to support its market clearing activities. In aggregate, the cash set aside by the LSEG Group to meet its regulatory clearing and commercial requirement amounted to £125 million as at 31 March 2011 (2010: £125 million).

Derivative contracts are used by LSEG to hedge foreign exchange exposures and manage interest rate risks associated with borrowings. The types of instrument permitted are governed by an LSEG Board-approved treasury policy and these are instruments that are commonly used by corporates in the London financial markets. LSEG does not speculate on foreign exchange or interest rate movements in its financial risk management approach. All derivative transactions are executed to manage an identified underlying exposure. Furthermore, the policy restricts LSEG from transacting derivatives with counterparties other than those pre-approved working under signed ISDA arrangements.

The LSEG Group controls treasury transactions centrally with the treasury function carrying out its activities within the scope of an LSEG Board approved treasury policy, overseen by a treasury committee. Areas of policy coverage include liquidity and financing, cash management, security and controls and financial risk management (including hedging interest rates and foreign exchange risks).

Regulatory capital requirements

LSEG Group has set aside £125 million of cash in aggregate for regulatory, clearing and commercial requirements. As part of this, the regulated entities from within the LSEG Group currently benefits from bespoke regulatory capital regimes to maintain adequate financial resources. LSEG is engaged in discussions with the FSA about a possible increase in the regulatory capital requirement for its main UK operating company for 2012. However indications are that the overall cash set aside by the LSEG Group will increase by no more than one third above the current £125 million.

Capital expenditures

Total capital expenditures for the year ended 31 March 2011 of £45.7 million comprised of £16.5 million property, plant & equipment expenditure (2010: £12.1 million) and £29.2 million intangible asset expenditure (2010: £30.3 million). Committed expenditure is detailed within this Part 14—"Operating and financial review for the LSEG Group" under the heading "Contractual commitments".

Indebtedness

The following table presents comparative information related to the ratio of operating net debt to Adjusted EBITDA which is used by LSEG management as a key indicator as part of its capital management.

Net debt and leverage	Year ended 31 March		
	2011	2010	2009
	Unaudited £m	Unaudited £m	Unaudited £m
— Current borrowings	**(0.1)**	(0.9)	(2.3)
— Non-current borrowings	**(499.0)**	(605.8)	(622.5)
Total borrowings	**(499.1)**	(606.7)	(624.8)
Derivative financial assets/(liabilities)	**(12.5)**	(18.4)	(1.6)
Less: cash and cash equivalents	**267.0**	223.1	143.7
Net debt	**(244.6)**	(402.0)	(482.7)
Cash set aside	**(125.0)**	(125.0)	(125.0)
Operating net debt	**(369.6)**	(527.0)	(607.7)
Adjusted EBITDA	**390.9**	343.4	377.4
Operating net debt/Adjusted EBITDA ratio	**1.0**	1.5	1.6

Adjusted EBITDA reconciliation	Year ended 31 March		
	2011	2010	2009
	Unaudited £m	Unaudited £m	Unaudited £m
Adjusted operating profit	**341.1**	280.3	340.7
Add back:			
Investment income	**0.3**	0.3	0.3
Depreciation and non-acquisition intangible amortisation	**49.5**	62.8	36.4
Adjusted EBITDA	**390.9**	343.4	377.4

The LSEG Group typically arranges its core borrowings with LSEG as the borrower. There is no significant borrowing at the Subsidiary level other than credit facilities arranged to support the clearing and settlement cycle for CC&G in Italy. These clearing facilities are permitted within the terms of LSEG's broader credit arrangements.

Under the terms of LSEG's syndicated committed revolving bank facilities, the LSEG Group must maintain a ratio of net debt to Adjusted EBITDA of not more than four times for the preceding 12 months as of the last day of each full year and interim reporting period. The LSEG Group is also required to maintain a ratio of Adjusted EBITDA to net finance costs of not less than three times as measured throughout the preceding 12 month period. As at 31 March 2011 and at the LSEG Latest Practicable Date, LSEG was in compliance with these covenants. No breach of covenants occurred during the years ended 31 March 2011, 2010 and 2009; as at the date of this document, LSEG was not involved in discussions in relation to existing borrowing facilities or covenants.

In June 2009, following a period of considerable market uncertainty, LSEG took advantage of the re-opening of the bond markets to issue the 2019 Notes. This allowed the repayment and cancellation of certain short-term bank facilities, further diversified LSEG's sources of debt and extended LSEG's average debt maturities.

In November 2010, LSEG arranged the 2010 Facility Agreement with a syndicate of nine banks, seven of whom had provided LSEG with the 2008 Facility Agreement also totalling £250 million, arranged in July 2008. Both facilities have a five year maturity and, as at 31 March 2011 and as at the LSEG Latest Practicable Date, were undrawn. Total committed term funding at 31 March 2011 and at the LSEG Latest Practicable Date was £1,000 million, of which £500 million remained undrawn.

LSEG had the following undrawn committed revolving credit facilities available to it as at 31 March 2011

£250m 2008 Facility Agreement . . . . Interest charged at LIBOR plus 0.8 per cent. per annum.

£250m 2010 Facility Agreement . . . . Interest charged at LIBOR plus 1.0 per cent. per annum.

As at 31 March 2011, LSEG had no other undrawn committed credit facilities other than the 2008 and 2010 Facility Agreements.

Moody's provides ratings for the 2016 Notes and the 2019 Notes. Following LSEG's proposals in 2007 to potentially increase leverage to return capital to shareholders, Moody's downgraded its long-term rating to Baa3 with a stable outlook. In March 2008, Moody's assigned a positive outlook to its rating as the scale of the capital return was significantly less than it had anticipated. This action resulted in a rating change to Baa2 with stable outlook in February 2009. Following the announcement of the proposed Merger, Moody's put its rating on positive watch pending further evaluation of the details of the proposed Merger.

LSEG engaged S&P in early 2008 and a long-term rating of A− with stable outlook was assigned to LSEG in May 2008. S&P subsequently assigned the same rating to the 2019 Notes upon their issuance in June 2009. Following the announcement of the proposed Merger, S&P put its rating on positive watch pending further evaluation of the details of the proposed Merger.

Both Moody's and S&P have applied to be registered in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009.

As at 31 March 2011, LSEG has the following long-term credit ratings assigned to its notes:

Credit ratings	Moody's	S&P
2016 Notes	**Baa2**	
2019 Notes	**Baa2**	**A−**
Outlook	**Positive**	**Positive**

Contractual commitments

	Payments due by period			
Contractual obligations	Total	Less than one year	One to five years	More than five years
	£m	£m	£m	£m
Long-term debt	**499.0**	—	—	499.0
Capital lease obligations	**—**	—	—	—
Operating leases	**211.8**	21.0	78.4	112.4
Purchase obligations	**—**	—	—	—
Other long-term obligations	**—**	—	—	—
Total contractual obligations	**710.8**	**21.0**	**78.4**	**611.4**

As at 31 March 2011, contracted capital commitments and other contracted commitments not provided for in the financial statements of the LSEG Group were £2.5m (2010: £2.0m) and £23.8m (2010: £3.1m) respectively, of which £0.2m (2010: nil) related to commitments of joint ventures. £23.8m other commitments relates to professional and other fees, the majority of which are conditional on the successful Completion of the proposed Merger.

The LSEG Group has committed to fully fund the cash needs of Turquoise within an agreed framework for the first 24 months from 17 February 2010, the date of acquisition.

The contractual commitments made by the LSEG Group for the financial years ended 31 March 2011, 2010 and 2009 are shown within the commitments and contingent liabilities note in the annual reports for the years ended 31 March 2011, 2010 and 2009, on pages 96, 95 and 88, in notes 31, 32 and 34, respectively, and are incorporated by reference into this document. During the period 1 April 2011 to the LSEG Latest Practicable Date there were no new contractual commitments outside of the ordinary course of business, other than continuation of contractual commitments described on page 96 of the annual report for the year ended 31 March 2011.

The LSEG Group has also entered into non-cancellable operating leases. The total future minimum lease payments under the leases for the financial years ended 31 March 2011, 2010 and 2009, are shown within the leases note in the annual reports for the years ended 31 March 2011, 2010 and 2009 on pages 97, 97 and 89, respectively, and are incorporated by reference into this document. During the period 1 April 2011 to the LSEG Latest Practicable Date there were no new operating lease arrangements entered into by the

LSEG Group, other than a continuation of those described on pages 97 to 98 of the annual report for the year ended 31 March 2011.

9. Transactions with related parties

The related party transactions between LSEG and its Subsidiaries that were entered into during the financial years ended 31 March 2011, 2010 and 2009 are shown in the transactions with related parties notes in the annual reports for the years ended 31 March 2011, 2010 and 2009 on pages 99-100, 99 and 92, respectively, and are incorporated by reference into this document. During the period 1 April 2011 to the LSEG Latest Practicable Date there were no new related party transactions other than a continuation of those described on pages 99-100 of the annual report for the year ended 31 March 2011.

10. Proposed transactions

The sectors in which the LSEG Group operates are experiencing significant levels of consolidation and transaction activity at the current time. Like its competitors, LSEG evaluates, and has discussions in relation to, transaction opportunities in all of its business segments on an ongoing basis. In the event that any of these transaction opportunities are entered into prior to Admission any such transaction will be announced and, if appropriate, a supplementary prospectus published.

11. Financial instruments and other instruments

The financial instruments of the LSEG Group and their values as at 31 March 2011 are set out in the table below:

Financial instruments	Loans and receivables	Available for sale	Assets at fair value through profit and loss	Total
	£m	£m	£m	£m
Assets				
Financial assets for CCP clearing	108,775.5	—	7,340.3	**116,115.8**
Trade and other receivables	78.7	—	—	**78.7**
Cash and cash equivalents	267.0	—	—	**267.0**
Available for sale financial assets	—	0.4	—	**0.4**
Derivative financial instruments	—	—	0.7	**0.7**
Total assets	**109,121.2**	**0.4**	**7,341.0**	**116,462.6**

Financial instruments	Derivatives used for hedging	Other Financial Liabilities	Total
	£m	£m	£m
Liabilities			
Financial liabilities of CCP clearing	—	116,104.5	**116,104.5**
Trade and other payables	—	156.5	**156.5**
Provisions	—	31.5	**31.5**
Borrowings	—	499.1	**499.1**
Derivative financial instruments	13.2	—	**13.2**
Total liabilities	**13.2**	**116,791.6**	**116,804.8**

The valuation of assets held at fair value through profit and loss is performed with reference to quoted prices from the markets to which they relate and therefore are all considered to be Level 1 as determined in accordance with IFRS 7. The derivative financial instruments are considered to be Level 2.

Financial assets of the CCP clearing business substantially offset its financial liabilities. The year-on-year increase principally reflects the higher number and value of repurchase transactions that remained open on 31 March 2011, together with an increase in the volatility of their nominal values compared to prior reporting dates.

During the period ending 31 March 2011, LSEG executed two cross-currency swaps of €50 million each to exchange a proportion of its sterling bond issue obligations (swapping €100m sterling equivalent of the 2016 Notes) into Euros. These contracts are in addition to four trades, each also of €50m in value, that were executed in the period ended 31 March 2010. These swaps are designated part of the LSEG Group's net investment hedge and each matches the term of the respective bonds. For the year ended 31 March 2011, the LSEG Group recognised the mark to market value of these derivatives of £12.9 million in reserves.

In September 2010, four Euro denominated interest rate swaps, which exchange a floating rate obligation for a fixed rate obligation were cancelled and the underlying borrowing of €120 million was repaid. The cancellation cost of the swaps was €2.6 million. The majority of this cost has been offset during the remainder of the financial year ending 31 March 2011 from savings made from cancelling the fixed rate coupon swaps and repaying the borrowing.

In addition to the cross-currency swaps described above, LSEG maintains four £25 million sterling interest rate swaps of £100 million in aggregate effectively exchanging fixed rate borrowings into floating rates. These swaps mature in early 2012. For the financial year ended 31 March 2011, the LSEG Group recognised the movement in mark to market value of these fair value hedges of £0.1 million in the income statement. LSEG continues to evaluate its fixed rate versus floating rate debt liabilities in order to optimise net finance costs for the LSEG Group.

12. Financial risk management

Capital risk

LSEG considers that a scarcity of debt or equity (driven by its own performance or financial market conditions) and an increase in regulatory requirements are the principal risks associated with managing its capital. LSEG's capital base comprises equity capital, debt capital and retained profits.

LSEG is mindful of its overall cost of capital, as it seeks to provide superior returns to LSEG Shareholders, fulfil its obligations to the relevant regulatory authorities and other stakeholders and ensure that it is not overly dependent upon short and medium term debt that might not be available at renewal. Maintaining the flexibility to invest in growth is a key capital management consideration. LSEG can manage its capital structure by varying returns to LSEG Shareholders, issuing new shares or increasing or reducing borrowings. The LSEG Board reviews dividend policy and funding capacity on a regular basis and LSEG maintains comfortable levels of debt facility headroom. LSEG has the strategic objective of maintaining an investment grade credit rating.

To maintain the financial strength to access new capital at reasonable cost, LSEG monitors capital in a number of ways, including reviewing its leverage ratio: net debt to Adjusted EBITDA (its consolidated earnings before net finance charges, taxation, impairment, depreciation and amortisation and non-recurring items). This ratio calculates total current and non-current borrowings less the cash and cash equivalents that are not set aside to meet regulatory requirements and compares this with its Adjusted EBITDA. Net debt to Adjusted EBITDA at 31 March 2011 was 1.0 times (2010: 1.5 times). LSEG also has two bank facility covenants that have a bearing on its capital structure: a net leverage covenant and a debt service ratio. Performance against these covenants is comfortable and they should not inhibit the LSEG Group's operations or financing plans. As at 31 March 2011, £125 million cash and cash equivalents was set aside by the LSEG Group in aggregate to cover regulatory, clearing and commercial requirements. This amount is subject to ongoing review with regulators in the UK and Italy. In particular, discussions continue with the FSA following their proposal to amend the basis on which the regulatory capital is calculated for London Stock Exchange. Indications are that this could increase the total amount set aside by up to one third above the current £125 million.

Foreign exchange risk

The LSEG Group operates predominantly in the UK, Italy and Sri Lanka. Subsidiaries of LSEG invoice revenues, incur expenses and purchase assets predominantly in their respective local currencies, although MillenniumIT transacts a proportion of its business in other foreign currencies. Foreign exchange risk arises mainly from the translation of LSEG Group's Euro earnings, assets and liabilities into its reporting currency, pounds sterling.

LSEG Group also faces less significant foreign exchange exposures from transaction risk on export earnings (for example, MillenniumIT is denominated in the Sri Lankan Rupee but transacts also in other currencies, including the US dollar and the Indian Rupee), strategic investments made in currencies other than the currency of the investing operation and dividends that are remitted in currencies other than the currency of the recipient operation. The LSEG Group hedges material transactions of this nature in accordance with its treasury policy.

The LSEG Group seeks to reduce its net asset exposure to movements between sterling and the Euro by regularly distributing its Euro cash earnings in dividends and by holding an element of its debt in Euros or exchanging sterling debt into Euros using cross-currency swaps. LSEG's Euro debt and cross-currency

swaps are then serviced by cash generated by its Italian operations, which, in turn, partially protects the LSEG Group's sterling income statement by increasing the proportion of Euro denominated interest expense.

Credit risk

CC&G, in its role as clearer to Italian financial market participants, faces the risk of losses from deterioration in creditworthiness or default of a participant. CC&G acts as the guarantor of the final settlement of equity, derivative and fixed income trade contracts, acting as a buyer towards each seller and as a seller towards each buyer. CC&G also manages member cash held within its margin and default funds. Whilst these funds are protected under Italian financial law from the creditors of an insolvent market participant (who has placed the funds with CC&G as collateral), the risk of default of the deposit counterparty chosen by CC&G to manage the funds is CC&G's risk. More broadly, credit risk relates to the LSEG Group's customers and counterparties being unable to meet their obligations to the LSEG Group, either in part or in full.

Credit risk is controlled through policies developed both at a LSEG level and, where appropriate, with regulators at an individual Subsidiary level. Due to the nature of its business risk, CC&G has its own financial risk management policy approved by its board of directors and it works closely with the Bank of Italy to monitor this risk. CC&G's deposit counterparties are all regulated by the Bank of Italy.

CC&G

CC&G is required to invest cash with counterparties that are either investment grade or meet requirements for minimum levels of capital, for periods of up to 12 months in an amount dependent on the credit quality of the counterparty. CC&G liaises closely with the Bank of Italy regarding the Italian banking institutions with whom these funds are deposited.

CC&G has established a financial safeguard against single or multiple defaults of market participants, which includes minimum clearing membership criteria, the maintenance of margin funds to cover a clearing member's individual exposure and the maintenance of default funds, which guarantee the integrity of the markets in the event of multiple defaults in extreme market circumstances. To date, no clearing members of CC&G have defaulted and CC&G has never had to utilise the default funds.

LSEG

LSEG and its Subsidiaries assess the credit quality of their customers based upon a number of factors. Management assesses the credit quality of the LSEG Group's customers as high based upon a low concentration of credit risk across a large number of customers, the recurring nature of the billing and collection arrangements and, historically, a low incidence of default. Credit risk with respect to cash and cash equivalents is managed by limiting the exposure to each counterparty to certain policy-governed parameters. Derivative transactions are limited to well-capitalised counterparties, as authorised by internal policy.

The LSEG Group recognises that sovereign and geo-political risk assessment plays a part in its criteria for counterparty selection.

Liquidity risk

LSEG and its Subsidiaries are exposed to liquidity risk to the extent that they are unable to meet their daily payment obligations. In addition, CC&G and certain other Subsidiary companies are required to maintain a level of liquidity within their own legal entities to meet regulatory requirements and/or support the smooth operation of their respective markets.

The LSEG Group holds sufficient cash and marketable securities, together with the availability of funding through adequate committed credit facilities, to meet financial obligations as they become due. The LSEG Group applies its cash flow to capital expenditure, acquisitions, dividend payments and other returns of capital or debt reduction.

Treasury policy requires that LSEG maintains adequate credit facilities provided by a diversified lending group to at least cover its expected funding requirements for the next 24 months. During the year, a new five year £250 million committed revolving credit facility was arranged, replacing shorter dated facilities and broadening the funding support from LSEG's syndicate of banks. At 31 March 2011 and as at the

LSEG Latest Practicable Date, £500 million of LSEG's facilities were unutilised (2010: £368.4 million), with committed lines of credit (including bond issues) having an average life to maturity of over five years.

The LSEG Group maintains credit facilities at CC&G clearing provider to cover immediate and short term liquidity requirements (as described under the heading "Material contracts of LSEG" within Part 20—"Additional information").

13. Critical accounting policies and estimates

Basis of preparation and accounting policies

LSEG's consolidated financial statements are prepared in accordance with IFRS and IFRIC interpretations endorsed by the EU, and with those parts of the Companies Act applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention as modified by the revaluation of assets and liabilities held at fair value, including those of the CCP clearing business of LSEG's majority owned Subsidiary CC&G, and on the basis of LSEG's accounting policies.

Full details of LSEG's accounting policies for the financial years ended 31 March 2011, 2010 and 2009 are shown in note 1 of each of the annual reports for the years ended 31 March 2011, 2010 and 2009 on pages 68–72, 64–68 and 58–61, respectively, and are incorporated by reference into this document.

Significant judgements and estimates

Judgements and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

The critical judgements and estimates made in the preparation of the financial statements are set out below. The actual outcome may be materially different from that anticipated:

- *Impairment*—goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future performance and estimates of the return required by shareholders to determine an appropriate discount rate. Full details of LSEG's impairment testing for goodwill are documented in notes 13, 13 and 15 (Intangible assets) on pages 82–83, 79–81 and 71–72 in the annual reports for the years ended 31 March 2011, 2010 and 2009 respectively, which are incorporated by reference into this document. The relevant information from the annual reports is separately presented for the following four entities: Italian group, MillenniumIT, Turquoise and EDX. The analysis in the notes to the annual report includes:
  - goodwill allocated for each cash generating unit, including pre-tax discount rate used in value in use calculations; and
  - sensitivity analysis on Italian group's cash generating units.
- *Pensions*—the determination of the defined benefit pension asset or liability is based on the present value of future pension obligations using assumptions determined by LSEG with advice from an independent qualified actuary. Full details of LSEG's defined pension asset or liability, including the main actuarial assumptions and sensitivities regarding the principal assumptions are detailed in notes 19, 19 and 21 (retirement benefit asset/obligation) on pages 86–89, 85–87 and 76–78 in the annual reports for years ended 31 March 2011, 2010 and 2009, respectively, and which are incorporated by reference into this document.
- *Purchased intangible assets*—purchased intangible assets of "customer and supplier relationships", "brands", and "software, licenses and intellectual property" are valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives which do not normally exceed 25 years. These valuations and useful economic lives are based on management's best estimates of future performance and periods over which value from the intangible assets is realised. Full details of the LSEG Group's intangible assets are detailed in note 32 on pages 97–98 of the annual report for the year ended 31 March 2011 and note 33 on pages 96–97 for the annual report for the year ended 31 March 2010, respectively, which are incorporated by reference into this document.
- *Property*—the property provision is determined by taking into consideration future expected receipts from sub-letting and future property costs based on advice from independent property advisers.

— *Taxation*—estimates are required in determining the provision for corporation taxes. LSEG recognises liabilities for the estimated tax charge at the period end and where the final tax liability is different from that estimate, such differences are reflected in the period in which such determination is made.

14. Changes in accounting policy

There have been no changes to LSEG's accounting policies in the years ended 31 March 2011, 2010 and 2009 other than where relevant, adopting the standards, amendments and interpretations that have been issued by the International Accounting Standards Board and IFRIC and the impact on LSEG is set out pages 68, 64 and 58, respectively, of the annual reports for the years ended 31 March 2011, 2010 and 2009, incorporated by reference into this document.

15. Ordinary share capital

As at the LSEG Latest Practicable Date, LSEG had in issue 271,108,651 ordinary shares of $6\frac{79}{86}$ pence each with voting rights.

16. Transfer pricing

LSEG operates its transfer pricing policy in accordance with OECD guidelines, which govern the international intercompany financial relationship between related parties, ensuring that all material related party transactions are undertaken on an arm's length basis. All material transactions are reviewed by the in-house tax department and external advice is sought when necessary from industry and country experts. A relationship of transparency and trust is maintained with the UK tax authorities to minimise risk of future enquiries and disputes.

To comply with the OECD guidelines, LSEG must use an appropriate transfer pricing method for establishing and testing intra-group transactions with a related party. Having chosen an appropriate method, it is then necessary to apply it using the commercial or market data available.

The OECD guidelines state that a group of companies should determine an appropriate and reliable method for establishing an arm's length price using one of the five specified methods, split between traditional or transactional methods.

Traditional methods:

- comparable uncontrolled price;
- resale price; and
- cost-plus.

Transactional (profit-based) methods:

- net margin method; and
- profit split.

Application of the arm's length principle under any of the methods depends on the analysis of potentially comparable independent transactions or companies in arm's length situations. Reliable results can only be obtained where there is a sufficient degree of comparability; therefore, where significant differences exist regarding the functions performed, assets used and risks assumed, differences are quantified and accounted for.

Comparable data is sourced from a combination of in-house industry standard data bases and those provided by external transfer pricing experts.

In order to establish the degree of actual comparability, and then to make appropriate adjustments to establish arm's length conditions, LSEG compares attributes of the transactions and the enterprises involved in the transactions that would affect conditions in arm's length dealings. Attributes that may be important include:

- characteristics of the property or services transferred;
- functions performed by the parties taking into account assets used and risks assumed;

- contractual terms—an analysis of the contractual terms should be a part of the functional analysis above;
- economic circumstances of the parties; and
- business strategies pursued by the parties.

Once the review has been undertaken, LSEG maintains contemporaneous documentation to support the prices charged. The documentation includes evidence of how the arm's length price was determined, method used, comparable data set, assumptions made on any adjustments made and accounting records confirming the use of the price.

Both the review and the documentation is refreshed periodically or as and when required due to fundamental changes.

17. Current trading

In primary markets, the pipeline of companies seeking to raise capital on the LSEG Group's markets looks encouraging. In April there were 20 new issues, including 13 on the Main Market. The performance in May has also been good with several large new issues including Glencore International plc, the largest ever IPO on the premium listing segment of the London Stock Exchange and the first company to enter FTSE100 at admission in 25 years.

Trading on MTS remained good overall in April, with cash markets average daily value traded up 7 per cent. although repo was down 3 per cent. on the same month last year. Overall trading on the LSEG Group's derivatives platforms has also increased with the total number of contracts up 19 per cent. year on year.

UK equity order book trading declined 10 per cent. in April, impacted by the holiday pattern during the month, although the performance in May has been good; as at the LSEG Latest Practicable Date the average value traded was 20 per cent. higher than average for April. In Italy the average daily volume traded decreased marginally, by 2 per cent., on April last year. Average value traded on Turquoise's lit book increased 28 per cent. year on year and rose 96 per cent. on the dark mid-point book.

In post-trade operations, net treasury income remained strong in April at £7 million, although the current treasury income run rate may moderate over the year.

PART 15

OPERATING AND FINANCIAL REVIEW FOR TMX GROUP

The financial information discussed below has been extracted without material adjustment from the documents set out in Part 17—"Historical financial information relating to TMX Group".

The following operating and financial review of TMX Group is intended to convey management's perspective on the financial condition and results of operations of TMX Group. The information below should be read carefully, together with TMX Group's financial statements for the three months ended 31 March 2011 and for the years ended 31 December 2010, 2009 and 2008 which are included in Part 17—"Historical financial information relating to TMX Group". For the purposes of this document, TMX Group is required to comply with IFRS and IFRIC as endorsed by the European Union. All amounts are in Canadian dollars unless otherwise indicated.

The operating information discussed below is derived from internal operational and financial reporting systems. In addition to historical information, this review also contains information around the future performance of TMX Group, and readers should be aware that these areas are subject to risks and uncertainties that could cause actual results to differ to past performance. Readers should see under the heading "Information regarding forward-looking statements" in Part 3—"General information" for information on the risks and uncertainties regarding forward-looking information and also read Part 2—"Risk factors" for a discussion of certain factors that may affect the business, financial condition or results of operations of the Merged Group following Completion. Readers should see under the heading "Material factors affecting results of operations and financial condition" within this Part 15—"Operating and financial review for TMX Group" when considering the future performance of TMX Group.

The information presented within this Part 15—"Operating and financial review for TMX Group" is provided to enable the reader to assess the financial condition and material changes in financial and operating conditions of TMX Group.

References in this operating and financial review of TMX Group to "2010", "2009" and "2008" refer to the years ended 31 December 2010, 31 December 2009 and 31 December 2008, respectively.

This operating and financial review is organised as follows:

- *Non-GAAP financial measures.* This section provides a discussion of the non-GAAP financial measures TMX Group uses to assess the performance of its business.
- *Overview.* This section includes a general description of TMX Group's business and segments as well as a summary of its material acquisitions since 1 January 2008.
- *Material factors affecting results of operations and financial condition.* This section includes an overview of trends, risks and uncertainties affecting TMX Group, including the actions of TMX Group management to such trends. Forward-looking statements providing a general description of recent and projected industry and company developments that are important to understanding TMX Group's results of operations are included in this section.
- *Overview of results of operations and financial conditions.* This section summarises TMX Group's results of operations and financial position for the years ended 31 December 2010, 31 December 2009 and 31 December 2008.
- *Results of operations and financial conditions for the year ended 31 December 2010 compared to the year ended 31 December 2009.* This section contains an analysis of TMX Group's results of operations by comparing the results for the year ended 31 December 2010 to the year ended 31 December 2009.
- *Results of operations and financial conditions for the year ended 31 December 2009 compared to the year ended 31 December 2008.* This section contains an analysis of TMX Group's results of operations by comparing the results for the year ended 31 December 2009 to the year ended 31 December 2008.
- *Liquidity and capital resources.* This section provides an analysis of TMX Group's capitalisation, cash flows, a statement about off-balance sheet arrangements and a discussion and table of outstanding debt and commitments. Forward-looking statements important to understanding TMX Group's financial condition are also included in this section.
- *Transactions with related parties.*
- *Proposed transactions.*

- *Financial instruments and other instruments.* This section includes a description of the financial instruments of TMX Group as at 31 December 2010.
- *Financial risk management.*
- *Critical accounting policies and estimates.* This section contains a discussion of the accounting policies that TMX Group Inc. believes are important to TMX Group's financial condition and results of operations, and allowances and reserves that require significant judgment and estimates on the part of TMX Group's management. In addition, all of TMX Group Inc.'s significant accounting policies, including critical judgements and estimates, are summarised in notes 1 and 2 of the financial statements, which are set out in Part 17C—"Restated financial information relating to TMX Group".
- *Changes in accounting policy*.
- *Ordinary share capital*.
- *Impairment.* This section states TMX Group's impairment policy and approach to impairment testing.
- *Transfer pricing.* This section includes the principles that form the basis of the TMX Group transfer pricing policy.
- *Current trading.* This section includes a trading update since 31 December 2010, incorporating the interim results for the three months ended 31 March 2011. Further, this section includes key performance indicators for the month of April 2011.

1. Non-GAAP financial measures

In this document, TMX Group presents certain financial measures, including presentation of adjusted net income attributable to TMX Group Shareholders and adjusted earnings per share, which are not recognised by IFRS. These measures may not be comparable with similarly titled measures used by other companies and are not measurements under IFRS. Consequently, these measures should not be considered substitutes for the information under the heading "Discussion of operational results and financial conditions" within this Part 15—"Operating and financial review for TMX Group". The following is a list of non standardised measures used within the OFR:

"Adjusted net income attributable to TMX Group Shareholders" and "Adjusted diluted earnings per share"

TMX Group presents "Adjusted net income attributable to TMX Group Shareholders" and "Adjusted diluted earnings per share" as an indication of operating performance exclusive of:

(a) for 2010, the loss on available-for-sale investment;

(b) for 2009, income tax charge related to a reduction in Ontario corporate income tax rates, which reduced the value of future tax assets and liabilities;

(c) for 2008 and 2009, acquisition related costs;

(d) for 2009, the non-cash goodwill and intangibles impairment charge in 2009 related to TMX Group's investment in BOX; and

(e) for 2010, 2009 and 2008, the amortisation of acquisition related intangibles.

2. Overview

TMX Group business and strategy

TMX Group is an integrated, multi-asset class exchange group, which owns and operates cash, derivatives and energy markets and clearing houses in Canada and the US. TMX Group lists, trades and clears securities as well as physical commodities. In addition, TMX Group provides real-time market data to customers around the world.

A summary of the main business of TMX Group and its operations through which it is carried out is set out below:

— Cash markets, which includes:

  TSX—Canada's senior equities market, providing domestic and international investors with access to the Canadian marketplace. At 31 December 2010, 1,516 issuers with an aggregate market capitalisation of C$2.2 trillion were listed on TSX. Volume traded on TSX was 104.56 billion securities in 2010 on 189.12 million transactions.

  TSX Venture Exchange—Canada's junior listings market, providing companies at the early stages of growth the opportunity to raise capital. At 31 December 2010, 2,376 issuers with an aggregate market capitalisation of C$72.1 billion were listed on TSX Venture Exchange. Volume traded on TSX Venture Exchange was 67.89 billion securities in 2010 on 9.23 million transactions.

  The Equicom Group Inc.—TMX Group Inc.'s investor relations Subsidiary, is a Canadian provider of investor relations and corporate communications services.

  Shorcan Brokers Inc.—Canada's first IDB, providing facilities for matching orders for federal, provincial, corporate and mortgage bonds and treasury bills for anonymous buyers and sellers in the secondary market.

  TMX Datalinx—TMX Datalinx sells real-time data and other market information to a global customer base.

— Derivative markets, which includes:

  MX—Canada's standardised financial derivatives exchange. Headquartered in Montreal, MX offers trading in interest rate, index and equity derivatives. In 2010, a record 44.3 million contracts were traded on MX.

  CDCC—CDCC offers clearing and settlement services for all transactions carried out on MX and is the guarantor for options and futures contracts traded on the market. It is the only clearing house in North America to offer clearing services on equity options, futures, and options on futures products. CDCC has a long-term rating of AA and a short-term rating of A1 from S&P. CDCC also offers clearing and settlement for certain OTC transactions.

  BOX—MX has a 53.8 per cent. ownership interest in BOX, a US equity options market for which MX is also the technical operator and technology developer. In 2010, 91.7 million contracts were traded on BOX.

  TMX Datalinx—TMX Datalinx sells real-time data and other market information to a global customer base.

— Energy markets, which includes:

  NGX—NGX is a Canadian-based exchange through which customers can trade, clear and settle natural gas, crude oil and electricity contracts.

  Shorcan Energy—Shorcan Energy is a facility launched in 2010 for matching buyers and sellers of energy products, including crude oil.

Vision and corporate strategy

— *TMX Group vision*—to be the leading provider of capital markets infrastructure services in Canada and select capital market services to global market participants.

— *TMX Group corporate strategy*—to grow horizontally, vertically and geographically by offering innovative products and services across asset classes.

  1. *Enhance core multi-asset class trading*

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

     • Adjust pricing for commoditised offerings and develop customer relationships through packaged pricing and superior customer service.

2. *Diversify revenue base, either organically or through corporate development*

    - Horizontal: Expand in new asset and product types (especially in derivatives and commodities).
    - Vertical: Expand into additional issuer services, clearing services, risk management services, trade execution services, and software solutions.

3. *Leverage TMX Group's competitive advantages abroad to become the leading global exchange group for SMEs and resource companies*

    - Attract issuers and trading participants to Canada.
    - Sell data, technology and services.

Acquisitions

On 1 May 2008, TMX Group Inc. completed the MX Combination to create a leading, integrated, multi-asset class exchange group. The business combination was completed by TMX Group Inc. acquiring all of MX's outstanding common shares for a total consideration of 15.3 million TMX Group Shares and C$428.2 million in cash. The results of MX are included in TMX Group Inc.'s consolidated results from 1 May 2008.

On 29 August 2008, MX acquired an additional 21.9 per cent. interest in BOX from the BSE, giving MX a majority ownership interest of 53.3 per cent. in, and control of, the US equity options exchange. In October 2008, as a result of a buy back of units by BOX, MX's ownership increased to 53.8 per cent.

On 1 May 2009, TMX Group Inc. completed the acquisition of NTP, a leading Canadian electronic trading platform and clearing facility for crude oil products. The aggregate purchase price of C$61.6 million was comprised of C$23.7 million in cash, the issuance of 878,059 TMX Group Inc. common shares, valued at C$28.4 million and the value of the option to acquire NTP which was purchased for C$9.5 million. Their results have been included in TMX Group Inc.'s consolidated financial statements from that date.

3. Material factors affecting the results of operations and financial condition

In addition to the principal drivers affecting TMX Group's key financial indicators described below, TMX Group's results of operations may be affected by a number of more general factors, many of which are beyond TMX Group's control. Please see Part 2—"Risk factors", specifically the risk factors under the headings "Risks relating to the financial markets industry", "Competitive pressures relating to the Group", "Risks relating to the regulation of the Group" and "Risks relating to the business of the Group".

The following factors have had and are likely to continue to have a material effect on TMX Group's results, operations and financial condition:

Economic conditions

TMX Group revenue is impacted by the levels and nature of market activity on TMX Group exchanges. This activity is influenced by customer and product mix, including: (i) volumes/contracts traded in cash equities and fixed income products, as well as derivatives and energy products; (ii) the number and market capitalisation of listed issuers; (iii) the number and value of new and additional listings; and (iv) the number of subscribers to market data. While it is not possible to quantify the potential changes in some of these measures, future economic and market conditions will continue to affect these revenue drivers and impact future revenue and net income given TMX Group's largely fixed cost structure.

From a macro perspective, a continued recovery in the global and Canadian economies should have an overall positive impact on TMX Group's key revenue drivers, as a growing economy typically leads to new public offerings and higher financing activity; the growth of capital may in turn drive more investing and trading activity across all asset classes and venues. TMX Group saw some of that in 2010 with an increase in IPO activity, commodity speculation and a marked increase in fixed income cash and futures trading that accompanied a rising short-term interest rate environment.

Regulatory environment

TMX Group operates in a highly regulated industry and is subject to extensive government regulation. The multi-market environment in Canada and the global economic crisis could lead to more aggressive

regulation of TMX Group's businesses by securities and other regulatory agencies both in Canada and the US and could extend to areas of its businesses that to date have not been regulated. Expanding US regulation and proposed initiatives, in particular, the Dodd-Frank Act impacting OTC derivatives markets, among other things, could increase the regulation of and cost of compliance for TMX Group's markets whose business is impacted by US regulatory developments. In Canada, the provincial securities regulators have released a proposal paper regarding the regulation of the Canadian OTC derivatives markets. The CSA regulators continue to review developments in the structure of the equities market and have undertaken to conduct a review of market data fees charged by Canadian marketplaces. Regulatory initiatives are under consideration by the CSA that may introduce new or varied regulation in the areas of: internalisation of order flow by member firms, order execution priority and pre-trade transparency. The CSA have published proposed amendments to the rules that govern marketplace operations in Canada and have published a proposed national instrument regarding electronic trading and direct electronic access to marketplaces. These proposals, if approved in the form proposed, will impact the transparency of marketplace fees, marketplace operations, reporting obligations and the provision of risk management and supervisory controls over members' order flow of certain of TMX Group's markets. Unexpected and new regulatory requirements could materially adversely affect TMX Group's organisation, customers, market position and results of operations.

Corporate structure

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

Under the Securities Act (Ontario) and related regulations and orders, and pursuant to an undertaking TMX Group Inc. provided to the AMF as a condition to obtaining approval of the combination with MX, no person nor company may own or exercise control or direction over more than 10 per cent. of any class or series of TMX Group Inc.'s 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 per cent. 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 TMX Group Inc.'s shares, may discourage potential acquisition and strategic alliance proposals, and may prevent transactions in which TMX Group Inc.'s shareholders could receive a premium for their shares.

Clients and competition

TMX Group's listing and trading cash equities, derivatives, energy and fixed income markets face competition from other exchanges as well as from other marketplaces, the OTC markets and other sources. Technological advances have lowered barriers to entry and have facilitated the establishment of new marketplaces and trading mechanisms, such as ATSs, to electronically trade cash equities, derivatives and other financial instruments outside traditional exchanges. This competition has intensified domestically in TMX Group's cash equities markets and may continue to intensify in the future, especially as these technological advances create pressure to develop more efficient and less costly trading in both global and regional domestic markets. If TMX Group cannot maintain and enhance its ability to compete or respond to competitive threats, this will have an adverse impact on TMX Group's business, financial condition and operating results.

The ATS formed by a group of Canada's banks and investment dealers to trade TSX and TSX Venture Exchange listed securities has become a significant competitor in TMX Group's cash equities markets and could, in the future, become a competitor for TMX Group's listing business. In April 2010, this ATS submitted an application with the OSC for recognition as an exchange, which, if granted, would give them the ability to list securities. In April 2011, the OSC published this application for public comment. There

are also a number of other ATSs, both dark and visible trading venues, introducing mechanisms to internalise order flow within a participant, which trade or intend to trade TSX and TSX Venture Exchange listed securities. If these ATSs attract significant order flow, or other structural changes occur in the marketplace, TMX Group's trading and information services revenue could be materially adversely affected.

During 2010, approximately 34 per cent. of TMX Group trading revenue on TSX and approximately 62 per cent. of TMX Group trading revenue on TSX Venture Exchange were accounted for by the top ten participants on each exchange. TMX Group's business, financial condition or operating results could be materially adversely affected if any one of these participants significantly reduced or stopped trading on TMX Group exchanges, or if two or more participants consolidated.

NGX currently has over 200 customers but is heavily reliant on large participants, with approximately 43 per cent. of transaction fee revenue coming from its top 10 customers.

Credit and counterparty risk

TMX Group's counterparty/credit risk is predominantly limited to its clearing operations at NGX and CDCC.

NGX is the central counterparty to each transaction (whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. By providing a clearing and settlement facility, NGX is subject to the risk of a counterparty defaulting simultaneously with an extreme market price movement. NGX manages this risk by applying standard rules and regulations, and using a conservative margining regime based on globally-accepted margin concepts. This margining regime involves valuing the market stress of client portfolios in real-time and requiring participants to deposit liquid collateral in excess of those valuations. NGX conducts market stress scenarios regularly to test the ongoing integrity of its clearing operation. NGX also relies on established policies, instructions, rules and regulations as well as procedures specifically designed to actively manage and mitigate risks. There is no assurance that these measures will be sufficient to protect TMX Group from a default or that the 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 that includes a US$100 million clearing backstop fund. TMX Group Inc. is NGX's unsecured guarantor for this fund up to a maximum of US$100 million.

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

CDCC also maintains a clearing fund through deposits of cash and highly liquid securities from all clearing members. The aggregate level of clearing funds required from all clearing members must cover the worst loss that CDCC could face if one counterparty was failing under various extreme but plausible market conditions.

On-going operations

TMX Group is extremely dependent on the TMX Group information technology systems. Trading and data on TMX Group cash equities markets and trading and clearing on TMX Group derivatives and

energy markets are conducted exclusively on an electronic basis. SOLA, the MX proprietary trading system, is currently in use at BOX and other venues. In addition, MX provides the technical operations services related to BOX's trading and surveillance platform.

TMX Group has incident and disaster recovery and contingency plans as well as back-up procedures to manage, mitigate and minimise the risk of an interruption or failure of the critical information technology of TSX, TSX Venture Exchange, TMX Datalinx, NGX, MX, CDCC and BOX. TMX Group also tests and exercises TMX Group disaster recovery plans for trading on TSX, TSX Venture Exchange, MX and CDCC, and, in the case of TMX Group 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, TMX Group cannot entirely eliminate the risk of a system failure or interruption. TMX Group has experienced occasional information technology failures and delays in the past and TMX Group could experience future information technology failures and delays.

The current technological architecture for TMX Group cash equities, energy, derivatives trading and clearing and market data information technology systems may not effectively or efficiently support TMX Group changing business requirements. Over the past several years, TMX Group has 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 optimise execution speeds to TMX Group cash equities, derivatives, energy and market data platforms.

TMX Group is continually improving TMX Group information technology systems so that TMX Group can handle increases and changes in TMX Group trading and clearing activities and market data volumes to respond to customer demand for improved performance. This requires ongoing expenditures, which may require TMX Group to expend significant amounts in the future.

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

Employees

TMX Group's 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 TMX Group Inc.'s share price. The loss of the services of key personnel could materially adversely affect TMX Group's business and operating results. TMX Group also believes that TMX Group's future success will depend in large part on TMX Group's ability to attract and retain highly skilled technical, managerial and marketing personnel. There can be no assurance that TMX Group will be successful in retaining and attracting the personnel TMX Group may require.

Nature of the TMX Group cost base

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

Currency

TMX Group is exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and trade payables principally denominated in US dollars. TMX Group does not employ hedging strategies and, therefore, significant moves in exchange rates, specifically a strengthening of the Canadian dollar against the US dollar, can have an adverse affect on the value of its revenue, expenses or assets in Canadian dollars.

Issuer services fees

TMX Group generates issuer services revenue primarily by charging issuers the following types of fees:

Initial and additional listing fees

TSX and TSX Venture Exchange issuers pay initial and additional listing fees based on the value of the securities to be listed or reserved, subject to minimum and maximum fees. Initial and additional listing fees billed fluctuate with the number of transactions and value of securities being listed or reserved in a given period.

Sustaining listing fees

Issuers listed on one of the TMX Group equity exchanges pay annual fees to maintain their listing, based on their market capitalisation 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 capitalisation.

Equity trading revenue

Equity trading revenue is derived from the volume of trading on TMX Group equity exchanges. TMX Group has a volume-based fee structure for issues traded on TSX and TSX Venture Exchange. This model is structured to incentivise market participants 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 recognised on the date when the trade is executed.

Derivative markets revenue

MX participants are charged fees for buying and selling derivatives products on a per transaction basis, determined principally by contract type and participant status. Since MX trading fee rates are charged on a per transaction basis, this trading revenue is directly correlated to the volume of contracts traded on MX.

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

Energy markets revenue

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.

Information services revenue (cash and derivative markets)

Subscribers to TMX Datalinx data generally pay fixed monthly rates for access to real-time streaming data, which differ depending on the number of end users and the depth of information accessed. In addition to streaming data, many individual investors consume real-time quote data, for which TMX Group 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. TMX Group charge market data vendors and direct feed clients a fixed monthly fee for access to data feeds.

4. Overview of results of operations and financial conditions

The following table summarises selected financial information of TMX Group for the years ended 31 December 2010, 2009 and 2008.

(millions of C$, except per share amounts)	Year ended 31 December		
	2010	2009	2008
	C$	C$	C$
Income statement:			
Revenue	625.6	590.4	563.3
Operating expenses	277.0	263.6	220.6
Operating profit before other items	349.9	327.2	344.1
Net income for the year	237.5	126.5	190.0
Adjusted net income attributable to the equity holders of the parent	246.8	231.0	228.1
Balance sheet:			
Total assets	2,965.8	3,227.1	3,410.0
Total liabilities	1,876.4	2,256.0	2,419.3
Earnings per share			
Basic earnings per share	C$3.20	C$1.78	C$2.57
Diluted earnings per share	C$3.19	C$1.78	C$2.56
Adjusted diluted earnings per share	C$3.32	C$3.11	C$3.10
Other information:			
Total dividend per share declared during the year	**C$1.54**	**C$1.52**	**C$1.52**

Discussion of operational results and financial condition

Year ended 31 December 2010 compared with year ended 31 December 2009

Net income was C$237.5 million or C$3.20 per common share (C$3.19 on a diluted basis) for 2010, compared with net income of C$126.5 million or C$1.78 per common share on a basic and diluted basis for 2009, representing an increase in net income of 88 per cent. Net income for 2010 was reduced by C$1.7 million, or C$0.02 per common share on a basic and diluted basis, related to a non-cash write-down of TMX Group Inc.'s 19.9 per cent. interest in EDX to its estimated fair value. Net income for 2009 was reduced by the non-cash impairment charge to goodwill of C$75.9 million, or C$1.02 per common share on a basic and diluted basis, and the non-cash impairment charge to intangible assets of C$14.8 million or C$0.20 per common share on a basic and diluted basis, both of which are related to BOX. This was offset by a reduction in Ontario corporate income tax rates. The tax adjustment had no impact on cash flows and resulted in an increase in net income for 2009 of C$1.5 million, or C$0.02 cents per common share on a basic and diluted basis.

Year ended 31 December 2009 compared with year ended 31 December 2008

Net income for the year was C$126.5 million or C$1.78 per common share on a basic and diluted basis for 2009, compared with net income of C$190.0 million or C$2.57 per common share (C$2.56 on a diluted basis) for 2008, representing a decrease in net income of 33 per cent. Net income for 2009 was reduced by the non-cash impairment charge to goodwill of C$75.9 million, or C$1.02 per common share on a basic and diluted basis, and the non-cash impairment charge to intangible assets of C$14.8 million or C$0.20 per common share on a basic and diluted basis, both of which are related to BOX. This was offset by a reduction in Ontario corporate income tax rates. The tax adjustment also had no impact on cash flows and resulted in an increase in net income for 2009 of C$1.5 million, or C$0.02 cents per common share on both a basic and diluted basis. In 2008, net income was reduced by C$34.7 million, or C$0.47 cents per common share on a basic and diluted basis, due to acquisition related costs related primarily to the acquisition of MX.

The following is a reconciliation of net income attributable to TMX Group Shareholders to adjusted net income attributable to TMX Group Shareholders:*

(millions of C$)	Year ended 31 December		
	2010	2009	2008
Net income attributable to TMX Group Shareholders	**237.7**	**132.3**	**188.5**
Adjustment related to non-cash impairment of available for sale investments, goodwill and intangibles	1.7	90.7	0.0
Tax effect related to non-cash impairment of available for sale investments, goodwill and intangibles	(0.1)	0.0	0.0
Impact of changes in substantively enacted tax rates	0.0	(1.5)	0.6
Acquisition related costs	0.0	1.0	34.7
Tax effect on acquisition related costs	0.0	(0.2)	(2.9)
Amortisation related to acquired intangibles	9.6	11.4	9.3
Tax effect on amortisation related to acquired intangibles	(2.1)	(2.7)	(2.1)
Adjusted net income attributable to TMX Group Shareholders	**246.8**	**231.0**	**228.1**

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

(millions of C$)	Year ended 31 December		
	2010	2009	2008
Diluted earnings per share	**3.19**	**1.78**	**2.56**
Adjustment related to non-cash impairment of available for sale investments, goodwill and intangibles	0.02	1.22	0.00
Tax effect related to non-cash impairment of available for sale investments, goodwill and intangibles	(0.00)	0.00	0.00
Impact of changes in substantively enacted tax rates	0.00	(0.02)	0.01
Acquisition related costs	0.00	0.01	0.47
Tax effect on acquisition related costs	0.00	(0.00)	(0.04)
Amortisation related to acquired intangibles	0.14	0.16	0.13
Tax effect on amortisation related to acquired intangibles	(0.03)	(0.04)	(0.03)
Adjusted diluted earnings per share	**3.32**	**3.11**	**3.10**

Adjusted net income attributable to TMX Group Shareholders* for 2010 of C$246.8 million, and adjusted diluted EPS* of C$3.32 were higher than adjusted net income attributable to TMX Group Shareholders* of C$231.0 million and adjusted diluted EPS* of C$3.11 per common share for 2009. Revenue from issuer services, fixed income trading, Canadian derivatives trading and clearing, as well as information services, all increased in 2010 over 2009, somewhat offset by a decline in equities trading revenue and US derivatives market trading revenue over the same period. The increase was somewhat offset by higher operating expenses in 2010 compared with 2009, primarily due to higher costs related to technology initiatives, corporate development and marketing as well as share-based compensation. Technology services revenue was lower in 2010 compared with 2009 due to recognising a one-time license fee of C$13.5 million from London Stock Exchange in 2009.

Adjusted net income attributable to TMX Group Shareholders* of C$231.0 million for 2009 was higher than adjusted net income attributable to TMX Group Shareholders* of C$228.1 million due to higher energy trading, cash markets fixed income trading and market data revenue and higher technology services revenue which included the one-time license fee of C$13.5 million from London Stock Exchange. The increase was partially offset by lower cash markets equity trading revenue, lower issuer services revenue, increased expenses, partially related to new technology initiatives, and lower investment income. In addition, TMX Group's 2009 financial statements reflect a full year of MX results compared with eight months of results in 2008. BOX's results were fully consolidated in TMX Group's 2009 financial statements (with an adjustment made for non-controlling interests) and were only consolidated in TMX Group's 2008 financial statements from 29 August 2008. Adjusted diluted EPS for 2009* of C$3.11 was higher than adjusted diluted EPS* of C$3.10 per common share for 2008 as a result of the incremental revenue discussed above partially offset by the incremental weighted-average shares outstanding during 2009.

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

5. Results of operations and financial conditions for the year ended 31 December 2010 compared with the year ended 31 December 2009

Revenue increased 6 per cent. to C$625.6 million (2009: C$590.4 million), operating profit before other items increased 7 per cent. to C$349.9 million (2009: C$327.2 million) and net income increased 88 per cent. to C$237.5 million (2009: C$126.5 million). Increased revenue from issuer services, cash markets fixed income trading, Canadian derivatives markets trading and clearing, information services and energy markets trading and clearing was partially offset by lower revenue from cash markets equity trading, US derivatives markets trading and technology services. In 2009, technology services revenue included a one-time license fee of C$13.5 million from London Stock Exchange.

Revenues (millions of C$)	Year ended 31 December 2010	Year ended 31 December 2009	Increase (decrease) 2010 vs. 2009
Cash markets	475.3	437.2	38.1
Derivative markets	104.3	114.0	(9.7)
Energy markets	46.0	39.2	6.8
Total revenue	**625.6**	**590.4**	**35.2**

Cash markets

Revenues (millions of C$)	Year ended 31 December 2010	Year ended 31 December 2009	Increase (decrease) 2010 vs. 2009
Issuer services—TSX/TSX Venture Exchange	199.8	159.8	40.0
Other issuer services	13.3	13.4	(0.1)
Cash equities and fixed income	113.1	119.6	(6.5)
Information services	138.5	132.6	5.9
Technology services and other	10.6	11.8	(1.2)
Total revenue	**475.3**	**437.2**	**38.1**

Issuer services—TSX/TSX Venture Exchange

- Initial listing fees in 2010 increased over 2009 due to an increase in the value of initial financings and the number of new issuers listed on TSX and TSX Venture Exchange. Additional listing fees in 2010 increased over 2009 due to an increase in the value and number of additional financings on TSX Venture Exchange. While the value of additional financings on TSX decreased in 2010 compared with 2009, there was an increase in additional listing fees as a result of fee changes that were effective 1 January 2010 and an increase in the number of financing transactions.
- The increase in sustaining listing fees was due to the overall higher market capitalisation of listed issuers on both exchanges at the end of 2009 compared with the end of 2008

Equities and fixed income trading

- Cash markets equity trading revenue decreased as a result of changes to our equity trading fee schedule on 1 October 2009 and 1 March 2010, which included reductions in active trading fees on securities trading at less than C$1.00 in the post-open continuous market and on 1 April 2010, which included a reduction in trading fees for securities trading at C$1.00 and higher. The fee reductions were somewhat offset by fee changes under the ELP Program. Effective 1 October 2009, TMX Group moved to a single tier model which reduced the passive credit paid to ELP Program participants.
- The decrease was also due to a 12 per cent. decrease in the volume of securities traded on TSX in 2010 over 2009 (104.56 billion securities in 2010 compared to 118.53 billion securities in 2009).
- The decrease was somewhat offset by a 45 per cent. increase in the volume of securities traded on TSX Venture Exchange in 2010 over 2009 (67.89 billion securities in 2010 compared to 46.83 billion securities in 2009) and by an increase in fixed income trading revenue from Shorcan due to a more favourable product mix in 2010 compared with 2009.

Information services

- Cash markets information services revenue increased in 2010 as compared with 2009 due to higher revenue from co-location services, fixed income indices, index data licensing and higher usage-based activity in 2010 compared with 2009.
- The increase was partially offset by the impact of the depreciation of the US dollar against the Canadian dollar in 2010 compared with 2009.

Derivatives markets

Revenues (millions of C$)	Year ended 31 December 2010	Year ended 31 December 2009	Increase (decrease) 2010 vs. 2009
Trading, clearing and related	83.7	78.6	5.1
Information services	15.3	16.2	(0.9)
Technology services and other	5.3	19.2	(13.9)
Total revenue	**104.3**	**114.0**	**(9.7)**

- Derivatives markets revenue was lower in 2010 largely as a result of the inclusion of a one-time licence fee of C$13.5 million received from London Stock Exchange in 2009. Revenue from BOX decreased from 2009 due to a 33 per cent. decrease in BOX volumes (91.75 million contracts traded in 2010 versus 137.78 million contracts traded in 2009). This was somewhat offset by revenue from option regulatory fees charged in the US in respect of BOX in 2010 and pricing changes that were effective August 2010.
- The decrease in revenue was partially offset by an increase in trading and clearing revenue from MX and CDCC. MX volumes increased by 27 per cent. (44.30 million contracts traded in 2010 compared to 34.75 million contracts traded in 2009), reflecting increased trading in the BAX and CGB contracts due to increased volatility in future interest rate expectations, as well as increased trading in equity and ETF options. The increase in revenue was partially offset by fee changes that were effective 1 May 2010. Open interest was up 30 per cent. at 31 December 2010 compared with 31 December 2009.

Information services

- Derivatives markets information services revenue decreased due to lower revenue from BOX derivatives market data. There was also a 6 per cent. decrease in the average number of MX market data subscriptions (23,191[5] MX market data subscriptions in 2010 compared with 24,616 in 2009).

Energy markets

Revenues (millions of C$)	Year ended 31 December 2010	Year ended 31 December 2009	Increase (decrease) 2010 vs. 2009
Energy markets	46.0	39.2	6.8
Total revenue	**46.0**	**39.2**	**6.8**

- The increase in energy markets revenue reflects the inclusion of revenue from Shorcan Energy which launched inter-participant brokerage in energy products in the first quarter (in respect of TMX Group Inc.'s financial year) of 2010.
- The higher revenue also reflected a 13 per cent. increase in total energy volume[6] over 2009 (16.72 million terajoules in 2010 compared to 14.8 million terajoules in 2009).

(5) Includes a base number of subscriptions for customers that have entered into enterprise agreements.

(6) NGX's total energy volume includes trading and clearing in natural gas, crude oil and electricity.

- The higher revenue was somewhat offset by the impact of the depreciation of the US dollar against the Canadian dollar in 2010 compared with 2009.

Operating expenses

Operating expenses (millions of C$)	Year ended 31 December 2010	Year ended 31 December 2009	Increase (decrease) 2010 vs. 2009
Compensation and benefits	133.5	126.6	6.9
Information and trading technology	50.7	48.3	2.4
General and administration	73.0	69.3	3.7
Depreciation and amortisation on non-acquisition related intangibles	19.8	19.4	0.4
Total operating expenses	**277.0**	**263.6**	**13.4**

Operating expenses in 2010 were C$277.0 million, up C$13.4 million or 5 per cent. from C$263.6 million in 2009, primarily due to higher costs related to incentive based compensation, technology initiatives, corporate development and marketing.

- *Compensation and benefits* costs increased primarily due to commission based compensation and higher costs associated with long-term performance incentives that are tied to share price appreciation. The TMX Group Inc. share price increased 12 per cent. from 31 December 2009 to 31 December 2010.
- *Information and trading systems* costs increased due to higher costs related to technology initiatives, including enterprise expansion and the inclusion of Shorcan Energy. This increase was partially offset by decreased costs following the decommissioning of legacy hardware in the second quarter (in respect of TMX Group Inc.'s financial year) of 2010.
- *General and administration* costs increased due to higher corporate development and marketing costs as TMX Group continued to pursue new domestic and international expansion opportunities and launch new products across TMX Group businesses. In addition, general and administration costs were higher due to a one-time lease liability adjustment of C$1.3 million in the fourth quarter (in respect of TMX Group Inc.'s financial year) of 2009.

Other income statement items

Other income statements items (millions of C$)	Year ended 31 December 2010	Year ended 31 December 2009	Increase (decrease) 2010 vs. 2009
Net income from associate	1.3	0.4	0.9
Acquisition related costs	0.0	(1.0)	1.0
Amortisation on acquired intangible assets	(9.6)	(11.4)	1.8
Loss on available for sale investment	(1.7)	0.0	(1.7)
Impairment charges on goodwill and intangible assets	0.0	(90.7)	90.7
Net finance income			
Finance income	5.2	4.6	0.6
Finance costs	(6.0)	(6.0)	0.0
Net mark to market on interest rate swaps	(0.2)	(1.4)	1.2
Income tax expense	100.1	94.8	5.3

- In 2010, TMX Group recognised an unrealised loss of C$1.7 million related to a non-cash write-down to the estimated fair value of TMX Group Inc.'s 19.9 per cent. investment in EDX. The investment was made in EDX at a cost of C$7.7 million in the second quarter (in respect of TMX Group Inc.'s financial year) of 2009. The loss includes an unrealised foreign exchange loss of C$0.9 million.
- In 2009, TMX Group recorded a non-cash impairment charge to goodwill and intangibles of C$90.7 million related to its investment in BOX, primarily due to increased competition in the US equity options trading market, which resulted in a decline in current and forecasted revenues.
- In November 2009, the Ontario government substantively enacted legislation to reduce the general corporate income tax rate from 14 per cent. in 2009 to 12 per cent. effective 1 July 2010, with further

reductions to 10 per cent. by 1 July 2013. As a result of these changes to Ontario corporate income tax rates, there was a reduction in the value of future tax assets and liabilities and a corresponding non-cash net decrease in income taxes of C$1.5 million in 2009.

- Since 1 October 2000, MX and CDCC have benefited from certain income tax, capital tax and other exemptions which were intended to support the financial sector in the province of Quebec. This provincial tax holiday ended on 31 December 2010. The impact of this tax holiday was a reduction in income taxes of C$3.5 million and C$3.4 million in 2010 and 2009, respectively.

Cash flow and balance sheet

Net cash flow from operating activities increased by 40 per cent. to C$277.4 million (2009: C$198.6 million). Total additions to tangible and intangible assets increased by 11 per cent. to C$22.5 million (2009: C$20.3 million).

TMX Group had total equity C$1,089.4 million at 31 December 2010 (2009: C$971.1 million).

6. Results of operations and financial conditions for the year ended 31 December 2009 compared with the year ended 31 December 2008

Revenue increased 5 per cent. to C$590.4 million (2008: C$563.3 million), operating profits before other items decreased 5 per cent. to C$327.2 million (2008: C$344.1 million) and net income decreased 33 per cent. to C$126.5 million (2008: C$190.0 million). The increase in 2009 revenue was largely as a result of the inclusion of a full year of revenue related to the business operations of MX and BOX in 2009. In addition, the increase was due to higher energy and cash markets fixed income trading and information services revenue, which was more than offset by lower cash markets equity trading and issuer services revenue, relating to sustaining fees and other issuer services.

	Year ended 31 December		Increase (decrease)
Revenues (millions of C$)	**2009**	**2008**	**2009 vs. 2008**
Cash markets	C$437.2	C$469.6	C$(32.4)
Derivative markets	114.0	63.5	50.5
Energy markets	39.2	30.2	9.0
Total revenue	**C$590.4**	**C$563.3**	**C$27.1**

Cash markets

	Year ended 31 December		Increase (decrease)
Revenues (millions of C$)	**2009**	**2008**	**2009 vs. 2008**
Issuer services—TSX/TSX Venture Exchange	C$159.8	C$165.3	C$(5.5)
Other issuer services	13.4	15.3	(1.9)
Cash equities and fixed income	119.6	145.8	(26.2)
Information services	132.6	127.4	5.2
Technology services and other	11.8	15.8	(4.0)
Total revenue	**C$437.2**	**C$469.6**	**C$(32.4)**

Issuer services—TSX/TSX Venture Exchange

- Revenue decreased in 2009, primarily due to a reduction in sustaining listing fees due to the overall lower market capitalisation of listed issuers at the end of 2008 compared with the end of 2007, somewhat offset by price changes on TSX that were effective 1 January 2009.
- Initial listing fees decreased in 2009 compared with 2008. While the value of initial financings on TSX in 2009 increased compared with 2008, substantially all IPOs related to ETFs or structured products, for which TMX Group charges a lower fee. The corporate IPOs were high value transactions, for which issuers paid the maximum listing fee. In addition, there was also a decrease in initial financings on TSX Venture Exchange. Additional listing fees in 2009 increased over 2008 due to an increase in additional financings on TSX. While the value of additional financings on TSX increased in 2009, this

was driven by a larger proportion of high value transactions, for which issuers paid the maximum additional listing fee. The positive impact from additional financings on TSX was somewhat offset by a decrease in the number of additional financings on TSX Venture Exchange.

Equities and fixed income trading

- *Cash markets* equity trading revenue decreased due to the impact of changes to TMX Group's equity trading fee schedule, which were effective 1 January 2009, and a change in trading mix. The fee changes included increased credits to ELP market participants, a reduction in the spread between active fees and passive credits, and the elimination of a premium fee on ETF transactions. TMX Group implemented further changes to the equity trading fee schedule on 1 October 2009. Fees under the ELP Program were replaced with a single tier model, which reduced the passive credit paid to ELP Program participants. The active fee paid by ELP Program participants was also reduced in some cases. Effective 1 October 2009, there was also a reduction in active trading fees on stocks trading at less than C$1 in the post-open continuous market.
- This decrease was partially offset by a 9 per cent. increase in the volume of securities traded on TSX in 2009 over 2008 (118.5 billion securities in 2009 compared to 109.2 billion securities in 2008) and a 6 per cent. increase in the volume of securities traded on TSX Venture Exchange in 2009 over 2008 (46.8 billion securities in 2009 compared to 44.1 billion securities in 2008).
- The decrease in cash markets' equity trading revenue was partially offset by an increase in Shorcan's fixed income trading revenue related to Government of Canada bonds and provincial bonds in 2009 compared to 2008.

Information services

- Cash markets information services revenue increased due to higher revenue from data feeds, index products, usage-based quotes, indices and other data products, the change in the exchange rate of the US dollar relative to the Canadian dollar in 2009 compared with 2008, as well as pricing changes that were effective 1 January 2009.
- The increase was partially offset by an 8 per cent. decrease in the average number of professional and equivalent real-time market data subscriptions to TSX and TSX Venture Exchange products in 2009 compared with 2008, lower revenue recoveries related to under-reported usage of real-time quotes in 2009 compared with 2008 and an increase in revenue provisions.

Technology services and other

- Technology services revenue in 2009 was lower, primarily due to net foreign exchange losses on US dollar accounts receivable.

Derivatives markets

Revenues (millions of C$)	Year ended 31 December 2009	Year ended 31 December 2008	Increase (decrease) 2009 vs. 2008
Trading, clearing and related	C$78.6	C$47.3	C$31.3
Information services	16.2	9.4	6.8
Technology services and other	19.2	6.8	12.4
Total revenue	**C$114.0**	**C$63.5**	**C$50.5**

- Derivatives markets revenue reflects C$78.6 million in trading and clearing revenue from MX and trading revenue from BOX for the full year 2009, compared with C$47.3 million from MX in 2008 following the combination on 1 May 2008 and BOX from 29 August 2008 when BOX's results were consolidated into TMX Group's financial statements, with an adjustment for non-controlling interests.
- MX volumes decreased by 9 per cent. (34.8 million contracts traded in 2009 compared to 38.1 million contracts traded in 2008), reflecting reduced trading in both the BAX and CGB contracts, as well as stock index derivatives, partially offset by an increase in stock options and ETF options derivatives trading. TMX Group believes the reduction in fixed income futures trading was a reflection of the 2009 interest rate environment of historically low rates with little volatility.

- BOX volumes decreased by 23 per cent. (137.8 million contracts in 2009 compared to 178.7 million contracts traded in 2008), reflecting increased competition and a weakening share of market volume in the US equity options trading market.

Information services

- Derivatives markets information services revenue was C$16.2 million in 2009 compared with C$9.4 million from MX from 1 May 2008 and BOX from 29 August 2008. There was a 13 per cent. decrease in the average number of MX market data subscriptions in 2009 compared with the eight months from 1 May 2008 to 31 December 2008.

Technology services and other

- Technology services revenue in 2009 was higher primarily due to a one-time licence fee of C$13.5 million received from the London Stock Exchange.

Energy markets

Revenues (millions of C$)	Year ended 31 December 2009	2008	Increase (decrease) 2009 vs. 2008
Energy markets	39.2	30.2	9.0
Total revenue	**C$39.2**	**C$30.2**	**C$9.0**

- Energy markets revenue increased due to the inclusion of revenue from crude oil trading following the acquisition of NTP on 1 May 2009. NGX's crude oil volumes for 2009 averaged over 4.1 million Bbls/mo or 135,000 barrels per day.
- The increase was also due to pricing changes on natural gas contracts that were effective 1 January 2009, the change in the exchange rate of the US dollar relative to the Canadian dollar in 2009 compared with 2008 and also as a result of NGX having deferred less revenue in 2009, on a net basis, than in 2008 due to a reduced level of forward contracts.
- Energy markets revenue also increased due to a 3 per cent. increase in the volumes of natural gas, over-the-counter, or OTC, bilateral and crude oil contracts traded or cleared on NGX over 2008 (14.8 million terajoules in 2009 compared to 14.4 million terajoules in 2008). This excludes Watt-Ex volumes.

Operating expenses

Operating expenses (millions of C$)	Year ended 31 December 2009	2008	Increase (decrease) 2009 vs. 2008
Compensation and benefits	126.6	110.4	16.2
Information and trading technology	48.3	35.6	12.7
General and administration	69.3	58.2	11.1
Depreciation and amortisation on non-acquisition related intangibles	19.4	16.4	3.0
Total operating expenses	**263.6**	**220.6**	**43.0**

Operating expenses in 2009 were C$263.6 million, an increase of C$43.0 primarily due to the inclusion of C$75.9 million of expenses related to MX and BOX, compared to C$43.3 million related to MX from 1 May 2008 to 31 December 2008 and the operations of BOX from 29 August 2008 to 31 December 2008. In addition, TMX Group incurred higher expenses related to various technology initiatives in 2009 compared with 2008.

These higher expenses were partially offset by the cost synergies related to the integration with MX. By the fourth quarter (in respect of TMX Group Inc.'s financial year) of 2009, TMX Group had achieved the previously announced C$25.0 million in cost synergies on a run-rate basis when compared with the 2008 business plans of the separate organisations through headcount reductions, reducing corporate support costs, combining their data centres and other technology initiatives.

- *Compensation and benefits* costs increased primarily due to the inclusion of C$28.6 million in costs related to MX and BOX. There were C$16.9 million in costs related to MX in 2008 following the combination on 1 May 2008 and BOX from 29 August 2008. The increase was also attributable to higher costs associated with technology initiatives, increased overall costs related to certain performance incentives, higher organisational transition costs and increased costs associated with salary increases compared with 2008, partially offset by lower costs related to an accounting adjustment to post retirement benefit costs of C$0.8 million.
- *Information and trading systems* costs included C$6.6 million in costs related to MX and BOX, compared with C$3.9 million in costs related to MX in 2008 following the combination on 1 May 2008 and BOX from 29 August 2008. Information and trading systems costs also increased due to costs associated with TMX Group's technology initiatives, including enterprise expansion, the TSX Quantum gateway and the smart order router.
- *General and administration* costs included C$23.5 million in costs related to MX and BOX, compared with C$13.0 million in costs related to MX in 2008 following the combination on 1 May 2008 and BOX from 29 August 2008.
- *Depreciation and non-acquisition software amortisation* costs increased due to the full year inclusion of MX and BOX.

Other income statement items

	Year ended 31 December		Increase (decrease)
Other income statement items (millions of C$)	**2009**	**2008**	**2009 vs. 2008**
Net income from associate	0.4	1.4	(1.0)
Acquisition related costs	(1.0)	(34.7)	33.7
Amortisation on acquired intangible assets	(11.4)	(9.3)	(2.1)
Impairment charges on goodwill and intangible assets	(90.7)	0.0	(90.7)
Net finance income:			
Finance income	4.6	14.8	(10.2)
Finance costs	(6.0)	(10.5)	4.5
Net mark to market on interest rate swaps	(1.4)	(13.3)	11.9
Income tax expense	94.8	101.1	(6.3)

- In 2009, TMX Group incurred C$1.0 million of acquisition related costs in connection with the acquisition of NTP.
- In 2008, C$34.7 million of acquisition related costs in connection with the acquisition of MX, BOX and NTP.
- In November 2009, the Ontario government substantively enacted legislation to reduce the general corporate tax rate from 14 per cent. in 2009 to 12 per cent. effective 1 July 2010, with further reductions to 10 per cent. by 1 July 2013. As a result of these changes to Ontario corporate tax rates, there was a reduction in the value of future tax assets and liabilities and a corresponding net decrease in income taxes of C$1.5 million. Excluding this revaluation, the effective tax rate for 2009 was lower compared with 2008 due to an increase in income attributable to the Province of Quebec in 2009, compared with the period from 1 May 2008 to 31 December 2008. In TMX Group's case, this income was taxed at a lower tax rate in Quebec due to a tax holiday which ended on 31 December 2010.

Cash flow and balance sheet

Net cash flow from operating activities decreased by 9 per cent. to C$198.6 million (2008: C$218.4 million). Total additions to tangible and intangible assets increased by 48 per cent. to C$20.3 million (2008: C$13.7 million).

TMX Group had total equity of C$971.1 million at 31 December 2009 (2008: C$990.7 million).

7. Liquidity and capital resources

TMX Group's primary objectives in managing capital, which TMX Group defines to include share capital and various credit facilities, include:

- maintaining sufficient capital for operations to ensure market confidence;
- maintaining sufficient capital to meet the covenants imposed in connection with TMX Group Inc.'s long-term debt (please see under the heading "Term Loan" within this Part 15—"Operating and financial review for TMX Group");
- retaining sufficient capital to invest in, and continue to grow, TMX Group's business both organically and through acquisitions; and
- increasing total returns to shareholders through methods such as dividends and purchasing shares for cancellation pursuant to normal course issuer bids.

TMX Group's objectives, policies and processes for managing capital have not changed in the current economic environment.

Liquidity

TMX Group's principal sources of liquidity are cash generated from operations and borrowings available under various committed revolving and non-revolving credit facilities.

TMX Group's principal uses of cash have been operating and capital expenditures, acquisitions and strategic investments, capital returns to shareholders (including dividends) and debt servicing.

In June 2010, TMX Group Inc. filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. This will enable TMX Group Inc. to offer and issue up to C$1.0 billion of debt, equity or other securities over a 25-month period ending in July 2012. The net proceeds of any such offerings will be used for general corporate purposes, including repaying outstanding indebtedness from time-to-time, and funding future acquisitions or investments. Under the Merger Agreement, TMX Group Inc. is currently restricted from raising funds without their consent.

Capital resources—cash, cash equivalents and marketable securities

			Increase (decrease)	
31 December 2010	**31 December 2009**	**31 December 2008**	**2010 vs. 2009**	**2009 vs. 2008**
		(in millions of dollars)		
C$331.5	C$192.1	C$200.2	C$139.4	C$(8.1)

2010 compared to 2009

- The increase was largely due to net cash flow from operating activities of C$277.4 million, partially offset by dividend payments of C$114.3 million, capital expenditures of C$12.8 million and additions to intangible assets of C$9.7 million.

2009 compared to 2008

- The decrease was due to:
  - four dividend payments of C$0.38 per common share, or C$113.0 million in aggregate, as well as to payments totalling C$30.3 million relating to the repurchase of 1,000,000 common shares under TMX Group Inc.'s NCIB program in 2009;
  - cash paid of C$23.0 million in relation to the 1 May 2009 acquisition of NTP, net of cash acquired;
  - cash paid of C$7.7 million for a 19.9 per cent. interest in EDX on 7 May 2009; and
  - non-acquisition related additions to intangible assets of C$13.2 million, the payment of C$6.3 million in dividends to non-controlling interests in BOX and C$7.1 million in capital expenditures.
- The decrease was largely offset by net cash flow from operating activities of C$198.6 million.

Capital resources—credit facilities and guarantees

Term Loan

31 December 2010	31 December 2009	31 December 2008	Increase (decrease) 2010 vs. 2009	2009 vs. 2008
		(in millions of dollars)		
C$429.8	C$429.0	C$428.3	C$0.8	C$0.7

- In connection with the combination with MX, TMX Group Inc. established a non-revolving three-year term unsecured credit facility of C$430.0 million (the "***Term Loan***"). On 30 April 2008, TMX Group Inc. borrowed C$430.0 million in Canadian funds under the Term Loan to satisfy the cash consideration of the purchase price for MX. On 31 March 2011, TMX Group Inc. extended and amended this facility that was due to expire on 18 April 2011. The revised credit facility remains drawn at the LSEG Latest Practicable Date at C$430.0 million and will expire on 31 March 2012, or 180 days after the completion or cancellation of the Merger with the LSEG, if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Until 18 April 2011, TMX Group Inc.'s acceptance fee or spread on the loan was 45 basis points. After that date, the acceptance fee or spread is 85 basis points. The facility remains unsecured and continues to include certain covenants that TMX Group Inc. must maintain.
- This credit facility contains customary covenants, including a requirement that TMX Group Inc. maintain:
  - a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortisation, all determined in accordance with IFRS;
  - a minimum consolidated net worth covenant based on a pre-determined formula; and
  - a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3:1.
  - as at 31 March 2011, 31 March 2010, 31 December 2010, and 31 December 2009, all covenants were met and as at the LSEG Latest Practicable Date, TMX Group is not aware of any reasons why the covenants would not be met.

As at the LSEG Latest Practicable Date, TMX Group Inc. was not involved in discussions to change the existing covenants.

Other credit facilities and guarantees

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. TMX Group Inc. is NGX's unsecured guarantor for this fund up to a maximum of US$100.0 million. This facility had not been drawn upon as at the LSEG Latest Practicable Date.

NGX also has an EFT daylight facility of C$300.0 million in place with a Canadian chartered bank.

CDCC has a C$50.0 million revolving standby credit facility with a Canadian Schedule I bank to provide liquidity in the event of default by a clearing member. This facility had not been drawn upon as at the LSEG Latest Practicable Date.

As at 31 March 2011, TMX Group had no other undrawn committed credit facilities other than those discussed in this Part 15—"Operating and financial review for TMX Group".

Regulatory capital

In order to maintain sufficient capital for operations to ensure market confidence, TMX Group Inc. currently targets to retain a minimum of C$100.0 million in cash and marketable securities. There is no plan to materially change this amount during 2011. TMX Group Inc. does this by managing its capital, subject to capital maintenance requirements imposed on its Subsidiaries:

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

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

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

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

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

(a) maintain adequate financial resources, as required by the ASC; and

(b) maintain a current ratio of no less than 1:1 and a tangible net worth of not less than C$9.0 million, as required by a major Canadian chartered bank;

- in respect of Shorcan, by IIROC which requires Shorcan to maintain a minimum level of shareholder's equity of C$0.5 million; and
- in respect of MX, as required by the AMF to maintain certain regulatory ratios as defined in the AMF recognition order, as follows:

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

(b) a cash flow to total debt ratio of more than 20 per cent.; and

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

TMX Group has complied with all externally imposed capital requirements.

Contractual obligations

The following details the contractual obligations as at 31 December 2010:

	Total	Less than one year	One to five years	Five+ years
Finance leases	C$2.0	C$0.8	C$1.2	C$—
Operating leases	77.7	17.7	38.6	21.4
Term loan	430.0	430.0	—	—
Total obligations	**C$509.7**	**C$448.5**	**C$39.8**	**C$21.4**

Off balance sheet arrangements

TMX Group does not have any off-balance sheet arrangements other than those documented under the heading "Contractual commitments" within this Part 15—"Operating and financial review for TMX Group".

8. Transactions with related parties

The related party transactions between TMX Group and its related parties that were entered into during the financial years ended 31 December 2010, 31 December 2009 and 31 December 2008 are shown in the transactions with related parties in note 27 to the financial statements for the years ended 31 December 2010, 31 December 2009 and 31 December 2008 in Part 17C—"Restated financial information relating to TMX Group". During the period 1 January 2011 to the LSEG Latest Practicable Date, there were no new related party transactions other than a continuation of those described in Part 17C—"Restated financial information relating to TMX Group" with respect to the year ended 31 December 2010.

9. Proposed transactions

No other material transactions outside of the Merger are proposed at the date of this document.

10. Financial instruments

TMX Group's financial instruments are summarised in note 24 of the financial statements, which are set out in Part 17C—"Restated financial information relating to TMX Group".

Cash equivalents and marketable securities

TMX Group's financial instruments include cash, cash equivalents and investments in marketable securities which are held to earn investment income. These instruments include units in a money market fund and a short-term bond and mortgage fund, managed by an external adviser. The primary risks related to these marketable securities are variation in interest rates and credit risk. These investments are recorded at fair value, which in the case of money market funds, bonds and bond funds are determined based on quoted market prices.

Accounts receivable

TMX Group's financial instruments include accounts receivable, which represents amounts that TMX Group's customers owe it. The fair value is based on the actual amounts owed by the customers, net of a provision for that portion which may not be collectible. The primary risk related to accounts receivable is credit risk.

CDCC—daily settlements and cash deposits

As part of CDCC's clearing operations, amounts due from and to clearing members as a result of marking to market open futures positions and settling options transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from and due to clearing members are recognised in the consolidated assets and liabilities as daily settlements and cash deposits. There is no impact on the consolidated statements of income. The primary risks associated with these financial instruments are credit risk and market risk.

Term Loan

TMX Group Inc. established the Term Loan in connection with the combination with MX. TMX Group Inc. entered into a series of interest rate swaps to partially manage its exposure to interest rate fluctuations on the Term Loan.

Total return swaps

TMX Group has entered into a series of TRSs, which synthetically replicate the economics of TSX Inc. purchasing its shares as a fair value hedge to the share appreciation rights of DSUs, and non-performance based RSUs that are awarded to TMX Group directors and employees. TMX Group 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 share units as an adjustment to income. These TRSs are subject to credit risk and market risk.

The fair value of the TRSs is based upon the excess or deficit of the volume weighted-average price of TMX Group Shares for the last five trading days of the reporting period compared with TMX Group Inc.'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.

NGX—energy contracts

As part of its clearing operations, NGX becomes the central counterparty to each transaction whether it relates to natural gas, electricity or crude oil contracts) cleared through its clearing operations. TMX Group records NGX's energy contract receivables and offsetting payables for all contracts where physical delivery has occurred or financial settlement amounts have been determined prior to the period end, but payments have not been made. There is no impact on the consolidated statements of income. The fair value at the balance sheet date of the undelivered physically settled trading contracts and the forward financially settled trading contracts is recognised 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.

Interest rate swaps

TMX Group Inc. has entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the Term Loan, effective 28 August 2008. Interest rate swaps are subject to credit risk. TMX Group Inc. marks to market the fair value of the remaining interest rate swap.

11. Financial risk management

Credit risk

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

(a) *Investments in marketable securities*

TMX Group manages its exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. The investment policy of TMX Group will only allow excess cash to be invested within a specific money market fund and a specific short-term bond and mortgage fund. The money market fund manages credit risk by limiting its investments to government or government-guaranteed treasury bills, and high-grade corporate notes. The short-term bond and mortgage fund manages credit risk by limiting its investments to high quality Canadian corporate bonds, government bonds and up to 40 per cent. of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS Limited at the time of purchase. Mortgages may not comprise more than 40 per cent. 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.

(b) *Total return swaps and interest rate swaps*

TMX Group limits its exposure to credit risk on TRSs and interest rate swaps by contracting with a major Canadian chartered bank.

(c) *Accounts receivable*

TMX Group'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. TMX Group invoices its customers on a regular basis and maintains a collections team to monitor customer accounts and minimise the amount of overdue receivables. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading or data privileges.

(d) *Clearing and/or brokerage operations*

TMX Group is exposed to credit risk in the event that customers, in the case of Shorcan and Shorcan Energy, 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 and Shorcan Energy's risk is limited by their status as agents, in that they do not purchase or sell securities for their own account. As agents, in the event of a failed trade, Shorcan or Shorcan Energy have the right to withdraw their 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:

(i) Outstanding energy contracts receivable;

(ii) "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

(iii) "Initial Margin", an amount that estimates the worst expected loss that a contract might incur under normal market conditions during a liquidation period.

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 its 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 DCMM process that evaluates the financial strength of a clearing member against its margin requirements. Every day, CDCC monitors the margin requirements of a clearing member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ratio of margin requirement/net allowable assets exceeds 100 per cent. The additional margin requirement is equal to the excess of the ratio over 100 per cent.

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

CDCC's margin 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.

(e) *Facilities and guarantees*

NGX maintains an unsecured clearing backstop fund of US$100.0. TMX Group Inc. is the guarantor, on an unsecured basis, of this fund.

In response to both the credit and liquidity risks that CDCC is exposed to through its clearing operations, CDCC has arranged a total of C$50.0 in revolving standby credit facilities with a Canadian Schedule 1 bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralised, bear interest based on the bank's prime rate plus 0.75 per cent.

Neither facility has been drawn upon at 31 March 2011, 31 March 2010, 31 December 2010, 31 December 2009 or 31 December 2008.

In addition, in January 2011, CDCC arranged additional credit facilities. A C$100.0 daylight liquidity facility and a C$50.0 call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

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 TMX Group's income or the value of its holdings of financial instruments.

(a) *Foreign currency risk*

TMX Group is exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and trade payables principally denominated in USD.

(b) *Interest rate risk*

TMX Group 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 TMX Group to manage the asset mix and the risks associated with its marketable securities.

TMX Group Inc. has a non-revolving term loan payable of C$430.0 million. TMX Group Inc. entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on

the loan. At 31 December 2010, the fair value of the remaining interest rate swap was a liability of C$0.7 million. The approximate impact of a 1 per cent. rise or fall in interest rates on the fair value of the remaining swap is approximately a C$0.3 million decrease or increase in the liability respectively. The approximate impact on net income of a 1 per cent. rise and a 1 per cent. fall in interest rates with respect to the loan to expiry is a decrease of C$1.3 million and an increase of C$1.3 million respectively.

(c) *Equity price risk*

TMX Group is exposed to equity price risk arising from its RSU and DSU plans, as TMX Group's obligation under the plans is partly based on the price of TMX Group Inc.'s shares. TMX Group has entered into TRSs as a partial fair value hedge to the share appreciation rights of the RSUs and DSUs awarded under the plan. The fair value of the TRSs is based upon the excess or deficit of the volume weighted-average price of TMX Group Inc.'s shares for the last five trading days of the reporting period compared with TMX Group Inc.'s share price at the date of entering into the TRSs. As at 31 December 2010, a 25 per cent. increase in the share price of TMX Group Inc. would result in a net C$2.8 million decrease in net income. A 25 per cent. decrease in the share price of TMX Group Inc. would result in a net C$3.7 million increase in net income.

(d) *Other market price risk*

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

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.

TMX Group 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 31 December of the previous year.

Liquidity risk

Liquidity risk is the risk that TMX Group will not be able to meet its financial obligations as they become due. TMX Group manages liquidity risk through the management of its cash and marketable securities, all of which are held in short-term instruments, and its credit facilities and capital.

12. Critical accounting policies and estimates

Basis of preparation and accounting policies

TMX Group Inc.'s consolidated financial statements are prepared in accordance with IFRS and IFRIC interpretations as endorsed by the EU. The financial statements are prepared in accordance with TMX Group Inc.'s accounting policies as set out in TMX Group Inc.'s consolidated financial statement in Part 17C—"Restated financial information relating to TMX Group", which are in a form consistent with the accounting policies adopted in LSEG's latest annual accounts.

Long-term incentive plan

TMX Group has a long-term incentive plan under which it may grant RSUs. RSUs vest on 31 December 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. In each of TMX Group's business segments, TMX Group accrues its obligations and includes them in trade and other payables and other non-current liabilities and other liabilities. 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. The amount to be paid is uncertain because it is largely dependent on the future share price and dividend rate, which can fluctuate over time. Management's estimate of TSR affects the amount

of compensation and benefits expense recognised during the period. TMX Group's accrual is based on actual dividends paid, continuation of the most recent quarterly dividend and the closing share price of TMX Group Shares for the period. Having monitored fluctuations in the share price of TMX Group Shares, it was determined that accruing TMX Group's obligations in this manner provided a better estimate of the payout compared with an estimate based on a target. TMX Group has purchased derivative financial instruments that partially hedge the impact of its share price appreciation.

Identifiable intangible assets and goodwill

TMX Group accounts for its business acquisitions using the purchase method of accounting. In each of its business segments, TMX Group allocates the total cost of an acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, TMX Group must identify and attribute values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives, and therefore require considerable judgment. These determinations, if any, will affect the amount of amortisation and impairment charges recorded in future periods.

As the valuation of identifiable intangible assets and goodwill requires significant estimates and judgment about future performance and fair values, TMX Group's future results could be affected if current estimates of future performance and fair values change. The TMX Group Board reviews the carrying values of identifiable intangible assets with indefinite lives and goodwill at least annually to assess impairment because these assets are not amortised. Additionally, the TMX Group Board reviews the carrying value of any intangible asset or goodwill whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Examples of such events or changes in circumstances include significant negative exchange industry or economic trends, a significant decrease in the market value of the asset, or a significant change in regulatory or competitive factors or in the business climate that could affect the value of the asset.

Impairment

TMX Group tests for impairment as follows:

The carrying amounts of TMX Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually, and the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "***cash-generating unit***", or "***CGU***"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

BOX

In addition to the existing competition, there have been new entrants into the US options market offering various incentives to attract liquidity to their marketplaces. The various pricing, technology and ownership models have affected BOX's ability to maintain its share of market volume and the growth rates that it had previously been achieving. The effect of this increased competitive environment, as reflected in an increased discount rate, and the reduction of the growth rates from historical levels, were the prime factors that resulted in an impairment of goodwill in 2009. The value of the goodwill and intangibles prior to impairment was approximately C$119.0 million. The estimate of the impairment ranged from C$0 to approximately C$119.0 million and a write down of C$90.7 million was recorded in 2009 based on the estimated fair value of BOX (see under the heading "Impairment" within this Part 15—"Operating and financial review for TMX Group"). In 2009, management at BOX developed new services and introduced new pricing to reverse the reduction in its share of market volume; however, it is premature to conclude whether these or other initiatives to incentivise liquidity will be successful over time. Based on current assumptions, the fair value of BOX intangible assets remains above carrying value.

MX

MX activity and growth were affected by the credit crisis and the follow on economic conditions. Specifically, the deleveraging of balance sheets and historically low and stable interest rates reduced fixed income and overall derivatives activity. However, the view of management is that this reduction was temporary and that the fundamental growth opportunities that were included in the original valuation of MX are still valid. As the economic recovery began, interest rate forecasts reflected a rising yield curve. The speculation and uncertainty with respect to future growth rates should continue to lead to greater hedging and trading activity. In 2010, MX had a record year for contracts traded. In addition, the size of the Canadian derivatives market relative to the size of the underlying cash market is still substantially below that of global peers, thus leaving much room for growth if new technology, products and participants are added to the marketplace. Lastly, the global push from regulators and market participants to move over-the-counter derivatives products to exchange-traded and/or centrally cleared models suggests further upside potential. It is the combination of the foregoing that resulted in management maintaining the growth projections and discount rates at levels that were in line with the original assumptions, such that MX goodwill is not impaired. Changes in these assumptions, which could occur if these growth opportunities are not achieved, could result in a material reduction in goodwill and intangible assets. This would be a non-cash charge in the derivatives segment that would impact net income and shareholder equity. If a write-down was to occur and it was greater than C$412.0 million, it is possible that the financial covenants in TMX Group Inc.'s Term Loan would not be met and this debt would need to be repaid prior to expiry, which is the earlier of 30 March 2012, or 180 days after the Completion or cancellation of the Merger with LSEG. Based on current assumptions, the fair value of MX intangible assets remains above carrying value.

NTP intangible assets

The intangible assets related to the acquisition of NTP are largely related to the cash flows and customer base of NTP. As TMX Group has converted NTP to NGX's fully backstopped clearing model, a number of customers have not maintained their level of activity in these crude oil products. NGX has a number of initiatives to encourage these customers to grow their level of activity, however if NGX is unsuccessful in these efforts, it is possible that C$47.0 million of intangible assets would need to be reduced. NTP was converted to the NGX clearing model in May 2009. In addition, in January 2011, TMX Group announced an agreement to add Canadian and US physical and Canadian financial crude oil products to NGX's existing clearing and technology alliance with ICE. Based on current assumptions, the fair value of NTP intangible assets remains above carrying value.

13. Changes in accounting policy

There have been no changes in TMX Group Inc.'s accounting policy other than as disclosed in TMX Group's financial statements for the years ended 31 December 2010, 2009 and 2008.

14. Share capital

As at 12 May 2011, TMX Group Inc. had issued 74,594,400 common shares each with voting rights.

15. Impairment

See paragraph 12—"Critical accounting policies and estimates" within this Part 15—"Operating and financial review for TMX Group" for a full description of the TMX Group impairment process.

16. Transfer pricing

TMX Group operates its transfer pricing policy ensuring that all material related party transactions are undertaken on an arm's length basis. All material transactions are reviewed by the in-house tax department and external advice is sought when necessary from industry and country experts.

17. Current trading

Net income was C$64.3 million (C$63.1 million attributable to TMX Group Shareholders), or C$0.85 per common share (C$0.84 cents on a diluted basis) for the first quarter of 2011, compared with net income of C$56.7 million (C$57.1 attributable to TMX Group Shareholders), or C$0.77 per common share on a basic and diluted basis for the first quarter of 2010, representing an increase in net income of 13 per cent. The increase in net income was largely due to higher revenue across the major components of our business, partially offset by increased expenses due to costs associated with the proposed Merger with LSEG, a commodity tax adjustment and higher costs associated with short and long-term employee incentive plans.

Adjusted earnings per share for the first quarter of 2011

	Q1/11		Q1/10	
	Basic	**Diluted**	**Basic**	**Diluted**
Earnings per share	C$0.85	C$0.84	C$0.77	C$0.77
Adjustments:				
Adjustment related to costs associated with the proposed Merger with LSEG, net of tax	C$0.08	C$0.08	—	—
Adjustment related to commodity tax adjustment, net of tax	C$0.05	C$0.05	—	—
Adjusted earnings per share	**C$0.98**	**C$0.97**	**C$0.77**	**C$0.77**

Adjusted earnings per share of C$0.98 per common share (C$0.97 on a diluted basis), was higher than earnings per share of C$0.77 per common share on a basic and diluted basis for the first quarter of 2010. The increase in adjusted earnings per share was largely due to higher revenue across the major components of our business, partially offset by the impact of higher costs associated with short and long-term employee incentive plans.

Revenue was C$174.7 million in the first quarter of 2011, up C$25.3 million, or 17 per cent. compared with C$149.4 million for the first quarter of 2010, reflecting increased revenue from across our business with the exception of a decrease in technology services and other revenue due to higher net foreign exchange losses in the first quarter of 2011 when compared with the first quarter of 2010.

Operating expenses in the first quarter of 2011 were C$77.1 million, up C$7.5 million, or 11 per cent., from C$69.6 million in the first quarter of 2010 primarily due to a commodity tax adjustment and higher costs associated with short and long-term employee incentive plans. This increase was somewhat offset by lower costs following the decommissioning of legacy hardware and lower depreciation and amortisation costs.

Equity financing and consolidated trading update

TSX doubled the number of new listings in April 2011 with 24, compared to 12 in April 2010; the April 2011 figure represents a 42 per cent. increase over March 2011. There were 16 IPOs on TSX in April 2011 compared to seven in April 2010 and 12 in March 2011, increases of 129 per cent. and 33 per cent. respectively. On a year-to-date basis to April 2011, total financings raised on TSX exceeded 2010 levels by 5 per cent.

Year-to-date financings on TSX Venture Exchange in the first four months of 2011 outpaced the same period in 2010 by 86 per cent. TSX Venture Exchange welcomed 10 new listings in April 2011, down from both the prior month and April 2010. There were eight IPOs on TSX Venture Exchange during April 2011, up from seven in April 2010 and down from 11 in March 2011. Market capitalisation on both exchanges in

April 2011 continued to significantly exceed 2010 levels; TSX was up 23 per cent. and TSX Venture Exchange was up 80 per cent.

Year-to-date trading on TSX in April 2011 continued to surpass 2010 levels by all measures. Trading volume was up 12 per cent. and transactions were up 17 per cent. in the first four months of 2011, compared to the same period in 2010. Monthly trading volume on TSX decreased by 8 per cent. in April 2011 compared to April 2010 and by 25 per cent. compared to March 2011. TSX Venture Exchange also continued to far exceed 2010 trading levels on a year-to-date basis, with volume up 51 per cent. as of April 2011 compared to the same period in 2010. Volume also increased 16 per cent. in April 2011 compared to the same month a year earlier, though it was down 14 per cent. in April 2011 compared to March 2011. On a month-to-date basis in May (as of 27 May 2011) average daily trading volume traded on TSX decreased by approximately 5 per cent. in comparison to April 2011. TSX Venture Exchange average daily volume traded on a month-to-date basis in May (as of 27 May 2011) decreased approximately 24 per cent. in comparison to April 2011.

As of April 2011, year-to-date volume and open interest contracts on MX remained significantly higher in 2011 than in 2010, with increases of 42 per cent. and 33 per cent. respectively. On a year-over-year basis, MX trading volume in April 2011 surpassed April 2010 levels by 30 per cent. Volume in April 2011 fell 19 per cent. compared to March 2011. Open interest contracts on MX increased 33 per cent. in April 2011 compared to the same month in 2010, and increased by 5 per cent. compared to March 2011. Volume on NGX was up 12 per cent. year-to-date as of April 2011, though down somewhat in April 2011 compared to both March 2011 and to the same month in 2010. On a month-to-date basis in May (as of 27 May 2011), average daily volume on MX increased by approximately 15 per cent. in comparison to April 2011. Average daily volume on NGX is up approximately 2 per cent. on a month-to-date basis in May (as of 27 May 2011) as compared to April 2011.

PART 16

HISTORICAL FINANCIAL INFORMATION RELATING TO THE LSEG GROUP

1. Basis of financial information

The financial statements of the LSEG Group included in the annual report and accounts for each of the financial years ended 31 March 2011, 2010 and 2009, together with the audit reports thereon, are incorporated by reference in, and form part of, this document. The audit reports for each of the financial years ended 31 March 2011, 2010 and 2009 were unqualified.

The financial statements for each of the years ended 31 March 2011, 2010 and 2009 were prepared in accordance with IFRS and the LSEG's accounting policies.

2. Cross reference list

The following documents are incorporated in, and form part of, this document:

The audited consolidated financial information of LSEG for the financial year ended 31 March 2011 and the audit report thereon

The page numbers below refer to the relevant pages of LSEG's annual report for the financial year ended 31 March 2011:

consolidated income statement—page 64;

consolidated balance sheet—page 65;

consolidated cash flow statement—page 66;

accounting policies—pages 68 to 72;

notes to the financial statements—pages 68 to 101; and
auditor's report—page 63.

The information detailed above has been made public and is available on LSEG's website at *www.londonstockexchangegroup.com*

The audited consolidated financial information of LSEG for the financial year ended 31 March 2010 and audit report thereon

The page numbers below refer to the relevant pages of LSEG's annual report for the financial year ended 31 March 2010:

consolidated income statement—page 60;

consolidated balance sheet—page 61;

consolidated cash flow statement—page 62;

accounting policies—pages 64 to 68;

notes to the financial statements—pages 69 to 101; and
auditor's report—page 59.

The audited consolidated financial information of LSEG for the financial year ended 31 March 2009 and the audit report thereon

The page numbers below refer to the relevant pages of LSEG's annual report for the financial year ended 31 March 2009:

consolidated income statement—page 55;

consolidated balance sheet—page 56;

consolidated cash flow statement—page 57;

accounting policies—pages 58 to 61;

notes to the financial statements—pages 62 to 94; and
auditor's report—page 54.

PART 17

HISTORICAL FINANCIAL INFORMATION RELATING TO TMX GROUP

TMX Group's unaudited interim financial statements for the three months ended 31 March 2011, presented in Part 17A—"Interim consolidated financial statements of TMX Group for the three months ended 31 March 2011," have been prepared in accordance with CIFRS and TMX Group accounting policies.

The historical financial information of TMX Group restated under IFRS and LSEG's accounting policies covering the three financial years ended 31 December 2010, 2009 and 2008 is presented in Part 17C—"Restated financial information relating to TMX Group". The accountant's report on this historical financial information is provided in Part 17B—"Accountant's report".

PART 17A:

INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF TMX GROUP FOR THE THREE MONTHS ENDED 31 MARCH 2011

Any definitions used in this Part 17A—"Interim consolidated financial statements of TMX Group for the three months ended 31 March 2011" apply to this Part 17A—"Interim consolidated financial statements of TMX Group for the three months ended 31 March 2011" only.

TMX GROUP INC.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(In millions of Canadian dollars)

(Unaudited)

	Note	March 31, 2011	December 31, 2010	January 1, 2010
Assets				
Current assets:				
Cash and cash equivalents		**$84.2**	$69.9	$88.9
Marketable securities		**293.4**	261.6	103.2
Trade and other receivables		**138.1**	89.7	79.4
Energy contracts receivable		**703.1**	754.9	714.5
Fair value of open energy contracts		**126.8**	141.9	202.8
Daily settlements and cash deposits		**181.3**	193.1	565.4
Prepaid expenses		**7.9**	6.7	6.0
Current income tax assets		**2.4**	4.3	12.3
		1,537.2	1,522.1	1,772.5
Non-current assets:				
Premises and equipment		**26.6**	28.4	24.4
Investment in equity accounted investees		**15.6**	14.2	12.8
Goodwill		**420.8**	421.3	422.5
Other intangible assets		**917.4**	920.1	932.0
Deferred tax assets		**48.5**	43.4	41.7
Other non-current assets		**10.1**	16.3	21.2
Total Assets		**$2,976.2**	$2,965.8	$3,227.1
Liabilities and Shareholders' Equity				
Current liabilities:				
Trade and other payables		**$44.4**	$58.6	$43.9
Energy contracts payable		**703.1**	754.9	714.5
Fair value of open energy contracts		**126.8**	141.9	202.8
Daily settlements and cash deposits		**181.3**	193.1	565.4
Deferred revenue		**76.9**	18.7	15.1
Provisions	**10**	**5.9**	0.4	1.2
Current income tax liabilities		**5.7**	7.3	10.9
Fair value of interest rate swaps		**0.1**	0.7	2.1
Term loan	**8**	**429.3**	429.8	—
		1,573.5	1,605.4	1,555.9
Non-current liabilities:				
Accrued employee benefits payable		**12.2**	12.1	10.9
Deferred tax liabilities		**233.8**	233.5	232.9
Other non-current liabilities		**27.3**	25.4	23.7
Fair value of interest rate swaps		**—**	—	3.6
Term loan		**—**	—	429.0
Total Liabilities		**1,846.8**	1,876.4	2,256.0
Equity:				
Share capital	**6**	**966.9**	959.4	957.9
Retained earnings (Deficit)		**135.7**	102.4	(16.5)
Contributed surplus		**11.6**	12.0	9.6
Accumulated other comprehensive loss		**(4.3)**	(3.2)	—
Total Equity attributable to Shareholders of the Company		**1,109.9**	1,070.6	951.0
Non-controlling Interests		**19.5**	18.8	20.1
Total Equity		**1,129.4**	1,089.4	971.1
Total Liabilities and Equity		**$2,976.2**	$2,965.8	$3,227.1

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

(In millions of Canadian dollars, except per share amounts)

(Unaudited)

	Note	Three months ending March 31, 2011	2010
Revenue:			
Issuer services		**$62.0**	$49.4
Trading, clearing and related		**71.3**	59.0
Information services		**40.0**	37.4
Technology services and other		**1.4**	3.6
Total revenue		**174.7**	149.4
Expenses:			
Compensation and benefits		**36.8**	32.3
Information and trading systems		**10.6**	12.8
General and administration	**10**	**23.1**	16.9
Depreciation and amortization		**6.6**	7.6
Total operating expenses		**77.1**	69.6
Income from operations		**97.6**	79.8
Share of net income of equity accounted investees		**0.4**	0.3
Gain on disposal of available-for-sale investment		**0.2**	—
Merger-related costs	**9**	**(8.3)**	—
Finance income/(costs):			
Finance income		**1.2**	0.8
Finance costs		**(2.0)**	(1.2)
Net mark to market on interest rate swaps		**(0.1)**	(0.1)
Income before income taxes		**89.0**	79.6
Income tax expense		**24.7**	22.9
Net income for the period		**$64.3**	$56.7
Net income attributable to:			
Equity holders of the Company		**$63.1**	$57.1
Non-controlling interests		**1.2**	(0.4)
		$64.3	$56.7
Earnings per share:	**4**		
Basic		**$0.85**	$0.77
Diluted		**$0.84**	$0.77

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of Canadian dollars)

(Unaudited)

	Three months ending March 31,	
	2011	**2010**
Net income for the period	**$64.3**	$56.7
Other comprehensive loss:		
Unrealized loss on translating financial statements of foreign operations (net of taxes of $nil and $nil)	**(1.6)**	(3.0)
Change in fair value of available-for-sale financial assets (net of taxes of $nil and $0.1)	**—**	(0.3)
Total comprehensive income	**$62.7**	$53.4
Total comprehensive income attributable to:		
Equity holders of the Company	**$62.0**	$54.5
Non-controlling interests	**0.7**	(1.1)
	$62.7	$53.4

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In millions of Canadian dollars)

(Unaudited)

	Note	Attributable to equity holders of the Company							
				Accumulated other comprehensive income					
	Note	Share Capital	Contributed Surplus	Cumulative translation account	Unrealized gains/losses AFS financial assets	Retained earnings	Total attributable to equity holders	Non-controlling interests	Total equity
Balance at January 1, 2011		**$959.4**	**$12.0**	**$(3.2)**	**$—**	**$102.4**	**$1,070.6**	**$18.8**	**$1,089.4**
Net income for the period		**—**	**—**	**—**	**—**	**63.1**	**63.1**	**1.2**	**64.3**
Other comprehensive income:									
Foreign currency translation differences, net of taxes		**—**	**—**	**(1.1)**	**—**	**—**	**(1.1)**	**(0.5)**	**(1.6)**
Total comprehensive income for the period		**—**	**—**	**(1.1)**	**—**	**63.1**	**62.0**	**0.7**	**62.7**
Dividend to equity holders	**5**	**—**	**—**	**—**	**—**	**(29.8)**	**(29.8)**	**—**	**(29.8)**
Proceeds from share options exercised		**6.1**	**—**	**—**	**—**	**—**	**6.1**	**—**	**6.1**
Cost of exercised share options		**1.4**	**(1.4)**	**—**	**—**	**—**	**—**	**—**	**—**
Cost of share option plan		**—**	**1.0**	**—**	**—**	**—**	**1.0**	**—**	**1.0**
Balance at March 31, 2011		**$966.9**	**$11.6**	**$(4.3)**	**$—**	**$135.7**	**$1,109.9**	**$19.5**	**$1,129.4**
Balance at January 1, 2010		$957.9	$9.6	$—	$—	$(16.5)	$951.0	$20.1	$971.1
Net income for the period		—	—	—	—	57.1	57.1	(0.4)	56.7
Other comprehensive income:									
Foreign currency translation differences, net of taxes		—	—	(2.3)	—	—	(2.3)	(0.7)	(3.0)
Change in fair value of available-for-sale (“AFS”) financial assets, net of taxes		—	—	—	(0.3)	—	(0.3)	—	(0.3)
Total comprehensive income for the period		—	—	(2.3)	(0.3)	57.1	54.5	(1.1)	53.4
Dividend to equity holders	**5**	—	—	—	—	(28.0)	(28.0)	—	(28.0)
Proceeds from share options exercised		0.1	—	—	—	—	0.1	—	0.1
Cost of share option plan		—	0.5	—	—	—	0.5	—	0.5
Balance at March 31, 2010		$958.0	$10.1	$(2.3)	$(0.3)	$12.6	$978.1	$19.0	$997.1

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions of Canadian dollars)

(Unaudited)

	Note	Three months ending March 31, 2011	2010
Cash flows from (used in) operating activities:			
Net income		**$64.3**	$56.7
Adjustments to determine net cash flows:			
Depreciation and amortization		**6.6**	7.6
Unrealized loss on marketable securities		**0.5**	0.4
Share of net income of equity accounted investees		**(0.4)**	(0.3)
Realized gain on available-for-sale investment		**(0.2)**	—
Cost of share option plan		**1.0**	0.5
Amortized financing fees		**0.2**	0.2
Unrealized gain on interest rate swaps		**(0.6)**	(1.5)
Deferred taxes		**(4.8)**	0.2
Trade and other receivables, and prepaid expenses		**(46.7)**	(23.1)
Other non-current assets		**0.1**	(0.5)
Trade and other payables		**(14.2)**	(11.9)
Provisions		**5.4**	(0.1)
Deferred revenue		**58.3**	51.6
Long-term accrued and other non-current liabilities		**2.3**	(1.0)
Current income taxes		**0.3**	(8.0)
		72.1	70.8
Cash flows from (used in) financing activities:			
Reduction in obligations under finance leases		**(0.2)**	(0.2)
Proceeds from exercised options		**6.1**	0.1
Financing fees on term loan	**8**	**(0.7)**	—
Dividends on common shares	**5**	**(29.8)**	(28.0)
		(24.6)	(28.1)
Cash flows from (used in) investing activities:			
Additions to premises and equipment		**(0.3)**	(4.9)
Additions to intangible assets		**(2.5)**	(2.1)
Acquisition of equity accounted investee		**(1.0)**	—
Proceeds on disposal of available-for-sale investment		**3.2**	—
Marketable securities		**(32.4)**	(56.8)
		(33.0)	(63.8)
Increase (decrease) in cash and cash equivalents		**14.5**	(21.1)
Cash and cash equivalents, beginning of period		**69.9**	88.9
Unrealized foreign exchange loss on cash and cash equivalents held in foreign subsidiaries		**(0.2)**	(0.4)
Cash and cash equivalents, end of period		**$84.2**	$67.4
Supplemental cash flow information:			
Interest paid		**$1.6**	$1.0
Interest received		**$1.9**	$1.5
Income taxes paid		**$29.1**	$30.3

Amounts paid and received above are included as cash flows from operating activities

See accompanying notes which form an integral part of these consolidated financial statements.

General information

TMX Group Inc. is a company domiciled in Canada and incorporated under the *Business Corporations Act (Ontario)*. The registered office is located at The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada.

TMX Group Inc. owns TSX Inc, ("TSX"), which operates the Toronto Stock Exchange, a national stock exchange serving the senior equity market, TSX Venture Exchange Inc., a national stock exchange serving the public venture equity market, Montréal 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, electricity, and crude oil contracts in North America, Shorcan Brokers Limited ("Shorcan"), an inter-dealer broker, and The Equicom Group Inc. ("Equicom"), providing investor relations and related corporate communications services.

The unaudited interim condensed consolidated financial statements (the "financial statements") as at and for the three months ended March 31, 2011, comprise the accounts of TMX Group Inc. and its wholly-owned subsidiaries, including TSX, MX, NGX, Shorcan, Equicom, NetThruPut Inc. ("NTP"), TMX Exchange Services Limited from October 26, 2010, TMX Select Inc. from August 3, 2010, and the wholly-owned or controlled subsidiaries of TSX, MX, NGX and Shorcan, collectively referred to as "TMX Group" or "the Company".

1. Basis of preparation

(a) Statement of compliance:

The financial statements have been prepared by management to comply with the requirements of International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as issued by the International Accounting Standards Board ("IASB"), for the preparation of interim financial statements, and they are in compliance with *IAS 34*, *Interim Financial Reporting*.

These are TMX Group's first IFRS financial statements prepared for part of the period to be covered by its first annual financial statements in compliance with IFRS and *IFRS 1*, *First-time Adoption of International Financial Reporting Standards* has been applied. These financial statements do not contain all disclosures required by IFRS for annual financial statements. TMX Group's previous financial statements, including its audited annual financial statements for the year ended December 31, 2010, were prepared in accordance with pre-conversion Canadian generally accepted accounting principles ("Canadian GAAP"). As these are TMX Group's first financial statements prepared under IFRS, details of the accounting policies applied have been disclosed in note 2. Where different to Canadian GAAP, and where considered material, additional disclosures have been made in these financial statements which would normally only be required in annual IFRS financial statements, and these are included in note 12. In addition, reconciliations and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of TMX Group are provided in note 11.

These financial statements were authorized for issuance by the Board of Directors of TMX Group on May 12, 2011.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for certain assets and liabilities held at fair value, as identified in the accounting policies that follow.

(c) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and

other factors that management considers to be relevant. Actual results could differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments and estimates have been made in the following areas in the preparation of these financial statements:

— Goodwill and other intangible assets—impairment tests are completed using the higher of fair value less cost to sell, where available, and value in use calculations, determined using management's best estimates of future cash flows, long-term growth rates and appropriate discount rates. Purchased intangibles are valued on acquisition using appropriate methodologies and amortized over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives, where there is no foreseeable limit over which these intangibles would generate net cash flows. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets will be derived;

— The accounting for pensions and other post retirement and post employment benefits—the valuations of the defined benefit assets and liabilities are based on actuarial assumptions made by management with advice from TMX Group's external actuary;

— Premises and equipment and intangible assets—useful lives over which assets are depreciated are based on management's judgment of future use and performance;

— Leases—the classification of leases between operating and finance leases is partly based on management's judgment regarding the substance of the agreement, supported by other indicators within the lease;

— Provisions and contingencies—management judgment is required to assess whether provisions and/or contingencies should be recognized or disclosed, and at what value. Management base their decisions on past experience and other factors they consider to be relevant on a case by case basis;

— Income taxes—the accounting for income taxes requires estimates to be made. Where differences arise between estimated income tax provisions and final tax liabilities, an adjustment is made when the difference is identified;

— Accounts receivable—judgment is required when providing for doubtful accounts. Management bases its estimates on historical experience and other relevant factors.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet at January 1, 2010, for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by TMX Group entities.

(a) Basis of consolidation:

Subsidiaries are entities controlled by TMX Group, and they are consolidated from the date on which control is transferred to TMX Group until the date that control ceases. Balances and transactions between TMX Group's entities have been eliminated on consolidation.

Equity accounted investees are entities in which TMX Group has significant influence, but not control, over the financial and operating policies. Investments in these entities are recognized initially at cost and subsequently accounted for using the equity method of accounting. Balances and transactions with equity accounted investees are eliminated on consolidation to the extent of TMX Group's interest in the entity.

(b) Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the service or supply is provided, when it is probable that the economic benefits will flow to TMX Group, and when the revenue and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Issuer services

Issuer services revenue includes revenue from initial and additional listing fees, annual sustaining fees and other issuer services. Initial and additional listing fees are recognized when the listing has taken place. 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. Other issuer services revenue is recognized as the services are provided.

Trading, clearing and related

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

Revenue related to derivatives clearing is recognized on the settlement date of the related transaction.

Trading, clearing, settlement and related revenues relating to NGX trading and clearing 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 financial statements as NGX does not function as principal in these trading activities.

Information services

Real time market data revenue is recognized based on usage as reported by customers and vendors, less a provision for sales returns from the same customers. TMX Group conducts periodic audits of the information provided and records adjustments to revenues, if any, at the time that collectability of the revenue is reasonably assured. 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 information services revenue is recorded and recognized as revenue in the month in which the services are provided.

Technology services and other

Technology services and other revenue is recorded and recognized as revenue over the period the service is provided.

(c) Foreign currency:

Items included in the financial statements of each of TMX Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in Canadian dollars, which is TMX Group's presentation currency.

The assets and liabilities of TMX Group s foreign operations that have a functional currency different from the presentation currency, which include BOX, 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 (loss) within shareholders' equity.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated into the functional currency at the prevailing exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the period end rate. Resulting foreign exchange gains and losses are recognized within Technology services and other revenue in the income statement for the period.

(d) Premises and equipment:

Items of premises and equipment are recognized at cost less accumulated depreciation and any impairment losses.

Legal obligations associated with the restoration costs on the retirement of premises and equipment are recognized as incurred. The obligations are initially measured at an estimated fair value of the future cost discounted to present value, and a corresponding amount is capitalized with the related assets and depreciated in line with the useful lives.

Assets are depreciated from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Depreciation is recognized in the income statement on a straight-line basis over the estimated useful life of the asset, or a major component thereof. The residual values and useful lives of the assets are reviewed at each year-end, and revised as necessary.

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

Asset	Basis	Rate
Computers and electronic trading equipment	Straight line	3–5 Years
Computers and electronic trading equipment under finance leases	Straight line	Over the terms of the leases
Furniture, fixtures and other equipment	Straight line	5 Years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 Years

(e) Goodwill and other intangible assets:

Goodwill

Goodwill is recognized at cost on acquisition less any subsequent impairment in value.

TMX Group measures goodwill as the fair value of the consideration transferred less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the fair value of the identifiable assets acquired and liabilities assumed exceeds the fair value of the consideration transferred, a bargain purchase gain is recognized immediately in the income statement.

TMX Group elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that TMX Group incurs in connection with a business combination are expensed as incurred.

Other intangible assets

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

Definite life intangible assets are amortized from the date of acquisition or, for internally developed assets, from the time the asset is available for use. Amortization is recognized in the income statement either on a declining balance or on a straight-line basis over the estimated useful life of the asset, and the residual values and useful lives of the assets are reviewed at each year end, and revised as necessary.

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

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

Asset	Basis	Rate
Indefinite life intangibles—not amortized		
Derivative products	n/a	n/a
Trade names	n/a	n/a
Regulatory designation	n/a	n/a
Crude oil products	n/a	n/a
Index licenses	n/a	n/a
Definite life intangibles—amortized		
Customer bases	Declining balance	2–7%
Customer bases	Straight line	3–30 Years
Data license	Straight line	10 Years
Capitalized software and software development	Straight line	5 Years

(f) Impairment:

The carrying amounts of TMX Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually, and the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

An impairment loss in respect of goodwill can not be reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(g) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases and any lease incentives received are recognized in the income statement on a straight-line basis over the term of the lease.

TMX Group has entered into some leases for premises and equipment where substantially all of the risks and rewards of ownership have transferred to TMX Group, and these are classified as finance leases. The leased assets are capitalized on inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Payments made under finance leases are apportioned between the finance expense and a reduction in the outstanding liability, to achieve a constant periodic rate of interest on the remaining liability.

(h) Employee benefits:

Defined contribution and defined benefit pension plans

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 former 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.

TMX Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, and that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary using the projected benefit method. When the calculation results in a benefit to TMX Group, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is considered available to TMX Group if it is realizable

during the life of the plan, or on settlement of the plan liabilities, and consideration is given to any minimum funding requirements that apply to the plan when calculating the present value of these economic benefits. The service cost, which represents the benefits accruing to the employees, along with the interest cost and the expected return on plan assets, is recognized in the income statement.

When the benefits of a plan are amended, the portion of the increased benefit relating to past service by employees is recognized in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

TMX Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

For defined contribution plans, the expense is charged to the income statement as it is incurred.

Non-pension post retirement and post employment benefit plans

TMX Group also provides other post retirement and post employment benefits, such as supplementary medical and dental coverage and a long term disability plan, which are funded on a cash basis by TMX Group, and contributions from plan members in some circumstances. TMX Group's net obligation in respect of these plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. The calculation of the present value of the benefit obligation is performed using the projected benefit method. For post retirement plans, any actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise. For the long-term disability plan, actuarial gains and losses are recognized in the income statement.

Termination benefits

Termination benefits are recognized as an expense when TMX Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Short-term employee benefits

Short-term employee benefit obligations, such as wages, salaries and annual vacation entitlements, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for TMX Group's annual bonus scheme if a present legal or constructive obligation to pay this amount exists as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

TMX Group has both equity-settled and cash-settled share-based compensation plans.

TMX Group accounts for all share-based plans to eligible employees that call for settlement by the issuance of equity instruments 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, using a recognized option pricing model, and amortized over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of options expected to vest.

Compensation cost attributable to employee awards that call for settlement in cash is measured at fair value at each reporting date, using a recognized option pricing model, and amortized over the vesting period, with a corresponding increase in either current or non-current liabilities, depending on the period in which the award is expected to be paid. Changes in fair value between the grant date and the measurement date are recognized in the income statement.

(i) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date in the countries where TMX Group operates and generates taxable income, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized in respect of certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain tax positions will be recognized in the financial statements using management's best estimate of the amount expected to be paid.

Current income tax assets and liabilities are offset in the financial statements if there is a legally enforceable right to offset them and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but TMX Group intends to settle them on a net basis or where the tax assets and liabilities will be realized simultaneously.

(j) Provisions:

A provision is recognized if, as a result of a past event, TMX Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost. For onerous leases, TMX Group provides for the lower of the cost of meeting surplus property lease commitments, net of any sub-lease income, and the costs or penalties it would incur on breaking its lease commitments.

(k) Earnings per share:

Basic earnings per share is computed by dividing net income attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings per share is determined by dividing the net income attributable to the equity owners of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares arising from share options granted to employees.

Adjusted basic and diluted earnings per share are presented where considered helpful to enable a comparison of the underlying performance of TMX Group with prior periods.

(l) Segment reporting:

An operating segment is a component of TMX Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of TMX Group's other components. All operating segments' operating results are reviewed regularly by the Executive Management Committee ("Executive Committee") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(m) Financial instruments:

Non-derivative financial assets

TMX Group initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument.

TMX Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when TMX Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TMX Group classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired:

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is designated as such by management and TMX Group manages the asset, and makes purchase and sale decisions, based on its fair value in accordance with TMX Group s documented risk management or investment strategy, or if the asset is classified as held for trading. Financial assets at fair value through profit or loss are measured at fair value, with changes recognized in the income statement. Transaction costs thereon are expensed as incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any incremental directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. These assets are measured at fair value, both initially and subsequently, with changes in fair value, except for impairment losses and certain foreign exchange gains and losses, recognized in other comprehensive income until the asset is sold. Impairment losses are recognized in the income statement as incurred, as are foreign exchange gains and losses arising on monetary items. Foreign exchange gains and losses arising on non-monetary items, such as an investment in an equity instrument, are recognized in other comprehensive income. When an investment is derecognized, the cumulative gain or loss in accumulated other comprehensive income is reclassified to the income statement.

Non-derivative financial liabilities

TMX Group initially recognizes its financial liabilities on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument. TMX Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Derivative financial instruments

TMX Group holds certain derivative financial instruments which, while providing a partial economic hedge, are not designated as hedges for accounting purposes. As such, these derivatives are recognized at fair value, both initially and subsequently, with changes in the fair value recognized in the income statement.

(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 the income statement in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

Cash and cash equivalents also includes restricted cash. MX operates a separate regulatory division, responsible for the approval of participants and market regulation, 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 Trade and other payables.

(o) Trade receivables:

Trade receivables generally have terms of 30 days. The recoverability of the trade receivables is assessed at each reporting date and an allowance for doubtful accounts is deducted from the asset's carrying value if the asset is not considered fully recoverable. Any change in the allowance is recognized within General and administration costs in the income statement.

(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. Daily settlements and cash deposits also include cash margin deposits and clearing fund cash deposits of Clearing Members held in the name of CDCC. 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. There is no impact on the consolidated income statement.

(q) Energy contracts receivable/payable:

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 income statement.

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 Fair value of open energy contracts. There is no impact on the consolidated income statement.

(r) Finance income and finance costs:

Finance income comprises interest income and dividend income on funds invested, and changes in the fair value of cash, cash equivalents and marketable securities.

Finance costs comprise interest expense on borrowings and finance leases.

(s) Future accounting changes:

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2012:

- Annual improvements 2011
- *IFRS 7, Financial instruments—disclosure*—Amendments regarding transfers of financial assets
- *IFRS 9, Financial instruments*
- *IAS 12, Income taxes*—Amendments regarding deferred tax—Recovery of underlying assets

The implementation of the above new standards and interpretations is not currently expected to have a significant effect on the financial statements of TMX Group.

3. Segmented information

TMX Group operates in three reportable segments: the Cash Markets ("Cash") segment, the Derivatives Markets ("Derivatives") segment, and the Energy Markets ("Energy") segment. In the Cash segment, TMX Group 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. This segment also includes certain other central costs that are yet to be allocated across the group. The Derivatives segment provides markets for trading derivatives, clearing options and futures contracts and certain over-the-counter ("OTC") products through MX and its subsidiaries, including CDCC and BOX. The Energy segment provides a marketplace for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil contracts through Shorcan Energy Brokers Inc. ("Shorcan Energy"), a wholly-owned subsidiary of Shorcan.

TMX Group's Executive Committee reviews internal management reports on a regular basis and performance is measured based on revenue, income from operations and net income attributable to equity holders of the Company.

The accounting policies of the reportable segments are consistent with the accounting policies described in note 2.

Three months ended March 31, 2011

	Cash	Derivatives	Energy	Total
Revenue:				
Issuer services	**$62.0**	**$—**	**$—**	**$62.0**
Trading, clearing and related	**33.6**	**26.3**	**11.4**	**71.3**
Information services	**36.0**	**3.9**	**0.1**	**40.0**
Technology services and other	**0.3**	**1.2**	**(0.1)**	**1.4**
Total revenue	**131.9**	**31.4**	**11.4**	**174.7**
Depreciation and amortization	**2.9**	**2.9**	**0.8**	**6.6**
Other operating expenses	**47.2**	**17.1**	**6.2**	**70.5**
Income from operations	**81.8**	**11.4**	**4.4**	**97.6**
Net income attributable to equity holders of the Company	**51.8**	**8.2**	**3.1**	**63.1**
Investments in equity accounted investees	**$15.6**	**$—**	**$—**	**$15.6**
Total assets	**565.5**	**1,434.5**	**976.2**	**2,976.2**
Total liabilities	**586.8**	**402.2**	**857.8**	**1,846.8**
Additions to property, plant and equipment and intangible assets	**1.2**	**1.2**	**0.4**	**2.8**

Three months ended March 31, 2010

	Cash	Derivatives	Energy	Total
Revenue:				
Issuer services	$49.4	$—	$—	$49.4
Trading, clearing and related	31.3	18.4	9.3	59.0
Information services	33.7	3.5	0.2	37.4
Technology services and other	2.8	0.9	(0.1)	3.6
Total revenue	117.2	22.8	9.4	149.4
Depreciation and amortization	3.3	3.6	0.7	7.6
Other operating expenses	42.5	13.9	5.6	62.0
Income from operations	71.4	5.3	3.1	79.8
Net income attributable to equity holders of the Company	49.5	5.5	2.1	57.1
Investments in equity accounted investees	$13.1	$—	$—	$13.1
Total assets	443.7	1,548.1	1,261.7	3,253.5
Total liabilities	564.1	543.6	1,148.7	2,256.4
Additions to property, plant and equipment and intangible assets	3.9	2.6	0.5	7.0

4. Earnings per share

	Three months ended March 31,	
	2011	**2010**
Net income attributable to the equity holders of the Company	**$63.1**	$57.1
Weighted average number of common shares outstanding—basic	**74,465,825**	74,310,141
Effect of dilutive share options	**229,063**	86,710
Weighted average number of common shares outstanding—diluted	**74,694,888**	74,396,851
Basic earnings per share	**$0.85**	$0.77
Diluted earnings per share	**$0.84**	$0.77

Adjusted earnings per share:

	Three months ended March 31,	
	2011	**2010**
Net income attributable to the equity holders of the Company	**$63.1**	$57.1
Adjustments:		
—Merger related costs (note 9)	**8.3**	—
—Tax effect on merger related costs	**(2.1)**	—
—Commodity tax adjustment (note 10)	**4.8**	—
—Tax effect on commodity tax adjustment	**(1.3)**	—
Adjusted net income attributable to the equity holders of the Company	**$72.8**	$57.1
Adjusted basic earnings per share	**$0.98**	$0.77
Adjusted diluted earnings per share	**$0.97**	$0.77

Adjusted earnings per share exclude merger related costs and a commodity tax adjustment relating to prior years, along with their tax effect. This measure is presented to enable a comparison of the underlying business with prior periods.

5. Dividends

Dividends recognized and paid in the period are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Dividend per share	**Total paid**	**Dividend per share**	**Total paid**
Final dividend for prior year, paid in February	**$0.40**	**$29.8**	$0.38	$28.0

On May 12, 2011, the Board declared a dividend of 40 cents per share for the three months ended March 31, 2011. This dividend is expected to be paid on June 10, 2011, and is estimated to amount to $29.8.

6. Share capital

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

	Three months ended March 31, 2011	
	Number of shares	**$**
Balance, beginning of the period	**74,370,462**	**$959.4**
Options exercised	**217,530**	**7.5**
Balance, end of the period	**74,587,992**	**$966.9**

7. Share option plan

According to the terms of TMX Group'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

TMX Group. 3,846,696 common shares of TMX Group remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5% of the outstanding common shares of TMX Group.

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 2011: dividend yield of 3.9% (2010—4.1%); expected volatility of 31.4% (2010—31.0%); risk-free interest rate of 2.1% (2010—3.5%); expected life of 4 years (2010—7 years); and a share price of $41.74 (2010—$29.52). The assumptions are based on TMX Group's historical share price movements and historical dividend policy and the expected life is based on past experience. The resulting fair value calculated for share options granted in 2011 was $7.86 (2010—$6.74).

Options outstanding at March 31, 2011 will expire in 2012, 2013, 2014, 2015, 2016, 2017, and 2018.

Movements in the number of share options outstanding are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, beginning of the period	**1,678,731**	**$34.23**	1,382,569	$35.53
Granted	**476,394**	**41.74**	457,782	29.52
Forfeited	**(17,794)**	**34.42**	(59,833)	39.45
Exercised	**(217,530)**	**27.97**	(6,000)	10.53
Outstanding, end of the period	**1,919,801**	**$36.80**	1,774,518	$33.93
Vested and exercisable, end of period	**850,006**	**$37.56**	780,973	$35.76

During the three months ended March 31, 2011, the weighted average share price of options exercised at the date of exercise was $41.49 (three months ended March 31, 2010—$31.59).

The range of exercise prices and weighted average remaining contractual life of options outstanding are as follows:

	Three months ended March 31, 2011		Three months ended March 31, 2010	
Exercise price range	Number of share options	Weighted average remaining contractual life	Number of share options	Weighted average remaining contractual life
$10.53–$19.99	**70,800**	**2**	101,800	3
$20.00–$29.99	**452,090**	**5**	611,429	5
$30.00–$39.99	**513,235**	**5**	627,650	6
$40.00–$54.50	**883,676**	**5**	433,639	4
	1,919,801	**5**	1,774,518	5

In the three months ended March 31, 2011, TMX Group recognized compensation costs of $1.0 in relation to its share option plan (three months ended March 31, 2010—$0.5).

8. Credit facilities

On March 31, 2011, TMX Group extended and amended its $430.0 credit facility that was due to expire on April 18, 2011. The revised credit facility remains at $430.0 and will expire on March 31, 2012, or 180 days after the completion or cancellation of the merger with the London Stock Exchange Group plc ("LSEG"), if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Until April 18, 2011, the credit facility attracted interest at Bankers' Acceptances ("BA") plus 45 basis points. After that date, interest is charged at BAs plus 85 basis points. TMX Group prepaid $0.7 of financing fees on March 31, 2011, which will be amortized over the life of the loan.

The facility remains unsecured and continues to include certain covenants that TMX Group must maintain. TMX Group was in compliance with these covenants at March 31, 2011.

In addition, in January, 2011, CDCC arranged additional credit facilities. A $100.0 daylight liquidity facility and a $50.0 call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

9. Merger-related costs

On February 9, 2011, TMX Group announced an agreement to combine its operations with LSEG in an all-share merger. Completion of the merger is subject to customary regulatory and other approvals as well as certain other conditions. It is anticipated that the relevant shareholders' meeting will take place in the second quarter of 2011 and court approval will be sought within three business days of TMX Group's shareholders approving the merger. Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the third quarter of 2011.

During the three months ended March 31, 2011, TMX Group incurred costs of $8.3 in relation to the merger, which are reflected in the income statement.

TMX Group is also liable for the payment of success fees of $16.8 which are contingent upon the successful completion of the merger. These fees have not been accrued for within these financial statements.

10. Commodity tax adjustment

TMX Group is in the process of submitting a ruling request to the Canada Revenue Agency ("CRA") relating to the application of taxes ("Harmonized Sales Tax" or "HST") imposed under section 165 of the *Excise Tax Act* on its trade execution fees on equities and derivatives. Effective February, 2011, TMX Group stopped charging HST on its trade execution fees for Toronto Stock Exchange and TSX Venture Exchange. TMX Group is confident that the ruling request will be approved, and as such, has not provided for HST not charged to customers.

If the ruling request is approved, TMX Group may be required to repay to the CRA the input tax credits ("ITC's") claimed in recent years against the trading businesses. TMX Group firmly believes that the liability related to these ITC's should be $0; however, a repayment of up to four years of ITC's previously claimed may be required. As a result, TMX Group has estimated the range of possible outcomes to be between $0 and $11.0. A provision of $5.5 ($4.8 relating to prior years) has been recorded in the three months ended March 31, 2011, and the cost is included within General and administration expenses in the income statement for the quarter. Future estimates may be different and a change in the provision may be required.

11. Transition to IFRS

As discussed in note 1, these financial statements have been prepared in accordance with IFRS as applicable to interim reporting. TMX Group's financial statements for the year ending December 31, 2011 will be its first annual financial statements that comply with IFRS. As this is TMX Group's first year of reporting under IFRS, IFRS 1 is applicable.

In accordance with IFRS 1, TMX Group has applied IFRS retrospectively as of January 1, 2010 (the "Transition Date)" for comparative purposes. In preparing its opening balance sheet in accordance with IFRS, TMX Group has adjusted amounts reported previously in its financial statements prepared in accordance with pre-conversion Canadian GAAP. The impact of the transition on TMX Group's financial position and financial performance is discussed below. The impact of the transition on TMX Group's statement of cash flows was minimal.

(A) Initial elections upon adoption:

In accordance with IFRS 1, TMX Group has applied certain optional exemptions and mandatory exceptions from full retrospective application of IFRS. Set out below are the IFRS 1 optional exemptions that TMX Group has elected to apply on its conversion to IFRS and the mandatory exceptions that are applicable to TMX Group.

IFRS 1 optional exemptions:

1. Business combinations—This exemption allows first-time adopters to elect to apply *IFRS 3 (revised)—Business Combinations* ("IFRS 3"), prospectively from the Transition Date or retrospectively only to

acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date. TMX Group has elected to not apply IFRS 3 to all business combinations that occurred prior to January 1, 2008. Accordingly, only business combinations that took place on or after January 1, 2008—the acquisitions of MX, BOX, and NTP—have been restated to reflect the requirements of IFRS 3 upon adoption of IFRS. As a result of applying this exemption, goodwill arising on these three acquisitions has been adjusted accordingly as at the Transition Date. In applying this exemption there are certain additional requirements in relation to acquisitions that are not restated under IFRS. An analysis of these requirements as they relate to TMX Group was conducted with no resulting implications and as such, goodwill relating to business combinations prior to January 1, 2008 has not been adjusted from its pre-conversion Canadian GAAP carrying value.

2. Employee benefits—This exemption allows first-time adopters to recognize all cumulative unamortized actuarial gains and losses directly to retained earnings on the Transition Date, thus resetting unamortized actuarial gains and losses to zero. Not taking this exemption would require retrospective application of *IAS 19—Employee Benefits* (“IAS 19”), from the inception of all benefit plans. TMX Group has elected to apply this exemption, and recognize all unamortized actuarial gains and losses under pre-conversion Canadian GAAP to retained earnings on the Transition Date.

3. Cumulative translation differences—This exemption allows first-time adopters to recognize all cumulative translation differences relating to foreign operations directly to retained earnings on the Transition Date, thus resetting the cumulative translation difference to zero. Not taking this election would require retrospective application of *IAS 21—The Effect of Changes in Foreign Exchange Rates* (“IAS 21”), from the date the foreign operations were formed or acquired. TMX Group has elected to apply this exemption, and reset all its cumulative translation differences to zero through retained earnings on the Transition Date.

4. Share-based payments—This exemption allows first-time adopters to limit its application of *IFRS 2 Share-based Payments* (“IFRS 2”) to only certain historical transactions. IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 to equity instruments granted on or before November 7, 2002, or to equity instruments granted after that date but which have vested by the Transition Date. In addition, it encourages, but again does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the date of transition to IFRS. TMX Group has elected to only apply IFRS 2 to equity instruments granted after November 7, 2002 and remaining unvested at the Transition Date as well as to cash-settled share-based liabilities remaining unsettled as at the Transition Date.

5. Decommissioning liabilities included in the cost of premises and equipment—This exemption allows first-time adopters to elect to apply the guidance in *IFRIC 1—Changes in Existing Decommissioning, Restoration and Similar Liabilities* (“IFRIC 1”), prospectively from the Transition Date, as opposed to retrospectively. IFRIC 1 requires that changes in these liability estimates be added to, or deducted from, the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. TMX Group has elected to apply this exemption thereby applying the requirements of IFRIC 1 prospectively to decommissioning liabilities that existed as at the Transition Date. Accordingly, TMX Group recognized such liabilities as at the Transition Date in accordance with IAS 37—*Provisions, Contingent Liabilities and Contingent Assets*, and adjusted the cost of the related assets accordingly.

6. Leases—This exemption allows first-time adopters to elect to apply *IFRIC 4—Determining whether an Arrangement contains a Lease* (“IFRIC 4”), only to arrangements existing at the Transition Date. An additional exemption also exists, allowing a first-time adopter to opt out of reassessing its arrangements under IFRIC 4 if it has already assessed whether an arrangement contains a lease in accordance with pre-conversion Canadian GAAP *EIC-150—Determining Whether an Arrangement Contains a Lease* (“EIC 150”). TMX Group has elected to apply both exemptions thus limiting its reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC 150 under pre-conversion Canadian GAAP.

IFRS 1 mandatory exceptions:

IFRS 1 prohibits retrospective application of certain aspects of IFRS. The mandatory exceptions that are applicable to TMX Group on its conversion to IFRS are as follows.

1. Estimates—Hindsight cannot be used to create or revise estimates. The estimates previously made by TMX Group under pre-conversion Canadian GAAP have not been revised for application of IFRS except where necessary to reflect any difference in accounting policies.

2. Non-controlling interests—This exception requires entities to account for non-controlling interests following the requirements of IAS 27—*Consolidated and Separate Financial Statements* ("IAS 27"), prospectively from the date of transition to IFRS. However, if an entity elects to apply IFRS 3 retrospectively to past business combinations as of a designated date, it should also apply IAS 27 retrospectively from that same date. As TMX Group has elected to apply IFRS 3 as of January 1, 2008, IAS 27 has also been applied from the same date.

(B) Reconciliation of pre-conversion Canadian GAAP to IFRS:

In accordance with IFRS 1, the following tables and notes present reconciliations and explanations of how the transition to IFRS has affected TMX Group's comparative financial statements.

Reconciliation of Equity*

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Equity under pre-conversion Canadian GAAP		$770.6	$789.7	$853.1
Differences increasing (decreasing) reported equity:				
Business combinations	**a**	(163.0)	(163.0)	(163.0)
Employee future benefits	**b**	(3.4)	(3.4)	(8.3)
Share-based compensation	**c**	0.4	0.2	0.5
Revenue	**d**	354.7	362.8	396.0
Impairment	**f**	(8.0)	(7.6)	(7.1)
Leases	**g**	—	0.1	0.1
Income taxes	**h**	(0.3)	(0.4)	(0.7)
Financial instruments	**i**	—	(0.3)	—
Non-controlling interests	**a, f, j**	20.1	19.0	18.8
Equity under IFRS		**$971.1**	**$997.1**	**$1,089.4**

* Figures in the table above are net of tax where applicable.

Reconciliation of Comprehensive Income*

	Note	Three months ended March 31, 2010	Year ended December 31, 2010
Comprehensive income under pre-conversion Canadian GAAP		$46.4	$192.8
Differences increasing (decreasing) reported comprehensive income:			
Employee future benefits	**b**	—	(4.9)
Share-based compensation	**c**	(0.1)	0.2
Revenue	**d**	8.1	41.3
Impairment	**f**	0.4	0.9
Leases	**g**	0.1	0.1
Income taxes	**h**	(0.1)	(0.4)
Financial instruments	**i**	(0.3)	—
Non—controlling interests	**j**	(1.1)	(1.3)
Comprehensive income under IFRS		**$53.4**	**$228.7**

* Figures in the table above are net of tax where applicable.

Notes to the reconciliations (quantification as at January 1, 2010, unless otherwise indicated):

Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following describes the differences between TMX Group's pre-conversion Canadian GAAP accounting policies and those adopted on transition to IFRS which have impacted TMX Group's financial position and/or financial performance.

(a) **BUSINESS COMBINATIONS:**

As stated previously, TMX Group has elected to apply IFRS 3 retrospectively to business combinations that occurred on or after January 1, 2008; specifically, the acquisitions of MX, BOX and NTP have been restated. The significant differences between the standards as applicable to these acquisitions are discussed below.

Measurement of purchase price:

Canadian GAAP—Shares issued as consideration were measured at their estimated fair value on the date the parties to the business combination reached an agreement on the purchase price and the proposed transaction was announced.

IFRS—Shares issued as consideration are measured at their fair value on the acquisition date.

Acquisition costs:

Canadian GAAP—Direct and incremental costs of business combinations were recognized as part of the purchase cost.

IFRS—Acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

Restructuring provisions:

Canadian GAAP—If certain conditions were met, the costs of restructuring activities were included as part of the purchase price even if a present obligation did not exist as of the date of acquisition.

IFRS—Restructuring provisions are included as part of the business combination only if they represent a present obligation as of the date of acquisition.

Non-controlling interests:

Canadian GAAP—Non-controlling interests were recorded at their share of the existing carrying values of the net assets acquired.

IFRS—Non-controlling interests are recorded at either their fair value or their proportionate share of the fair value of the acquiree's net assets. TMX Group has opted for the latter method.

Increase in ownership of a subsidiary:

Canadian GAAP—Increase in ownership interests of a subsidiary was accounted for using the purchase method.

IFRS—When an entity increases its ownership in an investment that results in the acquisition of control, the previously held equity interests are re-measured to fair value through net earnings. When an entity increases its ownership in a previously controlled subsidiary, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

Contingent liabilities:

Canadian GAAP—Contingent liabilities assumed in a business combination were recognized when it was probable that a liability had been incurred on the date of acquisition and when the amount could be reasonably estimated.

IFRS—A contingent liability is recognized at fair value on the date of acquisition if it is a present obligation that arises from past events and its fair value can be measured reliably.

Impact on TMX Group*—The acquisitions of MX, BOX and NTP were restated under IFRS 3, and as a result of this, the acquisition accounting was amended. The goodwill associated with the MX acquisition decreased by $155.5, share capital decreased by $141.1, and retained earnings decreased by $14.4. Intangible assets related to the acquisition of BOX increased by $14.3, non-controlling interests increased by $16.0, and were reclassified to equity, and retained earnings decreased by $1.7. The goodwill related to the acquisition of NTP decreased by $5.3, share capital decreased by $3.6, and retained earnings decreased by $1.7. The tax effect on the above transition adjustments was a reduction of $0.5 in goodwill with the offset to retained earnings.*

(b) **EMPLOYEE BENEFITS:**

As stated previously, TMX Group has applied the IFRS 1 exemption and elected to recognize all cumulative unamortized actuarial gains and losses that existed at the Transition Date directly to retained earnings for all of its employee benefit plans. In taking this exemption, TMX Group is applying IAS 19 retrospectively from the Transition Date. The significant differences between IAS 19 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Actuarial gains and losses:

Canadian GAAP—TMX Group amortized actuarial gains and losses arising from its employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain or loss was in excess of 10% of the greater of the accrued benefit obligations and the fair value of plan assets at the beginning of the fiscal year.

IFRS—As permitted under IAS 19, TMX Group has elected to recognize all actuarial gains and losses on pension and other post retirement plans immediately in the statement of comprehensive income without recycling to the income statement in subsequent periods.

Measurement date:

Canadian GAAP—TMX Group measured its defined benefit obligations and plan assets for certain plans as of September 30.

IFRS—An entity is required to determine the present value of the defined benefit obligations and the fair value of plan assets at the balance sheet date. As a result, on transition to IFRS, TMX Group changed the measurement date of its plans to December 31.

Recognition of past service costs:

Canadian GAAP—Past service costs arising from plan amendments or initiation were amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

IFRS—Past service costs arising from plan amendments or initiation are amortized on a straight-line basis over the expected average period remaining to vest. Any benefits already vested are recognized immediately in earnings.

Limit on accrued benefit asset:

Canadian GAAP—When a defined benefit plan gave rise to an accrued benefit asset, a valuation allowance was recognized for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset was presented net of any valuation allowance in the balance sheet. Any change in the valuation allowance was recognized in net earnings.

IFRS—IFRS also sets a limit on the accrued benefit asset that can be recognized in the balance sheet, although this is calculated differently than under Canadian GAAP. Any change in the recoverable amount will be recognized immediately in the statement of comprehensive income.

Impact on TMX Group*—Pension benefit assets (included within Other non-current assets on the balance sheet) and accrued employee benefits payable were reduced by $8.1 and $3.5 respectively, with the offset of $4.6 to retained earnings. The tax effect on the above transition adjustment was a decrease of $0.7 and a decrease of $1.9 in deferred tax assets and deferred tax liabilities respectively, with the offset to retained earnings.*

(c) **SHARE BASED COMPENSATION:**

As stated previously, TMX Group has elected to only apply IFRS 2 to equity instruments granted after November 7, 2002 and remaining unvested at the Transition Date as well as to liabilities remaining unsettled as at the Transition Date. The significant differences between IFRS 2 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Recognition of expense:

Canadian GAAP—For share-based awards with graded vesting the total fair value of the award was recognized by TMX Group on a straight-line basis over the vesting period.

IFRS—Each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each tranche is accounted for on that basis.

Forfeitures:

Canadian GAAP—Forfeitures of awards were recognized as they occurred.

IFRS—Compensation expense is recognized based on an estimate of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures differ from the estimate.

Cash-settled share based payments:

Canadian GAAP—The liability for restricted share units and deferred share units was accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognized in the income statement.

IFRS—TMX Group is required to measure the liability at fair value on the date of grant and at each subsequent reporting date by applying an option pricing model. Changes in fair value are recognized in the income statement.

Impact on TMX Group*—The share option plan component of equity was increased by $0.9 as a result of the changes in the accounting treatment of share options, and trade and other payables and other non-current liabilities decreased by $0.6 in respect of the cash-settled share based payments, the offset to which decreased retained earnings by $0.3. The tax effect on the above transition adjustment was a decrease of $0.1 in deferred tax assets with the offset to retained earnings.*

(d) **REVENUE:**

Canadian GAAP—Initial and additional listing fees were recorded as deferred revenue—initial and additional listing fees, and were recognized on a straight-line basis over an estimated service period of 10 years in accordance with *EIC 141, Revenue Recognition*.

IFRS—Initial and additional listing fees are recognized in full in the period when the listings occur.

Impact on TMX Group*—On the Transition Date, short-term deferred revenue—initial and additional listing fees and long-term deferred revenue—initial and additional listing fees were reduced by $78.0 and $405.1 respectively, with the offset to retained earnings. The tax effect on the above transition adjustment was a reduction of $128.4 in deferred tax assets with the offset to retained earnings. For the three months ended March 31, 2010, and the year ended December 31, 2010, revenue was increased by $9.7 and $50.1 respectively, and tax expense was increased by $1.6 and $8.9 respectively, as a result of this change in accounting policy.*

(e) **CUMULATIVE TRANSLATION DIFFERENCES:**

As noted in the IFRS 1 optional exemptions section above, TMX Group has applied the one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero on January 1, 2010.

Impact on TMX Group*—The CTA balance of $3.2 as at the Transition Date was recognized as an adjustment to retained earnings on transition to IFRS. The application of the exemption had no impact on net equity.*

(f) **IMPAIRMENT:**

Canadian GAAP—An impairment loss was recognized when a long lived asset's carrying amount exceeded its recoverable amount which was estimated, by TMX Group, as the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition.

IFRS—An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell and its value-in-use.

Impact on TMX Group— *An impairment charge of $14.8 was recognized on the Transition Date in respect of the BOX trading participants' intangible asset, $6.8 of which related to the non-controlling interests share, with the remaining $8.0 relating to TMX Group's share and therefore charged to retained earnings on transition. Value-in-use was the recoverable amount of the asset, using a discount rate of 15%. The impairment primarily resulted from increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues, during 2009. A goodwill impairment charge was recognized at the time under Canadian GAAP, and the trading participant intangible was also tested, but was found not to be impaired in accordance with pre-conversion Canadian GAAP.*

(g) **LEASES:**

As stated previously, TMX Group has elected to limit its assessment in accordance with IFRIC 4 to arrangements in place on the Transition Date that had not been previously assessed under EIC 150. The significant differences between *IAS 17—Leases* and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Classification:

Canadian GAAP—The criteria used to determine whether a lease is to be classified as an operating lease or a finance lease (previously termed a capital lease under pre-conversion Canadian GAAP) included "bright-line" thresholds such as whether a lease term was greater than 75% of the economic life of the leased asset, or the present value of the minimum lease payments was above 90% of the fair value of the lease.

IFRS—The criteria for lease classification rely heavily on the substance of the agreement and do not include any "bright-line" thresholds.

Present value of minimum lease payments:

Canadian GAAP—The present value of minimum lease payments was calculated using the lower of (i) the interest rate implicit in the lease and (ii) the lessee's incremental borrowing rate.

IFRS—The present value of minimum lease payments should be determined using the interest rate implicit in the lease. The lessee's incremental borrowing rate should only be used when the interest rate implicit in the lease cannot be determined.

Impact on TMX Group—*A number of leases were reclassified on the Transition Date from finance leases to operating leases. As a result, obligations under finance leases, and the associated equipment assets, decreased by $7.1 on the balance sheet. The effect on retained earnings was negligible.*

(h) **INCOME TAXES:**

Intercompany transactions:

Canadian GAAP—The recognition of deferred taxes relating to temporary differences arising from intercompany transactions is prohibited.

IFRS—There is no such prohibition under IFRS.

Impact on TMX Group—*Deferred tax assets were reduced by $0.3 on transition, with the offset to retained earnings.*

Income tax effect of the other adjustments between pre-conversion Canadian GAAP and IFRS:

Income tax adjustments related to the IFRS transition include the effect of recording, where applicable, the deferred tax effect of the other differences between pre-conversion Canadian GAAP and IFRS discussed above. These tax impacts have been included in the notes above.

(i) **FINANCIAL INSTRUMENTS:**

Canadian GAAP—Available-for-sale investments in equity instruments that do not have quoted prices on an active market are carried at cost less any impairment losses.

IFRS—Available-for-sale investments in equity instruments that do not have quoted prices on an active market are measured at fair value at each reporting period provided the fair value can be reliably measured. Changes in fair value, except for impairment losses and certain foreign exchange gains or losses, are recognized in other comprehensive income until the assets are sold.

Impact on TMX Group*—This difference had no impact on TMX Group on the Transition Date.*

Presentation**:**

The following describes differences in presentation between TMX Group's IFRS financial statements and those prepared in accordance with pre-conversion Canadian GAAP.

(j) **NON-CONTROLLING INTERESTS:**

Canadian GAAP—Non-controlling interests were presented between liabilities and shareholders' equity in the balance sheet and as a component of net earnings in the income statement.

IFRS—Non-controlling interests are classified as a component of equity, separate from the equity of the parent company, in the balance sheet and their portion of the results is presented as an allocation of earnings.

(k) **RESTRICTED CASH:**

Canadian GAAP—Cash and cash equivalents subject to restrictions were presented separately on the balance sheet.

IFRS—Cash and cash equivalents subject to restrictions are not required to be presented separately on the face of the balance sheet.

(l) **DEFERRED TAX RECLASSIFICATION:**

Canadian GAAP—Deferred taxes (previously future income taxes) were split between short-term and long-term components based on either (i) the underlying asset or liability or (ii) the expected reversal of items not related to a particular asset or liability.

IFRS—All deferred tax balances are classified as non-current.

(m) **CURRENT TAX RECLASSIFICATION:**

Canadian GAAP—Current income taxes were offset if they related to the same legal entity and the same taxation authority.

IFRS—Current taxes are only offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but TMX Group intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

(n) **PRESENTATION OF PROVISIONS:**

Canadian GAAP—TMX Group presented provisions as part of Trade and other payables or Other non-current liabilities on the balance sheet.

IFRS—Provisions will be presented separately if significant.

(o) **RECLASSIFICATION OF PENSION ASSETS AND LIABILITIES:**

Canadian GAAP—Accrued benefit assets and liabilities relating to TMX Group's pension plans were offset for balance sheet presentation.

IFRS—An accrued benefit asset relating to one plan can only be offset against an accrued benefit liability of another plan if there is a legally enforceable right to offset and TMX Group intends to settle obligations on a net basis or simultaneously.

Reconciliation of Consolidated Balance Sheet as at January 1, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifica-tions	IFRS balance
Assets				
Cash and cash equivalents	$88.0	$—	$0.9	$88.9
Marketable securities	103.2	—	—	103.2
Restricted cash	0.9	—	(0.9)	—
Trade and other receivables	79.4	—	—	79.4
Energy contracts receivable	714.5	—	—	714.5
Fair value of open energy contracts	202.8	—	—	202.8
Daily settlements and cash deposits	565.4	—	—	565.4
Prepaid expenses	6.0	—	—	6.0
Current income tax assets	4.6	—	7.7	12.3
Deferred tax assets	26.7	(24.0)	(2.7)	—
	1,791.5	**(24.0)**	**5.0**	**1,772.5**
Premises and equipment	31.5	(7.1)	—	24.4
Investment in equity accounted investee	12.8	—	—	12.8
Goodwill	583.8	(161.3)	—	422.5
Other intangible assets	932.4	(0.4)	—	932.0
Deferred tax assets	144.6	(105.6)	2.7	41.7
Other non-current assets	27.8	(8.2)	1.6	21.2
Total Assets	**$3,524.4**	**$(306.6)**	**$9.3**	**$3,227.1**
Liabilities and Equity				
Trade and other payables	$44.9	$(0.1)	$(0.9)	$43.9
Energy contracts payable	714.5	—	—	714.5
Fair value of open energy contracts	202.8	—	—	202.8
Daily settlements and cash deposits	565.4	—	—	565.4
Deferred revenue	15.1	—	—	15.1
Deferred revenue initial & additional listing fees	78.0	(78.0)	—	—
Obligation under finance leases	3.4	(2.7)	(0.7)	—
Deferred tax liabilities	0.1	—	(0.1)	—
Provisions	—	—	1.2	1.2
Current income tax liabilities	3.2	—	7.7	10.9
Fair value of interest rate swaps	2.1	—	—	2.1
	1,629.5	**(80.8)**	**7.2**	**1,555.9**
Accrued employee benefits payable	12.8	(3.5)	1.6	10.9
Obligations under finance leases	5.5	(4.4)	(1.1)	—
Deferred tax liabilities	234.7	(1.9)	0.1	232.9
Other non-current liabilities	21.9	(0.6)	2.4	23.7
Deferred revenue	0.9	—	(0.9)	—
Deferred revenue initial & additional listing fees	405.1	(405.1)	—	—
Fair value of interest rate swaps	3.6	—	—	3.6
Term loan	429.0	—	—	429.0
Total Liabilities	**2,743.0**	**(496.3)**	**9.3**	**2,256.0**
Non-controlling Interests	10.8	9.3	(20.1)	—
Equity				
Share capital	1,102.6	(144.7)	—	957.9
Deficit	(343.9)	327.4	—	(16.5)
Contributed surplus	8.7	0.9	—	9.6
Accumulated other comprehensive income	3.2	(3.2)	—	—
Total Shareholders Equity	770.6	180.4	—	951.0
Non-controlling Interests	—	—	20.1	20.1
Total Equity	**770.6**	**180.4**	**20.1**	**971.1**
Total Liabilities and Equity	**$3,524.4**	**$(306.6)**	**$9.3**	**$3,227.1**

Reconciliation of Consolidated Income Statement for the three months ended March 31, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifica-tions	IFRS balance
Revenue				
Issuer services	$39.7	$9.7	$—	$49.4
Trading, clearing and related	59.0	—	—	59.0
Information services	37.4	—	—	37.4
Technology services and other	3.6	—	—	3.6
	139.7	9.7	—	149.4
Expenses				
Compensation and benefits	32.2	0.1	—	32.3
Information and trading systems	12.1	0.7	—	12.8
General and administration	16.9	—	—	16.9
Depreciation and amortization	8.4	(0.8)	—	7.6
	69.6	—	—	69.6
Income from operations	**70.1**	**9.7**	**—**	**79.8**
Share of net income of equity accounted investee	0.3	—	—	0.3
Finance income (costs):				
Finance income	0.8	—	—	0.8
Finance costs	(1.3)	0.1	—	(1.2)
Net mark to market on interest rate swaps	(0.1)	—	—	(0.1)
Income before income taxes	**69.8**	**9.8**	**—**	**79.6**
Income tax expense	21.1	1.8	—	22.9
Non-controlling interests	(0.4)	—	0.4	—
Net income	**$49.1**	**$8.0**	**$(0.4)**	**$56.7**
Attributable to:				
Equity holders of the Company	$49.1	$8.0	$—	$57.1
Non-controlling interests	—	—	(0.4)	(0.4)
Earnings per share:				
Basic	$0.66			$0.77
Diluted	$0.66			$0.77

Reconciliation of Consolidated Statement of Comprehensive Income for the three months ended March 31, 2010

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifica-tions	IFRS balance
Net income	$49.1	$8.0	$(0.4)	$56.7
Other comprehensive (loss) income:				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations (net taxes of $nil)	(2.7)	0.4	(0.7)	(3.0)
Change in fair value of available-for-sale financial assets (net taxes of $85)	—	(0.3)	—	(0.3)
Comprehensive income	**$46.4**	**$8.1**	**$(1.1)**	**$53.4**
Attributable to:				
Equity holders of the Company	$46.4	$8.1	$—	$54.5
Non-controlling interests	—	—	(1.1)	(1.1)

Reconciliation of Consolidated Balance Sheet as at March 31, 2010

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifica-tions	IFRS balance
Assets				
Cash and cash equivalents	$66.5	$—	$0.9	$67.4
Marketable securities	159.5	—	—	159.5
Restricted cash	0.9	—	(0.9)	—
Trade and other receivables	99.8	—	—	99.8
Energy contracts receivable	794.1	—	—	794.1
Fair value of open energy contracts	329.8	—	—	329.8
Daily settlements and cash deposits	321.7	—	—	321.7
Prepaid expenses	8.6	—	—	8.6
Current income tax assets	9.4	—	7.7	17.1
Deferred tax assets	28.1	(24.2)	(3.9)	—
	1,818.4	**(24.2)**	**3.8**	**1,798.0**
Premises and equipment	34.5	(7.1)	—	27.4
Investment in equity accounted investee	13.1	—	—	13.1
Goodwill	583.1	(161.3)	—	421.8
Other intangible assets	927.7	(0.5)	—	927.2
Deferred tax assets	147.6	(106.9)	3.9	44.6
Other non-current assets	28.2	(8.5)	1.7	21.4
Total Assets	**$3,552.6**	**$(308.5)**	**$9.4**	**$3,253.5**
Liabilities and Equity				
Trade and other payables	$32.9	$(0.1)	$(0.8)	$32.0
Energy contracts payable	794.1	—	—	794.1
Fair value of open energy contracts	329.8	—	—	329.8
Daily settlements and cash deposits	321.7	—	—	321.7
Deferred revenue	66.6	—	—	66.6
Deferred revenue—initial & additional listing fees	80.4	(80.4)	—	—
Obligation under finance leases	3.8	(3.0)	(0.8)	—
Deferred tax liabilities	0.1	—	(0.1)	—
Provisions	—	—	1.2	1.2
Current income tax liabilities	0.1	—	7.7	7.8
Fair value of interest rate swaps	1.3	—	—	1.3
	1,630.8	**(83.5)**	**7.2**	**1,554.5**
Accrued employee benefits payable	12.8	(3.5)	1.7	11.0
Obligations under finance leases	5.5	(4.1)	(1.4)	—
Deferred tax liabilities	237.7	(1.9)	0.1	235.9
Other non-current liabilities	20.5	(0.3)	2.8	23.0
Deferred revenue	1.0	—	(1.0)	—
Deferred revenue—initial & additional listing fees	412.4	(412.4)	—	—
Fair value of interest rate swaps	2.8	—	—	2.8
Term loan	429.2	—	—	429.2
Total Liabilities	**2,752.7**	**(505.7)**	**9.4**	**2,256.4**
Non-controlling Interests	10.2	8.8	(19.0)	—
Equity				
Share capital	1,102.7	(144.7)	—	958.0
(Deficit) Retained earnings	(322.9)	335.5	—	12.6
Contributed surplus	9.3	0.8	—	10.1
Accumulated other comprehensive income (loss)	0.6	(3.2)	—	(2.6)
Total Shareholders' Equity	789.7	188.4	—	978.1
Non-controlling Interests	—	—	19.0	19.0
Total Equity	**789.7**	**188.4**	**19.0**	**997.1**
Total Liabilities and Equity	**$3,552.6**	**$(308.5)**	**$9.4**	**$3,253.5**

Reconciliation of Consolidated Balance Sheet as at December 31, 2010

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifica-tions	IFRS balance
Assets				
Cash and cash equivalents	$68.8	$—	$1.1	$69.9
Marketable securities	261.6	—	—	261.6
Restricted cash	1.1	—	(1.1)	—
Trade and other receivables	89.7	—	—	89.7
Energy contracts receivable	754.9	—	—	754.9
Fair value of open energy contracts	141.9	—	—	141.9
Daily settlements and cash deposits	193.1	—	—	193.1
Prepaid expenses	6.7	—	—	6.7
Current income tax assets	3.1	—	1.2	4.3
Deferred tax assets	29.6	(25.5)	(4.1)	—
	1,550.5	**(25.5)**	**(2.9)**	**1,522.1**
Premises and equipment	33.6	(5.2)	—	28.4
Investment in equity accounted investee	14.2	—	—	14.2
Other intangible assets	920.5	(0.4)	—	920.1
Goodwill	582.6	(161.3)	—	421.3
Deferred tax assets	152.5	(113.2)	4.1	43.4
Other non-current assets	28.0	(13.6)	1.9	16.3
Total Assets	**$3,281.9**	**$(319.2)**	**$3.1**	**$2,965.8**
Liabilities and Equity				
Trade and other payables	$59.1	$(0.7)	$0.2	$58.6
Energy contracts payable	754.9	—	—	754.9
Fair value of open energy contracts	141.9	—	—	141.9
Daily settlements and cash deposits	193.1	—	—	193.1
Deferred revenue	18.7	—	—	18.7
Deferred revenue—initial & additional listing fees	88.9	(88.9)	—	—
Obligation under finance leases	3.3	(2.6)	(0.7)	—
Provisions	—	—	0.4	0.4
Current income tax liabilities	6.1	—	1.2	7.3
Fair value of interest rate swaps	0.7	—	—	0.7
Term loan	429.8	—	—	429.8
	1,696.5	**(92.2)**	**1.1**	**1,605.4**
Accrued employee benefits payable	12.8	(2.6)	1.9	12.1
Obligations under finance leases	3.8	(2.7)	(1.1)	—
Deferred tax liabilities	236.7	(3.2)	—	233.5
Other non-current liabilities	23.3	(0.1)	2.2	25.4
Deferred revenue	1.0	—	(1.0)	—
Deferred revenue—initial & additional listing fees	444.3	(444.3)	—	—
Total Liabilities	**2,418.4**	**(545.1)**	**3.1**	**1,876.4**
Non-controlling Interests	10.4	8.4	(18.8)	—
Equity				
Share capital	1,104.1	(144.7)	—	959.4
(Deficit) Retained earnings	(261.7)	364.1	—	102.4
Contributed surplus	11.2	0.8	—	12.0
Accumulated other comprehensive income (loss)	(0.5)	(2.7)	—	(3.2)
Total Shareholders—Equity	853.1	217.5	—	1,070.6
Non-controlling Interests	—	—	18.8	18.8
Total Equity	**853.1**	**217.5**	**18.8**	**1,089.4**
Total Liabilities and Equity	**$3,281.9**	**$(319.2)**	**$3.1**	**$2,965.8**

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

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

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

	Canadian GAAP balance	IFRS adjustments	IFRS reclassifica-tions	IFRS balance
Net income	$196.5	$40.9	$0.1	$237.5
Other comprehensive (loss) income:				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations (net taxes of $nil)	(3.7)	0.5	(1.1)	(4.3)
Actuarial gains (losses) on defined benefit pension and other post retirement benefit plans (net of taxes of $1.5)	—	(4.5)	—	(4.5)
Comprehensive income	**$192.8**	**$36.9**	**$(1.0)**	**$228.7**
Attributable to:				
Equity holders of the Company	$192.8	$37.2	$—	$230.0
Non-controlling interests	—	(0.3)	(1.0)	(1.3)

12. Selected annual disclosures under IFRS

Certain disclosures required in a company's annual financial statements prepared under IFRS are different or additional to those required under pre conversion Canadian GAAP. Such disclosures would therefore not have been included in TMX Group's 2010 annual financial statements prepared in accordance with

pre-conversion Canadian GAAP. As a result, certain disclosures generally only required in annual IFRS financial statements have been included, where considered material, in these interim financial statements, the first prepared by TMX Group in accordance with IFRS.

a) Goodwill and intangible assets:

(i) Goodwill and intangible assets—indefinite life

A summary of the changes in goodwill and indefinite life intangible assets is as follows:

	Goodwill	Indefinite life intangibles created on acquisition
Balance as at January 1, 2010	$422.5	$677.9
Effect of movements in exchange rates	(1.2)	—
Balance as at December 31, 2010	**$421.3**	**$677.9**

(ii) Intangible assets—definite life

A summary of TMX Group's definite life intangible assets is as follows:

	Capitalized software and software development	Customer bases	Data licenses	Total
Cost:				
Balance at January 1, 2010	$40.4	$267.7	$6.5	$314.6
Additions	9.7	—	—	9.7
Disposals	(0.7)	—	—	(0.7)
Effect of movements in exchange rates	(2.1)	(2.0)	—	(4.1)
Balance at December 31, 2010	**$47.3**	**$265.7**	**$6.5**	**$319.5**
Accumulated amortization:				
Balance at January 1, 2010	$8.3	$50.2	$2.0	$60.5
Charge for the year	9.0	9.6	0.7	19.3
Disposals	(0.7)	—	—	(0.7)
Effect of movements in exchange rates	(0.8)	(1.0)	—	(1.8)
Balance at December 31, 2010	**$15.8**	**$58.8**	**$2.7**	**$77.3**
Net book values:				
At December 31, 2010	**$31.5**	**$206.9**	**$3.8**	**$242.2**
At January 1, 2010	$32.1	$217.5	$4.5	$254.1

Approximately 95% of the capitalized software and software development assets at December 31, 2010, were internally developed.

(iii) Impairment testing

Goodwill and indefinite life intangible assets

For the purpose of impairment testing, goodwill and indefinite life intangible assets have been allocated to TMX Group's CGUs, which represent the lowest level at which these assets are monitored for internal management purposes. The carrying values of goodwill and indefinite life intangible assets allocated to CGU's are as follows:

CGU	Goodwill	December 31, 2010 Indefinite life intangibles
MX	$304.0	$661.1
Other	117.3	16.8
	$421.3	$677.9

The recoverable amounts of the above CGU's were determined based on value in use calculations, using management's discounted cash flow projections over periods of five to eight years, depending on the CGU, along with a terminal value. Specifically for MX, a cash flow projection period of eight years was used, which is consistent with the original acquisition economics, and reflects the stage of its product life cycle with significant long term growth potential remaining beyond a five year forecast.

The terminal value is the value attributed to the CGU's operations beyond the projected time period. The terminal value for MX was determined using an estimated long-term growth rate of 4.5%, which is based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

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

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

The tests referred to above require TMX Group to make various assumptions regarding projected cash flows, including long-term growth rates, and pre-tax discount rates for the various CGU's. These assumptions are subjective judgments based on TMX Group's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections, long-term projections or pre-tax discount rates are significantly different to those used, the outcome of future impairment tests could result in a different outcome with a CGU's goodwill and/or intangible assets being impaired.

As at December 31, 2010, management believes that the goodwill and indefinite life intangibles allocated to the MX CGU are unlikely to be impaired under any reasonable changes in the key assumptions used.

Definite life intangible assets

At the end of each reporting period, TMX Group assesses whether there is any indication that any of its definite life intangible assets may be impaired, and performs an impairment analysis where indicators are noted.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell of the asset and its value-in-use. Where impairment tests were necessary on certain definite life intangibles, TMX Group determined the recoverable amounts based on value in use calculations, which used discounted cash flow projections for the assets over periods of 20 to 28 years, depending on the CGU.

The future cash flows were estimated using long-term growth rates of 3.5% to 3.8% which are based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates.

Pre-tax discount rates of 18.3% to 18.8% was used in calculating the recoverable amount of each asset, which was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

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

TMX Group Inc.

Q1-2011 Management's Discussion and Analysis

May 12, 2011

This MD&A of TMX Group Inc.'s (TMX Group) financial condition and results of operations is provided to enable a reader to assess our financial condition, material changes in our financial condition and our results of operations, including our liquidity and capital resources, for the quarter ended March 31, 2011, compared with the quarter ended March 31, 2010 or the year ended December 31, 2010. This MD&A is dated May 12, 2011 and should be read carefully together with our Q1/11 unaudited interim financial statements, including notes, for the corresponding period which are prepared in accordance with International Financial Reporting Standards (IFRS). Each of these documents is filed with Canadian securities regulators and can be accessed through *www.sedar.com* or our website at *www.tmx.com*. The financial measures included in this MD&A are based on financial statements prepared in accordance with IFRS, unless otherwise specified. All amounts are in Canadian dollars unless otherwise indicated.

International Financial Reporting Standards (IFRS)

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

For each reporting period in 2011, we will also present comparative information for 2010, both for interim and annual financial statements, as applicable, on an IFRS basis. Our consolidated financial statements for the year ending December 31, 2011, will be our first annual financial statements that comply with IFRS. As this will be our first year of reporting under IFRS, First-time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian GAAP (for detailed information see ***Changes in Accounting Policies***).

Merger with London Stock Exchange Group plc[1]

On February 9, 2011 we entered into an agreement to combine with LSEG in an all-share merger of equals to create an international, multi-asset class exchange group. The merger will be implemented by means of a Canadian plan of arrangement under which TMX Group shareholders will receive 2.9963 LSEG shares (each, a Mergeco Share) for each TMX Group share they hold. TMX Group shareholders who are residents of Canada for tax purposes (and not exempt from paying tax) will be entitled to elect to receive exchangeable shares (each, an Exchangeable Share) in a indirect Canadian subsidiary of the new LSEG-TMX Group combined group (Merged Group) LSEG in place of each TMX Group share that they hold. TMX Group shareholders electing to receive Exchangeable Shares will receive the same number of Exchangeable Shares as the number of Mergeco Shares which they would otherwise have been entitled to receive under the terms of the merger. TMX Group shareholders will therefore own approximately 45% and LSEG shareholders will own approximately 55% of the Merged Group immediately after closing. The Mergeco Shares will be listed on London Stock Exchange, trading in Sterling. In addition, LSEG will apply for listing of the Mergeco Shares and the Exchangeable Shares on Toronto Stock Exchange, each of which will trade in Canadian Dollars.

The Merged Group will be jointly headquartered in Toronto and London. In addition, the merger agreement recognises the existing centres of excellence within the Merged Group and reinforces these strengths by assigning global responsibility across its geographic footprint, including in key Canadian cities.

We believe that the merger is strategically compelling and will accelerate our ability to create a more diversified business with greater scale, scope, reach and efficiencies, generating substantial benefits for all stakeholders. TMX Group directors, officers, and executives will have a balanced presence in the leadership of this new merged group, including the positions of Board Chair, President and global CFO.

(1) The "*Merger With London Stock Exchange Group plc*" section above contains certain forward-looking statements. Please refer to "*Caution Regarding Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

The benefits of the transaction are as follows:

- Revenue benefits—The Merged Group is targeting $56.0 million in year three growing to $160.0 million annual run-rate revenue benefits in year five following completion of the transaction. Revenue benefits are targeted to arise across the Merged Group's diversified lines of business and activities, such as primary markets (listings and other issuer services), derivatives, post-trade (clearing), information services and technology.
- Cost synergies—The Merged Group is targeting annual run-rate cost synergies and other transaction-related cost savings of $56.0 million by end of year two following completion of the merger. Associated one-time implementation costs, which are expected to be incurred over two years, are estimated at approximately $64.0 million, primarily driven by transitioning to a common technology infrastructure.
- Value creation—The transaction is expected to be accretive to adjusted earnings per share post cost synergies for both TMX Group and LSEG shareholders in the first full year following completion.

Completion of the merger is subject to regulatory, shareholder and other approvals as well as certain other conditions. The following provides an overview of certain approvals and conditions that must be met:

(a) Approval by at least 66⅔% of the votes cast by shareholders of TMX Group at a special meeting of TMX Group shareholders;

(b) Approval by a majority of votes cast by LSEG shareholders at a general meeting of LSEG shareholders;

(c) Ontario court approval of the Plan of Arrangement;

(d) Certain regulatory approvals, including under the Investment Canada Act, Competition Act (Canada), as well as from the Ontario Securities Commission, Autorité des marchés financiers (Québec), Alberta Securities Commission, British Columbia Securities Commission, U. S. Securities and Exchange Commission, Financial Services Authority (UK), Office of Fair Trading (UK), Bank of Italy and Commissione Nazionale per le Società e la Borsa; and

(e) Listing of the Mergeco Shares and the Exchangeable Shares on Toronto Stock Exchange and listing of the Mergeco Shares issuable pursuant to the Plan of Arrangement on London Stock Exchange.

The merger agreement, which provides for an outside implementation date of November 9, 2011 (with up to a 30-day extension by either party in certain circumstances), contains customary provisions for a transaction of this nature, including representations and warranties, covenants, undertakings and conditions. In the merger agreement, each of TMX Group and LSEG has agreed not to solicit other offers. The merger agreement provides that the Boards of Directors of each of TMX Group and LSEG may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of $39 million, and subject to a right by each party to match the superior proposal in question.

Following the announcement, management and representatives of TMX Group and LSEG have met and held discussions with shareholders, customers, government and regulatory authorities and other stakeholders in Canada, the UK and Italy. In March, TMX Group CEO Tom Kloet and LSEG CEO Xavier Rolet presented the transaction details and rationale to the Ontario Select Committee of the Ontario Legislature studying the proposed transaction of the two exchange companies.

TMX Group and LSEG have initiated the regulatory approval process with Canadian federal and provincial authorities regarding the proposed merger. Application for review under the Investment Canada Act was made on April 29, 2011. In addition, applications have been submitted to provincial securities regulators in Ontario, Québec, Alberta and British Columbia. The provincial securities regulators will publish these applications according to their individual processes. All applications will be based on the terms of the merger agreement made public on February 9, 2011.

Feedback received through the regulatory review process, as well as the report of the Ontario Select Committee, will receive full consideration during the course of the approval process with the various authorities.

Subject to obtaining shareholder, court and regulatory approvals, the merger is expected to become effective in the fall of 2011.

Market Conditions[2]

Our revenue is impacted by the levels and nature of market activity on our exchanges. This activity is influenced by customer and product mix, 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. While it is not possible to quantify the potential changes in some of these measures, future economic and market conditions will continue to affect these revenue drivers and impact future revenue and net income given our largely fixed cost structure.

We operate in the highly competitive exchange industry. Since entering the Canadian equities market, ATSs have fragmented trading volumes. In 2010, Toronto Stock Exchange and TSX Venture Exchange combined held an average 73% share of equities volume traded in Canada. Our combined share of volume declined in Q1/11 to an average of 69%. We expect to continue to face significant competitive pressure in this multi-marketplace environment. We compete for listings both in North America and internationally, particularly for small to medium sized enterprises (SMEs) and resource companies. In Canada, there is currently one competing listings venue and another entity pursuing exchange status with regulators.

Natural Gas Exchange Inc.'s (NGX) business of trading and clearing physical natural gas, electricity and crude oil contracts faces primary competition in energy markets in Canada and the United States from OTC bilateral markets (supported by voice brokers) and competing exchanges listing and clearing energy derivative products. Other exchanges and electronic trading platforms are now starting to list physical products designed to compete directly with the NGX contracts. Our alliance with IntercontinentalExchange, Inc. positions NGX to compete for trading with other venues while providing the tools to deliver clearing for OTC bilateral contracts.

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

Our subsidiary, Boston Options Exchange Group, LLC, or BOX, continues to face intense competition in the U.S. equity options market.

From a macro perspective, a continued recovery in the global and Canadian economies should have an overall positive impact on our key revenue drivers, as a growing economy typically leads to new public offerings and higher financing activity; the growth of capital may in turn drive more investing and trading activity across all asset classes and venues. We saw some of that in 2010 with an increase in IPO activity, commodity speculation and a marked increase in fixed income cash and futures trading that accompanied a rising short-term interest rate environment.

Our belief is that over the long term, well-regulated neutral exchanges and clearing houses with ownership structures that are free of conflict will continue to play a key role in the success of capital markets. We provide transparent markets for capital formation and price discovery along with effectively collateralized clearing mechanisms for managing counterparty credit risk. We believe we are strategically positioned domestically and internationally to continue to succeed in this environment.

2011 Initiatives and Accomplishments[3]

Cash Equities Trading

Products

On April 4, 2011, our new ATS, TMX Select, was made available for customer and industry testing and we are in the process of obtaining all necessary regulatory approvals. The fee schedule and more information about functionality will be communicated to market participants prior to the launch in June 2011, which is subject to regulatory approval.

(2) The "*Market Conditions*" section above contains certain forward-looking statements. Please refer to "*Caution Regarding Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

(3) The "*2011 Initiatives and Accomplishments*" section above contains certain forward-looking statements. Please refer to "*Caution Regarding Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

On March 16, 2011, in keeping with our efforts to offer our customers additional trade execution choices, we launched trading on new on-book Dark Order types that will be supported on both Toronto Stock Exchange and TSX Venture Exchange. The new non-displayed order types called Dark Mid-Point and Dark Limit Orders are now available and integrated into the existing order books. The introduction of these new order types provides opportunity for all market participants to significantly reduce execution costs, receive price improvement, and benefit from efficiencies in accessing both dark and visible liquidity through a single destination and transaction, while maintaining the integrity of the visible market.

These Dark Order types are initially being offered on a few Toronto Stock Exchange and TSX Venture Exchange symbols, and will be gradually introduced for all symbols in a phased approach.

Pricing

Effective March 1, 2011, we reduced the fees for significant usage for our Market on Open (MOO) facility. This change introduced a fee cap for top MOO volume firms. We also introduced residual credit pay outs, or rebates, for trading in our continuous limit order book.

On March 16, 2011, we announced adjustments to our Equity Trading Fee Schedule, effective April 1, 2011. These changes have been made following consultation with market participants and provide cost savings to participants that trade equities where the trade price per-share is lower than $1.00 (Low Priced Equities). With these changes, TMX Group offers the lowest active fee on Low Priced equities in the Canadian market, representing up to a 50% reduction in fees charged to active traders.

Derivatives Trading and Clearing

MX established a new monthly record for total volume in March 2011 with 5.71 million contracts traded, surpassing the previous record of 4.59 million contracts traded set in February 2011.

Consecutive record setting months led to a quarterly volume record of 14.55 million contracts traded in Q1/11, which exceeded the previous record of 12.00 million contracts set in Q1/07.

On May 10, 2011, BOX announced the receipt of a patent specifically related to price improvement auctions for electronic trading of financial instruments. BOX launched its innovative price improvement auction, the Price Improvement Period (PIP), designed to provide customers with the best possible price in the electronic marketplace when it commenced trading in 2004.

Clearing

Canadian Derivatives Clearing Corporation (CDCC) continues to work with the dealer and user community to develop the infrastructure for central-counterparty services for the Canadian fixed income market to meet Canada's G20 commitment of clearing OTC derivatives by December 31, 2012. On April 5, 2011, CDCC and New York Portfolio Clearing (NYPC) announced the signing of a Memorandum of Understanding to explore the development of a clearing link for the Canadian swap market.

Energy Trading

On February 14, 2011, NGX expanded its U.S. clearing operation to offer physical clearing at two additional hubs in Texas: Houston Ship Channel—Houston Pipeline Pool, located east of Houston, and Oasis—Waha Pool, a broad region in west Texas. As of March 31, 2011, NGX offers physical clearing of natural gas at 32 U.S. locations.

Quarter Ended March 31, 2011 Compared with Quarter Ended March 31, 2010

Net income was $64.3 million ($63.1 million attributable to TMX Group shareholders), or $0.85 per common share* ($0.84 cents on a diluted basis) for Q1/11, compared with net income of $56.7 million ($57.1 attributable to TMX Group shareholders), or $0.77 per common share on a basic and diluted basis for Q1/10, representing an increase in net income of 13%. The increase in net income was largely due to higher revenue across the major components of our business, partially offset by increased expenses due to costs associated with the proposed merger with LSEG, a commodity tax adjustment** and higher costs associated with short and long-term employee incentive plans.

---

* Earnings per share information is based on net income attributable to TMX Group shareholders.

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

Adjusted Earnings per Share Reconciliation for Q1/11 and Q1/10**

The following is a reconciliation of earnings per share to adjusted earnings per share** prior to the adjustment related to costs associated with the proposed merger with LSEG and the commodity tax adjustment*:

	Q1/11		Q1/10	
	Basic	Diluted	Basic	Diluted
Earnings per share	$0.85	$0.84	$0.77	$0.77
Adjustments:				
Adjustment related to costs associated with the proposed merger with LSEG, net of tax	$0.08	$0.08	—	—
Adjustment, net of tax related to commodity tax*	$0.05	$0.05	—	—
*Adjusted earnings per share***	$0.98	$0.97	$0.77	$0.77

Adjusted earnings per share** of $0.98 per common share ($0.97 on a diluted basis), was higher than earnings per share of $0.77 per common share on a basic and diluted basis for Q1/10. The increase in adjusted earnings per share** was largely due to higher revenue across the major components of our business, partially offset by the impact of higher costs associated with short and long-term employee incentive plans.

Revenue

Revenue was $174.7 million in Q1/11, up $25.3 million, or 17% compared with $149.4 million for Q1/10, reflecting increased revenue from across our business with the exception of a decrease in technology services and other revenue due to higher net foreign exchange losses in Q1/11 when compared with Q1/10.

Issuer Services Revenue

The following is a summary of issuer services revenue in Q1/11 and Q1/10.

	Q1/11	Q1/10	$ increase/ (decrease)	% increase/ (decrease)
	(in millions of dollars)			
Initial listing fees	$ 8.3	$ 6.3	$ 2.0	32%
Additional listing fees	$31.7	$23.6	$ 8.1	34%
Sustaining listing fees	$18.9	$16.0	$ 2.9	18%
Other issuer services	$ 3.1	$ 3.5	($0.4)	(11%)
Total	$62.0	$49.4	$12.6	26%

- *Initial listing fees* in Q1/11 increased over Q1/10 primarily due to an increase in the number of issuers who converted from income trusts to corporate entities, and fee changes on TSX Venture Exchange which were effective January 1, 2011. There was also an increase in the value and number of initial financings on TSX Venture Exchange.
- The increase was partially offset by the impact of a decrease in the value and number of initial financings on Toronto Stock Exchange in Q1/11 compared with Q1/10.
- *Additional listing fees* in Q1/11 increased over Q1/10 due to an increase in the value and number of additional financings on Toronto Stock Exchange and TSX Venture Exchange, and fee changes which were effective January 1, 2011.
- 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 the overall higher

* See "*General and Administration*" section.

** The terms Adjusted earnings per share and Adjusted diluted earnings per share do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. We present Adjusted earnings per share and Adjusted diluted earnings per share to indicate operating performance exclusive of expenses we incurred in Q1/11 due to costs related to our proposed merger with LSEG and a commodity tax adjustment. Management uses these measures to assess our financial performance exclusive of these costs and to enable comparability across periods.

market capitalization of listed issuers on both exchanges at the end of 2010 compared with the end of 2009, and fee changes on TSX Venture Exchange which were effective January 1, 2011.

- *Other issuer services* revenue decreased due to lower fees in Q1/11 compared with Q1/10 related to providing investor relations services. This was somewhat offset by revenue from new products.

Trading, Clearing and Related Revenue

	Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)			
Cash markets revenue	$33.6	$31.3	$ 2.3	7%
Derivatives markets revenue	$26.3	$18.4	$ 7.9	43%
Energy markets revenue	$11.4	$ 9.3	$ 2.1	23%
Total	$71.3	$59.0	$12.3	21%

Cash Markets

- The increase in *cash markets* equity trading revenue was due to a 64% increase in the volume of securities traded on TSX Venture Exchange in Q1/11 over Q1/10 (25.23 billion securities in Q1/11 versus 15.37 billion securities in Q1/10). There was also a 20% increase in the volume of securities traded on Toronto Stock Exchange in Q1/11 over Q1/10 (30.32 billion securities in Q4/10 versus 25.34 billion securities in Q1/10).

- The increase was somewhat offset by changes to our equity trading fee schedule on March 1, 2010, which included reductions in active trading fees on securities trading at less than $1.00 in the post-open continuous market and on April 1, 2010, which included a reduction in trading fees for securities trading at $1.00 and higher. The increased revenue was also somewhat offset by fee changes effective March 1, 2011, which reduced the fees for significant usage for our MOO facility and introduced rebates for trading in our continuous limit order book.

- In addition, Shorcan Brokers Limited (Shorcan) fixed income trading revenue increased in Q1/11 compared with Q1/10 due to a favourable product mix, somewhat offset by lower volumes.

Derivatives Markets

- The increase in *derivatives markets* revenue reflects an increase in BOX revenues. There was a 79% increase in BOX volumes (31.67 million contracts in Q1/11 versus 17.67 million contracts traded in Q1/10). The increase in revenue was also due to price increases which were effective in Q3/10, partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10.

- The increase in derivatives markets revenue also reflects an increase in trading and clearing revenue from MX and CDCC. MX volumes increased by 46% (14.55 million contracts traded in Q1/11 versus 9.97 million contracts traded in Q1/10) reflecting increased trading in the BAX and CGB contracts, as well as ETF and equity options. The increase in revenue was partially offset by unfavourable product and client mix. Open interest was up 36% at March 31, 2011 compared with March 31, 2010.

Energy Markets

- The increase in *energy markets* revenue reflects a 24% increase in total energy volume[#] on NGX over Q1/10 (4.11 million terajoules in Q1/11 compared to 3.32 million terajoules in Q1/10).

- The increase also reflects higher revenue from Shorcan Energy Brokers Inc. (Shorcan Energy Brokers), a wholly-owned subsidiary of Shorcan, due to higher volumes in Q1/11 compared with Q1/10. Shorcan Energy Brokers launched inter-participant brokerage in energy products in Q1/10 and its revenue was included in Q1/10 from February 1, 2010.

- The higher revenue was somewhat offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10.

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

Information Services Revenue

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$40.0	$37.4	$2.6	7%

- The increase reflects higher revenue from co-location services, index data licensing, fixed income indices and usage based quotes.
- Overall, there was a 5% increase in the average number of professional and equivalent real-time market data subscriptions to Toronto Stock Exchange and TSX Venture Exchange products (159,072+ professional and equivalent real-time market data subscriptions in Q1/11 compared with 152,039 in Q1/10). There was also a 5% increase in the average number of MX market data subscriptions (23,748+ MX market data subscriptions in Q1/11 compared with 22,649 in Q1/10).
- The increases were partially offset by the impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10 and the effect of customer enterprise agreements.

Technology Services and Other Revenue

Q1/11	Q1/10	$ (decrease)	% (decrease)
	(in millions of dollars)		
$1.4	$3.6	($2.2)	(61%)

- *Technology services and other* revenue decreased primarily due to higher net foreign exchange losses on U.S. dollar accounts receivable, which included adjustments for prior periods.

Operating Expenses

Operating expenses in Q1/11 were $77.1 million, up $7.5 million, or 11%, from $69.6 million in Q1/10 primarily due to a commodity tax adjustment and higher costs associated with short and long-term employee incentive plans. This increase was somewhat offset by lower costs following the decommissioning of legacy hardware and lower depreciation and amortization costs.

Compensation and Benefits

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$36.8	$32.3	$4.5	14%

- *Compensation and benefits* costs increased primarily due to higher costs associated with long-term employee performance incentive plans that are tied to share price appreciation.
- The increases were also due to higher costs related to short-term employee performance incentive plans as well as an overall increase in salary and benefits costs relating to increased headcount and merit increases, as well as the loss of certain exemptions related to the Québec tax holiday which ended on December 31, 2010 (see **Income Taxes**). There were 857 employees at March 31, 2011 versus 836 employees at March 31, 2010.
- The increases were partially offset by lower organizational transition costs and lower costs associated with technology initiatives in Q1/11 compared with Q1/10.

Information and Trading Systems

Q1/11	Q1/10	$ (decrease)	% (decrease)
	(in millions of dollars)		
$10.6	$12.8	($2.2)	(17%)

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

- *Information and trading systems* expenses decreased due to reductions following the decommissioning of legacy hardware in Q2/10 and lower costs related to technology initiatives in Q1/11 compared with Q1/10.

General and Administration[4]

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$23.1	$16.9	$6.2	37%

- *General and administration* costs increased largely due to recording a $5.5 million provision related to a commodity tax adjustment as well as higher marketing expenses.
- We are in the process of submitting a ruling request to the Canada Revenue Agency (CRA) relating to the application of taxes (Harmonized Sales Tax or HST) imposed under section 165 of the *Excise Tax Act* on our trade execution fees on equities and derivatives. Effective February, 2011, we stopped charging HST on these trade execution fees for Toronto Stock Exchange and TSX Venture Exchange. We are confident that the ruling request will be approved, and as such, have not provided for HST not charged to customers. If the ruling request is approved, we may be required to repay to the CRA the input tax credits (ITCs) claimed in recent years against the trading businesses. We firmly believe that the liability related to these ITCs should be $0; however, a repayment of up to four years of ITCs previously claimed may be required. As a result, we have estimated the range of possible outcomes to be between $0 and $11.0 million. A provision of $5.5 million related to the commodity tax adjustment ($4.8 million relating to prior years) has been recorded in Q1/11. Future estimates may be different and a change in the provision may be required. If the ruling request is approved, we will not be able to claim these ITCs against these trading businesses going forward.

Depreciation and Amortization

Q1/11	Q1/10	$ (decrease)	% (decrease)
	(in millions of dollars)		
$6.6	$7.6	($1.0)	(13%)

- *Depreciation and Amortization* costs decreased due to reduced amortization relating to assets that were fully depreciated by Q1/11.
- The decrease also reflected lower amortization of the intangible assets related to the TMX Smart Order Router and MX trading participants.

Merger-Related Costs

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$8.3	—	$8.3	—

- *Merger-Related Costs* includes legal, advisory and other costs incurred during Q1/11 related to our proposed merger with LSEG.
- We are also liable for the payment of success fees of $16.8 million which are contingent upon the successful completion of the merger. These fees have not been accrued.

(4) The "*General and Administration*" section above contains certain forward-looking statements. Please refer to "*Caution Regarding Forward-Looking Information*" for a discussion of risks and uncertainties related to such statements.

Finance Income (formerly Investment Income)

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$1.2	$0.8	$0.4	50%

- *Finance income* increased primarily due to increased cash available for investment in Q1/11 compared with Q1/10.

Finance Costs (formerly Interest Expense)

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$2.0	$1.2	$0.8	67%

- *Finance costs* increased as a result of higher interest rates on the debt outstanding. On April 30, 2008, we borrowed $430.0 million in Canadian funds related to financing the cash consideration of the purchase price for MX (see **Term Loan**).

Mark-to-market on Interest Rate Swaps Loss

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$0.1	$0.1	—	—

- We entered into a series of interest rate swap agreements to partially manage our exposure to interest rate fluctuations on our long-term debt, effective August 28, 2008 (see **Term Loan**).
- During Q1/11, unrealized gains of $0.6 million and realized losses of $0.7 million were reflected in net income, compared with unrealized gains of $1.5 million and realized losses of $1.6 million recognized in Q1/10.

Income Taxes

		Effective tax rate (%)	
Q1/11	Q1/10	Q1/11	Q1/10
	(in millions of dollars)		
$24.7	$22.9	28%	29%

- The effective tax rate for Q1/11 was lower than that for Q1/10 due to a decrease in federal and Ontario corporate income tax rates, somewhat offset by a higher Québec corporate tax rate that resulted from the expiry on December 31, 2010 of a provincial tax holiday related to the financial sector.
- From October 1, 2000 to December 31, 2010, MX and CDCC benefited from certain income tax, capital tax and other exemptions which were intended to support the financial sector in the Province of Québec.

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

Q1/11	Q1/10	$ increase	% increase
	(in millions of dollars)		
$1.2	($0.4)	$1.6	400%

- MX holds a 53.8% ownership interest in BOX. The results for BOX are consolidated in our Income Statement.
- Net income/(loss) attributable to non-controlling interests represents the other BOX unitholders' share of BOX's income or loss, before income taxes in the period. In Q1/11, net income of $1.2 million reflected higher BOX trading volumes. In Q1/10, the net loss of $0.4 million reflected increased competition and a significant decline in BOX's market share.

Segment Analysis

Cash Markets—Equities and Fixed Income (includes merger related costs)

	Q1/11	Q1/10	$ increase	% increase
		(in millions of dollars)		
Revenue	$131.9	$117.2	$14.7	13%
Net income attributable to TMX Group shareholders	$51.8	$49.5	$2.3	5%

The increase in revenue primarily reflects higher issuer services revenue related to the increase in the number of issuers who converted from income trusts to corporate entities and increased revenue from additional and sustaining listing fees as well as higher fixed income, information services and equities trading revenue in Q1/11 compared with Q1/10. Net income attributable to TMX Group shareholders increased due to the increased revenue, partially offset by increased expenses due to legal, advisory and other costs associated with the proposed merger with LSEG, higher general and administration expenses, which included a commodity tax adjustment, and higher compensation and benefits costs. Information and trading systems costs were lower in Q1/11 compared with Q1/10 following the decommissioning of legacy hardware.

	March 31, 2011	March 31, 2010	$ increase
	(in millions of dollars)		
Total Assets	$565.5	$443.7	$121.8
Total Liabilities	$586.8	$564.1	$22.7

Total assets increased primarily due to an increase in cash and marketable securities in Q1/11 compared with Q1/10. Total Liabilities increased in Q1/11 compared with Q1/10 due to an increase in deferred revenue, trade and payables largely due to the proposed merger with LSEG and a commodity tax adjustment.

Derivative Markets—MX and BOX

	Q1/11	Q1/10	$ increase	% increase
		(in millions of dollars)		
Revenue	$31.4	$22.8	$8.6	38%
Net income attributable to TMX Group shareholders	$8.2	$5.5	$2.7	49%

The increase in revenue largely reflects higher revenue and volumes on MX and BOX. Net income for Q1/11 increased due to the increased revenue, partially offset by higher general and administration expenses, which included a commodity tax adjustment, and higher compensation and benefits costs compared with Q1/10. In Q1/11, net income attributable to TMX Group shareholders was somewhat reduced by higher income taxes compared with Q1/10, partially due to the expiration of the Québec tax holiday on December 31, 2010.

	March 31, 2011	March 31, 2010	$ (decrease)
	(in millions of dollars)		
Total Assets	$1,434.5	$1,548.1	($113.6)
Total Liabilities	$402.2	$543.6	($141.4)

Total Assets decreased primarily due to a reduction in Daily Settlements and Cash Deposits of $140.4 million. MX also carried offsetting liabilities related to daily settlements and cash deposits which were $140.4 million lower at March 31, 2011 compared with March 31, 2010. There has been a trend towards clearing members pledging securities rather than cash as collateral. The decrease was somewhat offset by an increase in cash and marketable securities of $33.8 million at March 31, 2011 compared with March 31, 2010.

Energy Markets—NGX and Shorcan Energy Brokers

	Q1/11	Q1/10	$ increase	% increase
		(in millions of dollars)		
Revenue	$11.4	$9.4	$2.0	21%
Net income attributable to TMX Group shareholders	$3.1	$2.1	$1.0	48%

The increase in revenue in Q1/11 compared with Q1/10 was due to higher revenue from natural gas and electricity trading and clearing as a result of an increase in volumes, slightly offset by the negative impact of the depreciation of the U.S. dollar against the Canadian dollar in Q1/11 compared with Q1/10. The increase also reflects higher revenue from Shorcan Energy Brokers, due to higher volumes in Q1/11 compared with Q1/10. Shorcan Energy Brokers' revenue was included in Q1/10 from February 1, 2010. The increase in net income reflected the higher revenue partially offset by an increase in all operating expenses.

	March 31, 2011	March 31, 2010	$ (decrease)
	(in millions of dollars)		
Total Assets	$976.2	$1,261.7	($285.5)
Total Liabilities	$857.8	$1,148.7	($290.9)

Total Assets decreased due to a decrease of $203.0 million in the fair value of open energy contracts receivable compared with the end of March 2010. This is largely attributable to the daily mark to market margin on power contracts being settled daily effective November 1, 2010. As the clearing counterparty to every trade, NGX also carries offsetting liabilities related to the fair value of open energy contracts which were also $203.0 million lower at March 31, 2011 compared with March 31, 2010. The decrease in Total Assets was also due to a decrease in energy contracts receivable of $91.0 million due to lower gas prices compared with the end of March 2010. As the clearing counterparty to every trade, NGX also carries offsetting liabilities in the form of energy contracts payable, which were $91.0 million lower at the end of March 2011.

Liquidity and Capital Resources

Cash, Cash Equivalents and Marketable Securities

March 31, 2011	December 31, 2010	$ increase
	(in millions of dollars)	
$377.6	$331.5	$46.1

- The increase was largely due to cash generated from operating activities of $72.1 million, partially offset by dividend payments of $29.8 million.

Total Assets

March 31, 2011	December 31, 2010	$ increase
	(in millions of dollars)	
$2,976.2	$2,965.8	$10.4

- *Total assets* increased due to an increase in trade and other receivables of $48.4 million as well as an increase in cash and marketable securities of $46.1 million.
- The overall increase was partially offset by a decrease in energy contracts receivable of $51.8 million related to the clearing operations of NGX and a $15.1 million decrease in current assets related to the fair value of open energy contracts at March 31, 2011 compared with December 31, 2010.
- The increase in *Total assets* was also partially offset by a decrease in MX daily settlements and cash deposits of $11.8 million at March 31, 2011 related to MX's clearing operations, compared with the end of 2010.

Credit Facilities and Guarantee

Term Loan

March 31, 2011	December 31, 2010	$ (decrease)
	(in millions of dollars)	
$429.3	$429.8	($0.5)

- In connection with the combination with MX, we established a non-revolving three-year term unsecured credit facility of $430.0 million (the Term Loan). On April 30, 2008, we borrowed $430.0 million in Canadian funds under the Term Loan to satisfy the cash consideration of the purchase price for MX. On March 31, 2011, we extended and amended this facility that was due to expire on April 18, 2011. The revised credit facility remains at $430.0 and will expire on March 31, 2012, or 180 days after the completion or cancellation of the merger with the LSEG, if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Until April 18, 2011, the credit facility attracted interest at Bankers' Acceptance (BA) plus 45 basis points. After that date, interest is charged at BAs plus 85 basis points. The facility remains unsecured and continues to include certain covenants that TMX Group must maintain.
- This credit facility contains customary covenants, including a requirement that TMX Group maintain:
  - a maximum debt to adjusted EBITDA ratio of 3.5:1, where adjusted EBITDA means earnings on a consolidated basis before interest, taxes, extraordinary, unusual or non-recurring items, depreciation and amortization, all determined in accordance with IFRS;
  - a minimum consolidated net worth covenant based on a pre-determined formula; and
  - a debt incurrence test whereby debt to adjusted EBITDA must not exceed 3.0:1.

At March 31, 2011, all covenants were met.

Other Credit Facilities and Guarantee

To backstop its clearing operations, NGX currently has a credit agreement in place with a Canadian 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. This facility had not been drawn upon at March 31, 2011.

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

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

In addition, in January, 2011, CDCC arranged additional credit facilities. A $100.0 daylight liquidity facility and a $50.0 call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

Total Equity attributable to Shareholders of the Company

March 31, 2011	December 31, 2010	$ increase
	(in millions of dollars)	
$1,109.9	$1,070.6	$39.3

- We earned $63.1 million of net income attributable to TMX Group shareholders during Q1/11 and paid $29.8 million in dividends. In addition, we received $6.1 million in proceeds from share options exercised.
- At March 31, 2011, there were 74,587,992 common shares issued and outstanding. In Q1/11, 217,530 common shares were issued on the exercise of share options. At March 31, 2011, 3,846,696 common shares were reserved for issuance upon the exercise of options granted under the share option plan. At March 31, 2011, there were 1,919,801 options outstanding.
- At May 11, 2011, there were 74,594,400 common shares issued and outstanding and 1,906,661 options outstanding under the share option plan.

Cash Flows from Operating Activities

	Q1/11	Q1/10	Increase in cash
	(in millions of dollars)		
Cash Flows from Operating Activities	$72.1	$70.8	$1.3

Cash Flows from Operating Activities were $1.3 million higher in Q1/11 compared with Q1/10 due to:

	Q1/11	Q1/10	Increase/ (decrease) in cash
	(in millions of dollars)		
Net income	$64.3	$56.7	$7.6
Depreciation and Amortization	$6.6	$7.6	($1.0)
Unrealized (gain) on interest rate swaps	($0.6)	($1.5)	$0.9
Unrealized loss on marketable securities	$0.5	$0.4	$0.1
(Increase) in trade and other receivables and prepaid expenses	($46.7)	($23.1)	($23.6)
(Increase)/decrease in deferred taxes	($4.8)	$0.2	($5.0)
Net (decrease) in trade and other payables, long- term accrued and other non-current liabilities	($11.9)	($12.9)	$1.0
Increase in deferred revenue	$58.3	$51.6	$6.7
Net increase/(decrease) in current income taxes	$0.3	($8.0)	$8.3
Provisions, including commodity tax adjustment (2011)	$5.4	($0.1)	$5.5
Net increase/(decrease) in other items	$0.7	($0.1)	$0.8
Cash Flows from Operating Activities	$72.1	$70.8	$1.3

Cash Flows from (used in) Financing Activities

	Q1/11	Q1/10	Increase in cash
	(in millions of dollars)		
Cash Flows from (used in) Financing Activities	($24.6)	($28.1)	$3.5

Cash Flows (used in) Financing Activities were $3.5 million lower in Q1/11 compared with Q1/10 due to:

	Q1/11	Q1/10	Increase/ (decrease) in cash
	(in millions of dollars)		
Dividends paid on common shares	($29.8)	($28.0)	($1.8)
Proceeds from exercised options	$6.1	$0.1	$6.0
Net (decrease) in other items	($0.9)	($0.2)	($0.7)
Cash Flows from (used in) Financing Activities	($24.6)	($28.1)	$3.5

Cash Flows from (used in) Investing Activities

	Q1/11	Q1/10	Increase in cash
	(in millions of dollars)		
Cash Flows from (used in) Investing Activities	($33.0)	($63.8)	$30.8

Cash Flows (used in) Investing Activities were $30.8 million lower in Q1/11 compared with Q1/10 due to:

	Q1/11	Q1/10	Increase/ (decrease) in cash
	(in millions of dollars)		
Capital expenditures primarily related to technology investments and leasehold improvements	($0.3)	($4.9)	$4.6
Additions to intangible assets including TSX Quantum Feeds (2011 and 2010), development costs related to repo clearing (2011 and 2010), on- book non-displayed order types (2011) and SOLA internal development costs (2010)	($2.5)	($2.1)	($0.4)
Cost of acquisition of PCF MinesOnline.com Pty Ltd.	($1.0)	—	($1.0)
Proceeds on disposal of EDX investment	$3.2	—	$3.2
Net (purchases) of marketable securities	($32.4)	($56.8)	$24.4
Cash Flows from (used in) Investing Activities	($33.0)	($63.8)	$30.8

Summary of Cash Position and Other Matters[5]

We had $377.6 million of cash and cash equivalents and marketable securities at March 31, 2011. Based on our current business operations and model, we believe that we have sufficient cash resources to operate our business. During Q1/11, with revenues of $174.7 million, we incurred operating expenses of $77.1 million. We had $429.3 million of debt outstanding under the Term Loan. On March 31, 2011, we extended and amended our $430.0 credit facility that was due to expire on April 18, 2011. The revised credit facility remains at $430.0 and will expire on March 31, 2012, or 180 days after the completion or cancellation of the merger with the LSEG, if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Based on current levels of cash flow from operations, we believe that the Term Loan could be repaid with a combination of existing cash, future cash flow from operations and refinancing, as required.

In June 2010, we filed a short form base shelf prospectus with securities regulators in each of the provinces of Canada. This will enable us to offer and issue up to $1.0 billion of debt, equity or other securities over a 25-month period ending in July 2012. The net proceeds of any such offerings would be used for general corporate purposes, including repaying outstanding indebtedness from time to time, and funding future acquisitions or investments. Under the merger agreement with LSEG, we are currently restricted from raising funds without their consent.

Cash flows from operations were $72.1 million in Q1/11. We paid $29.8 million (40 cents per common share) in dividends in Q1/11.

In Q 3/09, we announced phases 3 and 4 of our major expansion of our co-location services and facilities in response to significant demand. The new facility has been designed to accommodate up to 190 co-location spaces, which will meet current and medium-term demand for the services. Capital expenditures of approximately $0.1 million associated with the third phase of the expansion project were incurred in Q1/11. We expect to incur approximately $2.2 million of additional capital expenditures associated with phase 3. On June 30, 2010, clients began installing their trading applications in the TMX data centre. We began to realize incremental revenue in Q3/10.

In keeping with our commitment to deliver state of the art levels of technology to our markets, we are continuing to invest in, and are implementing a multi-phased initiative to expand the infrastructure across our trading and data enterprise. In order to increase throughput capability, we are expanding our internal networks, storage and application servers. The first expansion phase was completed in Q1/10. The second phase is well underway. We are incurring annual operating expenses, including amortization, of approximately $10.0 million to support this initiative.

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

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

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

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

Managing Capital

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

- Maintaining sufficient capital for operations to ensure market confidence. Currently, we target to retain a minimum of $100.0 million in cash and marketable securities. This amount is subject to change.
- We do this by managing our capital subject to capital maintenance requirements imposed on us and our subsidiaries as follows:
  - In respect of TSX Inc., as required by the OSC to maintain certain regulatory ratios as defined in the OSC recognition order, as follows:
    - a current ratio not less than 1.1:1;
    - a debt to cash flow ratio not greater than 4:1; and
    - a financial leverage ratio consisting of adjusted total assets to adjusted shareholders' equity not greater than 4:1.

  We have complied with these externally imposed capital requirements.

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

  We have complied with these externally imposed capital requirements.

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

  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 term loan (see **Term Loan**).

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.

Changes in Internal Control over Financial Reporting

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

Quarterly Information

The following table presents a summary of quarterly consolidated operating results for TMX Group. Because our IFRS adoption is effective as of January 1, 2010, our 2009 quarterly information is presented on a Canadian GAAP basis. Accordingly, our quarterly information for 2011 and 2010 will not be comparable to that for 2009 (see **Impact of Adoption of IFRS Reconciliations for 2010**).

	IFRS					Canadian GAAP		
	Mar. 31/11	Dec. 31/10	Sept. 30/10	June 30/10	Mar. 31/10	Dec. 31/09	Sept. 30/09	June 30/09
	(in millions of dollars, except per share amounts)							
Revenue	$174.7	$174.1	$146.0	$156.1	$149.4	$153.6+	$131.6+	$138.1+
Net Income/(loss)	64.3	67.5	55.5	57.9	56.7	(26.8)	41.7	46.9
Earnings per share:								
Basic	0.85	0.90	0.74	0.79	0.77	(0.36)	0.56	0.63
Diluted	0.84	0.90	0.74	0.79	0.77	(0.36)	0.56	0.63

\+ For 2010 and 2011, provisions for doubtful accounts receivable are included in *General and Administration* expense whereas in 2009, these provisions were reflected as a reduction in various sources of revenue. The comparative figures for both revenue and expenses in 2009 have been reclassified to conform with the financial presentation adopted in 2010.

2011

IFRS

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

2010

IFRS

- It is not possible to compare revenue for Q1/10 (IFRS basis) with revenue for Q4/09 (Canadian GAAP basis) as issuer services revenue was recognized on a different basis. However, excluding issuer services revenue, in Q1/10 revenue decreased compared with Q4/09 due to the higher technology services revenue in Q4/09 from the one-time license fee of $13.5 million from the LSEG, lower cash markets equity trading and energy trading revenue. This was somewhat offset by increased revenue from cash markets fixed income trading and information services. Also excluding the impact of recognizing issuer services revenue on a different basis, net income for Q1/10 increased over the net loss reported in Q4/09 largely as a result of the non-cash goodwill impairment charge of $77.3 million related to BOX and the write-down in the value of future tax assets and liabilities of $10.4 million.
- Revenue in Q2/10 increased over revenue in Q1/10 due to higher revenue from issuer services, information services, energy trading and Canadian derivatives trading, somewhat offset by lower

revenue from cash equities trading and U.S. derivatives trading. Net income for Q2/10 increased over net income in Q1/10 largely due to higher revenue partially offset by higher expenses as we continue to invest in technology initiatives, corporate development and marketing.

- Revenue in Q3/10 decreased over revenue in Q2/10 primarily due to lower revenue from issuer services. The decrease was also as a result of lower cash markets trading revenue and technology services revenue, partially offset by higher energy trading revenue. Net income for Q3/10 decreased over Q2/10 due to lower revenue. The impact was partially offset by lower information and trading systems costs as well as reduced general and administration expenses.
- Revenue in Q4/10 increased over revenue in Q3/10 primarily due to significantly higher issuer services and cash markets trading revenue as well as higher derivatives trading and clearing revenue, partially offset by lower technology services revenue. Net income was higher in Q4/10 compared with Q3/10. The increase in revenue was partially offset by higher compensation and benefits costs, information and trading systems costs and general and administration costs and lower finance income (formerly investment income). In addition, there was a write-down to estimated fair value of $1.7 million on our 19.9% interest in EDX in Q4/10.

2009

Canadian GAAP

- Revenue in Q2/09 increased over revenue in Q1/09 largely due to higher revenue from TSX Venture Exchange cash equities trading and energy trading, including revenue from NetThruPut Inc. (NTP), effective May 1, 2009. Net income for Q2/09 increased over Q1/09 primarily due to the increased revenue and a decrease in compensation and benefits expenses.
- Revenue in Q3/09 decreased over revenue from Q2/09 largely due to lower revenue from Toronto Stock Exchange cash equities trading and information services. Net income for Q3/09 decreased over Q2/09 primarily due to the decreased revenue and an increase in compensation and benefits costs, information and trading systems expenses as well as amortization.
- Revenue in Q4/09 increased over revenue from Q3/09 primarily due to increased technology services revenue, which included a one-time license fee of $13.5 million from the LSE, as well as higher revenue from issuer services, cash markets trading and information services. This was partially offset by lower revenue from derivatives and energy trading. There was a net loss in Q4/09 largely due to the non-cash goodwill impairment charge of $77.3 million related to BOX and an increase in income taxes due to a write-down in the value of future tax assets and liabilities of $10.4 million, partially offset by the increased revenue and lower overall expenses compared with Q3/09.

Changes in Accounting Policies—International Financial Reporting Standards (IFRS)

Initial Adoption—Impacts of the Conversion to IFRS

IFRS are premised on a conceptual framework similar to pre-conversion Canadian GAAP, although significant differences exist in certain matters of recognition, measurement and disclosure. The areas affected on our transition from pre-conversion Canadian GAAP to IFRS are set out below in order of significance. Revenue recognition of initial and additional listing fees and the resulting tax effect had the most significant impact on our financial statements upon transition to IFRS. For each affected area identified, any applicable IFRS1 exemptions and accounting policy differences between pre-conversion Canadian GAAP and IFRS standards are discussed. The dollar impacts of adoption on TMX Group's financial position and financial performance outlined below are unaudited financial information.

Revenue Recognition

The most significant area of impact is in the recognition of Issuer Services Revenue related to initial and additional listing fees, along with the associated impact on future income tax assets. Initial and additional listing fees for both Toronto Stock Exchange and TSX Venture Exchange were impacted. No other sources of revenue were impacted by the conversion to IFRS.

- *Accounting policy difference between Canadian GAAP and IFRS:*

Canadian GAAP—Initial and additional listing fees were 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 accordance with EIC 141, Revenue Recognition.

IFRS—Initial and additional listing fees are recognized in full in the period when the listings occur.

- *Impact of Adoption on TMX Group:*

On the Transition Date, short-term deferred revenue—initial and additional listing fees and long-term deferred revenue—initial and additional listing fees have been reduced by $78.0 million and $405.1 million respectively, with the offset to retained earnings. The tax effect on the above transition adjustment is a reduction of $128.4 million in deferred income tax assets with the offset to retained earnings. For the three months ended March 31, 2010, and the year ended December 31, 2010, issuer services revenue was increased by $9.7 million and $50.1 million respectively, and income tax expense was increased by $1.6 million and $8.9 million respectively, as a result of this change in accounting policy.

The following is a six-year history of total issuer services revenue reported under pre-conversion Canadian GAAP and total issuer services revenue billed to Toronto Stock Exchange and TSX Venture Exchange issuers, which shows the impact this accounting policy change would have had on historical issuer services revenue, had IFRS been in effect during the periods identified.

	2005	2006	2007	2008	2009	2010
			(in millions of dollars)			
Total issuer services revenue under IFRS+	$146.3	$175.9	$212.5	$181.2	$173.3	$213.1
Total issuer services revenue under previous Canadian GAAP+	$87.7	$108.5	$133.9	$153.0	$143.0	$163.0
Incremental revenue that would have been reported under IFRS	$58.6	$67.4	$78.6	$28.2	$30.3	$50.1

\+ For 2008, 2009 and 2010, provisions for doubtful accounts receivable are included in *General and Administration* expense whereas in previous years, these provisions were reflected as a reduction in various sources of revenue. These amounts are unaudited.

In June 2010, the IASB issued an Exposure Draft on Revenue from Contracts from Customers (ED) and requested comments by October 22, 2010. The ED does not specify an effective date for the new standard; however, it proposes that the amendments be applied retrospectively. We are currently considering the impact that this ED will have on Issuer Services Revenue. It is possible that it could result in a deferral of initial and additional listing fees.

Business Combinations

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply IFRS 3 (revised)—Business Combinations (IFRS 3), prospectively from the Transition Date or retrospectively only to acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date.

Election—We elected not to apply IFRS 3 retrospectively to business combinations that occurred before 2008, the year of our most significant acquisition (MX). The acquisitions of MX, BOX and NTP have been restated to reflect the requirements of IFRS 3 upon adoption of IFRS.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Measurement of purchase price:

Canadian GAAP—Shares issued as consideration were measured at their estimated fair value on the date the parties to the business combination reached an agreement on the purchase price and the proposed transaction was announced.

IFRS—Shares issued as consideration are measured at their fair value on the acquisition date.

- Acquisition costs:

Canadian GAAP—Direct and incremental costs of business combinations were recognized as part of the purchase cost.

IFRS—Acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

- Restructuring provisions:

Canadian GAAP If certain conditions were met, the costs of restructuring activities were included as part of the purchase price even if a present obligation did not exist as of the date of acquisition.

IFRS—Restructuring provisions are included as part of the business combination only if they represent a present obligation as of the date of acquisition.

- Non-controlling interests:

Canadian GAAP—Non-controlling interests were recorded at their share of the existing carrying values of the net assets acquired.

IFRS—Non-controlling interests are recorded at either their fair value or their proportionate share of the fair value of the acquiree's net assets. TMX Group opted for the latter method with regards to BOX.

- Increase in ownership of a subsidiary:

Canadian GAAP—Increase in ownership interests of a subsidiary were accounted for using the purchase method.

IFRS—When an entity increases its ownership in an investment that results in the acquisition of control, the previously held equity interests are re-measured to fair value through net earnings. When an entity increases its ownership in a previously controlled subsidiary, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

- Contingent liabilities:

Canadian GAAP—Contingent liabilities assumed in a business combination were recognized when it was probable that a liability had been incurred on the date of acquisition and when the amount could be reasonably estimated.

IFRS—A contingent liability is recognized at fair value on the date of acquisition if it is a present obligation that arises from past events and its fair value can be measured reliably.

- *Impact of Adoption on TMX Group:*

The acquisitions of MX, BOX and NTP were restated under IFRS 3, and as a result of this, the acquisition accounting was amended. The goodwill associated with the MX acquisition decreased by $155.5 million, share capital decreased by $141.1 million, and retained earnings decreased by $14.4 million. Intangible assets related to the acquisition of BOX increased by $14.3 million, non-controlling interests increased by $16.0 million, and were reclassified to equity, and retained earnings decreased by $1.7 million. The goodwill related to the acquisition of NTP decreased by $5.3 million, share capital decreased by $3.6 million, and retained earnings decreased by $1.7 million. The tax effect on the above transition adjustments is a reduction of $0.5 million in goodwill with the offset to retained earnings.

Impairment of Assets:

- *Accounting policy differences between Canadian GAAP and IFRS:*

Canadian GAAP—An impairment loss was recognized when a long lived asset's carrying amount exceeded its recoverable amount, which was estimated, by TMX Group, as the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition. An impairment loss was measured as the excess of the asset's carrying value over its fair value.

IFRS—An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell and its value-in-use.

- *Impact of Adoption on TMX Group:*

An impairment charge of $14.8 million was recognized on the Transition Date in respect of the BOX trading participants' intangible asset, $6.8 million of which related to the non-controlling interests' share, with the remaining $8.0 million relating to the Group's share and therefore charged to retained earnings on transition. Value-in-use was the recoverable amount of the asset, using a discount rate of 15%. The impairment primarily resulted from increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues, during 2009. A goodwill impairment charge was recognized at the time under Canadian GAAP, and the trading participant intangible was also tested, but was found not to be impaired in accordance with pre-conversion Canadian GAAP.

Employee Benefits:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to recognize all cumulative unamortized actuarial gains and losses directly to retained earnings on the Transition Date, thus resetting unamortized actuarial gains and losses to zero. Not taking this exemption would require retrospective application of IAS 19—Employee Benefits (IAS 19), from the inception of all benefit plans.

Election—We elected to apply this exemption, and recognize all unamortized actuarial gains and losses under previous Canadian GAAP to retained earnings on the Transition Date. We elected to apply this exemption rather than revalue and restate all benefit plans, including pensions, from the beginning of each plan under IAS 19. In taking this exemption, we applied IAS 19 prospectively from the Transition Date.

- *Accounting policy differences between Canadian GAAP and IFRS:*

- Actuarial gains and losses:

Canadian GAAP—We amortized actuarial gains (losses) arising from employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain (loss) was in excess of 10% of the greater of the accrued benefit obligations and the fair value of plan assets at the beginning of the fiscal year.

IFRS—As permitted under IAS 19, we recognize all actuarial gains and losses on pension and other post retirement plans immediately in other comprehensive income without flowing through to the income statement in subsequent periods.

- Measurement date:

Canadian GAAP—We measured the defined benefit obligation and plan assets for certain plans as of September 30.

IFRS—We are required to determine the present value of the defined benefit obligation and the fair value of plan assets at the balance sheet date. As a result, on the Transition Date, we changed the measurement date of our plans to December 31.

- Recognition of past service costs:

Canadian GAAP—Past service costs arising from plan amendments or initiation were amortized on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

IFRS—Past service costs arising from plan amendments or initiation are amortized on a straight-line basis over the expected average period remaining to vest. Any benefits already vested are recognized immediately in earnings.

- Limit on accrued benefit asset:

Canadian GAAP—When a defined benefit plan gave rise to an accrued benefit asset, a valuation allowance was recognized for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset was presented net of any valuation allowance in the balance sheet. Any change in the valuation allowance was recognized in net earnings.

IFRS—IFRS also sets a limit on the accrued benefit asset that can be recognized in the balance sheet, although this is calculated differently than under pre-conversion Canadian GAAP. Any change in the recoverable amount will be recognized immediately in other comprehensive income.

- *Impact of Adoption on TMX Group:*

Pension benefit assets and accrued employee benefits payable were reduced by $8.1 million and $3.5 million respectively, with the offset of $4.6 million to retained earnings. The tax effect on the above transition adjustment was a decrease of $0.7 million and a decrease of $1.9 million in deferred tax assets and deferred tax liabilities respectively, with the offset to retained earnings.

Leases:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply IFRIC 4—Determining whether an Arrangement contains a Lease ("IFRIC 4"), only to arrangements existing at the Transition Date. An additional exemption also exists, allowing a first-time adopter to opt out of reassessing its arrangements under IFRIC 4 if it has already assessed whether an arrangement contains a lease in accordance with pre-conversion Canadian GAAP EIC-150—Determining Whether an Arrangement Contains a Lease ("EIC 150").

Election—We elected to apply both exemptions thus limiting our reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC 150 under previous Canadian GAAP. We elected to apply these exemptions rather than review all current and prior arrangements to determine if IFRIC 4 applied and amend our accounting accordingly as applicable.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Classification:

Canadian GAAP—The criteria used to determine whether a lease was to be classified as an operating or a finance lease (previously capital lease) includes "bright-line" thresholds such as whether the lease term was greater than 75% of the economic life of the leased asset, or the present value of the minimum lease payments was above 90% of the fair value of the lease.

IFRS—The criteria for lease classification rely heavily on the substance of the agreement and do not include any "bright-line" thresholds.

- Present value of minimum lease payments:

Canadian—GAAP The present value of minimum lease payments was calculated using the lower of (i) the interest rate implicit in the lease; and (ii) the lessee's incremental borrowing rate.

IFRS—The present value of minimum lease payments should be determined using the interest rate implicit in the lease. The lessee's incremental borrowing rate should only be used when the interest rate implicit in the lease cannot be determined.

- *Impact of Adoption on TMX Group:*

A number of leases were reclassified on the Transition Date from finance leases (capital leases under previous Canadian GAAP) to operating leases. As a result, obligations under finance leases, and the associated equipment assets, decreased by $7.1 million on the balance sheet.

Share Based Payments:

- *IFRS 1 Exemption:*

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2—Share-based Payments (IFRS 2), to equity instruments granted on or before November 7, 2002, or to equity instruments granted after that date but which have vested by the Transition Date. In addition, it encourages, but again does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the Transition Date.

Election—We elected to only apply IFRS 2 to equity instruments granted after November 7, 2002, and remaining unvested at the Transition Date as well as to liabilities remaining unsettled as at the Transition Date. We elected to apply both exemptions rather than apply IFRS 2 to all equity and cash settled awards granted historically.

- *Accounting policy differences between Canadian GAAP and IFRS:*
- Recognition of expense:

Canadian GAAP—For share-based awards with graded vesting we recognized the total fair value of the award on a straight-line basis over the vesting period.

IFRS—Each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each tranche is accounted for on that basis.

- Forfeitures:

Canadian GAAP—Forfeitures of awards were recognized as they occurred.

IFRS—Compensation cost is recognized based on an estimate of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures differ from the estimate.

- Cash-settled share based payments:

Canadian GAAP—A liability for Restricted Share Units and Deferred Share Units was accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognized in the income statement.

IFRS—We are required to measure the liability at fair value on the date of grant and at each subsequent reporting date by applying an option pricing model. Changes in fair value are recognized in the income statement.

- *Impact of Adoption on TMX Group:*

The share option plan component of equity was increased by $0.9 million as a result of the changes in the accounting treatment of share options, and accounts payable and other liabilities were decreased by $0.6 million in respect of the cash-settled share based payments, the offset to which decreased retained earnings by $0.3 million. The tax effect on the above transition adjustment is a decrease of $0.1 million in deferred tax assets with the offset to retained earnings.

Cumulative translation differences:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to recognize all cumulative translation differences relating to foreign operations directly to retained earnings on the Transition Date, thus resetting the cumulative translation adjustment account to zero. Not taking this election would require retrospective application of IAS 21—The Effect of Changes in Foreign Exchange Rates (IAS 21), from the date the foreign operations were formed or acquired.

Election—We elected to apply this exemption, and reset all of our cumulative translation differences to zero through retained earnings on the Transition Date. We made this election rather than restating other comprehensive income on the premise that IFRS had always applied.

- *Impact of Adoption on TMX Group:*

The Cumulative Translation Adjustment (CTA) balance of $3.2 million as at the Transition Date was recognized as an adjustment to retained earnings on transition to IFRS. The application of the exemption had no impact on net equity.

Decommissioning liabilities included in the cost of premises and equipment:

- *IFRS 1 Exemption:*

This exemption allows first-time adopters to elect to apply the guidance in IFRIC 1—Changes in Existing Decommissioning, Restoration and Similar Liabilities (IFRIC 1), prospectively from the Transition Date,

as opposed to retrospectively. IFRIC 1 requires that changes in these liability estimates be added to, or deducted from, the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

Election—We elected to apply this exemption, therefore applying the requirements of IFRIC 1 prospectively to decommissioning liabilities that existed as at the Transition Date. We elected to apply this exemption to limit our review to current and future liabilities, rather than reassessing historical estimates. We recognized such liabilities as at the Transition Date in accordance with IAS 37—Provisions, Contingent Liabilities and Contingent Assets, and adjusted the cost of the related assets accordingly.

- *Impact of Adoption on TMX Group:*

No impact arose on transition.

Income Taxes:

- *Accounting policy differences between Canadian GAAP and IFRS:*

Canadian GAAP—The recognition of deferred taxes relating to temporary differences arising from intercompany transactions was prohibited.

IFRS—There is no such prohibition under IFRS.

- *Impact of Adoption on TMX Group:*

Deferred tax assets were reduced by $0.3 million on transition, with the offset to retained earnings.

Income tax effect of the other adjustments between pre-conversion Canadian GAAP and IFRS:

Income tax adjustments related to the IFRS transition include the effect of recording, where applicable, the deferred tax effect of the other differences between pre-conversion Canadian GAAP and IFRS discussed above. These tax impacts have been included in the notes above.

Impact of Adoption of IFRS—Reconciliations for 2010

The following is a reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q1/10.

	Canadian GAAP Three Months Ended March 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts°	IFRS Three Months Ended March 31, 2010
	(Unaudited, in millions of dollars except per share amounts)			
Revenue:				
Issuer services	$39.7	$9.7		$49.4
Trading, clearing and related	59.0			59.0
Information services	37.4			37.4
Technology services and other	3.6			3.6
	139.7	9.7		149.4
Expenses:				
Compensation and benefits	32.2		0.1	32.3
Information and trading systems	12.1		0.7	12.8
General and administration	16.9			16.9
Depreciation and Amortization	8.4		(0.8)	7.6
	69.6			69.6
Income from operations	70.1	9.7		79.8
Share of net income of equity accounted investees	0.3			0.3
Finance Income (formerly Investment Income)	0.8			0.8
Finance Costs (formerly Interest Expense)	(1.3)		0.1	(1.2)
Mark to market on interest rate swaps	(0.1)			(0.1)
Income before income taxes	69.8	9.7	0.1	79.6
Income tax expense	21.1	1.6	0.2	22.9
Net Income before non controlling interests	48.7	8.1	(0.1)	56.7
Non-controlling interests	(0.4)			(0.4)
Net Income attributable to TMX Group shareholders	$49.1	$8.1	$(0.1)	$57.1

° Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

The following is a supplementary reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q2/10.

	Canadian GAAP Three Months Ended June 30, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts°	IFRS Three Months Ended June 30, 2010
	(Unaudited and preliminary estimates, in millions of dollars except per share amounts)			
Revenue:				
Issuer services	$40.6	$13.4		$54.0
Trading, clearing and related	58.5			58.5
Information services	38.8			38.8
Technology services and other	4.7			4.7
	142.6	13.4		156.0
Expenses:				
Compensation and benefits	32.4		0.1	32.5
Information and trading systems	14.0		0.9	14.9
General and administration	19.3			19.3
Depreciation and Amortization	8.0		(0.9)	7.1
	73.7		0.1	73.8
Income from operations	68.9	13.4	(0.1)	82.2
Share of net income of equity accounted investees	0.3			0.3
Finance Income (formerly Investment Income)	1.9			1.9
Finance Costs (formerly Interest Expense)	(1.3)			(1.3)
Mark to market on interest rate swaps	(0.2)			(0.2)
Income before income taxes	69.6	13.4	(0.1)	82.9
Income tax expense	22.4	2.4	0.2	25.0
Net Income before non controlling interests	47.2	11.0	(0.3)	57.9
Non-controlling interests	(0.4)		(0.1)	(0.5)
Net Income attributable to TMX Group shareholders	$47.6	$11.0	$(0.2)	$58.4

° Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

The following is a supplementary reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q3/10.

	Canadian GAAP Three Months Ended Sept. 30, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts°	IFRS Three Months Ended Sept. 30, 2010
	(Unaudited and preliminary estimates, in millions of dollars except per share amounts)			
Revenue:				
Issuer services	$40.5	$4.4		$44.9
Trading, clearing and related	58.0			58.0
Information services	38.8			38.8
Technology services and other	4.3			4.3
	141.6	4.4		146.0
Expenses:				
Compensation and benefits	32.3			32.3
Information and trading systems	10.6		0.7	11.3
General and administration	17.3			17.3
Depreciation and Amortization	8.0		(0.7)	7.3
	68.2		0.0	68.2
Income from operations	73.4	4.4		77.8
Share of net income of equity accounted investees	0.3			0.3
Finance Income (formerly Investment Income)	2.1			2.1
Finance Costs (formerly Interest Expense)	(1.7)		0.1	(1.6)
Mark to market on interest rate swaps	0.1			0.1
Income before income taxes	74.2	4.4	0.1	78.7
Income tax expense	23.1	0.1		23.2
Net Income before non controlling interests	51.1	4.3	0.1	55.5
Non-controlling interests	0.3			0.3
Net Income attributable to TMX Group shareholders	$50.8	$4.3	$0.1	$55.2

° Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

The following is a supplementary reconciliation of the impact of the differences discussed above on our net income attributable to TMX Group shareholders for Q4/10.

	Canadian GAAP Three Months Ended Dec. 31, 2010	Revenue Recognition (initial & additional listing fees)	Other impacts°	IFRS Three Months Ended Dec. 31, 2010
	(Unaudited and preliminary estimates, in millions of dollars except per share amounts)			
Revenue:				
Issuer services	$42.1	$22.6		$64.7
Trading, clearing and related	66.7			66.7
Information services	39.4			39.4
Technology services and other	3.3			3.3
	151.5	22.6		174.1
Expenses:				
Compensation and benefits	36.5		(0.1)	36.4
Information and trading systems	11.1		0.5	11.6
General and administration	19.5			19.5
Depreciation and Amortization	7.9		(0.6)	7.3
	75.0		(0.2)	74.8
Income from operations	76.5	22.6	0.2	99.3
Share of net income of equity accounted investees	0.4			0.4
Loss from investments carried at cost	(1.7)			(1.7)
Finance Income (formerly Investment Income)	0.5			0.5
Finance Costs (formerly Interest Expense)	(1.9)		(0.1)	(2.0)
Mark to market on interest rate swaps				
Income before income taxes	73.8	22.6	0.1	96.5
Income tax expense	24.1	4.7	0.2	29.0
Net Income before non controlling interests	49.7	17.9	(0.1)	67.5
Non-controlling interests	0.6		(0.1)	0.5
Net Income attributable to TMX Group shareholders	$49.1	$17.9	$—	$67.0

° Includes IFRS impacts on Pension and Other Post Retirement and Employment Benefits, Impairment of Intangible Assets, Share Based Payments and Income Taxes.

The following summarizes the impact (net of tax) of the above mentioned changes on shareholders' equity as of January 1, 2010 on transition to IFRS.

	January 1, 2010
	(in millions of dollars) (Unaudited)
Shareholders' Equity under Canadian GAAP	$770.6
IFRS adjustments increasing (decreasing) reported equity:	
Revenue recognition	354.7
Business combinations	(163.0)
Other items	8.8
Total Equity under IFRS	$971.1

Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements. In

particular, the following new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2012:

- Annual improvements 2011
- *IFRS 7, Financial instruments—disclosure*—Amendments regarding transfers of financial assets
- *IFRS 9, Financial instruments*
- *IAS 12, Income taxes:* Amendments regarding deferred tax—Recovery of underlying assets

The implementation of the above new standards and interpretations is not currently expected to have a significant effect on our financial statements.

Caution Regarding Forward-Looking Information

This Management's discussion and analysis (MD&A) of TMX Group contains "forward-looking information" (as defined in applicable Canadian securities legislation) that is based on expectations, assumptions, estimates, projections and other factors that management believes to be relevant as of the date of this MD&A. Often, but not always, such forward-looking information can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "budget", "scheduled", "targeted", "estimates", "forecasts", "intends", "anticipates", "believes", or variations or the negatives of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved or not be taken, occur or be achieved. Forward-looking information, by its nature, requires us to make assumptions and is subject to significant risks and uncertainties which may give rise to the possibility that our expectations or conclusions will not prove to be accurate and that our assumptions may not be correct.

Examples of such forward-looking information in this MD&A include, but are not limited to, factors relating to stock, derivatives and energy exchanges and clearing houses and the business, strategic goals and priorities, market condition, pricing, proposed technology and other initiatives, financial condition, operations and prospects of TMX Group and revenue benefits, cost synergies, and value creation expected to be realized as a result of the merger with LSEG, which are subject to significant risks and uncertainties. These risks include: competition from other exchanges or marketplaces, including alternative trading systems and new technologies, on a national and international basis; dependence on the economy of Canada; adverse effects on our results caused by global economic uncertainties; failure to retain and attract qualified personnel; geopolitical and other factors which could cause business interruption; dependence on information technology; vulnerability of our networks and third party service providers to security risks; failure to implement our strategies; regulatory constraints; risks of litigation; dependence on adequate numbers of customers; failure to develop or gain acceptance of new products; currency risk; adverse effect of new business activities; not being able to meet cash requirements because of our holding company structure and restrictions on paying dividends; dependence 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 our 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 new acquisitions; and dependence on market activity that cannot be controlled.

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

Such forward-looking information including information with respect to revenue increases, cost synergies and value creation, 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 and upon completion of the merger, the Merged Group to successfully compete against global and regional marketplaces; business and economic conditions generally; exchange rates (including estimates of the U.S. dollar—Canadian dollar exchange rate), the level of trading and activity on markets, and particularly the level of trading in TMX Group's and upon completion of the merger, the Merged Group's key products, business development and

marketing and sales activity; the continued availability of financing on appropriate terms for future projects; productivity at TMX Group and upon completion of the merger, the Merged Group, as well as that of TMX Group's and upon completion of the merger, the Merged Group's competitors; market competition; research & development activities; the successful introduction and client acceptance of new products; successful introduction of various technology assets and capabilities; the ability to successfully integrate corporate functions; the possibility that the merger with LSEG is not completed when expected or at all because required regulatory, shareholder or other approvals and conditions to closing are not received or satisfied on a timely basis or at all; the anticipated benefits from the merger with LSEG are not realized in the time frame anticipated or at all as a result of changes in general economic and market conditions; tax benefits/changes; the impact on TMX Group and upon completion of the merger, the Merged Group and its customers of various regulations; TMX Group's ongoing relations with its employees; and the extent of any labour, equipment or other disruptions at any of its operations of any significance other than any planned maintenance or similar shutdowns.

While we anticipate that subsequent events and developments may cause our views to change, we have no intention to update this forward-looking information, except as required by applicable securities law. This forward-looking information should not be relied upon as representing our views as of any date subsequent to the date of this MD&A. We have attempted to identify important factors that could cause actual actions, events or results to differ materially from those current expectations described in forward-looking information. However, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and that could cause actual actions, events or results to differ materially from current expectations. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. These factors are not intended to represent a complete list of the factors that could affect us. A description of the above-mentioned items is contained in our 2010 Annual MD&A under the heading **Risks and Uncertainties**.

PART 17B:
ACCOUNTANT'S REPORT

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL
United Kingdom

Tel +44 (0) 20 7311 1000
Fax +44 (0) 20 7311 3311
DX 157460 Canary Wharf 5

The Directors and the Prospective Directors
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

1 June 2011

Dear Sirs

TMX Group Inc

We report on the financial information set out on pages 291 to 351 for the three years ended 31 December 2010. This financial information has been prepared for inclusion in the prospectus dated 1 June 2011 of London Stock Exchange Group plc on the basis of the accounting policies set out in note 1. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and paragraph 13.5.21 of the Listing Rules and is given for the purpose of complying with those paragraphs and for no other purpose.

Responsibilities

The Directors and Prospective Directors of London Stock Exchange Group plc are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union and in a form that is consistent with London Stock Exchange Group plc's accounting policies.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Prospectus dated 1 June 2011, a true and fair view of the state of affairs of TMX Group Inc as at 31 December 2008, 31 December 2009

and 31 December 2010 and of its consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows and consolidated statement of changes in equity for the three years ended 31 December 2010 in accordance with International Financial Reporting Standards as adopted in the European Union as described in note 1.1 and has been prepared in a form that is consistent with London Stock Exchange Group plc's accounting policies.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART 17C:

RESTATED FINANCIAL INFORMATION RELATING TO TMX GROUP

TMX GROUP INC.

CONSOLIDATED INCOME STATEMENT

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

	Note	For the years ended 31 December 2010	31 December 2009	31 December 2008
Revenue:				
Issuer services		C$213.1	C$173.2	C$180.6
Trading, clearing and related		242.2	237.6	222.8
Information services		154.4	149.0	136.9
Technology services and other		15.9	30.6	23.0
Total revenue		625.6	590.4	563.3
Expenses:				
Compensation and benefits		133.5	126.6	110.4
Information and trading systems		50.7	48.3	35.6
General and administration		73.0	69.3	58.2
Depreciation and non-acquisition related amortisation		19.8	19.4	16.4
Operating expenses		277.0	263.6	220.6
Net income from associate		1.3	0.4	1.4
Operating profit before other items		349.9	327.2	344.1
Acquisition related costs	**3**	—	(1.0)	(34.7)
Amortisation of acquisition related intangibles	**10**	(9.6)	(11.4)	(9.3)
Loss on available-for-sale investment		(1.7)	—	—
Impairment charges on goodwill and intangible assets	**10**	—	(90.7)	—
Operating profit		338.6	224.1	300.1
Finance income		5.2	4.6	14.8
Finance costs		(6.0)	(6.0)	(10.5)
Net mark to market on interest rate swaps		(0.2)	(1.4)	(13.3)
Net finance charges	**5**	(1.0)	(2.8)	(9.0)
Net income before income taxes		337.6	221.3	291.1
Income tax expense	**19**	100.1	94.8	101.1
Net income for the year		C$237.5	C$126.5	C$190.0
Attributable to:				
TMX Group Shareholders		C$237.7	C$132.3	C$188.5
Non-controlling interests		(0.2)	(5.8)	1.5
Net income for the year		C$237.5	C$126.5	C$190.0
Earnings per share:				
Basic	**20**	C$3.20	C$1.78	C$2.57
Diluted	**20**	C$3.19	C$1.78	C$2.56

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)

	Note	For the years ended		
		31 December 2010	31 December 2009	31 December 2008
Net income for the year		C$237.5	C$126.5	C$190.0
Other comprehensive (loss) income:				
Unrealised (loss) gain on translating financial statements of foreign operations (net of tax—C$nil)		(4.3)	(24.9)	27.9
Actuarial gains (losses) on defined benefit and other post employment benefit plans (net of tax C$1.5 (2009—C$1.0, 2008—C$(1.3)))	**11**	(4.5)	(3.5)	3.7
Total comprehensive income		C$228.7	C$98.1	C$221.6
Attributable to:				
TMX Group Shareholders		C$230.0	C$108.4	C$215.9
Non-controlling interests		(1.3)	(10.3)	5.7
		C$228.7	**C$98.1**	**C$221.6**

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

CONSOLIDATED BALANCE SHEET

(in millions of Canadian dollars)

	Note	31 December 2010	31 December 2009	31 December 2008	1 January 2008
Assets					
Current assets:					
Cash and cash equivalents	**6**	C$69.9	C$88.9	C$103.9	C$53.4
Marketable securities	**6**	261.6	103.2	96.3	249.4
Trade and other receivables	**7**	89.7	79.4	63.7	48.4
Energy contracts receivable		754.9	714.5	976.4	745.4
Fair value of open energy contracts		141.9	202.8	155.3	74.9
Daily settlements and cash deposits		193.1	565.4	497.3	—
Prepaid expenses		6.7	6.0	9.1	6.6
Current income tax assets		4.3	12.3	0.6	—
		1,522.1	**1,772.5**	**1,902.6**	**1,178.1**
Non-current assets:					
Property, plant and equipment	**8**	28.4	24.4	27.5	21.3
Investment in associates	**9**	14.2	12.8	12.4	11.7
Goodwill	**10**	421.3	422.5	488.2	71.1
Other intangible assets	**10**	920.1	932.0	909.4	66.6
Deferred tax assets	**19**	43.4	41.7	51.7	30.3
Available for sale investments	**24**	6.6	8.3	0.6	0.6
Retirement benefit assets	**11**	9.5	12.7	7.5	2.6
Other non-current assets	**12**	0.2	0.2	10.1	11.1
Total assets		**2,965.8**	**3,227.1**	**3,410.0**	**1,393.4**
Liabilities					
Current liabilities:					
Trade and other payables	**14**	C$58.6	C$43.9	C$54.0	C$52.7
Energy contracts payable		754.9	714.5	976.4	745.4
Fair value of open energy contracts		141.9	202.8	155.3	74.9
Daily settlements and cash deposits		193.1	565.4	497.3	—
Deferred revenue		18.7	15.1	12.4	6.0
Provisions	**15**	0.4	1.2	9.7	0.6
Current income tax liabilities		7.3	10.9	14.1	9.7
Fair value of interest rate swaps	**16**	0.7	2.1	1.8	—
Term loan	**13**	429.8	—	—	—
		1,605.4	**1,555.9**	**1,721.0**	**889.3**
Non-current liabilities:					
Accrued employee benefits payable	**11**	12.1	10.9	11.1	10.6
Provisions	**15**	2.1	2.1	2.4	2.1
Deferred tax liabilities	**19**	233.5	232.9	229.3	—
Other non-current liabilities	**18**	22.3	20.7	15.8	28.2
Deferred revenue		1.0	0.9	0.7	0.5
Fair value of interest rate swaps	**16**	—	3.6	10.7	—
Term loan	**13**	—	429.0	428.3	—
Total liabilities		**C$1,876.4**	**C$2,256.0**	**C$2,419.3**	**C$930.7**
Net assets		**C$1,089.4**	**C$971.1**	**C$990.7**	**C$462.7**
Equity:					
Share capital	**22**	C$959.4	C$957.9	C$943.3	C$379.4
Foreign currency translation reserve		—	3.2	23.7	—
Retained earnings (deficit)		111.2	(10.1)	(13.0)	83.3
Total equity attributable to TMX Group Shareholders		**1,070.6**	**951.0**	**954.0**	**462.7**
Non-controlling interests		18.8	20.1	36.7	—
Total equity		**C$1,089.4**	**C$971.1**	**C$990.7**	**C$462.7**

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions of Canadian dollars)

	Note	For the years ended 31 December 2010	31 December 2009	31 December 2008
Cash flows from (used in) operating activities:				
Net income before income taxes		C$337.6	C$221.3	C$291.1
Adjustments to determine net cash flows:				
Depreciation and non-acquisition related amortisation		19.8	19.4	16.4
Amortisation of acquisition related intangibles		9.6	11.4	9.3
Net income from associate		(1.3)	(0.4)	(1.4)
Acquisition related costs		—	—	0.8
Unrealised loss on available for sale investment		1.7	—	—
Cost of share option plan		2.7	2.9	2.4
Impairment charges	**10**	—	90.7	—
Unrealised foreign exchange loss		0.1	0.3	0.4
Income taxes paid		(95.4)	(108.5)	(102.5)
Net finance charges		1.1	2.8	9.0
Interest received		6.1	4.3	14.0
Interest paid		(10.8)	(12.7)	(11.1)
Trade and other receivables, and prepaid expenses		(11.2)	(12.5)	(1.2)
Retirement benefit assets and other non-current assets		(2.1)	(8.8)	3.0
Trade and other payables and provisions		14.2	(16.3)	(7.7)
Other non-current liabilities and provisions		1.6	1.8	(10.5)
Deferred revenue		3.7	2.9	6.4
Net cash flow from operating activities		277.4	198.6	218.4
Comprising:				
Ongoing operating activities		276.7	189.6	194.2
Acquisition related costs		0.7	9.0	24.2
Cash flows from (used in) financing activities:				
Reduction in obligations under finance leases		(1.0)	(0.8)	(0.3)
Proceeds from exercised options		1.2	0.6	7.0
Dividends on common shares	**21**	(114.3)	(113.0)	(114.1)
Shares purchased under normal course issuer bid	**22**	—	(30.3)	(285.4)
Dividends paid to non-controlling interests		—	(6.3)	(2.0)
Proceeds from term loan, net of financing costs		—	—	427.9
		(114.1)	(149.8)	33.1
Cash flows from (used in) investing activities:				
Additions to property, plant and equipment		(12.8)	(7.1)	(5.3)
Additions to intangible assets		(9.7)	(13.2)	(8.4)
Acquisitions, net of cash acquired	**3**	—	(33.8)	(393.2)
Marketable securities		(159.1)	(7.1)	203.5
		(181.6)	(61.2)	(203.4)
(Decrease) increase in cash and cash equivalents		(18.3)	(12.4)	48.1
Cash and cash equivalents, beginning of year		88.9	103.9	53.4
Unrealised foreign exchange (loss) gain on cash and cash equivalents held in foreign currencies		(0.7)	(2.6)	2.4
Cash and cash equivalents, end of year		**C$69.9**	**C$88.9**	**C$103.9**

See accompanying notes which form an integral part of these consolidated financial statements.

TMX GROUP INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in millions of Canadian dollars)

	Note	Attributable to TMX Group Shareholders					
	Note	**Share Capital**	**Foreign exchange translation reserve**	**Retained earnings**	**Total**	**Non-controlling Interest**	**Total equity**
Balance at 1 January 2008		C$379.4	C$—	C$83.3	C$462.7	C$—	C$462.7
Total comprehensive income for the year		—	23.7	192.2	215.9	5.7	221.6
Non-controlling interests arising on acquisition of Boston Options Exchange Group LLC	**3**	—	—	—	—	33.0	33.0
Dividend to equity holders		—	—	(114.1)	(114.1)	(2.0)	(116.1)
Issuance of common shares	**3**	665.5	—	—	665.5	—	665.5
Proceeds from share options exercised		7.0	—	—	7.0	—	7.0
Cost of exercised share options		1.7	—	(1.7)	—	—	—
Purchased under normal course issuer bid	**22**	(110.3)	—	(175.1)	(285.4)	—	(285.4)
Cost of share option plan		—	—	2.4	2.4	—	2.4
Balance at 31 December 2008		C$943.3	C$23.7	C$(13.0)	C$954.0	C$36.7	C$990.7
Total comprehensive income for the year		—	(20.5)	128.9	108.4	(10.3)	98.1
Dividend to equity holders		—	—	(113.0)	(113.0)	(6.3)	(119.3)
Issuance of common shares	**3**	28.4	—	—	28.4	—	28.4
Proceeds from share options exercised		0.6	—	—	0.6	—	0.6
Cost of exercised share options		0.2	—	(0.2)	—	—	—
Purchased under normal course issuer bid	**22**	(14.6)	—	(15.7)	(30.3)	—	(30.3)
Cost of share option plan		—	—	2.9	2.9	—	2.9
Balance at 31 December 2009		C$957.9	C$3.2	C$(10.1)	C$951.0	C$20.1	C$971.1
Total comprehensive income for the year		—	(3.2)	233.2	230.0	(1.3)	228.7
Dividend to equity holders		—	—	(114.3)	(114.3)	—	(114.3)
Issuance of common shares		—	—	—	—	—	—
Proceeds from share options exercised		1.2	—	—	1.2	—	1.2
Cost of exercised share options		0.3	—	(0.3)	—	—	—
Purchased under normal course issuer bid	**22**	—	—	—	—	—	—
Cost of share option plan		—	—	2.7	2.7	—	2.7
Balance at 31 December 2010		**C$959.4**	**C$—**	**C$111.2**	**C$1,070.6**	**C$18.8**	**C$1,089.4**

See accompanying notes which form an integral part of these consolidated financial statements.

General information

TMX Group Inc. is a company domiciled in Canada and incorporated under the OBCA. The registered office is located at The Exchange Tower, 130 King Street West, Toronto, Ontario, Canada, M5X 1J2.

TMX Group Inc. owns TSX, a national stock exchange serving the senior equity market, TSX Venture Exchange, a national stock exchange serving the public venture equity market, MX, Canada's national derivatives exchange, NGX, an exchange providing a platform for the trading and clearing of natural gas, electricity, and crude oil contracts in North America, Shorcan, an IDB, and Equicom, providing investor relations and related corporate communications services.

The consolidated financial statements (the "***financial statements***") as at and for the year ended 31 December 2010, comprise the accounts of TMX Group Inc. and its wholly-owned Subsidiaries, including TSX Inc., MX from 1 May 2008, NGX, Shorcan, Equicom, CDEX from 14 August 2007 to 8 September 2010, NTP from 1 May 2009, TMX Exchange Services Limited from 26 October 2010, TMX Select Inc. from 3 August 2010, and the wholly-owned or controlled Subsidiaries of TSX Inc., MX, NGX and Shorcan, collectively referred to as the "***TMX Group***".

1. Basis of preparation

1.1 *Statement of compliance*

The financial statements have been prepared by management in accordance with IFRS and IFRIC interpretations endorsed by the European Union.

These are TMX Group's first financial statements prepared in accordance with IFRS and IFRS 1; First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of TMX Group is provided in note 31.

These financial statements were authorised for issuance by the TMX Group Board on 12 May 2011.

1.2 *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for certain assets and liabilities held at fair value, as identified in the accounting policies that follow.

1.3 *Use of estimates and judgements*

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that management considers to be relevant. Actual results could differ from these estimates and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgments and estimates have been made in the following areas in the preparation of these financial statements:

— goodwill and other intangible assets—impairment tests are completed using the higher of fair value less cost to sell, where available, and value in use calculations, determined using management's best estimates of future cash flows, long—term growth rates and appropriate discount rates;

— purchased intangibles—valued on acquisition using appropriate methodologies and amortised over their estimated useful economic lives, except in those cases where intangibles are determined to have indefinite lives where there is no foreseeable limit over which these intangibles would generate net

cash flows. These valuations and lives are based on management's best estimates of future performance and periods over which value from the intangible assets will be derived.

— the accounting for pensions and other post- retirement and post-employment benefits—the valuations of the defined benefit assets and liabilities are based on actuarial assumptions made by management with advice from TMX Group's external actuary;

— property, plant and equipment and intangible assets—useful lives over which assets are depreciated are based on management's judgment of future use and performance;

— leases—the classification of leases between operating and finance leases is partly based on management's judgment regarding the substance of the agreement, supported by other indicators within the lease;

— provisions and contingencies—management judgment is required to assess whether provisions and/or contingencies should be recognised or disclosed, and at what value. Management base their decisions on past experience and other factors they consider to be relevant on a case by case basis;

— income taxes—the accounting for income taxes requires estimates to be made. Where differences arise between estimated income tax provisions and final tax liabilities, an adjustment is made when the difference is identified;

— accounts receivable—judgment is required when providing for doubtful accounts. Management bases its estimates on historical experience and other relevant factors.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS balance sheet as at 1 January 2008, for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by TMX Group entities.

2.1 Basis of consolidation

Subsidiaries are entities controlled by TMX Group Inc., and they are consolidated from the date on which control is transferred to TMX Group Inc. until the date that control ceases. Balances and transactions between TMX Group's entities have been eliminated in full on consolidation.

Associates are entities in which TMX Group Inc. has significant influence, but not control, over the financial and operating policies. Investments in these entities are recognised initially at cost and subsequently accounted for using the equity method of accounting. Balances and transactions with associates are eliminated on consolidation to the extent of TMX Group Inc.'s interest in the entity.

2.2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the service or supply is provided, when it is probable that the economic benefits will flow to TMX Group, and when the revenue, and the costs incurred or to be incurred in respect of the transaction, can be reliably measured.

Issuer services

Issuer services revenue includes revenue from initial and additional listing fees, annual sustaining fees and other issuer services. Initial and additional listing fees are recognised when the listing has taken place. Sustaining fees for existing issuers are billed during the first quarter of the year and the amount is recorded as deferred revenue and amortised over the year on a straight-line basis. Other issuer services revenue is recognised as the services are provided.

Trading, clearing and related

Trading and related revenues for cash markets and derivatives trading revenues are recognised in the month in which the trades are executed or when the related services are provided.

Revenue related to derivatives clearing is recognised on the settlement date of the related transaction.

Trading, clearing, settlement and related revenues relating to NGX trading and clearing are recognised 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 unrealised gains and losses on open energy contracts, are not recognised in these financial statements as NGX does not function as principal in these trading activities.

Information services

Real-time market data revenue is recognised based on usage as reported by customers and vendors, less a provision for sales returns from the same customers. TMX Group conducts periodic audits of the information provided and records adjustments to revenues, if any, at the time that collectability of the revenue is reasonably assured. Fixed income indices revenue is recognised over the period the service is provided. BOX's 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 information services revenue is recorded and recognised as revenue in the month in which the services are provided.

Technology services and other

Revenue from technology licence fees is recognised in the month of transfer of the license to the customer.

Other technology services and other revenue is recorded and recognised as revenue over the period the service is provided.

2.3 ***Foreign currency***

Items included in the financial statements of each of TMX Group Inc.'s entities are measured using the currency of the primary economic environment in which the entity operates (the "***functional currency***"). These financial statements are presented in Canadian dollars, which is TMX Group's presentation currency.

The assets and liabilities of TMX Group's foreign operations that have a functional currency different from the presentation currency, which include BOX, 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 unrealised exchange gain or loss is included in the foreign currency translation reserve within shareholders' equity.

Revenues earned, expenses incurred and capital assets purchased in foreign currencies are translated into the functional currency at the prevailing exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the period end rate. Resulting foreign exchange gains and losses are recognised within technology services and other revenue in the income statement for the period.

2.4 ***Property, plant and equipment***

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses.

Legal obligations associated with the restoration costs on the retirement of property, plant or equipment are recognised as incurred. The obligations are initially measured at an estimated fair value of the future cost discounted to present value, and a corresponding amount is capitalised with the related assets and depreciated in line with the above useful lives.

Assets are depreciated from the date of acquisition or, for internally constructed assets, from the time the asset is available for use. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful life of the asset, or a major component thereof. The residual values and useful lives of the assets are reviewed at each year-end, and revised as necessary.

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

Asset	Basis	Rate
Computers and electronic trading equipment	Straight line	3–5 years
Computers and electronic trading equipment under finance leases	Straight line	Over the terms of the leases
Furniture, fixtures and other equipment	Straight line	5 years
Leasehold improvements	Straight line	Over terms of various leases to a maximum of 15 years

2.5 ***Goodwill and other intangible assets***

Goodwill

Goodwill is recognised at cost on acquisition less any subsequent impairment in value.

TMX Group measures goodwill as the fair value of the consideration transferred, less the fair value of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. TMX Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that TMX Group incurs in connection with a business combination are expensed as incurred.

Other intangible assets

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

Definite life intangible assets are amortised from the date of acquisition or, for internally constructed assets, from the time the asset is available for use. Amortisation is recognised in the income statement either on a declining balance or on a straight-line basis over the estimated useful life of the asset, and the residual values and useful lives of the assets are reviewed at each year-end date, and revised as necessary.

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

Amortisation is provided over the following useful lives of intangible assets:

Asset	Basis	Rate
Indefinite life intangibles—not amortised		
Derivative products	n/a	n/a
Trade names	n/a	n/a
Regulatory designation	n/a	n/a
Crude oil products	n/a	n/a
Index licences	n/a	n/a
Definite life intangibles—amortised		
Customer bases	Declining balance	2–8 per cent.
Customer bases	Straight line	3–30 years
Data licence	Straight line	10 years
Capitalised software and software development	Straight line	5 years

2.6 ***Impairment***

The carrying amounts of TMX Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, are tested for impairment at least annually, and the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "***cash-generating unit***", or "***CGU***"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

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

An impairment loss in respect of goodwill cannot be reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, and any lease incentives received, are recognised in the income statement on a straight-line basis over the term of the lease.

TMX Group has entered into certain leases for property, plant and equipment where substantially all of the risks and rewards of ownership have transferred to TMX Group, and these are classified as finance leases. The leased assets are capitalised on inception of the lease at the lower of their fair value and the present value of the minimum lease payments. Payments made under finance leases are apportioned between the finance expense and a reduction in the outstanding liability, to achieve a constant periodic rate of interest on the remaining liability.

2.8 *Employee benefits*

Defined contribution and defined benefit plans

TSX Inc., 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 RCA for senior management, and MX has a defined benefit registered pension plan for certain former 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.

TMX Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, and that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rates used are based on Canadian AA corporate bond yields. The calculation is performed annually by an actuary using the projected benefit method. When the calculation results in a benefit to TMX Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. An economic benefit is considered available to TMX Group if it is realisable during the life of the plan, or on settlement of the plan liabilities, and consideration is given to any minimum funding requirements that apply to the plan when calculating the present value of these economic benefits. The service cost, which represents the benefits accruing to the employees, along with the interest cost and the expected return on plan assets, is recognised in the income statement.

When the benefits of a plan are amended, the portion of the increased benefit relating to past service by employees is recognised in the income statement on a straight-line basis over the average period until the

benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

TMX Group recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income.

For defined contribution plans, the expense is charged to the income statement as it is incurred.

Non-pension post retirement and post employment benefit plans

TMX Group also provides other post retirement and post employment benefits, such as supplementary medical and dental coverage and a long-term disability plan, which are funded on a cash basis by TMX Group, and contributions from plan members in some circumstances. TMX Group's net obligation in respect of these plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounted to determine its present value. The calculation of the present value of the benefit obligation is performed using the projected benefit method. For post-retirement plans, any actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. For the long-term disability plan, actuarial gains and losses are recognised in the income statement.

Termination benefits

Termination benefits are recognised as an expense when TMX Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Short-term employee benefits

Short-term employee benefit obligations, such as wages, salaries and annual vacation entitlements, are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for TMX Group's annual bonus scheme if a present legal or constructive obligation to pay this amount exists as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

TMX Group has both equity-settled and cash-settled share-based compensation plans.

TMX Group Inc. accounts for all share-based plans to eligible employees that call for settlement by the issuance of equity instruments 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, using a recognised option pricing model, and amortised over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of options expected to vest.

Compensation cost attributable to employee awards that call for settlement in cash is measured at fair value at each reporting date, using a recognised option pricing model, and amortised over the vesting period, with a corresponding increase in either current or non-current liabilities, depending on the period in which the award is expected to be paid. Changes in fair value between the grant date and the measurement date are recognised in the income statement.

2.9 *Income tax*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date in the countries where TMX Group operates and generates taxable income, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Uncertain tax positions will be recognised in the financial statements using management's best estimate of the amount expected to be paid.

Current income tax assets and liabilities are offset in the financial statements if there is a legally enforceable right to offset them, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities but TMX Group intends to settle them on a net basis or where the tax assets and liabilities will be realised simultaneously.

2.10 *Provisions*

A provision is recognised if, as a result of a past event, TMX Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. For onerous leases, TMX Group provides for the lower of the cost of meeting surplus property lease commitments, net of any sub-lease income, and the costs or penalties it would incur on breaking its lease commitments.

2.11 *Earnings per share*

Basic earnings per share is computed by dividing net income or loss attributable to the equity owners of TMX Group Inc. by the weighted-average number of common shares outstanding during the reporting period.

Diluted earnings per share is determined by dividing the net income or loss attributable to the equity owners of TMX Group Inc. by the weighted-average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, arising from share options granted to employees.

Adjusted basic and diluted earnings per share are presented where considered helpful to enable a comparison of the underlying performance of TMX Group with prior periods and the industry as a whole.

2.12 *Segment reporting*

An operating segment is a component of TMX Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of TMX Group's other components. All operating segments' results are reviewed regularly by the Executive Management Committee ("***Executive Committee***") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.13 *Financial instruments*

Non-derivative financial assets

TMX Group initially recognises loans and receivables and deposits on the date that they originated. All other financial assets are recognised on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument.

TMX Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when TMX Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

TMX Group classifies its non-derivative financial assets in the following categories, depending on the purpose for which they were acquired.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is designated as such by management and TMX Group manages the asset, and makes purchase and sale decisions, based on its fair value in accordance with TMX Group's documented risk management or investment strategy, or if the asset is classified as held for trading. Financial assets at fair value through profit or loss are measured at fair value, with changes recognised in the income statement. Transaction costs thereon are expensed as incurred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any incremental directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. These assets are measured at fair value, both initially and subsequently, with changes in fair value, except for impairment losses and certain foreign exchange gains and losses, recognised in other comprehensive income until the asset is sold. Impairment losses are recognised in the income statement as incurred, as are foreign exchange gains and losses on monetary items. Foreign exchange gains and losses arising on non-monetary items, such as an investment in an equity instrument, are recognised in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in accumulated other comprehensive income is reclassified to the income statement.

Non-derivative financial liabilities

TMX Group initially recognises its financial liabilities on the trade date at which TMX Group becomes a party to the contractual provisions of the instrument. TMX Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments

TMX Group holds certain derivative financial instruments which, while providing a partial economic hedge, are not designated as hedges for accounting purposes. As such, these derivatives are recognised at fair value, both initially and subsequently, with changes in the fair value recognised in the income statement.

2.14 *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 the income statement in the period in which they occur. Estimated fair values of the investments are determined based on quoted market values.

Cash and cash equivalents also includes restricted cash. MX operates a separate regulatory division, responsible for the approval of participants and market regulation, 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 trade and other payables.

2.15 *Trade receivables*

Trade receivables generally have terms of 30 days. The recoverability of the trade receivables is assessed at each reporting date and an allowance for doubtful accounts is deducted from the asset's carrying value if the asset is not considered fully recoverable. Any change in the allowance is recognised within General and administration costs in the income statement.

2.16 ***Daily settlements and cash deposits***

The amounts due from and to clearing members of the 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. Daily settlements and cash deposits also include cash margin deposits and clearing fund cash deposits of clearing members held in the name of CDCC. 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. There is no impact on the consolidated income statement.

2.17 ***Energy contracts receivable (payable)***

NGX energy contracts receivable and payable positions are recognised 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 income statement.

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

2.18 ***Finance income and finance costs***

Finance income comprises interest income and dividend income on funds invested, and changes in the fair value of cash, cash equivalents and marketable securities.

Finance costs comprise interest expense on borrowings and finance leases.

2.19 ***New and amended standards endorsed by the European Union but not yet adopted by TMX Group Inc.***

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these consolidated financial statements. In particular, the following new and amended standards and interpretations are required to be implemented for the financial years beginning on and after 1 January 2011:

- annual improvements 2010
- amendments to IAS 32, Financial instruments: Presentation on classification of rights issues
- amendment to IFRS 1, First time adoption on financial instrument disclosures
- amendments to IFRIC 14, Prepayments of a Minimum Funding Requirement
- IFRIC 19, Extinguishing financial liabilities with equity instruments

The implementation of the above standards and interpretations is not expected to have a significant effect on the financial statements of TMX Group.

3. Business acquisitions

(a) On 1 May 2008, TMX Group Inc. acquired 100 per cent. 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 OTC products. In addition to CDCC, as at 1 May 2008, MX also held a 51 per cent. interest in MCeX, which was created in partnership with the Chicago Climate Exchange. Inc., a 50 per cent. interest in CAREX, a joint venture created with CME and a 31.4 per cent. interest in BOX, a US automated equity options market for which MX is the technical operator. The aggregate estimated purchase price consisted of:

Common shares of TMX Group Inc. (15,316,608 shares issued)	C$665.5
Cash	428.2
Fair value of MX share options exchanged	1.4
Aggregate estimated purchase price	**C$1,095.1**

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 TMX Group Inc. shares issued as part of the transaction were valued at C$43.45 per share, determined as the fair value of the shares at the date of acquisition. 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	C$82.7
Marketable securities	49.2
Daily settlements and cash deposits	193.1
Other current assets	11.4
Premises and equipment	7.2
Investment in associate (includes C$13.0 intangible assets)	75.9
Other non-current assets	0.2
Deferred tax asset	1.4
Intangible assets	797.0
Goodwill	304.0
Net tangible and intangible assets acquired	**1,522.1**
Less liabilities assumed:	
Current liabilities	21.4
Daily settlements and cash deposits	193.1
Deferred tax liability	212.5
Total net assets acquired	**C$1,095.1**

TMX Group recognised C$1,114.0 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	Amortisation period	Amount
Goodwill	n/a	C$304.0
Indefinite life intangible assets:		
Derivates products	Not amortised	630.9
Trade names	Not amortised	28.2
Regulatory designation	Not amortised	2.0
Definite life intangible assets:		
MX trading participants	30 years	126.5
BOX trading participants (included in investment in associate)	30 years	13.0
Capitalised software	5 years	7.9
Open interest	6 months	1.5
Total goodwill and intangible assets		**C$1,114.0**

Goodwill arose from this acquisition related to the benefit of expected synergies, revenue growth and future market developments. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill acquired is not deductible for tax purposes.

TMX Group recognised a total of C$8.2 in acquisition-related costs in connection with the acquisition of MX, of which C$3.8 was incurred in 2007 and the remainder was incurred in 2008. Acquisition-related costs were expensed as incurred. In connection with the acquisition, TMX Group incurred C$11.4 of cost in relation to the restructuring of MX. These costs were expensed in 2008.

Since the date of acquisition, MX contributed revenue of C$63.4 and net income of C$19.9 for the year ended 31 December 2008.

In connection with the acquisition of MX, TMX Group Inc. provided Ventures with a notice of a competing transaction as required under the terms of the CDEX shareholders' agreement, which had been created in August 2007 to operate CDEX, a new derivatives exchange. As the parties were unable to agree to an alternative business arrangement, TMX Group Inc. acquired 100 per cent.

ownership of CDEX and paid Ventures C$15.2 on 1 April 2008. Subsequently, CDEX was dissolved on 8 September 2010.

In March 2007, MX and CME announced the creation of CAREX, a new business venture dedicated to the Canadian energy market. As of 1 May 2008, TMX Group Inc. 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 1 May 2008 was equivalent to the liquidation value of the assets.

Following TMX Group Inc.'s combination with MX, MX entered into discussions with CME about terminating the business venture. These discussions ultimately resulted in MX acquiring 100 per cent. of CAREX on 26 September 2008 for C$0.9.

Prior to this transaction, MX owned 50 per cent. of CAREX, a joint venture that was accounted for using proportionate consolidation. As a consequence of the additional investment, CAREX was accounted for under the purchase method, and the results of operations were fully consolidated within the consolidated statement of income from 26 September 2008. Subsequently, CAREX was dissolved on 4 October 2010.

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

Prior to this transaction, MX held 31.4 per cent. 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 share of net income from associates in the consolidated statement of income.

As a consequence of the additional investment, BOX is now being accounted for under the purchase method. From 29 August 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 non-controlling interests.

This acquisition was achieved in stages. The first step of the acquisition occurred on 1 May 2008, when TMX Group acquired 31.4 per cent. of BOX at a fair value of C$75.9. The second step of the acquisition occurred on 29 August 2008 when TMX Group acquired an additional 21.9 per cent. interest in BOX and acquired control of BOX. On the date of acquisition, the previously held equity interest in BOX, which had a carrying value of C$80.8, was re-measured to fair value and a loss of C$0.8 was recognised in reserves.

The aggregate estimated purchase price consisted of:

Cash (US$52.5 at an exchange rate of 1.0626)	C$55.8
Fair value of previously held equity interest in BOX before the acquisition	80.0
Aggregate estimated purchase price	**C$135.8**

TMX Group incurred a total of C$2.2 acquisition-related costs in connection with the acquisition of BOX, which were expensed in 2008.

The 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	C$16.6
Other current assets	6.7
Capital assets	5.3
Intangible assets—development costs	7.2
Intangible assets—trading participants	37.8
Tangible and intangible assets	73.6
Less:	
Current liabilities	2.2
Net tangible and intangible assets	**71.4**
Non-controlling interest	(33.3)
Goodwill	97.7
Total net assets acquired	**C$135.8**

Goodwill arose on the acquisition of BOX related to the benefit of revenue growth and future market developments. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

As a result of the second step of the acquisition and the acquisition of control, TMX Group reclassified the goodwill and intangible assets previously recognised within the investment in associate on 1 May 2008, when the first step of the acquisition was completed.

TMX Group recognised C$142.7 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	Amortisation period	Amount
Goodwill	n/a	C$97.7
Definite life intangible assets:		
BOX trading participants	30 years	37.8
Development costs	5 years	7.2
Total goodwill and intangible assets		**C$142.7**

The goodwill acquired is not deductible for tax purposes.

The amounts of BOX's revenue and net income included in TMX Group Inc.'s consolidated income statement for the year ended 31 December 2008 were C$15.3 and C$3.9, respectively. The combined effects of the 2008 acquisitions of MX and BOX have resulted in an increase in revenue of C$63.4 and an increase of C$19.9 in net income.

In October 2008, as a result of a buy-back of units by BOX, TMX Group's ownership in BOX increased to 53.8 per cent.

(c) On 6 September 2007, TMX Group Inc. entered into an agreement with Enbridge and Circuit granting TMX Group Inc. the option to acquire NTP at a time after 15 March 2009. TMX Group Inc. paid C$9.5 plus expensed acquisition related costs of C$0.8 for the right to acquire all the shares of NTP from its shareholders at a price between C$40.0 and C$95.0. A portion of the purchase price would be satisfied by the issuance of TMX Group Shares, for which TSX had granted conditional listing approval. This agreement also provided Enbridge and Circuit with the right to sell all the shares of NTP under the same terms to TMX Group Inc. Exercise of the option by either TMX Group Inc.'s or NTP's shareholders was subject to certain closing conditions. At 31 December 2007 and 31 December 2008, the fair value of this option was considered to approximate its carrying value of C$9.5.

On 1 May 2009, TMX Group Inc. acquired 100 per cent. of the outstanding common shares of NTP. The principal business activity of NTP is to provide an electronic trading platform and clearing facility for physical crude oil products. The aggregate purchase price consisted of:

Common shares of TMX Group Inc. (878,059 shares issued)	C$28.4
Cash	23.7
Book value of the option to acquire NTP	9.5
Aggregate purchase price	**C$61.6**

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

TMX Group incurred acquisition-related costs of C$1.2 (includes the C$0.8 cost of the option to acquire NTP) in connection with the acquisition of NTP which have been recognised as an expense when they were incurred. In addition, TMX Group incurred expenses related to the restructuring of NTP of C$0.6, which was expensed in 2009.

TMX Group Inc.'s common shares issued as part of the transaction were valued at C$32.35 per share, determined as the fair value of the shares at the date of acquisition. The 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	C$0.7
Energy contracts receivable	363.1
Fair value of open energy contracts	4.3
Other current assets	4.0
Deferred tax asset	0.9
Intangible assets	49.6
Goodwill	25.3
Net tangible and intangible assets acquired	**447.9**
Less liabilities assumed:	
Current liabilities	4.4
Energy contracts payable	363.1
Fair value of open energy contracts	4.3
Deferred tax liability	14.5
Total net assets acquired	**C$61.6**

TMX Group recognised C$74.9 of goodwill and intangible assets as part of the acquisition. The details of these assets are as follows:

Description	Amortisation period	Amount
Goodwill	n/a	C$25.3
Indefinite life intangible assets:		
Product list	Not amortised	14.9
Index licences	Not amortised	1.8
Definite life intangible assets:		
Customer base	22 years	32.8
Capitalised software	1 year	0.1
Total goodwill and intangible assets		**C$74.9**

Goodwill arose from this acquisition related to the benefit of expected synergies, revenue growth and future market developments. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill acquired is not deductible for tax purposes.

Revenue of C$1.5 and net income of C$0.3 generated by NTP have been included in the 2009 consolidated income statement since the date of acquisition.

TMX Group is exposed to credit risk in the event that NTP's contracting parties fail to settle on the contracted settlement date. Crude oil contracts entered into on or after 1 May 2009, transact through NGX and follow NGX's collateral model, where each contracting party is required to provide collateral, in the form of cash or letters of credit, which exceeds its outstanding credit exposure as determined by NGX in accordance with its margining methodology.

4. Segmented information

TMX Group operates in three reportable segments: the cash markets ("***Cash***") segment, the derivatives markets ("***Derivatives***") segment, and the energy markets ("***Energy***") segment. In the Cash segment, TMX Group owns and operates Canada's two national stock exchanges, TSX and TSX Venture Exchange, Shorcan, a fixed income IDB, and Equicom, an investor relations and corporate communications services provider. The Derivatives segment provides markets for trading derivatives, clearing options and futures contracts and certain OTC products through MX and its Subsidiaries, including CDCC and BOX. The Energy segment provides a marketplace for the trading and clearing of natural gas, electricity and crude oil contracts through NGX, and includes the brokering of crude oil contracts through Shorcan Energy, a wholly owned Subsidiary of Shorcan.

TMX Group Inc.'s Executive Committee review internal management reports on a regular basis, and performance is measured for each of the Cash, Derivative and Energy segments based on revenue, income from operations and net income attributable to the equity holders of TMX Group Inc.

The accounting policies of the reportable segments are consistent with the accounting policies described in note 2.

Year ended 31 December 2010

	Cash	Derivatives	Energy	Total
Revenue:				
Issuer services	C$213.1	C$—	C$—	C$213.1
Trading, clearing and related	113.1	83.7	45.4	242.2
Information services	138.5	15.3	0.6	154.4
Technology services and other	10.6	5.3	—	15.9
Total revenue	**475.3**	**104.3**	**46.0**	**625.6**
Depreciation and non-acquisition related amortisation	10.9	8.1	0.8	19.8
Other operating expenses	171.4	60.2	25.6	257.2
	182.3	**68.3**	**26.4**	**277.0**
Net income from associate	1.3	–	–	1.3
Operating profit before other items	**294.3**	**36.0**	**19.6**	**349.9**
Amortisation of acquisition related intangibles	(1.9)	(5.6)	(2.1)	(9.6)
Loss from available-for-sale investment	(1.7)	—	—	(1.7)
Operating profit	**290.7**	**30.4**	**17.5**	**338.6**
Finance income	2.1	2.9	0.2	5.2
Finance costs	(6.0)	—	—	(6.0)
Net mark to market on interest rate swaps	(0.2)	—	—	(0.2)
Net finance charges	(4.1)	2.9	0.2	(1.0)
Net income before income taxes	**286.6**	**33.3**	**17.7**	**337.6**
Income tax expense	87.5	7.3	5.3	100.1
Net income for the year	**C$199.1**	**C$26.0**	**C$12.4**	**C$237.5**
Attributable to:				
TMX Group Shareholders	C$199.1	C$26.2	C$12.4	C$237.7
Non-controlling interests	—	(0.2)	—	(0.2)
Net income for the year	**C$199.1**	**C$26.0**	**C$12.4**	**C$237.5**
Investment in associates	C$14.2	C$—	C$—	C$14.2
Total assets	C$484.9	C$1,439.1	C$1,041.8	C$2,965.8
Total liabilities	C$534.9	C$415.0	C$926.5	C$1,876.4
Additions to property, plant and equipment and intangible assets	C$13.0	C$7.7	C$1.8	C$22.5

Year ended 31 December 2009

	Cash	Derivatives	Energy	Total
Revenue:				
Issuer services	C$173.2	C$—	C$—	C$173.2
Trading, clearing and related	119.6	78.6	39.4	237.6
Information services	132.6	16.2	0.2	149.0
Technology services and other	11.8	19.2	(0.4)	30.6
Total revenue	**437.2**	**114.0**	**39.2**	**590.4**
Depreciation and non-acquisition related amortisation	9.4	9.5	0.5	19.4
Other operating expenses	164.5	58.8	20.9	244.2
	173.9	**68.3**	**21.4**	**263.6**
Net income from associate	0.4	—	—	0.4
Operating profit before other items	**263.7**	**45.7**	**17.8**	**327.2**
Acquisition related costs	—	—	(1.0)	(1.0)
Amortisation of acquisition related intangibles	(2.9)	(6.5)	(2.0)	(11.4)
Impairment charges on goodwill and intangible assets	—	(90.7)	—	(90.7)
Operating profit	**260.8**	**(51.5)**	**14.8**	**224.1**
Finance income	2.5	2.0	0.1	4.6
Finance costs	(6.0)	—	—	(6.0)
Net mark to market on interest rate swaps	(1.4)	—	—	(1.4)
Net finance charges	(4.9)	2.0	0.1	(2.8)
Net income before income taxes	**255.9**	**(49.5)**	**14.9**	**221.3**
Income tax expense	88.9	4.2	1.7	94.8
Net income for the year	**C$167.0**	**C$(53.7)**	**C$13.2**	**C$126.5**
Attributable to:				
Equity holders of the Company	C$167.0	C$(47.9)	C$13.2	C$132.3
Non-controlling interests	—	(5.8)	—	(5.8)
Net income for the year	**C$167.0**	**C$(53.7)**	**C$13.2**	**C$126.5**
Investment in associates	C$12.8	C$—	C$—	C$12.8
Total assets	C$383.3	C$1,788.9	C$1,054.9	C$3,227.1
Total liabilities	C$538.9	C$787.1	C$930.0	C$2,256.0
Additions to property, plant and equipment and intangible assets	C$13.1	C$5.7	C$1.5	C$20.3

Year ended 31 December 2008

	Cash	Derivatives	Energy	Total
Revenue:				
Issuer services	C$180.6	C$—	C$—	C$180.6
Trading, clearing and related	145.8	47.3	29.7	222.8
Information services	127.4	9.4	0.1	136.9
Technology services and other	15.8	6.8	0.4	23.0
Total revenue	**469.6**	**63.5**	**30.2**	**563.3**
Depreciation and non-acquisition related amortisation	11.0	5.0	0.4	16.4
Other operating expenses	153.4	33.8	17.0	204.2
	164.4	**38.8**	**17.4**	**220.6**
Net income from associate	0.7	0.7	—	1.4
Operating profit before other items	**305.9**	**25.4**	**12.8**	**344.1**
Acquisition related costs	(15.1)	(18.8)	(0.8)	(34.7)
Amortisation of acquisition related intangibles	(3.0)	(5.0)	(1.3)	(9.3)
Operating profit	**287.8**	**1.6**	**10.7**	**300.1**
Finance income	8.7	5.3	0.8	14.8
Finance costs	(10.5)	—	—	(10.5)
Net mark to market on interest rate swaps	(13.3)	—	—	(13.3)
Net finance charges	(15.1)	5.3	0.8	(9.0)
Net income before income taxes	**272.7**	**6.9**	**11.5**	**291.1**
Income tax expense	94.5	3.2	3.4	101.1
Net income for the year	**C$178.2**	**C$3.7**	**C$8.1**	**C$190.0**
Attributable to:				
TMX Group Shareholders	C$178.2	C$2.2	C$8.1	188.5
Non-controlling interests	—	1.5	—	1.5
Net income for the year	**C$178.2**	**C$3.7**	**C$8.1**	**C$190.0**
Investment in associates	C$12.4	C$—	C$—	C$12.4
Total assets	C$397.3	1,823.9	C$1,188.8	C$3,410.0
Total liabilities	C$534.9	741.2	C$1,143.2	C$2,419.3
Additions to property, plant and equipment and intangible assets	C$6.6	C$6.0	C$1.1	C$13.7

5. Net financing costs

	For the years ended		
	31 December 2010	31 December 2009	31 December 2008
Finance income:			
Interest income and dividend income on funds invested	C$5.2	C$4.0	C$10.8
Changes in fair value of financial assets	—	0.6	4.0
	5.2	4.6	14.8
Finance costs:			
Interest expense on borrowings and finance leases	(6.0)	(6.0)	(10.5)
	(6.0)	(6.0)	(10.5)
Net mark to market on interest rate swaps	(0.2)	(1.4)	(13.3)
Net finance costs:	**C$(1.0)**	**C$(2.8)**	**C$(9.0)**

6. Cash and cash equivalents and marketable securities

Cash and cash equivalents and marketable securities are comprised of:

	31 December 2010	31 December 2009	31 December 2008
Cash	C$24.3	C$49.9	C$64.5
Banker's acceptances	—	—	20.3
Overnight money market	43.8	36.1	—
Treasury bills	0.7	2.0	17.6
Restricted cash	1.1	0.9	1.5
Cash and cash equivalents	**C$69.9**	**C$88.9**	**C$103.9**
Money market funds	148.4	30.6	17.3
Bonds and bond funds	C$113.2	C$72.6	C$79.0
Marketable securities	**C$261.6**	**C$103.2**	**C$96.3**

TMX Group's exposure to interest rate risk, and a sensitivity analysis for cash and cash equivalents and marketable securities is discussed in note 25.

Restricted cash represents the surplus of the regulatory division operated by MX. An equivalent and off-setting amount is included in trade and other payables.

7. Trade and other receivables

Trade and other receivables are comprised of:

	31 December 2010	31 December 2009	31 December 2008
Trade receivables, gross	C$90.7	C$84.5	C$66.2
Less: allowance for doubtful accounts	8.1	8.5	4.2
Trade receivables, net	82.6	76.0	62.0
Other receivables	7.1	3.4	1.7
Trade and other receivables	**C$89.7**	**C$79.4**	**C$63.7**

Trade and other receivables are regularly reviewed for indicators of impairment.

Trade receivables that are more than three months past due are considered to be impaired, and an allowance, which varies depending on the age of the debt, is recorded, within general and administration costs.

The aging of the trade receivables at the reporting date was:

	31 December 2010			31 December 2009			31 December 2008		
	Gross	Allowance	Net	Gross	Allowance	Net	Gross	Allowance	Net
Not due 0–30 days	C$58.1	C$0.1	C$58.0	C$43.0	C$0.3	C$42.7	C$37.5	C$—	C$37.5
Past due 31–90 days	21.6	0.6	21.0	28.7	1.2	27.5	21.0	—	21.0
Past due 91–180 days	3.1	0.7	2.4	4.4	1.0	3.4	3.7	1.2	2.5
Past due 181–365 days	4.0	1.8	2.2	4.9	2.1	2.8	2.1	1.1	1.0
More than 365 days	3.9	4.9	(1.0)	3.5	3.9	(0.4)	1.9	1.9	—
Trade and other	**C$90.7**	**C$8.1**	**C$82.6**	**C$84.5**	**C$8.5**	**C$76.0**	**C$66.2**	**C$4.2**	**C$62.0**

Gross trade receivables may be less than the allowance for doubtful accounts in a particular aging category due to unapplied customer credits.

The movement in TMX Group's allowance for doubtful accounts is as follows:

	31 December 2010	31 December 2009	31 December 2008
Balance at 1 January	C$8.5	C$4.2	C$2.4
Allowance for impairment	2.5	4.8	2.5
Receivables written off as uncollectable	(2.9)	(0.5)	(0.7)
Balance at end of year	**C$8.1**	**C$8.5**	**C$4.2**

No allowance for impairment is considered necessary for other receivables.

8. Property, plant and equipment

Property, plant and equipment are comprised of:

	Computers and electronic trading equipment	Computers and electronic equipment under finance leases	Premises under finance lease	Furniture, fixtures and other equipment	Leasehold improvements	Total
Cost:						
Balance at 1 January 2008	**C$65.3**	**C$—**	**C$12.3**	**C$17.7**	**C$40.6**	**C$135.9**
Additions	11.7	—	—	0.8	5.3	17.8
Disposals	—	—	—	—	—	—
Effect of movements in exchange rates	1.5	—	—	(0.1)	0.1	1.5
Balance at 31 December 2008	**78.5**	**—**	**12.3**	**18.4**	**46.0**	**155.2**
Additions	6.0	2.4	—	0.1	2.8	11.3
Disposals	(26.5)	—	(12.3)	—	—	(38.8)
Reclass	2.1	—	—	(2.1)	—	—
Effect of movements in exchange rates	(1.6)	—	—	—	(0.1)	(1.7)
Balance at 31 December 2009	**58.5**	**2.4**	**—**	**16.4**	**48.7**	**126.0**
Additions	7.7	1.2	—	0.3	5.3	14.5
Disposals	(1.8)	(0.8)	—	—	(0.3)	(2.9)
Effect of movements in exchange rates	(0.7)	—	—	—	—	(0.7)
Balance at 31 December 2010	**C$63.7**	**C$2.8**	**C$**	**C$16.7**	**C$53.7**	**C$136.9**
Depreciation:						
Balance at 1 January 2008	C$54.2	C$—	C$12.1	C$16.3	C$32.0	C$114.6
Charge for the year	7.7	—	0.2	0.6	3.7	12.2
Disposals	—	—	—	—	—	—
Effect of movements in exchange rates	0.8	—	—	—	0.1	0.9
Balance at 31 December 2008	**62.7**	**—**	**12.3**	**16.9**	**35.8**	**127.7**
Charge for the year	8.6	0.6	—	0.5	2.4	12.1
Disposals	(24.7)	—	(12.3)	—	—	(37.0)
Reclass	2.1	—	—	(2.1)	—	—
Effect of movements in exchange rates	(1.2)	—	—	—	(0.1)	(1.3)
Balance at 31 December 2009	**47.5**	**0.6**	**—**	**15.3**	**38.1**	**101.5**
Charge for the year	5.9	0.9	—	0.4	2.9	10.1
Disposals	(1.8)	(0.5)	—	—	(0.3)	(2.6)
Effect of movements in exchange rates	(0.5)	—	—	—	—	(0.5)
Balance at 31 December 2010	**C$51.1**	**C$1.0**	**C$**	**C$15.7**	**C$40.7**	**C$108.5**
Net book values:						
At 31 December 2010	**C$12.6**	**C$1.8**	**C$**	**C$1.0**	**C$13.0**	**C$28.4**
At 31 December 2009	11.0	1.8	—	1.1	10.6	24.5
At 31 December 2008	15.8	—	—	1.5	10.2	27.5

9. Investment in associates

As of 31 December 2010, TMX Group owns a 47 per cent. equity interest in CanDeal (2009—47 per cent., 2008—47 per cent.), an electronic trading system for the institutional debt market that is based in Canada. The investment is accounted for using the equity method. Summary financial information at that date, not adjusted for the percentage ownership held by TMX Group, is as follows:

	31 December 2010	31 December 2009	31 December 2008
Assets	C$15.3	C$11.2	C$10.0
Liabilities	1.9	1.7	1.6
Revenue	10.9	9.1	7.8
Net profit	2.8	1.2	1.5

10. Goodwill and intangible assets

10.1 *Goodwill*

A summary of the changes in goodwill is as follows:

	2010	2009	2008
Balance as at 1 January	C$422.5	C$488.2	C$71.1
Additions (note 3)	—	25.3	401.7
Impaired	—	(75.9)	—
Effect of movements in exchange rates	(1.2)	(15.1)	15.4
Balance as at 31 December	**C$421.3**	**C$422.5**	**C$488.2**

10.2 *Intangible assets—indefinite life*

A summary of the changes in indefinite life intangible assets is as follows:

	2010	2009	2008
Balance as at 1 January	C$677.9	C$661.1	C$—
Additions (note 3)	—	16.7	666.1
Disposals	—	—	—
Effect of movements in exchange rates	—	—	—
Balance as at 31 December	**C$677.9**	**C$677.9**	**C$661.1**

10.3 ***Intangible assets—definite life***

A summary of TMX Group's definite life intangible assets is as follows:

			Acquired intangible assets				
	Capitalised software and software development	**Data and indices licences**	**Capitalised software and software development**	**Customer bases**	**Data and indices licences**	**Open interests**	**Total**
Cost:							
Balance at 1 January 2008	C$5.7	C$6.5	C$—	C$69.9	C$0.5	C$—	C$82.6
Acquisitions of subsidiaries	15.1	—	—	164.3	—	1.5	180.9
Additions	8.4	—	—	—	—	—	8.4
Disposals	—	—	—	—	—	—	—
Reclassification	—	—		1.6			1.6
Effect of movements in exchange rates	1.1	—	—	5.0	—	—	6.1
Balance at 31 December 2008	**30.3**	**6.5**	**—**	**240.8**	**0.5**	**1.5**	**279.6**
Acquisitions of subsidiaries	0.1	—	—	32.8	—	—	32.9
Additions	13.2	—	—	—	—	—	13.2
Disposals	—	—	—	—	(0.5)	(1.5)	(2.0)
Effect of movements in exchange rates	(3.2)	—	—	(5.9)	—	—	(9.1)
Balance at 31 December 2009	**40.4**	**6.5**	**—**	**267.7**	**—**	**—**	**314.6**
Additions	9.7	—	—	—	—	—	9.7
Disposals	(0.7)	—	—	—	—	—	(0.7)
Effect of movements in exchange rates	(2.1)	—	—	(2.0)	—	—	(4.1)
Balance at 31 December 2010	**C$47.3**	**C$6.5**	**C$—**	**C$265.7**	**C$—**	**C$—**	**C$319.5**
Amortisation:							
Balance at 1 January 2008	C$—	C$0.8	C$—	CS15.1	C$0.1	C$—	C$16.0
Charge for the year	3.6	0.6	—	7.6	0.3	1.5	13.6
Reclassification	—	—	—	—	—	—	—
Effect of movements in exchange rates	—	—	—	1.7	—	—	1.7
Balance at 31 December 2008	**3.6**	**1.4**	**—**	**24.4**	**0.4**	**1.5**	**31.3**
Charge for the year	6.7	0.6	—	11.3	0.1	—	18.7
Disposals	(0.1)	—	—	—	(0.5)	(1.5)	(2.1)
Impairment charge	—	—	—	14.8	—	—	14.8
Effect of movements in exchange rates	(1.9)	—	—	(0.3)	—	—	(2.2)
Balance at 31 December 2009	**8.3**	**2.0**	**—**	**50.2**	**—**	**—**	**60.5**
Charge for the year	9.0	0.7	—	9.6	—	—	19.3
Disposals	(0.7)	—	—	—	—	—	(0.7)
Effect of movements in exchange rates	(0.8)	—	—	(1.0)	—	—	(1.8)
Balance at 31 December 2010	**C$15.8**	**C$2.7**	**C$—**	**C$58.8**	**C$—**	**C$—**	**C$77.3**
Net book values:							
At 31 December 2010	**C$31.5**	**C$3.8**	**C$—**	**C$206.9**	**C$—**	**C$—**	**C$242.2**
At 31 December 2009	32.1	4.5	—	217.5	—	—	254.1
At 31 December 2008	26.7	5.1	—	216.4	0.1	—	248.3

10.4 ***Impairment testing***

(a) *Goodwill and indefinite life intangible assets*

For the purpose of impairment testing, goodwill and indefinite life intangible assets have been allocated to TMX Group's CGUs, which represent the lowest level at which these assets are

monitored for internal management purposes. The carrying values of goodwill and indefinite life intangible assets allocated to CGU's are as follows:

	31 December 2010		31 December 2009		31 December 2008	
CGU	**Goodwill**	**Indefinite life intangibles**	**Goodwill**	**Indefinite life intangibles**	**Goodwill**	**Indefinite life intangibles**
BOX	20.9	—	22.1	—	113.1	—
MX	304.0	661.1	304.0	661.1	304.0	661.1
Other	96.4	16.7	96.4	16.7	71.1	—
	C$421.3	**C$677.9**	**C$422.5**	**C$677.9**	**C$488.2**	**C$661.1**

The recoverable amounts of all of the above CGU's were determined based on value in use calculations, using management's discounted cash flow projections over periods of five to eight years, depending on the CGU, along with a terminal value. Specifically for MX, a cash flow projection period of eight years was used, which is consistent with the original acquisition economics, and reflects the stage of the product life cycle with significant long-term growth potential remaining beyond the five year forecast.

The terminal value is the value attributed to the CGU's operations beyond the projected time period. The terminal value for MX was determined using an estimated long-term growth rate of 4.5 per cent. (2009: 4.5 per cent., 2008 4.5 per cent.). These rates are based on TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates, and do not exceed long-term growth rates for the industry or Canada.

In calculating the recoverable amount of these CGUs a pre-tax discount rate is utilised. The pre-tax discount rate applied to MX was 11.9 per cent., (2009: 11.9 per cent., 2008 14.0 per cent.). The pre-tax discount rate was set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

At the end of the 2009 reporting period, TMX Group assessed the recoverable amount of goodwill, and determined that the goodwill associated with the BOX CGU was impaired. The main factors contributing to the impairment of the CGU were increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues. As a result, TMX Group recorded a goodwill impairment charge of C$75.9 with respect to BOX, which is included in the derivatives operating segment.

The tests referred to above require TMX Group to make various assumptions regarding projected cash flows, including long-term growth rates, and pre-tax discount rates for the various CGU's. These assumptions are subjective judgments based on TMX Group's experience, knowledge of operations and knowledge of the economic environment in which it operates. It is possible that, if future cash flow projections, long-term projections or pre-tax discount rates are significantly different to those used, the outcome of future impairment tests could result in a different outcome with a CGU's goodwill and/or intangible assets being impaired.

Management believes the goodwill allocated to the MX and BOX CGUs is unlikely to be impaired under any reasonable changes to key assumptions as at 31 December 2010.

(b) *Definite life intangible assets*

At the end of each reporting period, TMX Group assesses whether there is any indication that any of its definite life intangible assets may be impaired, and performs an impairment analysis where indicators are noted.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell of the asset and its value-in-use. Where impairment tests were necessary on certain definite life intangibles, TMX Group determined the recoverable amounts based on value in use calculations, which used discounted cash flow projections for the assets over periods of 20 to 28 years, depending on the CGU.

The future cash flows were estimated using long-term growth rates of 3.5 per cent. to 3.8 per cent. (2009: 3.0 per cent. to 3.5 per cent., 2008: 3.0 per cent. to 4.5 per cent.) which are based on

TMX Group's estimates of expected future operating results, future business plans, economic conditions and a general outlook for the industry in which the CGU operates, and do not exceed long-term growth rates for the industry or Canada.

Pre-tax discount rates of 18.3 per cent. to 18.8 per cent. (2009: 21.4 per cent. to 21.5 per cent., 2008: 14.0 per cent. to 21.9 per cent.) were used in calculating the recoverable amount of each asset, which were set considering the weighted average cost of capital of TMX Group and certain risk premiums, based on management's past experience.

At the end of the 2009 reporting period, TMX Group determined that the customer list related to BOX was impaired. The main factors contributing to the impairment of the customer list were increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues derived from the customer list. As a result, TMX Group recorded a definite life intangible impairment charge of C$14.8 with respect to BOX, which is included in the derivatives operating segment. The impairment loss has been included in the consolidated income statement

11. Employee future benefits

11.1 *Defined contribution plans*

The total expense recognised in respect of TMX Group's defined contribution plans for the year ended 31 December 2010, was C$4.1 (2009—C$2.4, 2008—C$2.2), which represents the employer contributions for the period.

11.2 *Defined benefit plans*

TMX Group measures the present value of its defined benefit obligations and the fair value of plan assets for accounting purposes as at the balance sheet date of each fiscal year. For TMX Group, excluding MX, the most recent actuarial valuation of the registered pension plan for funding purposes was as at 31 December 2009, and the next required valuation is as at 31 December 2012 (as at 31 December 2010 for NGX plan). For the RCA plan, the most recent actuarial valuation for funding purposes was as at 31 December 2009, and the next required valuation is as at 31 December 2010. For the MX plan, the most recent actuarial valuation for funding purposes was as at 1 January 2009 and the next required valuation will be no later than 31 December 2011, or at the date of a plan amendment, if earlier.

The accrued benefit assets and accrued benefit obligations related to TMX Group's defined benefit pension and non-pension post-retirement plans are included in TMX Group Inc.'s consolidated balance sheet as follows:

	Pension and RCA plans			Other benefit plans		
As at 31 December	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Retirement benefit assets	C$9.5	C$12.7	C$7.5	C$—	C$—	C$—
Accrued employee benefits payable	(1.9)	(1.6)	(2.6)	(9.0)	(8.4)	(7.8)
Net benefit asset (liability)	**C$7.6**	**C$11.1**	**C$4.9**	**C$(9.0)**	**C$(8.4)**	**C$(7.8)**

Accrued employee benefits payable on the balance sheet also includes the obligation under the post-employment benefit plan of C$1.2 (2009: C$0.9, 2008: C$0.7).

	Pension and RCA plans			Other benefit plans		
As at 31 December	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Accrued benefit obligation:						
Balance, beginning of year	C$53.7	C$46.0	C$56.2	C$6.6	C$6.2	C$7.0
Benefit obligations acquired with MX	—	—	1.4	—	—	—
Current service cost	2.0	1.4	2.4	0.3	0.2	0.5
Interest cost	3.6	3.4	3.3	0.4	0.4	0.4
Employee contributions	0.2	0.2	0.3	—	—	—
Actuarial losses (gains)	8.3	8.1	(15.3)	0.6	0.6	(1.5)
Benefits paid	(2.8)	(6.1)	(2.3)	(0.2)	(0.2)	(0.2)
Plan amendments	—	0.2	—	—	(0.6)	—
Plan settlements	—	0.5	—	—	—	—
Balance, end of year	**C$65.0**	**C$53.7**	**C$46.0**	**C$7.7**	**C$6.6**	**C$6.2**
Plan assets:						
Fair value, beginning of year	C$64.8	C$50.9	C$57.6	C$—	C$—	C$—
Plan assets acquired with MX	—	—	0.3	—	—	—
Expected return on plan assets	3.5	3.1	3.2	—	—	—
Actuarial gains (losses)	2.7	4.2	(11.8)	—	—	—
Employer contributions	4.2	12.5	3.6	0.2	0.2	0.2
Employee contributions	0.2	0.2	0.3	—	—	—
Benefits paid	(2.8)	(6.1)	(2.3)	(0.2)	(0.2)	(0.2)
Fair value, end of year	**C$72.6**	**C$64.8**	**C$50.9**	**C$—**	**C$—**	**C$—**
Funded status of funded obligations	C$9.5	C$12.7	C$7.5	C$—	C$—	C$—
Present value of unfunded obligations	(1.9)	(1.6)	(2.6)	(7.7)	(6.6)	(6.2)
Total funded status of obligations	C$7.6	C$11.1	C$4.9	C$(7.7)	C$(6.6)	C$(6.2)
Unrecognised past service benefits	—	—	—	(1.3)	(1.8)	(1.6)
Net benefit asset (liability)	**C$7.6**	**C$11.1**	**C$4.9**	**C$(9.0)**	**C$(8.4)**	**C$(7.8)**

Plan assets consist of:

	Percentage of plan assets		
Asset category	**2010**	**2009**	**2008**
Equity securities	51%	50%	50%
Debt securities	36%	35%	34%
Other	13%	15%	16%
	100%	**100%**	**100%**

The plan assets indirectly own shares in TMX Group Inc. as of and for the years ended 31 December 2010, 2009 and 2008.

The elements of TMX Group's defined benefit plan costs recognised in the year are as follows. The full cost is recognised within compensation and benefits in the consolidated income statement.

	Pension and RCA plans			Other benefit plans		
For the years ended 31 December	**2010**	**2009**	**2008**	**2010**	**2009**	**2008**
Current service cost	C$2.0	C$1.4	C$2.4	C$0.3	C$0.2	C$0.5
Interest cost	3.6	3.4	3.3	0.4	0.4	0.4
Expected return on plan assets	(3.5)	(3.1)	(3.2)	—	—	—
Past service cost	—	0.2	—	(0.5)	(0.5)	(0.4)
Curtailment	—	—	—	—	—	—
Settlement loss (gain)	—	0.5	—	—	—	—
Net benefit plan expense	**C$2.1**	**C$2.4**	**C$2.5**	**C$0.2**	**C$0.1**	**C$0.5**

TMX Group recognises experience adjustments and the effects of changes in actuarial assumptions immediately in other comprehensive income. The aggregate actuarial gains and losses and effects of asset limits recognised in other comprehensive income are as follows:

	Pension and RCA plans			Other benefit plans		
	2010	2009	2008	2010	2009	2008
At 1 January	C$(0.4)	C$3.5	C$—	C$0.9	C$1.5	C$—
Net actuarial (losses) gains recognised in the year	(5.4)	(3.9)	3.5	(0.6)	(0.6)	1.5
At 31 December	**C$(5.8)**	**C$(0.4)**	**C$3.5**	**C$0.3**	**C$0.9**	**C$1.5**

TMX Group Inc. has applied the IFRS 1 exemption with regards to disclosure of four years of historical data relating to its defined benefit plans; such information will be provided as it becomes available. Required historical information for the plans is as follows:

	Pension and RCA plans			Other benefit plans		
	2010	2009	2008	2010	2009	2008
Present value of defined benefit obligations	C$65.0	C$53.7	C$46.0	C$9.0	C$8.4	C$7.8
Fair value of plan assets	72.6	64.8	50.9	—	—	—
Surplus (deficit)	**C$7.6**	**C$11.1**	**C$4.9**	**C$(9.0)**	**C$(8.4)**	**C$(7.8)**
Experience adjustments arising on plan assets	C$(2.7)	C$(4.2)	C$11.8	C$—	C$—	C$—
Experience adjustments arising on plan obligations	C$1.1	C$(0.6)	C$0.2	C$(0.1)	C$(0.4)	C$—

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

	Pension and RCA plans			Other benefit plans		
As at 31 December	2010	2009	2008	2010	2009	2008
Discount rate	5.70%	6.60%	7.52%	5.70%	6.60%	7.55%
Rate of compensation increase	4.00%	4.00%	3.51%	n/a	n/a	n/a
Expected long-term rate of return on plan assets	6.00%	6.40%	6.10%	n/a	n/a	n/a

To develop the expected long-term rate of return on assets assumption, TMX Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets. Assumptions regarding mortality rates are based on published statistics and mortality tables. The mortality tables used in 2010 for the pension and RCA plans was UP1994 Uninsured Pensioners Mortality Table, with generational improvements for all other results (2009 and 2008—UP1994 Uninsured Pensioners Mortality Table, projected to 2015 using Projection Scale AA) and for other benefit plans was UP1994 Fully Generational Table (2009—UP1994 Fully Generational Table; 2008—UP1994 Projected to 2015).

The assumed health care cost trend rate at 31 December 2010 was 7.20 per cent. (2009—7.30 per cent., 2008—7.10 per cent.), decreasing to 4.50 per cent. (2009—4.50 per cent., 2008—4.75 per cent.), over 19 years (20 years in 2009, eight years in 2008).

Increasing or decreasing the assumed health care cost trend rates by one percentage point would have the following effects for 2010:

	Increase	Decrease
Total of service and interest cost	C$—	C$—
Accrued benefit obligation	0.5	(0.4)

MX has provided a letter of guarantee in the amount of C$0.7 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).

TMX Group expects to contribute approximately C$2.6 to its defined benefit plans in 2011.

12. Other non-current assets

	31 December 2010	31 December 2009	31 December 2008
Option to acquire NTP (note 3)	C$—	C$—	C$9.5
Other	0.2	0.2	0.6
	C$0.2	**C$0.2**	**C$10.1**

13. Credit facilities

TMX Group has the following credit facilities:

	Interest rate	Year of maturity	Authorised	Amount drawn at 31 December 2010
TMX Group Inc. non-revolving three year term facility	30 day B.A. + 45 bps	2011	C$430.0	C$430.0
TMX Group Inc. revolving three year term facility	—	2011	50.0	—
MX operating line of credit	—	N/A	3.0	—
CDCC revolving standby credit facility	—	N/A	50.0	—
NGX letter of credit	—	N/A	US$100.0	—
NGX overdraft facility	—	N/A	20.0	—
NGX EFT daylight facility	—	N/A	300.0	—
Total credit facilities				**C$430.0**

In connection with the acquisition of MX, TMX Group Inc. established a non-revolving three-year term credit facility of C$430.0 and a revolving three-year credit facility of C$50.0. TMX Group Inc. may draw on these facilities in Canadian dollars by way of prime rate loans and/or Bankers' Acceptances ("***B.A.***") or in US dollars by way of LIBOR loans and/or US base rate loans. On 30 April 2008, TMX Group Inc. drew C$430.0 which becomes due for repayment on 18 April 2011, when the revolving three-year facility of C$50.0 also expires. As at 31 December 2010, TMX Group Inc. has prepaid C$0.2 of financing fees, which leaves a net credit facility liability of C$429.8. These financing fees will be amortised over the remaining term of the loan.

On 31 March 2011, TMX Group Inc. extended and amended its C$430.0 credit facility that was due to expire on 18 April 2011. The revised credit facility remains at C$430.0 and will expire on 30 March 2012, or 180 days after the Completion or cancellation of the Merger with LSEG, if earlier. The facility may be extended by up to 180 days subject to certain restrictions and fees. Until 18 April 2011, the credit facility will attract interest at B.A. plus 45 basis points. After that date, interest will be charged at Bas plus 85 basis points. The facility remains unsecured and continues to include certain covenants that TMX Group Inc. must maintain.

In addition, in January 2011, CDCC arranged additional credit facilities. A C$100.0 daylight liquidity facility and a C$50.0 call loan facility were signed with a Canadian Schedule 1 bank. CDCC has not drawn on either facility.

MX has an outstanding letter of credit for C$0.7 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 TMX Group Inc. must maintain (note 26). TMX Group Inc. was in compliance with these covenants at 31 December 2010.

During 2010, TMX Group Inc. recognised interest expense on the facilities of C$5.9 (2009—C$5.8, 2008—C$10.5) which included C$0.7 (2009—C$0.7, 2008—C$0.5) of amortised financing fees.

14. Trade and other payables

	31 December 2010	31 December 2009	31 December 2008
Trade payables	C$6.2	C$4.1	C$5.1
Sales taxes payable	4.7	2.7	2.1
Employee costs payable	30.8	25.0	26.9
Accrued expenses	12.2	8.1	10.2
Other payables	4.7	4.0	9.7
	C$58.6	**C$43.9**	**C$54.0**

The fair value of trade and other payables is approximately equal to their carrying amount.

15. Provisions

A summary of TMX Group's provisions is as follows:

	Onerous leases	Decommissioning liabilities	Restructuring provisions	Total
Balance at 1 January 2008	C$2.7	C$—	C$—	C$2.7
Provisions recognised during the period	0.5	—	11.4	11.9
Provisions used during the period	(0.8)	—	(1.7)	(2.5)
Current	0.7	—	9.0	9.7
Non-current	1.7	—	0.7	2.4
Balance at 31 December 2008	**2.4**	**—**	**9.7**	**12.1**
Provisions recognised during the period	0.5	1.7	—	2.2
Provisions used during the period	(0.6)	—	(9.0)	(9.6)
Provisions released during the period	(1.4)	—	—	(1.4)
Current	0.5	—	0.7	1.2
Non-current	0.4	1.7	—	2.1
Balance at 31 December 2009	**0.9**	**1.7**	**0.7**	**3.3**
Provisions recognised during the period	0.9	0.5	—	1.4
Provisions used during the period	(1.3)	(0.2)	(0.7)	(2.2)
Current	0.4	—	—	0.4
Non-current	0.1	2.0	—	2.1
Balance at 31 December 2010	**C$0.5**	**C$2.0**	**C$—**	**C$2.5**

The provision for onerous leases represents onerous operating lease contracts on premises no longer occupied by TMX Group. The value of the provision is computed as the present value of the future lease payments that TMX Group is presently obligated to make under non-cancellable contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired terms of the leases range from one to seven years.

The provision for decommissioning liabilities relates to TMX Group's obligation to restore certain leased premises to their original condition.

In connection with the acquisition of MX (note 3), a restructuring provision was set up primarily relating to employee termination costs and the costs associated with the consolidation of TMX Group's technology data centres and offices.

16. Interest rate swaps

Effective 28 August 2008, TMX Group Inc. entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on its C$430.0 non-revolving three year term facility. The interest rate swaps used in the periods up to 31 December 2010 are as follows:

Swap number	Notional value	Maturity date	Interest rate TMX Group Inc. will receive	Interest rate TMX Group Inc. will pay	Fair value unrealised gain/(loss) at 31 December 2010	Fair value unrealised gain/(loss) at 31 December 2009	Fair value unrealised gain/(loss) at 31 December 2008
#1	C$100.0	31 August 2009	30 day B.A.	3.496%	Expired	Expired	C$(1.8)
#2	C$100.0	31 August 2010	30 day B.A.	3.749%	Expired	C$(2.1)	(4.6)
#3	C$100.0	18 April 2011	30 day B.A.	3.829%	C$(0.7)	(3.6)	(6.1)
Total	**C$300.0**				**C$(0.7)**	**C$(5.7)**	**C$(12.5)**

TMX Group Inc. marks to market the fair value of these interest rate swaps as an adjustment to income. During 2010, unrealised gains of C$5.0 (2009—unrealised gains of C$6.8; 2008—unrealised losses of C$12.5) and realised losses of C$5.2 (2009—realised losses of C$8.2, 2008—realised losses of C$0.8) have been reflected in net income. Both amounts have been included within mark to market on interest rate swaps.

17. Commitments and finance lease obligations

TMX Group is committed under long-term leases and licenses as follows:

(a) the rental of office space, under various long-term operating leases with remaining terms of up to 11 years, including certain asset retirement obligations with regards to these leases;

(b) the rental of computer hardware and software for terms of one to three years under operating leases;

(c) the rental of computer hardware and software for terms of one to three years under finance leases; and

(d) certain data licenses for remaining terms of up to six years.

Non-cancellable operating lease rentals are payable as follows:

	31 December 2010	31 December 2009	31 December 2008
Less than one year	C$17.7	C$24.9	C$23.7
Between one and five years	38.6	47.7	45.0
More than five years	21.4	19.8	25.8
	C$77.7	**C$92.4**	**C$94.5**

In addition, payments of C$33.7 (2009—C$34.9; 2008—C$28.8) were charged to the income statement in the year in relation to operating leases. TMX Group is responsible for additional taxes, maintenance and other direct charges with respect to its leases. The additional amount will be approximately C$9.5 for 2011.

Finance lease liabilities that are payable in less than one year are included in trade and other payables and the remaining liabilities are included in other non-current liabilities. Finance lease liabilities are payable as follows:

	31 December 2010			31 December 2009			31 December 2008		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year . .	C$0.8	C$0.1	C$0.7	C$0.9	C$0.2	C$0.7	C$—	C$—	C$—
Between one and five years	1.2	0.1	1.1	1.2	0.1	1.1	—	—	—
More than five years .	—	—	—	—	—	—	—	—	—
	C$2.0	**C$0.2**	**C$1.8**	**C$2.1**	**C$0.3**	**C$1.8**	**C$—**	**C$—**	**C$—**

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

18. Other non-current liabilities

Other non-current liabilities include amounts payable under the long-term incentive plan (note 23b) and finance lease obligations.

19. Income taxes

19.1 *Income tax expense recognised in the income statement*

	2010	2009	2008
Current tax expense:			
Income tax for the current year	C$100.3	C$93.1	C$107.4
Adjustments relating to prior years	(0.6)	0.3	0.1
	99.7	93.4	107.5
Deferred tax expense:			
Origination and reversal of temporary differences	0.4	2.9	(7.0)
Impact of changes in substantively enacted income tax rates	—	(1.5)	0.6
	0.4	1.4	(6.4)
Total income tax expense	**C$100.1**	**C$94.8**	**C$101.1**

Income tax expense attributable to income differs from the amounts computed by applying the combined federal and provincial income tax rate of 31 per cent. (2009—33 per cent., 2008—33.5 per cent.) to net income before income taxes as a result of the following:

	2010	2009	2008
Net income before income taxes	C$337.6	C$221.3	C$291.1
Computed expected income tax expense	104.7	73.0	97.5
Rate differential due to various jurisdictions	(3.0)	(6.5)	(3.6)
Provincial tax holiday	(3.5)	(3.4)	(1.8)
Impairment and non-deductible expenses	1.8	22.2	6.2
Share of affiliate income	(0.4)	(0.1)	(0.5)
Impact of changes in substantively enacted income tax rates	—	(1.5)	0.6
Current year losses for which no deferred tax asset was recognised	1.1	11.7	—
Other	(0.6)	(0.6)	2.7
Income tax expense	**C$100.1**	**C$94.8**	**C$101.1**

19.2 *Income tax recognised in other comprehensive income*

	31 December 2010			31 December 2009			31 December 2008		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Related to actuarial gains/losses of employee defined benefit plans	C$(6.0)	C$1.5	C$(4.5)	C$(4.5)	C$1.0	C$(3.5)	C$5.0	C$(1.3)	C$3.7
Total	**C$(6.0)**	**C$1.5**	**C$(4.5)**	**C$(4.5)**	**C$1.0**	**C$(3.5)**	**C$5.0**	**C$(1.3)**	**C$3.7**

19.3 ***Deferred tax assets and liabilities***

Movements in the temporary differences in the year are as follows:

	Property, plant and equipment	Cumulative eligible capital/ intangible assets	Tax loss carry-forwards	Financial assets at fair value through profit or loss	Restruct-uring	Employee benefits	Long term incentive plan	Other items	Total
Balance, 1 January 2008	C$4.5	C$15.6	C$0.3	C$(1.4)	C$—	C$1.7	C$6.5	C$3.1	C$30.3
Recognised in net income	0.2	(1.7)	1.1	7.4	3.7	(0.2)	(4.1)	—	6.4
Acquired in business combinations	—	(211.1)	—	—	—	—	—	(1.9)	(213.0)
Recognized in other comprehensive income	—	—	—	—	—	(1.3)	—	—	(1.3)
Balance 31 December 2008	**4.7**	**(197.2)**	**1.4**	**6.0**	**3.7**	**0.2**	**2.4**	**1.2**	**(177.6)**
Recognised in net income	(1.5)	3.9	3.7	(4.2)	(3.5)	(1.8)	1.3	0.7	(1.4)
Acquired in business combinations	—	(13.6)	—	—	—	—	—	0.4	(13.2)
Recognized in other comprehensive income	—	—	—	—	—	1.0	—	—	1.0
Balance 31 December 2009	**3.2**	**(206.9)**	**5.1**	**1.8**	**0.2**	**(0.6)**	**3.7**	**2.3**	**(191.2)**
Recognised in net income	1.1	(1.7)	1.7	(2.9)	(0.2)	(0.4)	2.0	—	(0.4)
Recognised in other comprehensive income	—	—	—	—	—	1.5	—	—	1.5
Balance, 31 December 2010	**C$4.3**	**C$(208.6)**	**C$6.8**	**C$(1.1)**	**C$0.0**	**C$0.5**	**C$5.7**	**C$2.3**	**C$(190.1)**

As at 31 December 2010, C$6.7 of the above deferred tax assets related to tax losses incurred in TMX Group Inc. The recognition of a deferred tax asset related to losses is dependent on the availability of future taxable profits within that specific legal entity that the tax losses have been incurred. TMX Group Inc. is confident that these losses will be recoverable as TMX Group Inc. has implemented measures in order to utilise these losses.

Deferred tax assets have not been recognised in respect of the following items:

	2010	2009	2008
Tax losses	C$14.8	C$12.1	C$3.6
Deductible temporary differences associated with investments in associates	1.0	2.3	2.7
Other deductible temporary differences	23.7	25.0	—
	C$39.5	**C$39.4**	**C$6.3**

The tax losses will expire by 2020. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which TMX Group can utilise the tax benefits.

20. Earnings per share

	For the years ended		
	31 December 2010	31 December 2009	31 December 2008
Net income attributable to equity holders of TMX Group Inc.	C$237.7	C$132.3	C$188.5
Weighted-average number of common shares outstanding—basic	74,331,877	74,131,244	73,443,944
Effect of dilutive share options	79,123	124,236	96,446
Weighted-average number of common shares outstanding—diluted	74,411,000	74,255,480	73,540,390
Basic earnings per share	C$3.20	C$1.78	C$2.57
Diluted earnings per share	C$3.19	C$1.78	C$2.56

Adjusted earnings per share

		For the years ended		
	Note	31 December 2010	31 December 2009	31 December 2008
Net income attributable to equity holders of TMX Group Inc.		**C$237.7**	**C$132.3**	**C$188.5**
Add:				
Adjustment related to non-cash impairment of available for sale investments, goodwill and intangibles		1.7	90.7	—
Tax effect related to non-cash impairment of available for sale investments, goodwill and intangibles		(0.1)	—	—
Impact of changes in substantively enabled tax rates	**19(a)**	—	(1.5)	0.6
Acquisition related costs		—	1.0	34.7
Tax effect of acquisition related costs		—	(0.2)	(2.9)
Amortisation related to acquired intangibles		9.6	11.4	9.3
Tax effect of amortisation related to acquired intangibles		(2.1)	(2.7)	(2.1)
Adjusted net income attributable to TMX Group Shareholders		**C$246.8**	**C$231.0**	**C$228.1**
Adjusted net earnings per share				
—Basic		C$3.32	C$3.12	C$3.11
—Diluted		C$3.32	C$3.11	C$3.10

21. Dividends

Dividends recognised and paid in the period are as follows:

	For the years ended					
	31 December 2010		31 December 2009		31 December 2008	
	Amount per share	Total paid	Amount per share	Total paid	Amount per share	Total paid
Final dividend for prior year paid in the first quarter	C$0.38	C$28.0	C$0.38	C$28.3	C$0.38	C$25.2
First quarter dividend for current year paid in the second quarter	0.38	28.2	C$0.38	28.2	C$0.38	31.0
Second quarter dividend for current year paid in the third quarter	0.38	28.3	C$0.38	28.2	C$0.38	29.4
Third quarter dividend for current year paid in the fourth quarter	0.40	29.8	C$0.38	28.3	C$0.38	28.5
Total dividends declared during the year	**C$1.54**	**C$114.3**	**C$1.52**	**C$113.0**	**C$1.52**	**C$114.1**

22. Share capital

The authorised capital of TMX Group Inc. 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 TMX Group Inc. 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 per cent. of any class or series of voting shares of TMX Group Inc. without the prior approval of the OSC and AMF.

Each common share of TMX Group Inc. is also entitled to receive dividends if, as and when declared by the board of directors of TMX Group Inc. All dividends that the board of directors of TMX Group Inc. 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 TMX Group Inc. 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 TMX Group Inc.

The following transactions occurred with respect to TMX Group Inc.'s common shares during the period:

	Number of common shares			Share capital		
	2010	2009	2008	2010	2009	2008
Balance, at 1 January	74,307,041	74,403,577	66,278,370	C$957.9	C$943.3	C$379.4
Issued (note 3)	—	878,059	15,316,608	—	28.4	665.5
Repurchased and cancelled	—	(1,000,000)	(7,523,249)	—	(14.6)	(110.3)
Options exercised	63,421	25,405	331,848	1.5	0.8	8.7
Balance, at 31 December	**74,370,462**	**74,307,041**	**74,403,577**	**C$959.4**	**C$957.9**	**C$943.3**

In 2007, TMX Group Inc. received approval from TSX to repurchase its common shares pursuant to a NCIB. In 2008, TMX Group Inc. purchased 4,441,189 common shares at an aggregate cost of C$185.2 under this plan, of which C$64.8 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of C$120.4 was charged to deficit.

In addition, on 14 August 2008, TMX Group Inc. received approval from TSX to repurchase up to 7,595,585 of its common shares under a new NCIB. In 2008, TMX Group Inc. purchased 3,082,060 common shares at an aggregate cost of C$100.2 of which C$45.5 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of C$54.7 was charged to deficit.

In 2009, TMX Group Inc. entered into two private agreements with a shareholder in February 2009 to repurchase a pre-defined number of shares. Under these agreements, TMX Group repurchased 1,000,000 common shares at an aggregate cost of C$30.3 of which C$14.6 was charged to share capital and the excess of the cost of the NCIB over the stated value of the common shares of C$15.7 was charged to deficit.

23. Share-based payments

At 31 December 2010, TMX Group Inc. had the following share-based payment arrangements:

(a) share option plan;

(b) interim bonus and long-term incentive plan; and

(c) employee share purchase plan

23.1 *Share option plan*

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

According to the terms of TMX Group Inc.'s plan, under no circumstances may any one person's share options and all other share compensation arrangements exceed 5 per cent. of the outstanding common shares issued of TMX Group Inc. At 31 December 2010, 4,064,226 common shares of TMX Group Inc. remain reserved for issuance upon exercise of share options granted under the plan, representing approximately 5 per cent. of the outstanding common shares of TMX Group Inc.

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 2010: dividend yield of 4.1 per cent. (2009—3.5 per cent., 2008—2.9 per cent.); expected volatility of 31.0 per cent. (2009—26.8 per cent., 2008—23.6 per cent.); risk-free interest rate of 3.5 per cent. (2009—4.0 per cent., 2008—4.1 per cent.), expected life of seven years (2009—seven years, 2008—seven years), and weighted-average share price of C$29.52 (2009—C$31.63, 2008—C$41.76). The assumptions are based on TMX Group Inc.'s historical share price movements and historical dividend policy, and the expected life is based on past experience. The weighted-average fair value was C$6.74 (2009—C$7.21, 2008—C$9.53).

Share options granted in 2010 have a strike price of C$29.52. Share options granted in 2009 and 2008 had a strike price in the range of C$31.59 to C$34.24 and C$36.46 to C$54.50, respectively.

Options granted will expire in 2011, 2012, 2013, 2014, 2015, 2016, and 2017.

During 2010, TMX Group recognised compensation costs of C$2.7 in relation to its share option plan (2009—C$3.0, 2008—C$2.6).

	2010		2009		2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, 1 January	1,382,569	C$35.53	1,021,819	C$39.14	973,522	C$31.64
Granted	457,782	29.52	635,717	31.63	526,228	44.71
Forfeited	(98,199)	40.24	(249,562)	41.65	(146,083)	50.46
Exercised	(63,421)	19.32	(25,405)	22.58	(331,848)	20.97
Outstanding, 31 December	**1,678,731**	**C$34.23**	**1,382,569**	**C$35.53**	**1,021,819**	**C$39.14**
Vested and exercisable	**720,715**	**C$37.05**	**542,764**	**C$35.06**	**466,026**	**C$31.67**

The weighted-average share price during the year was C$30.39 (2009—C$32.58, 2008—C$37.17).

The range of exercise prices and weighted average remaining contractual life of options outstanding are as follows:

	2010		2009		2008	
Exercise prices	Number of share options	Weighted average remaining contractual life	Number of share options	Weighted average remaining contractual life	Number of share options	Weighted average remaining contractual life
C$2.21 to C$19.99	82,300	2.0	107,800	3.0	114,135	4.1
C$20.00 to C$29.99	575,535	4.9	159,072	1.6	178,142	2.6
C$30.00 to C$39.99	609,101	5.0	655,398	6.0	153,088	6.5
C$40.00 to C$54.50	411,795	3.4	460,299	4.5	576,454	5.6
	1,678,731	**4.5**	**1,382,569**	**4.8**	**1,021,819**	**5.1**

23.2 ***Interim bonus and long-term incentive plan***

Effective 1 January 2001, TSX Inc. introduced an interim bonus plan (in lieu of a long-term incentive plan) for employees or officers of TMX Group. The interim bonus plan provided eligible employees with a deferred award based on the annual financial performance of TMX Group. Amounts earned in 2001 were converted into DSUs for executive officers and RSUs for other participants, based on the price of one common share of TMX Group Inc., in conjunction with the public offering of TMX Group Inc. Amounts earned in 2002 were converted into DSUs or RSUs based on the value of one common share of TMX Group Inc. on 31 December 2002.

The DSUs discussed above are fully vested, but can only be redeemed upon termination of employment or retirement by cash payment. The RSUs discussed above were fully vested and were redeemed in cash by 31 December 2005.

In January 2004, the Board approved a LTIP for certain employees or officers of TMX Group. The LTIP provides for the granting of RSUs, which vest over a maximum of three years and are payable at the end of the three years provided the employee is still employed by TMX Group. The amount of the award payable at the end of three years will be determined by the total shareholder return over the period. Total shareholder return represents the appreciation in share price of TMX Group Inc. plus dividends paid on a common share of TMX Group Inc., measured at the time RSUs vest.

In addition, to assist TMX Group Inc.'s officers to meet their equity ownership requirements, TMX Group Inc. gives officers who have not met their vesting requirements the opportunity to convert all or part of their short-term incentive award into DSUs. These DSUs vest immediately.

TMX Group records its obligation under the LTIP, if any, in the period in which the award is earned. The liability is measured at fair value on date of grant and at each subsequent reporting date, using a Black Scholes option pricing model with the following assumptions in 2010: dividend yield of 4.1 per cent. (2009—3.5 per cent., 2008—2.9 per cent.); expected volatility of 32.8 per cent. (2009—26.8 per cent., 2008—23.6 per cent.); risk-free interest rate of 3.5 per cent. (2009—4.0 per cent., 2008—4.1 per cent.); expected life of one to two years (2009—one to two years, 2008—one to two years); and weighted-average share price of C$36.98 (2009—C$32.02, 2008—C$24.33). The assumptions are based on TMX Group Inc.'s historical share price movements and historical dividend policy, and the expected life is based on past experience. The weighted-average fair value was C$36.98 (2009—C$32.02, 2008—C$24.33). An estimated forfeiture rate of 21.5 per cent. was used for 2010 (2009—36.7 per cent., 2008—27.0 per cent.).

TMX Group Inc. has purchased TRSs (note 24) to economically hedge against the impact of its share price fluctuations on the non-performance based portion of the LTIP (note 24(b) (v)). As at 31 December 2010, the total accrual for TMX Group's LTIP is C$10.7 (31 December 2009—C$5.8, 31 December 2008—C$3.2) and this is included in trade and other payables and other non-current liabilities on the consolidated balance sheet. The maximum amount to be paid is not known until the awards have vested and will be based on total shareholder return from the date of grant to the time of payout. The accrual is based on expected dividend yield, continuation of the most recent quarterly dividend and the closing price of TMX Group Inc.'s common shares at the end of the reporting period.

During 2010, TMX Group recognised compensation expense of C$4.2 in relation to its LTIP (2009—C$1.0, 2008—C$1.0).

23.3 ***Employee share purchase plan***

TMX Group offers an employee share purchase plan for its eligible employees. Under the employee share purchase plan, contributions by TMX Group and by eligible employees will be used by the plan administrator, CIBC Mellon, to make purchases of common shares of TMX Group Inc. on the open market. Each eligible employee may contribute up to 10 per cent. of the employee's salary to the employee share purchase plan. TMX Group will contribute to the plan administrator the funds required to purchase one common share of TMX Group Inc. for each two common shares purchased on behalf of the eligible employee, up to a maximum annual contribution of C$2.5 thousand. Shareholder approval is not required for this plan or any amendments to the plan.

TMX Group accounts for its contributions as compensation expense when the amounts are contributed to the plan. Compensation expense related to this plan was C$1.3 for the year ended 31 December 2010 (2009—C$1.3, 2008—C$1.1).

24. Financial instruments

24.1 Financial instruments—carrying values and fair values

	31 December 2010		31 December 2009		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Assets at fair value through profit or loss						
—Designated						
Cash and cash equivalents	C$69.9	C$69.9	C$88.9	C$88.9	C$103.9	C$103.9
Marketable securities	261.6	261.6	103.2	103.2	96.3	96.3
—Classified						
Fair value of open energy contracts	141.9	141.9	202.8	202.8	155.3	155.3
Total return swaps	4.5	4.5	—	—	—	—
Option to acquire NTP	—	—	—	—	9.5	9.5
Available for sale financial assets						
Investments in privately-owned companies	C$6.6	C$6.6	C$8.3	C$8.3	C$0.6	C$0.6
Loans and receivables						
Trade and other receivables	C$85.2	C$85.2	C$79.4	C$79.4	C$63.7	C$63.7
Energy contracts receivable	754.9	754.9	714.5	714.5	976.4	976.4
Daily settlements and cash deposits	193.1	193.1	565.4	565.4	497.3	497.3
Liabilities at fair value through profit or loss						
—Classified						
Total return swaps	C$—	C$—	C$(0.5)	C$(0.5)	C$(5.8)	C$(5.8)
Interest rate swaps	(0.7)	(0.7)	(5.7)	(5.7)	(12.5)	(12.5)
Fair value of open energy contract	(141.9)	(141.9)	(202.8)	(202.8)	(155.3)	(155.3)
Other liabilities						
Trade and other payables	C$(58.6)	C$(58.6)	C$(43.9)	C$(43.9)	C$(54.0)	C$(54.0)
Energy contracts payable	(754.9)	(754.9)	(714.5)	(714.5)	(976.4)	(976.4)
Daily settlements and cash deposits	(193.1)	(193.1)	(565.4)	(565.4)	(497.3)	(497.3)
Term loan	(429.8)	(428.9)	(429.0)	(427.0)	(428.3)	(428.3)

The carrying values for TMX Group's financial instruments approximate their fair values at each reporting date except for the term loan, which fair value is determined as the present value of the term loan payments discounted at the current prevailing market interest rates for similar credit facilities.

24.2 ***Fair value measurement***

TMX Group uses a fair value hierarchy to categorise the inputs used in its valuation of assets and liabilities carried at fair value. The extent of TMX Group's use of unadjusted quoted market prices (level 1), models using observable market information as inputs (level 2) and models using unobservable market information (level 3) in its valuation of assets and liabilities carried at fair value is as follows:

	As at 31 December 2010			
	Fair value measurements using:			Assets/ (liabilities)
Asset/(liability)	**Level 1**	**Level 2**	**Level 3**	**at fair value**
Cash and cash equivalents	C$69.9	C$—	C$—	C$69.9
Marketable securities	261.6	—	—	261.6
Fair value of open energy contracts	—	141.9	—	141.9
Investments in privately-owned companies	—	—	6.6	6.6
Total return swaps	—	4.5	—	4.5
Interest rate swaps	—	(0.7)	—	(0.7)
Fair value of open energy contracts	—	(141.9)	—	(141.9)

	As at 31 December 2009			
	Fair value measurements using:			Assets/ (liabilities)
Asset/(liability)	**Level 1**	**Level 2**	**Level 3**	**at fair value**
Cash and cash equivalents	C$88.9	C$—	C$—	C$88.9
Marketable securities	73.3	29.9	—	103.2
Fair value of open energy contracts	—	202.8	—	202.8
Investments in privately-owned companies	—	—	8.3	8.3
Total return swaps	—	(0.5)	—	(0.5)
Interest rate swaps	—	(5.7)	—	(5.7)
Fair value of open energy contracts	—	(202.8)	—	(202.8)

	As at 31 December 2008			
	Fair value measurements using:			Assets/ (liabilities)
Asset/(liability)	**Level 1**	**Level 2**	**Level 3**	**at fair value**
Cash and cash equivalents	C$103.9	C$—	C$—	C$103.9
Marketable securities	66.8	29.5	—	96.3
Fair value of open energy contracts	—	155.3	—	155.3
Investments in privately-owned companies	—	—	0.6	0.6
Option to acquire NTP	—	—	9.5	9.5
Total return swaps	—	(5.8)	—	(5.8)
Interest rate swaps	—	(12.5)	—	(12.5)
Fair value of open energy contracts	—	(155.3)	—	(155.3)

There were no transfers during the years between levels 1 and 2.

(a) *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. There is no contracted maturity date for the investments.

Fair values have been determined by reference to quoted market prices or are based on observable market information. Unrealised losses of C$0.6 have been reflected in net income for the year ended 31 December 2010 (2009—unrealised losses of C$0.2, 2008—unrealised gains of C$1.2).

(b) *Fair value of open energy contracts*

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

(c) *Daily settlements and cash deposits*

The fair value at the balance sheet date of certain collateral amounts held on balance sheet in relation to the CDCC clearing business is recognised within daily settlements and cash deposits. The fair value is determined based on observable market information. The daily settlements and cash deposits balance also includes amounts due from and to clearing members as a result of marking open futures positions to market and settling option transactions each day, which are required to be collected from or paid to clearing members prior to the commencement of trading the next day. There is no impact on the income statement.

(d) *Investments in privately-owned companies*

TMX Group holds investments in privately-owned companies, whose shares are not traded on an active market. As such, the fair value of these investments is calculated using unobservable assumptions and information, and is therefore categorised as a level 3 asset. A reconciliation of the movement in the fair value of these investments is as follows:

	2010	2009	2008
Fair value at 1 January	C$8.3	C$0.6	C$0.6
Addition	—	7.7	—
Unrealised impairment loss recognised in net income	(1.7)	—	—
Fair value at 31 December	**C$6.6**	**C$8.3**	**C$0.6**

(e) *Total return swaps*

TMX Group has entered into a series of TRSs which synthetically replicate the economics of TMX Group purchasing TMX Group Inc.'s shares as a partial fair value hedge to the share appreciation rights of the non-performance element of RSUs and DSUs that are awarded to directors and employees of TMX Group. TMX Group marks to market the fair value of the TRSs 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 TMX Group Inc.'s shares for the last five trading days of the year compared with TMX Group Inc.'s share price at the date of entering into the TRSs. TRS are included at fair value in trade and other receivables or trade and other payables, depending on whether the total closing balance is in a net asset or net liability position. The contracts are settled in cash upon maturity.

The following tables represent the TRSs which are outstanding:

As at 31 December 2010:

	Remaining term to maturity (notional amount)			Fair value		
	Under one year	One to three years	Total	Gain	Loss	Net
Equity contract #20	C$—	C$1.3	C$1.3	C$0.3	C$—	C$0.3
Equity contract #25	—	0.8	0.8	0.3	—	0.3
Equity contract #26	5.2	—	5.2	1.6	—	1.6
Equity contract #27	0.5	—	0.5	0.2	—	0.2
Equity contract #28	3.4	—	3.4	1.3	—	1.3
Equity contract #29	2.1	—	2.1	0.8	—	0.8
	C$11.2	**C$2.1**	**C$13.3**	**C$4.5**	**C$—**	**C$4.5**

As at 31 December 2009:

	Remaining term to maturity (notional amount)			Fair value		
	Under one year	One to three years	Total	Gain	Loss	Net
Equity contract #16	C$0.4	C$—	C$0.4	C$—	C$—	C$—
Equity contract #20	—	1.3	1.3	0.1	—	0.1
Equity contract #21	5.3	—	5.3	—	(0.6)	(0.6)
Equity contract #22	0.6	—	0.6	—	—	—
Equity contract #23	4.4	—	4.4	—	—	—
Equity contract #24	2.4	—	2.4	—	—	—
	C$13.1	**C$1.3**	**C$14.4**	**C$0.1**	**C$(0.6)**	**C$(0.5)**

As at 31 December 2008:

	Remaining term to maturity (notional amount)			Fair value		
	Under one year	One to three years	Total	Gain	Loss	Net
Equity contract #12	C$0.9	C$—	C$0.9	C$—	C$(0.4)	C$(0.4)
Equity contract #16	—	0.4	0.4	—	(0.1)	(0.1)
Equity contract #17	4.3	—	4.3	—	(1.5)	(1.5)
Equity contract #18	5.5	—	5.5	—	(2.3)	(2.3)
Equity contract #19	3.7	—	3.7	—	(1.5)	(1.5)
	C$14.4	**C$0.4**	**C$14.8**	**C$—**	**C$(5.8)**	**C$(5.8)**

Unrealised gains of C$5.0 have been reflected in net income in the consolidated financial statements for the year ended 31 December 2010 (2009—unrealised gains of C$5.3, 2008—unrealised losses of C$10.0).

(f) *Interest rate swaps*

TMX Group Inc. has entered into a series of interest rate swap agreements, which commenced on 28 August 2008, to partially manage its exposure to interest rate fluctuations on the non-revolving three-year term facility (note 13).

TMX Group Inc. marks to market the fair value of the interest rate swaps. The fair value of the interest rate swaps is measured using a discounted cash flow analysis based on relevant yield curves and credit risk analysis. Unrealised gains of C$5.0 and realised losses of C$5.2 have been reflected within net income, as mark to market on interest rate swaps, for the year ended 31 December 2010 (2009—unrealised gains of C$6.8 and realised losses of C$8.2, 2008—unrealised losses of C$12.5 and realised losses of C$0.8).

25. Risk management

TMX Group is exposed to a number of risks as a result of its operations, which are discussed below. It seeks to monitor and mitigate the adverse effects from these risks through its risk management policies and processes.

25.1 *Credit risk*

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

(a) *Investments in marketable securities*

TMX Group manages its exposure to credit risk arising from investments in marketable securities by holding investment funds that actively manage credit risk. The investment policy of TMX Group will only allow excess cash to be invested within a specific money market fund and a specific short-term bond and mortgage fund. The money market fund manages credit risk by limiting its investments to government or government-guaranteed treasury bills, and high grade corporate notes. The short-term bond and mortgage

fund manages credit risk by limiting its investments to high quality Canadian corporate bonds, government bonds and up to 40 per cent. of the fund's net assets in conventional first mortgages and mortgages guaranteed under the National Housing Act (Canada). Corporate bonds held must have a minimum credit rating of BBB by DBRS Limited at the time of purchase. Mortgages may not comprise more than 40 per cent. 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.

(b) *Total return swaps and interest rate swaps*

TMX Group limits its exposure to credit risk on TRSs and interest rate swaps by contracting with a major Canadian chartered bank.

(c) *Accounts receivable*

TMX Group'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. TMX Group invoices its customers on a regular basis and maintains a collections team to monitor customer accounts and minimise the amount of overdue receivables. There is no concentration of credit risk arising from accounts receivable from a single customer. In addition, customers that fail to maintain their account in good standing risk loss of listing, trading or data privileges.

(d) *Clearing and/or brokerage operations*

TMX Group is exposed to credit risk in the event that customers, in the case of Shorcan and Shorcan Energy, 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 and Shorcan Energy's risk is limited by their status as agents, in that they do not purchase or sell securities for their own account. As agents, in the event of a failed trade, Shorcan or Shorcan Energy have the right to withdraw their 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:

(i) outstanding energy contracts receivable;

(ii) "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

(iii) "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 31 December 2010, NGX held cash collateral deposits of C$835.7 (31 December 2009—C$1,040.3, 31 December 2008—C$716.5) and letters of credit of C$1,941.4 (31 December 2009—C$1,963.7, 31 December 2008—C$2,366.3). These amounts are not included in TMX Group Inc.'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 DCMM process that evaluates the financial strength of a clearing member against its margin requirements. Every day, CDCC monitors the margin requirements of a clearing member as a percentage of its capital (net allowable assets). CDCC will make additional margin calls when the ration of margin requirement/net allowable assets exceeds 100 per cent. The additional margin requirement is equal to the excess of the ratio over 100 per cent.

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 31 December 2010, CDCC held margin deposits of C$2,911.2 (31 December 2009—C$3,101.8, 31 December 2008—C$4,502.0), and clearing fund deposits of C$264.1 (31 December 2009—C$205.1, 31 December 2008—C$201.5), primarily held in government and equity securities. These amounts are not included in TMX Group Inc.'s consolidated balance sheet.

(e) *Facilities and guarantees*

TMX Group Inc. only provides guarantees to wholly-owned Subsidiaries.

NGX maintains an unsecured clearing backstop fund of US$100.0. TMX Group Inc. is the guarantor, on an unsecured basis, of this fund.

In response to both the credit and liquidity risks that CDCC is exposed to through its clearing operations, CDCC has arranged a total of C$50.0 in revolving standby credit facilities with a Canadian Schedule 1 bank to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralised, bear interest based on the bank's prime rate plus 0.75 per cent.

Neither facility had been drawn upon at 31 December 2010.

25.2 *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 TMX Group's income or the value of its holdings of financial instruments.

(a) *Foreign currency risk*

TMX Group is exposed to foreign currency risk on revenue, cash and cash equivalents, marketable securities, accounts receivable and accounts payable, principally denominated in US dollars. In 2010, TMX Group recognised US denominated revenue of approximately US$105.0, including BOX, less various US denominated expenses (2009—US$110.0). At 31 December 2010, cash and cash equivalents and accounts receivable, excluding BOX, and current liabilities, excluding BOX, include US$13.4 (31 December 2009—US$11.9, 31 December 2008—US$15.0), and US$0.8 (31 December 2009—US$0.6, 31 December 2008—US$0.4) respectively, which are exposed to changes in the US—Canadian dollar exchange rate. In addition, net assets related to BOX are denominated in US dollars, and the effect of exchange rate movements on TMX Group's share of these net assets is included in other comprehensive income.

(b) *Interest rate risk*

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

External investment fund managers have been engaged by TMX Group to manage the asset mix and the risks associated with its marketable securities. At 31 December 2010 TMX Group held C$261.6 in these funds (31 December 2009—C$103.2, 31 December 2008—C$96.3), of which 56.7 per cent. (31 December

2009—29.7 per cent., 31 December 2008—18.0 per cent.) were held in fixed rate money market investments.

TMX Group Inc. has a non-revolving term loan payable of C$430.0 (note 13). TMX Group Inc. has entered into a series of interest rate swap agreements to partially manage its exposure to interest rate fluctuations on the loan (note 16). At 31 December 2010, the fair value of these interest rate swaps was a liability of C$0.7.

(c) *Equity price risk*

TMX Group is exposed to equity price risk arising from its long-term incentive plan, as TMX Group's obligation under the plan is partly based on the price of TMX Group Inc.'s shares. TMX Group has entered into TRSs as a partial fair value hedge to the share appreciation rights of the RSUs and DSUs awarded under the plan.

(d) *Other market price risk*

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

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.

TMX Group 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 31 December of the previous year.

Sensitivity summary

	Change in underlying factor	Impact on net income	Impact on other comprehensive income
Foreign currency			
US$ currency	10% increase	C$(6.6)	C$(5.2)
US$ currency	10% decrease	6.6	5.2
Interest rates			
Marketable securities	1% increase	(2.8)	n/a
Marketable securities	1% decrease	2.8	n/a
Term loan	1% increase	(1.3)	n/a
Term loan	1% decrease	1.3	n/a
Interest rate swaps	1% increase	0.3	n/a
Interest rate swaps	1% decrease	(0.3)	n/a
Equity price			
Total return swaps	25% increase	(2.8)	n/a
Total return swaps	25% decrease	3.7	n/a

25.3 *Liquidity risk*

Liquidity risk is the risk that TMX Group will not be able to meet its financial obligations as they become due. TMX Group manages liquidity risk through the management of its cash and cash equivalents and

marketable securities, all of which are held in short-term instruments, and its credit facilities (notes 13) and capital (note 26). The contractual maturities of TMX Group's financial liabilities are as follows:

	31 December 2010		
	Less than one year	**Between one and five years**	**Greater than five years**
Trade and other payables	C$58.6	C$—	C$—
Energy contracts payable	754.9	—	—
Daily settlements and cash deposits	193.1	—	—
Term loan payable	429.8	—	—
Other non-current liabilities	—	4.3	18.0

	31 December 2009		
	Less than one year	**Between one and five years**	**Greater than five years**
Trade and other payables	C$43.9	C$—	C$—
Energy contracts payable	714.5	—	—
Daily settlements and cash deposits	565.4	—	—
Term loan payable	—	429.0	—
Other non-current liabilities	—	4.9	15.8

	31 December 2008		
	Less than one year	**Between one and five years**	**Greater than five years**
Trade and other payables	C$54.0	C$—	C$—
Energy contracts payable	976.4	—	—
Daily settlements and cash deposits	497.3	—	—
Term loan payable	—	428.3	—
Other non-current liabilities	—	2.8	13.0

26. Capital maintenance

TMX Group's primary objectives in managing capital, which it defines as including its share capital and various credit facilities, include:

(a) maintaining sufficient capital for operations, to ensure market confidence and to meet capital maintenance requirements imposed on its Subsidiaries:

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

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

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

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

TMX Group has complied with these externally imposed capital requirements;

(ii) in respect of TSX Venture Exchange Inc., as required by various provincial securities commissions to maintain adequate financial resources.

TMX Group has complied with these externally imposed capital requirements;

(iii) in respect of NGX to:

(A) maintain adequate financial resources as required by the ASC; and

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

TMX Group has complied with these externally imposed capital requirements;

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

(A) a working capital ratio of more than 1.5:1;

(B) a cash flow to total debt ratio of more than 20 per cent.; and

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

TMX Group has complied with these externally imposed capital requirements;

(v) in respect of Shorcan by IIROC which requires Shorcan to maintain a minimum level of shareholders' equity of C$0.5.

TMX Group has complied with these externally imposed capital requirements;

(b) providing sufficient capital to meet the covenants imposed in connection with credit facilities (note 13) that require TMX Group Inc. to maintain:

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

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

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

TMX Group has complied with these externally imposed capital requirements;

(c) retaining sufficient capital to invest and continue to grow our business; and

(d) 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.

27. Related party relationships and transactions

Parent

The ultimate controlling party of TMX Group is TMX Group Inc.

Key management personnel compensation

Compensation for key management personnel was as follows for the year:

	2010	2009	2008
Short-term employee benefits	C$9.0	C$8.5	C$9.4
Post-employment benefits	1.0	1.0	1.0
Termination benefits	—	2.6	1.0
Share-based payments	5.8	4.8	5.0
	C$15.8	**C$16.9**	**C$16.4**

Trading transactions

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

On 1 June 2008, RS, a private corporation jointly owned by TMX Group and 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, TMX Group 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 1 June 2008, RS was a related party to TMX Group. For the period up to 1 June 2008, C$2.8 of technology services and other revenue was earned for technology service provided to RS and C$1.4 was paid to RS for services provided by RS.

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 29 August 2008, BOX became a Subsidiary of MX (note 3).

Amounts invoiced for the year ended 31 December 2008, covering the period before BOX became a Subsidiary, are C$5.0. These transactions were undertaken in the normal course of business. Starting 29 August 2008, due to the acquisition of control, these amounts are eliminated upon consolidation.

TMX Group owns a 47 per cent. equity interest in CanDeal, an electronic trading system for the institutional debt market. The investment is accounted for using the equity method. As part of the investment, TMX Group and CanDeal entered into an agreement under which TMX Group would provide technological services in support of CanDeal's electronic trading system. This agreement was terminated during 2009. In 2010, TMX Group charged CanDeal C$nil (2009—C$0.1, 2008—C$0.2) for technology services and remitted to CanDeal C$0.6 (2009—C$1.5, 2008—C$0.7) as part of a revenue sharing arrangement and for the supply of technology development. The amount payable to CanDeal was C$0.4 (2009: C$0.1, 2008: C$0.6).

28. Controlled entities

		Interest held in entity		
	Country of incorporation	31 December 2010	31 December 2009	31 December 2008
		%	%	%
Controlled entities of TMX Group Inc.:				
TSX Inc.	Canada	100	100	100
Montreal Exchange Inc.	Canada	100	100	100
Natural Gas Exchange Inc.	Canada	100	100	100
Shorcan Brokers Limited	Canada	100	100	100
The Equicom Group Inc.	Canada	100	100	100
NetThruPut Inc.	Canada	100	100	—
Toronto Futures Exchange *(dormant)*	Canada	100	100	100
CDEX Inc. *(dissolved)*	Canada	—	100	100
TMX Select Inc.	Canada	100	—	—
TMX Exchange Services Ltd	U.K.	100	—	—
Controlled entity of TSX Inc.:				
TSX Venture Exchange Inc.	Canada	100	100	100
TSX Group US Holdings, Inc.	U.S.	100	100	100
Controlled entities of TSX Venture Exchange Inc.:				
Canadian Unlisted Board Inc.	Canada	100	100	100
Vancouver Curb Exchange Limited *(dormant)*	Canada	100	100	100
Vancouver Stock Exchange Inc. *(dormant)*	Canada	100	100	100
VCT Management Limited *(dormant)*	Canada	100	100	100
West Canada Clearing Corporation *(dormant)*	Canada	100	100	100
West Canada Depository Trust Company *(dormant)*	Canada	100	100	100
Alberta Stock Exchange Inc. *(dormant)*	Canada	100	100	100

	Country of incorporation	Interest held in entity		
		31 December 2010	31 December 2009	31 December 2008
		%	%	%
Controlled entities of Montreal Exchange Inc.:				
Canadian Derivatives Clearing Corporation	Canada	100	100	100
Canadian Derivatives Clearing Corporation (U.S.A.) Inc.	U.S.	100	100	100
Canadian Resources Exchange Inc. *(dissolved)*	Canada	—	100	100
Montreal Climate Exchange Inc.	Canada	51	51	51
Boston Options Exchange Group LLC	U.S.	53.8	53.8	53.8
MXUS 1 Inc.	U.S.	100	100	100
MXUS 2 Inc.	U.S.	100	100	100
MXUSLLC1 *(Created and dissolved 2010)*	U.S.	—	—	—
MXUSLLC2 *(Created and dissolved 2010)*	U.S.	—	—	—
3226506 Nova Scotia Company *(dissolved)*	Canada	—	100	100
3226507 Nova Scotia Company *(dissolved)*	Canada	—	100	100
Controlled entities of Natural Gas Exchange Inc.:				
Alberta Watt Exchange Limited	Canada	100	100	100
NGX US Inc.	U.S.	100	100	100
Controlled entity of Shorcan Brokers Limited:				
Shorcan Energy Brokers	Canada	100	100	—

29. Contingent liabilities

From time to time in connection with its operations, TMX Group Inc. or its Subsidiaries are named as a defendant in actions for damages and costs sustained by plaintiffs, or as a respondent in proceedings challenging TMX Group Inc.'s or its Subsidiaries' regulatory actions, decisions or jurisdiction. TMX Group considers any such claims to be unsubstantiated at this time.

30. Subsequent events

TMX Group Inc. announced on 9 February 2011 an agreement to combine its operations with LSEG in an all-share Merger. The Merger is being unanimously recommended by the board of directors of TMX Group Inc. and the board of directors of LSEG. The Merger will be implemented by means of a Canadian plan of arrangement under which TMX Group Shareholders will receive 2.9963 New Shares for each TMX Group Share they hold. TMX Group Shareholders that are Canadian Residents for tax purposes will be entitled to elect to receive Exchangeable Shares in a Canadian Subsidiary of LSEG for each TMX Group Share that they hold. TMX Group Shareholders electing to receive Exchangeable Shares will receive the same number of Exchangeable Shares as the number of New Shares to which they would otherwise have been entitled to receive under the terms of the Merger. On an ongoing basis, each Exchangeable Share will carry the right to be exchanged for a Mergeco Share and will carry mirror-image economic rights to a Mergeco Share (together with certain Ancillary Rights). In addition, each Exchangeable Share will permit the holder to vote one Mergeco Share at any shareholder meeting of Mergeco. The Exchangeable Shares allow Canadian resident TMX Group Shareholders to participate in the transaction on a tax-deferred basis, provided they file a valid tax election. The Exchangeable Shares will also allow Canadian resident TMX Group Shareholders to receive dividends from a Canadian corporation, which are generally subject to more favourable tax treatment than dividends from a non-Canadian corporation. TMX Group Shareholders will therefore own 45 per cent. and LSEG Shareholders will own 55 per cent. of the combined Merged Group. The shares of the Merged Group will be listed on TSX, trading in Canadian dollars and London Stock Exchange, trading in sterling. The Exchangeable Shares will also be listed on TSX, trading in Canadian dollars.

Completion of the Merger is subject to customary regulatory and other approvals as well as certain other conditions. The following provides an overview of certain approvals and conditions that must be met:

(a) approval by at least 66⅔ per cent. of the votes cast by shareholders of TMX Group Inc. at a special meeting of TMX Group Shareholders;

(b) approval by a majority of votes cast by LSEG Shareholders at a general meeting of LSEG Shareholders;

(c) Court of the Plan of Arrangement;

(d) certain regulatory approvals, including under the Investment Canada Act, Competition Act (Canada), as well as from the OSC, AMF, ASC, BCSC, SEC, FSA, Bank of Italy and CONSOB; and

(e) listing of the Mergeco Shares and the Exchangeable Shares on TSX and listing of the New Shares issuable pursuant to the Plan of Arrangement on the London Stock Exchange.

The Merger Agreement, which provides for a long-stop date of 9 November 2011 (with up to a 30-day extension in certain circumstances), contains customary provisions for a transaction of this nature, including customary representations and warranties, covenants, undertakings and conditions. In the Merger Agreement, each of TMX Group Inc. and LSEG has agreed not to solicit other offers. The Merger Agreement provides that the boards of directors of each of TMX Group Inc. and LSEG may, under certain circumstances, terminate the agreement in favour of an unsolicited superior proposal, subject to a payment of a termination fee of 1 per cent. of the market capitalisation of the LSEG at the time of entering into the agreement, and subject to a right by each party to match the superior proposal in question.

It is anticipated that the relevant shareholders' meetings will take place in the second quarter of 2011 and court approval will be sought within three business days of TMX Group Shareholders approving the Merger. Subject to obtaining shareholder, court and regulatory approvals, the Merger is expected to become effective in the third quarter of 2011.

31. Transition to IFRS

As discussed in note 1, these financial statements have been prepared in accordance with IFRS. TMX Group's financial statements for the year ending 31 December 2010 are its first annual financial statements that comply with IFRS. As this is TMX Group's first year of reporting under IFRS, IFRS 1 is applicable.

In accordance with IFRS 1, TMX Group Inc. has applied IFRS retrospectively as of 1 January 2008 (the "***Transition Date***") for comparative purposes. In preparing its opening balance sheet in accordance with IFRS, TMX Group Inc. has adjusted amounts reported previously in its financial statements prepared in accordance with previous Canadian GAAP. The impact of the transition on TMX Group's financial position, and financial performance is discussed below. The impact of the transition on TMX Group's statement of cash flows was minimal.

31.1 *Initial elections upon adoption*

In accordance with IFRS 1, TMX Group Inc. has applied certain optional exemptions and mandatory exceptions from full retrospective application of IFRS. Set out below are the IFRS 1 optional exemptions that TMX Group Inc. has elected to apply on its conversion from previous Canadian GAAP to IFRS and the mandatory exceptions that are applicable to TMX Group.

IFRS 1 optional exemptions

(a) Business combinations—this exemption allows first-time adopters to elect to apply IFRS 3 (revised)—Business Combinations ("***IFRS 3***"), prospectively from the Transition Date or retrospectively only to acquisitions after a chosen date that is prior to the Transition Date. Not taking this exemption would require retrospective restatement of all business combinations occurring before the Transition Date. TMX Group Inc. has elected this exemption to not apply IFRS 3 to business combinations that occurred prior to 1 January 2007. Accordingly, the acquisition of Equicom has been restated to reflect the requirements of IFRS 3 upon adoption of IFRS. As a result of applying this exemption, goodwill arising on this acquisition has been adjusted accordingly as at the Transition Date. Goodwill relating to business combinations prior to 1 January 2007 has not been adjusted from its pre-conversion Canadian GAAP carrying value.

In electing under the exemption, there are certain additional requirements relating to the acquisitions that are not restated under IFRS, contained in Appendix C of IFRS 1. An analysis of the Appendix C requirements as they relate to TMX Group was conducted with no resulting implications. Accordingly, no business combinations that took place before the Transition Date were restated to reflect the requirements of IFRS 3 and therefore Goodwill relating to business combinations prior to 1 January 2007 has not been adjusted from its pre-conversion Canadian GAAP carrying value.

(b) Employee benefits—this exemption allows first-time adopters to recognise all cumulative unamortised actuarial gains and losses directly to retained earnings on the Transition Date, thus resetting unamortised actuarial gains and losses to zero. Not taking this exemption would require retrospective application of IAS 19—Employee Benefits ("***IAS 19***"), from the inception of all benefit plans. TMX Group Inc. has elected to apply this exemption, and recognise all unamortised actuarial gains and losses under pre-conversion Canadian GAAP to retained earnings on the Transition Date.

(c) Share-based payments—IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2—Share-based Payments ("***IFRS 2***"), to equity instruments granted on or before 7 November 2002, or to equity instruments granted after that date but which have vested by the Transition Date. In addition, it encourages, but again does not require, first-time adopters to apply IFRS 2 to liabilities arising from share-based payment transactions that were settled before the date of transition to IFRS. TMX Group Inc. has elected to only apply IFRS 2 to equity instruments granted after 7 November 2002 and remaining unvested at the Transition Date as well as to cash settled liabilities remaining unsettled as at the Transition Date.

(d) Decommissioning liabilities included in the cost of property, plant & equipment—This exemption allows first-time adopters to elect to apply the guidance in IFRIC 1—Changes in Existing Decommissioning, Restoration and Similar Liabilities ("***IFRIC 1***"), prospectively from the Transition Date, as opposed to retrospectively. IFRIC 1 requires that changes in these liability estimates be added to, or deducted from, the cost of the asset to which it relates, and the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. TMX Group Inc. has elected to apply the requirements of IFRIC 1 to decommissioning liabilities that existed as at the Transition Date. Accordingly, TMX Group recognised such liabilities as at the Transition Date in accordance with IAS 37—Provisions, Contingent Liabilities and Contingent Assets, and adjusted the cost of the related assets.

(e) Leases—this exemption allows first-time adopters to elect to apply IFRIC 4—Determining whether an Arrangement contains a Lease ("***IFRIC 4***"), only to arrangements existing at the Transition Date. An additional exemption also exists, allowing a first-time adopter to opt out of reassessing its arrangements under IFRIC 4 if it has already assessed whether an arrangement contains a lease in accordance with Canadian GAAP EIC-150—Determining Whether an Arrangement Contains a Lease ("***EIC 150***"). TMX Group Inc. has elected to apply both exemptions thus limiting its reassessment under IFRIC 4 to arrangements in place at the Transition Date that were not subject to the scope of EIC 150 under pre-conversion Canadian GAAP.

IFRS 1 mandatory exceptions

IFRS 1 prohibits retrospective application of certain aspects of IFRS. The mandatory exceptions that are applicable to TMX Group on its conversion to IFRS are as follows.

(a) Estimates—hindsight cannot be used to create or revise estimates. The estimates previously made by TMX Group under pre-conversion Canadian GAAP have not been revised for application of IFRS except where necessary to reflect any difference in accounting policies.

31.2 *Reconciliation of pre-conversion Canadian GAAP to IFRS*

In accordance with IFRS 1, the following tables and notes present reconciliations and explanations of how the transition to IFRS has affected TMX Group's comparative financial statements.

Reconciliation of equity

	31 December 2010	1 January 2008
Equity under pre-conversion Canadian GAAP	C$853.1	C$171.9
Differences increasing (decreasing) reported equity:		
a Business combinations	(163.0)	(4.6)
b Employee benefits	(8.3)	(4.2)
c Share-based compensation	0.5	0.3
d Revenue	396.0	299.3
e Leases	0.1	—
f Impairment	(7.0)	—
g Income taxes—current and deferred	(0.7)	—
h Non-controlling interest	18.8	—
Equity under IFRS	**C$1,089.4**	**C$462.7**

Reconciliation of comprehensive income

For the year ended	31 December 2010
Comprehensive income pre-conversion Canadian GAAP	C$192.8
Differences increasing (decreasing) reported comprehensive income:	
a Employee benefits	(4.9)
b Share-based compensation	0.2
c Revenue	41.3
d Impairment	0.9
e Leases	0.1
f Non-controlling interest	(1.3)
g Income taxes	(0.4)
Comprehensive income under IFRS	**C$228.7**

Notes to the reconciliations

(a) Changes in accounting policies

In addition to the exemptions and exceptions discussed above, the following describes the significant differences between TMX Group's pre-conversion Canadian GAAP accounting policies and those adopted on transition to IFRS which have impacted TMX Group's financial position and/or financial performance.

(i) Business combinations

TMX Group Inc. has elected to apply IFRS 3R retrospectively to business combinations that occurred on or after 1 January 2007; specifically the acquisition of Equicom has been restated. The significant difference between the standards as applicable to the acquisition is discussed below.

Measurement of purchase price

Canadian GAAP—shares issued as consideration were measured at their estimated fair value on the date the parties to the business combination reached an agreement on the purchase price and the proposed transaction was announced.

IFRS—shares issued as consideration are measured at their fair value on acquisition date.

Acquisition costs

Canadian GAAP—direct and incremental costs of business combinations were recognised as part of the purchase cost.

IFRS—acquisition related costs are accounted for separately from the business combination and they are expensed as incurred.

Restructuring provisions

Canadian GAAP—if certain conditions were met, the costs of restructuring activities were included as part of the purchase price even if a present obligation did not exist as of the date of acquisition.

IFRS—restructuring provisions are included as part of the business combination only if they represent a present obligation as of the date of acquisition.

Non-controlling interests

Canadian GAAP—non-controlling interests were recorded at their share of the existing carrying values of the net assets acquired.

IFRS—non-controlling interests are recorded at either their fair value or their proportionate share of the fair value of the acquiree's net assets. TMX Group Inc. has opted for the latter method.

Increase in ownership of a Subsidiary

Canadian GAAP—increase in ownership interests of a Subsidiary were accounted for using the purchase method.

IFRS—when an entity increases its ownership in an investment that results in the acquisition of control, the previously held equity interests are re-measured to fair value through net earnings. When an entity increases its ownership in a previously controlled Subsidiary, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the Subsidiary.

Contingent liabilities

Canadian GAAP—contingent liabilities assumed in a business combination were recognised when it was probable that a liability had been incurred on the date of acquisition and when the amount could be reasonably estimated.

IFRS—a contingent liability is recognised at fair value on the date of acquisition if it is a present obligation that arises from past events and its fair value can be measured reliably.

Contingent consideration:

Canadian GAAP—contingent consideration arising from a business combination was recognised on the date of acquisition as part of the cost of purchase if the outcome of the contingency could be determined beyond reasonable doubt. Otherwise, it was recognised as part of the cost of purchase when the contingency was resolved and consideration was issued or became issuable.

IFRS—contingent consideration is measured at its acquisition-date fair value and is included as part of the cost of purchase. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Impact on TMX Group—On the Transition Date, the acquisition of Equicom was restated under IFRS 3R, and as a result of this, the acquisition accounting was amended. The goodwill associated with the acquisition increased by C$5.2 with a respective increase to liabilities of C$5.2. In addition, TMX Group capitalised acquisition-related costs of C$4.6 in connection with the acquisitions of MX and NTP. Upon transition to IFRS, such costs have been derecognised and charged to opening retained earnings.

The acquisitions of MX, BOX and NTP were restated under IFRS 3R, and as a result of this, the acquisition accounting was amended. The goodwill associated with the MX acquisition decreased by C$155.5, share capital decreased by C$141.1, and retained earnings decreased by C$14.4. Intangible assets related to the acquisition of BOX increased by C$14.3, non-controlling interests increased by C$16.0, and were reclassified to equity, and retained earnings decreased by C$1.7. The goodwill related to the acquisition of NTP decreased by $5.3, share capital decreased by C$3.6, and retained earnings decreased by C$1.7. The tax effect on the above transition adjustments is a reduction of C$0.5 in goodwill with the offset to retained earnings.

(ii) Employee benefits

As stated previously, TMX Group Inc. has applied the IFRS 1 exemption and elected to recognise all cumulative unamortised actuarial gains and losses that existed at the Transition Date directly to retained earnings for all of its employee benefit plans. In taking this exemption, TMX Group Inc. is applying IAS 19

retrospectively from the Transition Date. The significant differences between IAS 19 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Actuarial gains and losses

Canadian GAAP—TMX Group amortised actuarial gains (losses) arising from its employee benefit plans over the expected average remaining service period of active employees when the net accumulated actuarial gain (loss) was in excess of 10 per cent. of the greater of the accrued benefit obligations and the fair value of plan assets at the beginning of the fiscal year.

IFRS—as permitted under IAS 19, TMX Group Inc. has elected to recognise all actuarial gains and losses immediately in the statement of comprehensive income without recycling to the income statement in subsequent periods.

Measurement date

Canadian GAAP—TMX Group measured its defined benefit obligations and plan assets for certain plans as of 30 September.

IFRS—an entity is required to determine the present value of the defined benefit obligations and the fair value of plan assets at the balance sheet date. As a result, on transition to IFRS, TMX Group changed the measurement date of its plans to 31 December.

Recognition of past service costs

Canadian GAAP—past service costs arising from plan amendments or initiation were amortised on a straight-line basis over the expected average remaining service period of employees active at the time of the amendment.

IFRS—past service costs arising from plan amendments or initiation are amortised on a straight-line basis over the expected average period remaining to vest. Any benefits already vested are recognised immediately in earnings.

Limit on accrued benefit asset

Canadian GAAP—when a defined benefit plan gave rise to an accrued benefit asset, a valuation allowance was recognised for any excess of the accrued benefit asset over the expected future benefit, and the accrued benefit asset was presented net of any valuation allowance in the balance sheet. Any change in the valuation allowance was recognised in net earnings.

IFRS—IFRS also sets a limit on the accrued benefit asset that can be recognised in the balance sheet, although this is calculated differently than under Canadian GAAP. Any change in the recoverable amount will be recognised immediately in the statement of comprehensive income.

Impact on TMX Group—On the Transition Date, pension benefit assets and accrued employee benefits payable were reduced by C$7.0 and C$1.5, respectively, with the offset of C$5.5 to retained earnings. The tax effect on the above transition adjustment is an increase of C$1.3.

The IFRS adjustments made as of and for the year ended 31 December 2010 were a result of the accounting differences described above.

(iii) Share based compensation

As stated previously, TMX Group Inc. has elected to only apply IFRS 2 to equity instruments granted after 7 November 2002 and remaining unvested at the Transition Date as well as to liabilities remaining unsettled as at the Transition Date. The significant differences between IFRS 2 and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Recognition of expense

Canadian GAAP—for share-based awards with graded vesting the total fair value of the award was recognised by TMX Group on a straight-line basis over the vesting period.

IFRS—each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each tranche is accounted for on that basis.

Forfeitures

Canadian GAAP—forfeitures of awards were recognised as they occurred.

IFRS—compensation expense is recognised based on an estimate of the number of awards expected to vest and is revised if subsequent information indicates that actual forfeitures differ from the estimate.

Cash-settled share based payments

Canadian GAAP—a liability for RSUs and DSUs was accrued based on the intrinsic value of the award with changes in the intrinsic values at each reporting period recognised in the income statement.

IFRS—TMX Group is required to measure the liability at fair value on the date of grant and at each subsequent reporting date by applying an option pricing model. Changes in fair value are recognised in the income statement.

Impact on TMX Group—On the Transition Date, the share option plan component of equity was increased by C$0.8 as a result of the changes in the accounting treatment of share options, and trade and other payables and other non-current liabilities were decreased by C$0.2 and C$0.1, respectively, in respect of the cash-settled share based payments, the offset to which decreased retained earnings by C$0.5. The tax effect on the above transition adjustment is a decrease of C$0.1 in deferred tax assets with the offset to retained earnings.

The IFRS adjustments made as of and for the year ended 31 December 2010 were a result of the accounting differences described above.

(iv) Revenue

Canadian GAAP—initial and additional listing fees were recorded as deferred revenue—initial and additional listing fees, and were recognised on a straight-line basis over an estimated service period of 10 years in accordance with EIC 141, Revenue Recognition.

IFRS—initial and additional listing fees are recognised in full in the period when the listings occur.

Impact on TMX Group—On the Transition Date, short-term deferred revenue—initial and additional listing fees and long-term deferred revenue—initial and additional listing fees were reduced by C$61.8 and C$362.9, respectively, with the offset to retained earnings. The tax effect on the above transition adjustment was a reduction of C$125.3 in deferred tax assets with the offset to retained earnings. For the year ended 31 December 2010, revenue was increased as a result of the accounting difference described above.

(v) Leases

As stated previously, TMX Group Inc. has elected to limit its assessment in accordance with IFRIC 4 to arrangements in place on the Transition Date that had not been previously assessed under EIC 150. The significant differences between IAS 17—Leases and pre-conversion Canadian GAAP as applicable to TMX Group are discussed below.

Classification

Canadian GAAP—the criteria based upon which a lease was determined to be classified as an operating or a finance lease (previously capital leases) included "bright-line" thresholds (whether lease term was greater than 75 per cent. of the economic life of the leased asset, or the present value of the minimum lease payments was above 90 per cent. of the fair value of the lease).

IFRS—the criteria for lease classification rely heavily on the substance of the agreement and do not include any "bright-line" thresholds.

Present value of minimum lease payments

Canadian GAAP—the present value of minimum lease payments was calculated using the lower of (i) the interest rate implicit in the lease and (ii) the lessee's incremental borrowing rate.

IFRS—the present value of minimum lease payments should be determined using the interest rate implicit in the lease. The lessee's incremental borrowing rate should only be used when the interest rate implicit in the lease cannot be determined.

Impact on TMX Group—No adjustment resulted on the Transition Date. A number of leases were reclassified from finance leases (capital leases under previous Canadian GAAP) to operating leases subsequent to the Transition Date. As a result, obligations under finance leases, and the associated equipment assets, decreased by C$5.3 and C$5.2, respectively on the balance sheet as of 31 December 2010. The tax effect on the above adjustment was a reduction in deferred tax asset of C$0.03. For the year ended 31 December 2010, net income was increased as a result of the difference in lease classification.

(vi) Impairment

Canadian GAAP—an impairment loss was recognised when a long lived asset's carrying amount exceeded its recoverable amount which was estimated, by TMX Group, as the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition.

IFRS—an impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount, which is the higher of the fair value less costs to sell and its value-in-use.

Impact on TMX Group—An impairment charge of C$14.8 was recognised in 2009 in respect of the BOX trading participants' intangible asset, C$6.8 of which related to the non-controlling interests, with the remaining C$8.0 relating to TMX Group's share and therefore reflected as an adjustment to retained earnings as of 31 December 2010. Value-in-use was the recoverable amount of the asset, using a discount rate of 15 per cent. The impairment primarily resulted from increased competition and a weakening market share in the US equity options trading market, resulting in a decline in current and forecasted revenues, during 2009. A goodwill impairment charge was recognised at the time under Canadian GAAP, and the trading participant intangible was also tested, but was found not to be impaired in accordance with pre-conversion Canadian GAAP.

(vii) Income taxes

Intercompany transactions

Canadian GAAP—the recognition of deferred taxes (previously future income taxes) relating to temporary differences arising from intercompany transactions is prohibited.

IFRS—there is no such exception under IFRS.

Income tax effect of the other adjustments between pre-conversion Canadian GAAP and IFRS

Differences for income taxes include the effect of recording, where applicable, the deferred tax effect of the other differences between pre-conversion Canadian GAAP and IFRS discussed above. These tax impacts have been included in the notes above.

(b) Presentation

The following describes differences in presentation between TMX Group's IFRS financial statements and those prepared in accordance with pre-conversion Canadian GAAP

(i) Non-controlling interests

Canadian GAAP—non-controlling interests were presented between liabilities and shareholders' equity in the balance sheet and as a component of net earnings in the income statement.

IFRS—non-controlling interests are classified as a component of equity, separate from the equity of the parent company, in the balance sheet and their portion of the results is presented as an allocation of earnings.

(ii) Restricted cash

Canadian GAAP—cash and cash equivalents subject to restrictions were presented separately on the balance sheet.

IFRS—cash and cash equivalents subject to restrictions are not required to be presented separately on the face of the balance sheet.

(iii) Deferred tax reclassification

Canadian GAAP—future income taxes were split between short-term and long-term components based on either (i) the underlying asset or liability or (ii) the expected reversal of items not related to a particular asset or liability.

IFRS—all deferred tax balances are classified as non-current.

(iv) Current tax reclassification

Canadian GAAP—current income taxes were offset if they related to the same legal entity and the same taxation authority.

IFRS—current taxes are only offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities but TMX Group intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

(v) Presentation of provisions

Canadian GAAP—TMX Group presented provisions as part of accounts payable and accrued liabilities on the balance sheet.

IFRS—provisions are presented separately.

Reconciliation of consolidated balance sheet as at 1 January 2008

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Assets				
Cash and cash equivalents	C$53.4	C$—	C$—	C$53.4
Marketable securities	249.4	—	—	249.4
Trade and other receivables	48.4	—	—	48.4
Energy contracts receivable	745.4	—	—	745.4
Fair value of open energy contracts	74.9	—	—	74.9
Prepaid expenses	6.6	—	—	6.6
Deferred tax assets	22.8	(19.1)	(3.7)	—
	1,200.9	**(19.1)**	**(3.7)**	**1,178.1**
Property, plant and equipment	21.3	—	—	21.3
Investment in associate	11.7	—	—	11.7
Goodwill	65.9	5.2	—	71.1
Other intangible assets	66.6	—	—	66.6
Deferred tax assets—non-current	131.6	(105.0)	3.7	30.3
Available for sale investments	0.6	—	—	0.6
Retirement benefit assets	9.6	(7.0)	—	2.6
Other non-current assets	15.7	(4.6)	—	11.1
Total assets	**C$1,523.9**	**C$(130.5)**	**C$—**	**C$1,393.4**

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Liabilities				
Trade and other payables	48.2	5.0	(0.5)	52.7
Energy contracts payable	745.4	—	—	745.4
Fair value of open energy contracts	74.9	—	—	74.9
Deferred revenue	6.0	—	—	6.0
Deferred revenue—initial & additional listing fees	61.8	(61.8)	—	—
Provisions	—	—	0.6	0.6
Obligation under capital lease	0.2	—	(0.2)	—
Current tax payable	9.7	—	—	9.7
	946.2	**(56.8)**	**(0.1)**	**889.3**
Accrued employee benefits payable	12.1	(1.5)	—	10.6
Provisions	—		2.1	2.1
Other non-current liabilities	30.3	(0.1)	(2.0)	28.2
Deferred revenue	0.5	—	—	0.5
Deferred revenue—initial & additional listing fees	362.9	(362.9)	—	—
Total liabilities	**C$1,352.0**	**C$(421.3)**	**C$—**	**C$930.7**
Net assets	**C$171.9**	**C$290.8**	**C$—**	**C$462.7**
Equity				
Share capital	379.4	—	—	379.4
Foreign exchange translation reserve	—	—	—	—
Share option plan	5.0	0.9	(5.9)	—
Deficit	(212.5)	289.9	5.9	83.3
Total shareholders' equity	**C$171.9**	**C$290.8**	**C$—**	**C$462.7**

Reconciliation of consolidated income statement for the year ended 31 December 2010

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Revenue				
Issuer services	C$163.0	C$50.1	C$—	C$213.1
Trading, clearing and related	242.2	—	—	242.2
Information services	154.4	—	—	154.4
Technology services and other	15.9	—	—	15.9
	C$575.5	C$50.1	C$—	C$625.6
Expenses				
Compensation and benefits	133.5	—	—	133.5
Information and trading systems	47.8	2.9	—	50.7
General and administration	73.0	—	—	73.0
Depreciation and non-acquisition related amortisation	22.7	(2.9)	—	19.8
Operating expenses	C$277.0	C$—	C$—	C$277.0
Net income from associate	1.3	—	—	1.3
Operating profit before other items	C$299.8	C$50.1	C$—	C$349.9
Acquisition related costs	—	—	—	—
Amortisation of acquisition related intangibles	(9.6)	—	—	(9.6)
Loss from investments carried at cost	(1.7)	—	—	(1.7)
Impairment charges on goodwill and intangibles	—	—	—	—
				—
Operating profit	288.5	50.1	—	338.6
Finance income	5.2	—	—	5.2
Interest expense	(6.2)	0.2	—	(6.0)
Mark to market on interest rate swaps	(0.2)	—	—	(0.2)
Net finance charges	(1.2)	0.2	—	(1.0)
Net income before income taxes	287.3	50.3	—	337.6
Income taxes	90.7	9.4	—	100.1
Net income before non-controlling interests	196.6	40.9	—	237.5
Non-controlling interests	0.1	—	0.1	—
Net income for the year	**C$196.5**	**C$40.9**	**C$(0.1)**	**C$237.5**
Attributable to:				
TMX Group Shareholders				C$237.7
Non-controlling interests				(0.2)
				C$237.5
Other comprehensive (loss) income:				
Unrealised (loss) gain on translating financial statements of self-sustaining foreign operations	(3.7)	0.5	(1.1)	(4.3)
Actuarial gain/(loss) on defined benefit plan	—	(4.5)	—	(4.5)
Comprehensive income	**C$192.8**	**C$36.9**	**C$(1.0)**	**C$228.7**
Attributable to:				
Equity holders of the Company				C$230.0
Non-controlling interests				(1.3)
				C$228.7

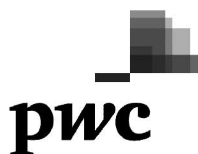
Reconciliation of consolidated balance sheet as at 31 December 2010

Canadian GAAP line items	Canadian GAAP balance	IFRS adjustments	IFRS reclassifications	IFRS balance
Assets				
Cash and cash equivalents	C$68.8	C$—	C$1.1	C$69.9
Marketable securities	261.6	—	—	261.6
Restricted cash	1.1	—	(1.1)	—
Trade and other receivables	89.7	—	—	89.7
Energy contracts receivable	754.9	—	—	754.9
Fair value of open energy contracts	141.9	—	—	141.9
Daily settlements and cash deposits	193.1	—	—	193.1
Prepaid expenses	6.7	—	—	6.7
Current tax assets	3.1	—	1.2	4.3
Deferred tax assets	29.6	(25.5)	(4.1)	—
	1,550.5	**(25.5)**	**(2.9)**	**1,522.1**
Property, plant and equipment	33.6	(5.2)	—	28.4
Investment in equity accounted investee	14.2	—	—	14.2
Goodwill	582.6	(161.3)	—	421.3
Other intangible assets	920.5	(0.4)	—	920.1
Deferred tax assets	152.5	(113.2)	4.1	43.4
Available for sale investments	6.6	—	—	6.6
Retirement benefit assets	21.1	(13.6)	1.9	9.5
Other non-current assets	0.2	—	—	0.2
Total assets	**C$3,281.9**	**C$(319.2)**	**C$3.1**	**C$2,965.8**
Liabilities and equity				
Trade and other payables	59.1	(0.7)	0.2	$58.6
Energy contracts payable	754.9	—	—	754.9
Fair value of open energy contracts	141.9	—	—	141.9
Daily settlements and cash deposits	193.1	—	—	193.1
Deferred revenue	18.7	—	—	18.7
Deferred revenue—initial & additional listing fees	88.9	(88.9)	—	—
Provisions	—	—	0.4	0.4
Obligation under finance leases	3.3	(2.6)	(0.7)	—
Deferred tax liabilities	—	—	—	—
Fair value of interest rate swaps	0.7	—	—	0.7
Short term debt	429.8	—	—	429.8
Current tax payable	6.1	—	1.2	7.3
	1,696.5	**(92.2)**	**1.1**	**1,605.4**
Accrued employee benefits payable	12.8	(2.6)	1.9	12.1
Provisions	—	—	2.1	2.1
Obligations under finance leases	3.8	(2.7)	(1.1)	—
Deferred tax liabilities	236.7	(3.2)	—	233.5
Other non-current liabilities	23.3	(0.1)	(0.9)	22.3
Deferred revenue	1.0	—	—	1.0
Deferred revenue—initial & additional listing fees	444.3	(444.3)	—	—
Total liabilities	**C$2,418.4**	**C$(545.1)**	**C$3.1**	**C$1,876.3**
Non-controlling interests	10.4	8.4	(18.8)	—
Net assets	**C$853.1**	**C$217.5**	**C$18.8**	**C$1,089.4**
Equity				
Share capital	1,104.1	(144.7)	—	959.4
Share option plan	11.2	0.8	—	12.0
Deficit	(261.7)	360.9	—	99.2
Accumulated other comprehensive income	(0.5)	0.5	—	—
Total shareholders' equity	853.1	217.5	—	1,070.6
Non-controlling Interests	—	—	18.8	18.8
Total equity	**C$853.1**	**C$217.5**	**C$18.8**	**C$1,089.4**

PART 18

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE MERGED GROUP

PART 18A: ACCOUNTANT'S REPORT



The directors and prospective directors (together, the "**Directors**")
London Stock Exchange Group plc
10 Paternoster Square
London EC4M 7LS

Barclays Bank PLC
5, The North Colonnade
Canary Wharf
London E14 4BB

Morgan Stanley & Co. Limited
25 Cabot Square
Canary Wharf
London E14 4QA

1 June 2011

Dear Sirs

London Stock Exchange Group plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro forma financial information**") set out in Part 18B of the Company's prospectus dated 1 June 2011 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the proposed merger of the Company with TMX Group, Inc might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 March 2011. This report is required by item 20.2 of Annex I to the PD Regulation and item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**Listing Rules**") and is given for the purpose of complying with that PD Regulation and Listing Rule and for no other purpose.

Responsibilities

It is the responsibility of the Directors to prepare the Pro forma financial information in accordance with item 20.2 of Annex I to the PD Regulation.

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with item 13.3.3R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 7 of Annex II to the PD Regulation and item 13.3.3R of the Listing Rules as to the proper compilation of the Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7822 4652, www.pwc.co.uk.
PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, which we may have to the shareholders of the Company, and for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors and proposed directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3 R(2)(f), we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex I to the PD Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 18B:

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma income statement and unaudited pro forma statement of net assets of the Merged Group set out below have been prepared for illustrative purposes only in accordance with Annex II of the PD Regulation and on the basis of the notes set out below. The unaudited pro forma income statement has been prepared to illustrate the effect on the LSEG Group of consolidating the LSEG Group income statement for the year ended 31 March 2011 with the TMX Group income statement for the year ended 31 December 2010. The unaudited pro forma statement of net assets has been prepared to illustrate the effect of consolidating the net assets of the LSEG Group with the net assets of TMX Group as at 31 March 2011. The unaudited pro forma income statement and statement of net assets have been prepared for illustrative purposes only and, because of their nature, address a hypothetical situation and do not, therefore, represent the LSEG Group's or the Merged Group's actual financial position or results. The pro forma financial information has been prepared under IFRS adopted by the EU and on the basis of the accounting policies of the LSEG Group.

Unaudited pro forma income statement

	LSEG Group year ended 31 March 2011 (note 2)	TMX Group year ended 31 December 2010 (note 3)	Adjustments (note 5(b),(c))	Pro Forma Merged Group
	£m	£m	£m	£m
Total income	674.9	393.1	—	1,068.0
Expenses				
Share of profit after tax of joint ventures/ associates	13.1	0.8	—	13.9
Operating expenses	(405.0)	(181.1)	15.7	(570.4)
Operating profit	283.0	212.8	15.7	511.5
Net interest expense	(44.8)	(0.7)	—	(45.5)
Income taxes	(81.7)	(62.9)	(4.0)	(148.6)
Profit for the financial year	156.5	149.2	11.7	317.4
Profit attributable to minority interests	4.9	(0.1)	—	4.8
Profit attributable to equity holders	151.6	149.3	11.7	312.6
	156.5	149.2	11.7	317.4
Basic earnings per share (note 6)	56.4p			63.5p
Diluted earnings per share (note 6)	55.9p			62.8p

See accompanying notes to the unaudited pro forma income statement.

Unaudited pro forma statement of net assets

	LSEG Group As at 31 March 2011 (note 2)	TMX Group As at 31 March 2011 (note 4)	Adjustments: Elimination of TMX Group goodwill and acquired intangible assets (note 5(a)(ii))	Adjustments: Merger adjustments (note 5(a)(i),(d))	Pro Forma Merged Group
	£m	£m	£m	£m	£m
Assets					
Non-current assets					
Property, plant and equipment	62.4	17.1			79.5
Intangible assets	1,394.4	857.9	(835.3)	1,965.5	3,382.5
Investments in joint ventures	17.3	—			17.3
Investments in associates	0.6	10.0			10.6
Deferred tax assets	12.2	31.1			43.3
Available for sale investments	0.4	—			0.4
Retirement benefit asset	37.6	—			37.6
Other non-current assets	0.5	6.5			7.0
	1,525.4	922.6	(835.3)	1,965.5	3,578.2
Current assets					
Inventories	1.4	—			1.4
Trade and other receivables	126.8	93.6			220.4
Derivative financial instruments	0.7	—			0.7
CCP financial assets	110,177.9	—			110,177.9
CCP cash and cash equivalents (restricted)	5,929.3	—			5,929.3
CCP clearing business assets	116,107.2	—			116,107.2
Assets held at fair value	8.6	—			8.6
Energy contracts receivable	—	450.7			450.7
Fair value of open energy contracts	—	81.3			81.3
Daily settlement and cash deposits	—	116.2			116.2
Current tax	21.2	1.5			22.7
Assets held for resale	36.9	—			36.9
Marketable securities	—	188.1			188.1
Cash and cash equivalents	267.0	54.0			321.0
	116,569.8	985.4	—	—	117,555.2
Total assets	118,095.2	1,908.0	(835.3)	1,965.5	121,133.4
Liabilities					
Current liabilities					
Trade and other payables	156.5	28.5		34.3	219.3
Derivative financial instruments	0.3	0.1			0.4
CCP clearing business liabilities	116,104.5	—			116,104.5
Energy contracts payable	—	450.7			450.7
Fair value of open energy contracts	—	81.3			81.3
Daily settlement and cash deposits	—	116.2			116.2
Deferred revenue	—	49.3			49.3
Current tax	49.9	3.7			53.6
Borrowings	0.1	275.2			275.3
Provisions	3.7	3.8			7.5
	116,315.0	1,008.8	—	34.3	117,358.1
Non-current liabilities					
Borrowings	499.0	—			499.0
Derivative financial instruments	12.9	—			12.9
Deferred tax liabilities	92.3	149.9	(132.6)		109.6
Retirement benefit obligation	6.4	7.8			14.2
Other non-current liabilities	4.8	17.5			22.3
Provisions	27.8	—			27.8
	643.2	175.2	(132.6)	—	685.8
Total liabilities	116,958.2	1,184.0	(132.6)	34.3	118,043.9
Net assets	1,137.0	724.0	(702.7)	1,931.2	3,089.5

See accompanying notes to the unaudited pro forma statement of net assets.

Notes:

1. Basis of preparation

The unaudited pro forma financial information has been prepared using underlying financial statements prepared in accordance with IFRS as applied by LSEG and reflects the transaction to create a Merged Group. The financial information has been extracted without material adjustment.

The unaudited pro forma financial information should be read in conjunction with the underlying financial information of the LSEG Group and TMX Group, which is included in Part 16—"Historical financial information relating to the LSEG Group" and Part 17—"Historical financial information relating to TMX Group" of this document, respectively.

For accounting purposes, the Merger has been treated as an acquisition, with LSEG as the acquirer and TMX Group Inc. as the acquiree. For the unaudited pro forma income statement the TMX Group income statement for the year ended 31 December 2010 has been combined with the LSEG Group income statement for the year ended 31 March 2011. For the unaudited pro forma statement of net assets the respective TMX Group and the LSEG Group balance sheets as at 31 March 2011 have been combined.

The unaudited pro forma financial information of the Merged Group is presented for illustrative purposes only and is not intended to reflect the financial position and results which would have actually resulted had the Merger been effected on any of the dates indicated. Further, the unaudited pro forma income statement is not necessarily indicative of the results of operations that may be obtained in the future nor the impact of possible changes to the Merged Group's business model as a result of changes in market conditions which may impact revenues, expense efficiencies, asset dispositions, share repurchases and other factors. No account has been taken of the trading activity or other transactions of the Merged Group for the period since 31 March 2011.

The unaudited pro forma financial information has been prepared in order to meet the requirements of Annex II of the PD Regulation and associated guidance issued in the European Securities and Markets Authority Recommendations.

2. The LSEG Group financial information for the year ended 31 March 2011

The financial information for the LSEG Group was extracted without material adjustment from the audited consolidated financial statements of LSEG for the year ended 31 March 2011 prepared in accordance with IFRS as adopted by the EU.

3. TMX Group financial information for the year ended 31 December 2010

The financial information for TMX Group used in the unaudited pro forma income statement was extracted without material adjustment from the audited consolidated financial statements of TMX Group Inc. for the year ended 31 December 2010, prepared in accordance with IFRS. A rate of exchange of C$1.5913 = £1 as the average for the year ended 31 December 2010 has been used to convert the financial information into sterling.

4. TMX Group financial information as at 31 March 2011

The financial information for TMX Group used in the unaudited pro forma statement of net assets was extracted without material adjustment from the unaudited interim financial information of TMX Group for the three months ended 31 March 2011, prepared in accordance with CIFRS. A rate of exchange of C$1.5599 = £1 prevailing at 31 March 2011 has been used to convert the financial information into sterling.

The unaudited interim financial information of TMX Group as at 31 March 2011 has been prepared on a basis consistent with LSEG's accounting policies. These accounting policies are consistent with those used to prepare the financial statements of TMX Group, prepared in accordance with IFRS, set out in note 2 of Part 17C—"Restated financial information relating to TMX Group" and not reproduced here.

There are no GAAP differences between the IFRS accounting policies used to prepare the annual financial statements of the LSEG Group for the year ended 31 March 2011 and the CIFRS accounting policies used to prepare the quarterly financial information for TMX Group for the period ended 31 March 2011. On this basis, for the remainder of this Part 18—"Unaudited pro forma financial

information relating to the Merged Group", IFRS has been collectively referred to as the applicable accounting standards for both LSEG and TMX Group.

"Prepaid expenses" and "Trade and other receivables" in the TMX Group balance sheet as at 31 March 2011 have been aggregated under "Trade and other receivables" in the unaudited pro forma statement of net assets. "Goodwill" and "Other intangible assets" in the TMX Group balance sheet as at 31 March 2011 have been aggregated under "Intangible assets" in the unaudited pro forma statement of net assets.

5. Pro forma adjustments

(a) Estimated purchase consideration and the related excess of purchase consideration over book value of net assets acquired are as follows:

Estimated excess of purchase consideration over net assets acquired	£m
Estimated purchase consideration	**1,986.8**[(i)]
Less: book value of net assets acquired	(724.0)
Add back: TMX Group goodwill and acquired intangibles	835.3[(ii)]
Less: deferred tax liability associated with the acquired intangibles	(132.6)
Excess of purchase consideration over book value of net assets acquired	**1,965.5**[(iii)]

(i) To effect the Merger, TMX Group Inc. will be acquired by LSEG in an all-share merger of equals to be implemented by means of a plan of arrangement in Ontario. Under the terms of the Merger Agreement, TMX Group Shareholders will receive 2.9963 Mergeco Shares or Exchangeable Shares for each TMX Group Share.

Estimated purchase consideration comprises New Shares to be issued and was calculated using a price of 889 pence for each Existing Share based on the quoted closing market price of Existing Shares on 23 May 2011. The number of New Shares assumed to be issued is 223.5 million, and the underlying number of TMX Group Shares deemed acquired was measured as of 31 March 2011;

(ii) For the purposes of the pro forma financial information, goodwill and acquired intangible assets of TMX Group of £835.3 million has been added back to the book value of net assets acquired. The £835.3 million consists of goodwill of £269.8 million, £434.5 million of indefinite life intangible assets and £131.0 million of definite life intangible assets; and

(iii) The difference of 1,965.5 million between the book value of net assets acquired and the estimated consideration has been presented as a single value in goodwill. Following Completion, the assets and liabilities of TMX Group will be subject to fair value restatement.

(b) The LSEG Group and TMX Group have incurred non-recurring Merger related costs which have been recorded as expenses in the TMX Group income statement to 31 December 2010 and the LSEG Group income statement to 31 March 2011. An adjustment of £15.7 million has been made to reverse the costs incurred because the unaudited pro forma income statement has been prepared on the basis that the Merger took place on the first day of the periods reported.

(c) The estimated tax benefits of the above adjustments are £4.0 million for the period covered. The estimates reflect the tax rates of the LSEG Group and TMX Group and the tax jurisdictions in which the pro forma adjustments were assumed to occur.

(d) The estimated non-recurring Merger related costs that will ultimately be incurred prior to the Merger are £55.0 million, of which £34.3 million will be incurred post 31 March 2011. £5.0 million of non-recurring Merger related costs were incurred by TMX Group during the three months ended 31 March 2011.

6. Pro forma earnings per share

Basic and diluted pro forma earnings per share

Numerator:	
Pro forma profit for the financial year attributable to equity holders (£m)	312.6[(i)]
Denominator:	
LSEG weighted-average number of ordinary shares (million)	268.6[(ii)]
Number of new ordinary shares to be issued (million)	223.5[(iii)]
Basic pro forma weighted-average number of ordinary shares (million)	492.1
Effect of dilutive share options and awards (millions)	5.3[(iv)]
Diluted pro forma weighted-average number of ordinary shares (million)	497.4
Basic pro forma earnings per share (pence)	**63.5p**
Diluted pro forma earnings per share (pence)	**62.8p**

(i) The "pro forma profit for the financial year attributable to equity holders" has been extracted without adjustment from the unaudited pro forma income statement;

(ii) The LSEG weighted-average number of ordinary shares has been extracted without adjustment from the LSEG audited financial statements for the year ended 31 March 2011;

(iii) The number of New Shares to be issued has been calculated by applying the Merger ratio of 2.9963 to the number of TMX Group Inc. issued shares as at 31 March 2011 extracted without material adjustment from the unaudited TMX Group financial information as at 31 March 2011.

(iv) The number of dilutive shares has been extracted without material adjustment from the LSEG audited financial statements for the year ended 31 March 2011 and the unaudited TMX Group financial information as at 31 March 2011 applying the Merger ratio to the TMX Group Inc. dilutive share options.

PART 19

TAXATION

A. Mergeco Shareholders who are resident in (and only in) the UK for tax purposes

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Mergeco Shares. They are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They are also based on Mergeco's understanding that HMRC regard CDS as a clearance service for stamp duty and SDRT purposes. They apply only to Mergeco Shareholders who are resident (and, in the case of individuals, ordinarily resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents or those not domiciled in the UK), who hold their Mergeco Shares as an investment (other than under an individual savings account), who are the absolute beneficial owners of both their Mergeco Shares and any dividends paid on them, who do not hold their Mergeco Shares through CDS or another clearance or depositary receipt system (except insofar as express reference is made to Mergeco Shares held through clearance or depositary receipt systems other than CDS) and whose Mergeco Shares are not registered on an overseas branch register of Mergeco's members that is kept outside the UK. The tax positions of certain categories of Mergeco Shareholders who are subject to special rules (such as persons acquiring their Mergeco Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) are not considered.

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK or Canada are strongly recommended to consult their own professional advisers.

(a) *Taxation of dividends*

Mergeco is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Mergeco Shareholder.

An individual Mergeco Shareholder who is resident for tax purposes in the UK and who receives a dividend from Mergeco will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received (the "***net dividend***"), which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the "***gross dividend***"), and will be subject to income tax on the gross dividend. An individual UK resident Mergeco Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Mergeco Shareholder in full. Where the tax credit exceeds the Mergeco Shareholder's tax liability, the Mergeco Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Mergeco Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of the Mergeco Shareholder's income, exceeds the threshold for higher rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

An individual UK resident Mergeco Shareholder who is subject to income tax at the additional rate will be liable to income tax on the gross dividend at the rate of 42.5 per cent. to the extent that such sum, when treated as the top slice of the Mergeco Shareholder's income, exceeds the threshold for additional rate income tax. After taking into account the 10 per cent. tax credit, an additional rate taxpayer will therefore be liable to additional income tax of 32.5 per cent. of the gross dividend, equal to 36.1 per cent. of the net dividend.

Corporate Mergeco Shareholders who are UK resident will not be subject to corporation tax on dividends paid on the Mergeco Shares, provided that those dividends fall within an exempt class and certain other conditions are met. Although it is likely that most dividends paid on the Mergeco Shares to UK resident corporate Mergeco Shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax, the exemptions are not comprehensive and are also subject to anti-avoidance rules. Mergeco Shareholders within the charge to corporation tax should consult their own professional advisers.

UK resident Mergeco Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment from HMRC of the tax credit attaching to dividends paid by Mergeco.

Mergeco Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends received from Mergeco, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Mergeco Shareholder is resident. A Mergeco Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Mergeco Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from Mergeco. (Mergeco Shareholders resident in Canada should also see the information at B. below.)

(b) *Taxation of disposals*

A disposal or deemed disposal of Mergeco Shares by a Mergeco Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK for tax purposes may, depending upon the Mergeco Shareholder's circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Mergeco Shareholders who are not resident or ordinarily resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Mergeco Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Mergeco Shareholder, a permanent establishment) in connection with which the Mergeco Shares are used, held or acquired.

An individual Mergeco Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Mergeco Shares during that period may be liable to capital gains tax in respect of any chargeable gain arising from such a disposal on his return to the UK, subject to any available exemptions or reliefs.

(c) *Stamp duty and SDRT*

(i) *The Merger*

The issue of New Shares directly to persons acquiring New Shares pursuant to the Merger will not generally give rise to stamp duty or SDRT.

(ii) *Subsequent transfers*

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Mergeco Shares. An exemption from stamp duty is available on an instrument transferring Mergeco Shares where the amount or value of the consideration is £1,000 or less and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer Mergeco Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date that the agreement becomes unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

(iii) *Mergeco Shares held through CREST*

Paperless transfers of Mergeco Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Mergeco Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise.

(iv) *Mergeco Shares held through clearance services or depositary receipt systems other than CDS*

Under current UK law, where Mergeco Shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Mergeco Shares (rounded up to the next multiple of £5 in the case of stamp duty). This liability for stamp duty or SDRT will strictly be accountable by the depositary or clearance service operator or the nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depositary receipt system. Transfers within the clearance service, and transfers of depositary receipts, are then generally made free of SDRT or stamp duty. Clearance services may opt, provided certain conditions are satisfied, for the normal rates of stamp duty or SDRT to apply to issues or transfers of Mergeco Shares into, and to transactions within, such services instead of the 1.5 per cent. charge generally applying to an issue or transfer of Mergeco Shares into the clearance service and instead of the exemption from SDRT on transfers of Mergeco Shares whilst in the clearance service.

Following a recent European Court of Justice judgement, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. stamp duty or SDRT charge on an issue of shares into a clearance service or depositary receipt system within the EU, on the basis that the charge is not compatible with EU law. However, the judgement may have broader application than HMRC currently accept. **Accordingly, specific professional advice should be sought before paying the 1.5 per cent. stamp duty or SDRT charge in any circumstances.**

The statements within this paragraph (c) apply to any Mergeco Shareholders irrespective of their residence, summarise the current position and are intended as a general guide only. They do not apply to Mergeco Shares held through CDS: the treatment of these is discussed below. Special rules apply to agreements made by, amongst others, intermediaries.

(d) ***Inheritance tax***

The Mergeco Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax even if the holder is neither domiciled in the UK nor deemed to be domiciled there under certain rules relating to long residence or previous domicile. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Mergeco Shares, bringing them within the charge to inheritance tax. Mergeco Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Mergeco Shares through trust arrangements.

B. Mergeco Shareholders and Exchangeable Shareholders who are resident in (and only in) Canada for tax purposes

(I) Canadian tax considerations

The following is a summary of the principal consequences under the Canadian Tax Act generally applicable to a beneficial owner of Mergeco Shares and/or Exchangeable Shares who, for the purposes of the Canadian Tax Act and any applicable income tax convention and at all relevant times, is or is deemed to be a Canadian resident holds Mergeco Shares and/or Exchangeable Shares as capital property, and who deals at arm's length with, and is not affiliated with, any of Mergeco, Callco, Exchangeco or TMX Group.

Mergeco Shares and Exchangeable Shares will generally constitute capital property to a holder thereof unless the holder holds such shares in the course of carrying on a business or has acquired such shares in a transaction or transactions considered to be an adventure in the nature of trade. Certain Exchangeable Shareholders who are or are deemed to be Canadian residents and whose Exchangeable Shares might not otherwise qualify as capital property may make an irrevocable election in accordance with subsection 39(4) of the Canadian Tax Act to have the Exchangeable Shares and every "Canadian security" (as defined in the Canadian Tax Act) owned by such Exchangeable Shareholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Where an Exchangeable Shareholder made a section 85 election in respect of the exchange of TMX Group Shares for Exchangeable Shares, an

Exchangeable Share received in exchange will not be a "Canadian security" for this purpose. Exchangeable Shareholders should consult with their own tax advisers for advice with respect to whether an election under subsection 39(4) is available in their particular circumstances.

This summary does not apply to a Mergeco Shareholder in respect of whom Mergeco is or will be a foreign affiliate within the meaning of the Canadian Tax Act. It is assumed, for the purposes of this summary, that Exchangeco will be a "taxable Canadian corporation" within the meaning of the Canadian Tax Act at all relevant times.

This summary is based upon the current provisions of the Canadian Tax Act, all specific proposals to amend the Canadian Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "***Tax Proposals***") and the current published administrative practices and assessing policies of the CRA. No assurances can be given that the Tax Proposals will be enacted as proposed, if at all.

This summary is not applicable to a Mergeco Shareholder and/or Exchangeable Shareholder: (i) that is a "financial institution" (as defined in the Canadian Tax Act) for purposes of the mark-to-market rules; (ii) an interest in which is a "tax shelter investment" (as defined in the Canadian Tax Act); or (iii) that reports its "Canadian tax results" in a currency other than Canadian currency. Such holders should consult their own tax advisers.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices or assessing policies of the CRA. This summary does not take into account tax legislation of any province, territory or foreign jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income tax legislation.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Mergeco Shareholder and/or Exchangeable Shareholder. Accordingly, Mergeco Shareholders and/or Exchangeable Shareholders should consult their own tax advisers for advice with respect to the income tax consequences to them of holding and disposing of Exchangeable Shares and/or Mergeco Shares, having regard to their own particular circumstances.

For purposes of the Canadian Tax Act, all amounts (including amounts related to the acquisition, holding or disposition of Mergeco Shares, such as dividends, adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars using the rate of exchange quoted by the Bank of Canada at noon on the date such amounts arose, or such other rate of exchange as is acceptable to the CRA. The amount of capital gains and losses may be affected by changes in foreign currency exchange rates.

(a) Dividends on Exchangeable Shares

In the case of an Exchangeable Shareholder who is an individual, dividends received, or deemed to be received, on the Exchangeable Shares will be required to be included in computing the Exchangeable Shareholder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from a corporation resident in Canada. To the extent that Exchangeco designates a dividend as an "eligible dividend" in accordance with the provisions of the Canadian Tax Act, the dividend will be eligible for the enhanced gross-up and dividend tax credit.

Subject to the discussion below as to the denial of the dividend deduction, in the case of an Exchangeable Shareholder that is a corporation, other than a "specified financial institution" (as defined in the Canadian Tax Act), dividends received, or deemed to be received, on the Exchangeable Shares will be included in computing the corporation's income and will generally be deductible in computing its taxable income. In the case of an Exchangeable Shareholder that is a specified financial institution, such a dividend will be deductible in computing its taxable income only if either: (i) the specified financial institution did not acquire the Exchangeable Shares in the ordinary course of the business carried on by such institution; or (ii) at the time of the receipt of the dividend by the specified financial institution, the Exchangeable Shares are listed on a designated stock exchange in Canada (which currently includes TSX) and the specified financial institution, either alone or together with persons with whom it does not deal at arm's length, does not receive (or is not deemed to receive) dividends in respect of more than 10 per cent. of the issued and outstanding Exchangeable Shares.

If Mergeco, or any other person with whom Mergeco does not deal at arm's length (or any trust or partnership of which such person is a beneficiary or member), including Exchangeco, is a specified financial institution at the time that dividends are paid on the Exchangeable Shares, dividends received or deemed to be received by an Exchangeable Shareholder that is a corporation will not be deductible in computing taxable income but will be fully includable in taxable income under Part I of the Canadian Tax Act. Mergeco has advised counsel that, immediately after the Effective Time, it will not be a specified financial institution for purposes of the Canadian Tax Act.

An Exchangeable Shareholder that is a "private corporation" (as defined in the Canadian Tax Act) or any other corporation resident in Canada and controlled or deemed to be controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable under Part IV of the Canadian Tax Act to pay a refundable tax of 33⅓ per cent. on dividends received or deemed to be received on the Exchangeable Shares to the extent that such dividends are deductible in computing the Exchangeable Shareholder's taxable income.

The Exchangeable Shares will be "taxable preferred shares" and "short-term preferred shares" for purposes of the Canadian Tax Act. Accordingly, Exchangeco will be subject to a tax under Part VI.1 of the Canadian Tax Act on dividends paid or deemed to be paid on the Exchangeable Shares and will be entitled to a deduction of an amount in respect of such tax in computing its taxable income under Part I of the Canadian Tax Act. Dividends received or deemed to be received on the Exchangeable Shares will not be subject to the 10 per cent. tax under Part IV.1 of the Canadian Tax Act.

(b) Dividends on Mergeco Shares

Dividends on Mergeco Shares will be required to be included in the recipient's income for the purposes of the Canadian Tax Act. Such dividends received by a Mergeco Shareholder who is an individual will not be subject to the gross-up and dividend tax credit rules in the Canadian Tax Act. A Mergeco Shareholder that is a corporation will include such dividends in computing its income and generally will not be entitled to deduct the amount of such dividends in computing its taxable income.

(c) Redemption, retraction or exchange of Exchangeable Shares

On the exchange of an Exchangeable Share by the holder thereof with Callco or Mergeco for Mergeco Shares, the holder will, in general, realise a capital gain (or a capital loss) to the extent the proceeds of disposition of the Exchangeable Share, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Exchangeable Shareholder. For these purposes, the proceeds of disposition will be the aggregate of the fair market value, at the time of the exchange, of the Mergeco Shares received on the exchange. The proceeds of disposition may also include any Dividend Amount unless such Dividend Amount is paid by Exchangeco as a dividend on or before the date of exchange and, accordingly, is required to be included in computing income of the holder as a dividend. See under the heading "Taxation of Capital Gain or Capital Loss" within this Part 19—"Taxation".

On the redemption (including a retraction) of an Exchangeable Share by Exchangeco, the Exchangeable Shareholder will be deemed to have received a dividend equal to the amount, if any, by which the redemption proceeds (the fair market value at that time the Mergeco Shares received by the shareholder from Exchangeco on the redemption plus the Dividend Amount, if any) exceeds the paid-up capital (for purposes of the Canadian Tax Act) of the Exchangeable Share at the time the Exchangeable Share is so redeemed. The amount of any such deemed dividend will be generally subject to the tax treatment described under the heading "Dividends on Exchangeable Shares" within this Part 19—"Taxation".

On the redemption, the Exchangeable Shareholder will also be considered to have disposed of the Exchangeable Share for proceeds of disposition equal to the redemption proceeds less the amount of such deemed dividend. A holder will, in general, realise a capital gain (or a capital loss) equal to the amount by which the adjusted cost base to the Exchangeable Shareholder is less than (or exceeds) such proceeds of disposition, net of any reasonable costs of disposition. See under the heading "Taxation of Capital Gain or Capital Loss" within this Part 19—"Taxation". In the case of an Exchangeable Shareholder that is a corporation, in some circumstances, the amount of any such deemed dividend may be treated as proceeds of disposition and not as a dividend.

Because of the existence of the Call Rights, the Automatic Exchange Right and the Automatic Exchange Rights on Liquidation, an Exchangeable Shareholder cannot control whether such holder will receive

Mergeco Shares by way of redemption (including retraction) of the Exchangeable Shares by Exchangeco or by way of purchase of the Exchangeable Shares by Mergeco or Callco. However, Callco, Exchangeco and Mergeco have agreed that Callco will exercise the relevant Call Right when an Exchangeable Shareholder, or Exchangeco, chooses to redeem Exchangeable Shares. As described above, the Canadian federal income tax consequences of a redemption (including retraction) by Exchangeco differ from those of a purchase by Callco.

(d) Acquisition and disposition of Mergeco Shares

The cost of Mergeco Shares received on the exchange of an Exchangeable Share with Callco or Mergeco or redemption (including a retraction) of an Exchangeable Share will be equal to the fair market value of such Mergeco Shares at the time of such event, to be averaged with the adjusted cost base of any other Mergeco Shares held at that time by the holder as capital property for the purpose of determining the adjusted cost base of all Mergeco Shares held by the holder.

A disposition or deemed disposition of Mergeco Shares by a holder will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of Mergeco Shares immediately before the disposition.

(e) Disposition of Exchangeable Shares other than on redemption, retraction or exchange

A disposition or deemed disposition of Exchangeable Shares by a holder, other than on the exchange or redemption (including a retraction) of such shares, will generally result in a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Exchangeable Shareholder immediately before the disposition.

(f) Taxation of capital gain or capital loss

Generally, one-half of any capital gain (a "***taxable capital gain***") realised by a Mergeco Shareholder and/or Exchangeable Shareholder in a taxation year must be included in computing the income of that Mergeco Shareholder and/or Exchangeable Shareholder, and one-half of any capital loss (an "***allowable capital loss***") realised by a Mergeco Shareholder and/or Exchangeable Shareholder in a taxation year must be applied to reduce taxable capital gains realised by the Mergeco Shareholder and/or Exchangeable Shareholder in that year. Allowable capital losses for the year in excess of taxable capital gains generally may be applied by the Mergeco Shareholder and/or Exchangeable Shareholder to reduce net taxable capital gains realised in any of the three preceding years or in any subsequent year, subject to the detailed provisions of the Canadian Tax Act.

Capital gains realised by an individual or trust, other than certain trusts, may be relevant for purposes of calculating liability for alternative minimum tax under the Canadian Tax Act.

In the case of a corporation, the amount of any capital loss arising on a disposition, or deemed disposition, of any share may be reduced by the amount of dividends received, or deemed to have been received, by it on such share. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns shares, or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns any shares.

(g) Additional refundable tax

A Mergeco Shareholder and/or Exchangeable Shareholder that is a Canadian-controlled private corporation (as defined in the Canadian Tax Act) is liable for tax, a portion of which may be refundable, on certain investment income, including taxable capital gains realised and dividends received or deemed to be received in respect of Mergeco Shares or Exchangeable Shares (but not dividends or deemed dividends that are deductible in computing taxable income).

(h) Foreign property information reporting

A holder who is a "specified Canadian entity" (as defined in the Canadian Tax Act) for a taxation year or fiscal period whose total cost amount of "specified foreign property" (as defined in the Canadian Tax Act), which includes the Mergeco Shares and the Exchangeable Shares, at any time in the year or fiscal period exceeds C$100,000 is required to file an information return for the year or period disclosing prescribed information in respect of such property. Such holders are advised to consult their tax advisers.

(II) UK tax considerations

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Mergeco Shares or Exchangeable Shares. They are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They are also based on Mergeco's understanding that HMRC regard CDS as a clearance service for stamp duty and SDRT purposes. They apply only to Mergeco Shareholders and/or Exchangeable Shareholders who are resident for tax purposes in (and only in) Canada and neither resident nor (in the case of individuals) ordinarily resident or domiciled for tax purposes in the UK (except insofar as express reference is made to the treatment of UK residents or those domiciled in the UK), who hold their Mergeco Shares and/or Exchangeable Shares as an investment (other than under an individual savings account), who are the absolute beneficial owners of their Mergeco Shares and/or Exchangeable Shares and any dividends paid on them and whose Mergeco Shares, if they hold any, are registered in an overseas branch register kept in Canada, only a duplicate of which is kept in the UK. The tax positions of certain categories of Mergeco Shareholders and/or Exchangeable Shareholders who are subject to special rules (such as persons acquiring their Mergeco Shares and/or Exchangeable Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) are not considered.

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK or Canada are strongly recommended to consult their own professional advisers.

(a) Dividends on Mergeco Shares

Mergeco is not required to withhold UK tax when paying a dividend on the Mergeco Shares.

(b) Dividends on Exchangeable Shares

Exchangeco is not required to withhold UK tax when paying a dividend on the Exchangeable Shares.

(c) Taxation of disposals of Mergeco Shares or Exchangeable Shares

A disposal or deemed disposal of Mergeco Shares by a holder who is not resident or ordinarily resident in the UK for tax purposes will not generally be subject to UK taxation of capital gains. However, if the holder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate holder, a permanent establishment) in connection with which the Mergeco Shares are used, held or acquired then the disposal or deemed disposal may be within the scope of UK taxation of chargeable gains. An individual Mergeco Shareholder who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Mergeco Shares during that period may be liable to capital gains tax in respect of any chargeable gain arising from such a disposal on his return to the UK, subject to any available exemption or relief.

A disposal or deemed disposal of Exchangeable Shares by a holder who is not resident or ordinarily resident in the UK for tax purposes will not generally be subject to UK taxation of capital gains unless the holder is an individual who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his Exchangeable Shares during that period, in which case the holder may be liable to capital gains tax in respect of any chargeable gain arising from such a disposal on his return to the UK, subject to any available exemption or relief.

Prospective investors who may be subject to UK taxation of capital gains in circumstances described within this paragraph (c) are strongly recommended to consult their own professional advisers.

(d) Stamp duty and SDRT

The statements in paragraphs (i) to (vi) below apply to any Mergeco Shareholder and/or Exchangeable Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Statements regarding Mergeco Shares apply only to Mergeco Shares registered in an overseas branch register. Special rules apply to agreements made by, amongst others, intermediaries.

(i) The Merger—issue of New Shares and Exchangeable Shares

The issue of New Shares and/or Exchangeable Shares directly to persons acquiring such shares pursuant to the Merger will not generally give rise to stamp duty or SDRT.

(ii) Subsequent transfers of Mergeco Shares—general

Stamp duty will not generally be payable on an instrument transferring Mergeco Shares, unless the instrument is executed in a part of the UK. HMRC have indicated to Mergeco that no 0.5% SDRT charge will generally arise on an agreement to transfer Mergeco Shares.

(iii) Mergeco Shares held through CDS

Mergeco Shareholders will not bear the cost of any stamp duty or SDRT arising on the issue or delivery of New Shares into CDS (i) to persons acquiring such shares pursuant to the Merger or (ii) to persons acquiring such shares pursuant to the provisions attaching to the Exchangeable Shares, provided that in either case the issue or delivery of Mergeco Shares into CDS is for the purpose of trading those Mergeco Shares on TSX. Paperless transfers of Mergeco Shares within CDS will not generally be liable to stamp duty or to SDRT.

(iv) Mergeco Shares held through other clearance services or depositary receipt systems

Under current UK law, where Mergeco Shares are issued or transferred (including upon an exchange of Exchangeable Shares in accordance with the provisions attaching to the Exchangeable Shares): (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Mergeco Shares, but stamp duty should not generally be payable, unless an instrument transferring the Mergeco Shares is executed in a part of the UK. This liability for SDRT will strictly be accountable by the depositary or clearance service operator or the nominee, as the case may be, but will, in practice, generally be reimbursed by participants in the clearance service or depositary receipt system. Transfers within the clearance service, and transfers of depositary receipts, are generally made free of SDRT or stamp duty. Clearance services may opt, provided certain conditions are satisfied, for SDRT to apply in the usual way to issues or transfers of Mergeco Shares into, and to transactions within, such services instead of the 1.5 per cent. charge generally applying to an issue or transfer of Mergeco Shares into the clearance service.

Following a recent European Court of Justice judgement, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. stamp duty or SDRT charge on an issue of shares into a clearance service or depositary receipt system within the EU, on the basis that the charge is not compatible with EU law. However, the judgement may have broader application than HMRC currently accept. Accordingly, specific professional advice should be sought before paying the 1.5 per cent. or SDRT charge in any circumstances.

(v) Subsequent transfers of Exchangeable Shares

No UK stamp duty should generally be payable in practice on an instrument transferring Exchangeable Shares. Generally, no SDRT is expected to be payable in respect of an agreement to transfer Exchangeable Shares, although the position is not free from doubt.

(vi) Exchange of Exchangeable Shares in accordance with provisions attaching to the Exchangeable Shares

The issue of Mergeco Shares directly to persons acquiring such shares pursuant to the provisions attaching to the Exchangeable Shares will not generally give rise to stamp duty or SDRT. Stamp duty will not generally be payable on an instrument transferring Mergeco Shares directly to such persons, unless the instrument is executed in a part of the UK. HMRC have indicated to Mergeco that no 0.5% SDRT charge will generally arise on an agreement to transfer Mergeco Shares. In any event, the Merged Group will bear the cost of any 0.5 per cent. SDRT payable in respect of a transfer of Mergeco Shares on an exchange of Exchangeable Shares in accordance with the provisions attaching to the Exchangeable Shares.

Where Mergeco Shares are issued or transferred on an exchange of Exchangeable Shares in accordance with the provisions attaching to the Exchangeable Shares: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, SDRT may be payable on the basis set out in

paragraph (iv) above, but stamp duty should not generally be payable, unless an instrument transferring the Mergeco Shares is executed in a part of the UK. Mergeco will be responsible for any SDRT which may be payable under the provisions described in paragraph (iv) above on any delivery or issue of Mergeco Shares into CDS on an exchange of Exchangeable Shares in accordance with the provisions attaching to the Exchangeable Shares for the purpose of trading those Mergeco Shares on TSX.

The position for Exchangeable Shares transferred on an acquisition of Mergeco Shares pursuant to the provisions attaching to the Exchangeable Shares will be as described in paragraph (v) above.

(e) Inheritance tax on New Shares and Exchangeable Shares

The New Shares and the Exchangeable Shares will be assets situated outside the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets should not give rise to a liability to UK inheritance tax unless the holder is either domiciled in the UK or deemed to be domiciled there under certain rules relating to long residence or previous domicile (subject to certain exemptions and reliefs).

For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies and to trustees of settlements who hold Mergeco Shares or Exchangeable Shares, bringing them within the charge to inheritance tax. Mergeco Shareholders or Exchangeable Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than market value or intend to hold any Mergeco Shares or Exchangeable Shares through trust arrangements.

PART 20

ADDITIONAL INFORMATION

1. Incorporation and registered office of LSEG

1.1 LSEG was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005, it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange Group plc.

1.2 The registered and head office of LSEG is at 10 Paternoster Square, London EC4M 7LS. The telephone number is 020 7797 1000.

1.3 The principal legislation under which the LSEG Group operates, and under which the Mergeco Shares have been created, is the Companies Act.

1.4 PricewaterhouseCoopers LLP, whose address is 7 More London Riverside, London SE1 2RT, are the auditors of LSEG and have been the only auditors of LSEG since its incorporation. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales. PricewaterhouseCoopers LLP audited the financial statements of the LSEG Group for the years ended 31 March 2011, 31 March 2010 and 31 March 2009. The reports in respect of the financial statements for each of the three years to 31 March 2011 were unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act.

1.5 Following Completion, Mergeco will become the ultimate holding company of TMX Group Inc. Mergeco will remain incorporated and solely tax resident in the UK and TMX Group Inc. will remain incorporated in Ontario, Canada and solely tax resident in Canada. The principal executive offices and joint headquarters of the Merged Group will be located at 10 Paternoster Square, London EC4M 7LS, UK and at The Exchange Tower, 130 King Street West, Toronto, ON, M5X 1J2, Canada. It is intended that Mergeco be renamed "LTMX Group plc" as a result of the merger of equals and to reflect its increased international profile. The Merged Group will continue to maintain its existing brands, including the London Stock Exchange, AIM, TSX, TSX Venture Exchange, Montréal Exchange and Borsa Italiana. In addition, LSEG has applied for the listing of all of the Mergeco Shares and of the Exchangeable Shares on TSX as soon as reasonably practicable following Completion.

2. Current directors of LSEG and TMX Group Inc.

As at the date hereof, the directors of LSEG (in such capacities, each having their business address at 10 Paternoster Square, London EC4M 7LS, UK) are as follows:

Director	Date of appointment or reappointment
Chris Gibson-Smith	15 July 2009
Paolo Scaroni	1 October 2010
Xavier Rolet	16 March 2009
Doug Webb	2 June 2008
Raffaele Jerusalmi	4 June 2010
Baroness (Janet) Cohen	1 February 2010
Sergio Ermotti	1 October 2010
Gay Huey Evans	4 June 2010
Paul Heiden	4 June 2010
Andrea Munari	1 October 2010
Massimo Tononi	27 September 2010
Robert Webb Q.C.	1 February 2010

As at the date hereof, the directors of TMX Group Inc. (in such capacities, each having their business address at The Exchange Tower, 130 King Street West, Toronto, M5X 1J2, Canada) are as follows:

Director	Date of appointment*
Wayne C. Fox (Chairman)	29 April 2007
Tullio Cedraschi	25 September 2001
Raymond Chan	26 July 2006
Denyse Chicoyne	1 May 2008
John A. Hagg	29 May 2001
Harry A. Jaako	1 August 2001
Thomas A. Kloet	30 July 2008
J. Spencer Lanthier	8 February 2000
Jean Martel	26 October 1999
John P. Mulvihill	12 June 1996
Kathleen M. O'Neill	26 April 2005
Gerri B. Sinclair	26 April 2005
Jean Turmel	1 May 2008
Laurent Verreault	1 May 2008

* Represents date of appointment to TMX Group Inc., TSX Inc. or their predecessors.

3. Information about the New Shares and the Existing Shares

3.1 The New Shares will be credited as fully paid and will rank *pari passu*, in all respects, with the Existing Shares in issue at the time the New Shares are delivered pursuant to the Merger. This includes the right to receive all dividends and other distributions (if any) declared, made or paid after the date of issue of the New Shares, except that any dividend to be paid to the Mergeco Shareholders after Completion relating to the period between 31 March 2011 and the date of Completion shall, in accordance with the terms of the Merger Agreement, be paid only to the holders of the Existing Shares. The expected date of issue of the New Shares is the date of Admission.

3.2 The New Shares will be ordinary shares in registered form and, from Admission, will be capable of being held either: (i) in certificated form; or (ii) in uncertificated form, and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where New Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where New Shares are held in uncertificated form, the relevant CREST stock account of the registered members will be credited.

3.3 The Existing Shares are ordinary shares in registered form and are capable of being held either (i) in certificated form or (ii) in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations).

4. LSEG share capital

4.1 As at the LSEG Practicable Date, the share capital of LSEG was £18,756,936, comprised of 271,108,651 Existing Shares of 6 79/86 pence each, all of which were fully paid or credited as fully paid.

The following changes have occurred in the share capital of LSEG since its incorporation:

4.2 On incorporation, the authorised share capital of LSEG was £1,000 divided into 1,000 ordinary shares of £1.00 each. Of such shares, one ordinary share was taken by the subscriber to the Memorandum of Association and was paid up in full. On 20 October 2005, the subscriber's ordinary share of £1.00 was transferred to an employee of London Stock Exchange. On 5 December 2005, another employee of London Stock Exchange subscribed for one ordinary share of £1.00 in LSEG, which was paid up in full.

4.3 On 5 December 2005, resolutions were passed by the shareholders of LSEG at that time to increase the authorised share capital from £1,000 to £51,000 by the creation and allotment of one Redeemable Preference Share and to amend the LSEG Articles, including the rights associated with the Redeemable Preference Share, and make other changes, in order to effect the re-registration of LSEG as a public limited company.

4.4 On 9 March 2006, resolutions were passed at an extraordinary general meeting of LSEG Shareholders to increase the authorised share capital of LSEG by the creation of: (i) 350,000,000 ordinary shares of £5.00 each; (ii) 260,000,000 B shares of £2.00 each; and (iii) 99,999,900,000 Class A ordinary shares of one pence each; and each of the existing 1,000 ordinary shares of £1.00 each in the capital of LSEG was sub divided and reclassified into 100,000 Class A ordinary shares of one pence each. Pursuant to the terms of the resolution under which the B shares were created, shareholders could choose to redeem their B shares semi-annually on 1 June and 1 December each year from the date of their issue until 1 June 2009, when all the remaining B shares would be redeemed by LSEG. In total, 256.2 million B shares were issued, and the remaining 1,135,433 redeemable B shares of 200 pence each were redeemed in accordance with their terms on 1 June 2009.

4.5 On 17 March 2006, a resolution was passed at an extraordinary general meeting of LSEG Shareholders to the effect that the authorised share capital of LSEG was increased by the creation of a further 300,000,000,000 Class A ordinary shares of one pence each, having the rights of ordinary shares set out in the LSEG Articles.

4.6 On 13 April 2006, resolutions were passed at an extraordinary general meeting of LSEG Shareholders to the effect that, conditional upon a scheme of arrangement with LSEG and London Stock Exchange becoming effective, all ordinary shares of £5.00 each in the capital of LSEG were consolidated and sub divided into ordinary shares with a nominal value equal to $6\frac{79}{86}$ pence each and the amount, standing to the credit of LSEG's merger reserve resulting from the scheme of arrangement becoming effective, was applied in paying up, in full, Class A ordinary shares in LSEG of one pence each, which were then immediately reduced and cancelled and all authorised but unissued Class A ordinary shares were also reduced and cancelled. The scheme of arrangement became effective on 15 May 2006 and the resolutions were effective as at that date.

4.7 On 1 October 2007, 79,449,753 ordinary shares were issued by LSEG in accordance with the terms of the merger between LSEG and Borsa Italiana.

4.8 On 15 July 2009, a resolution was passed at an extraordinary general meeting of LSEG Shareholders to the effect that the authorised share capital of LSEG be increased to £31,133,721 by the creation of an additional 100,000,000 of ordinary shares of $6\frac{79}{86}$ pence each.

4.9 On 20 October 2009, 464,310 ordinary shares of $6\frac{79}{86}$ pence each were issued in consideration for the acquisition of MillenniumIT on 16 October 2009. A further 125,823 ordinary shares of $6\frac{79}{86}$ pence each were issued in consideration for MillenniumIT on 3 February 2010.

4.10 A resolution to authorise the LSEG Directors, pursuant to section 551 of the Companies Act, to allot relevant securities up to a maximum aggregate nominal amount of £15,912,791 for the purposes of the Merger will be put to the LSEG Meeting.

4.11 LSEG does not hold any Existing Shares in treasury.

4.12 No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of LSEG.

4.13 The ISIN number for the Existing Shares is GB00B0SWJX34.

5. LSEG Articles

Memorandum of Association

The Memorandum of Association is available for inspection at the address specified in paragraph 24 of this Part 20—"Additional information".

LSEG Articles

The LSEG Articles, which will become the Mergeco Articles, include provisions to the effect noted below.

5.1 *Share rights*

Subject to the provisions of the Companies Act, and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights or restrictions as LSEG may, by ordinary resolution, determine or, subject to and in default of such determination, as the LSEG Board shall determine.

The LSEG Board may issue shares which are to be redeemed, or are liable to be redeemed, at the option of LSEG or the holder. Subject to the LSEG Articles and the Companies Act, the unissued share capital of LSEG (whether forming part of the original or any increased capital) is at the disposal of the LSEG Board.

The rights attaching to the Existing Shares are set out below.

5.1.1 *Voting rights on Existing Shares*

Subject to any rights or restrictions attached to any shares, on a show of hands, every member who is present in person or represented by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he or she is the holder.

No member shall be entitled to vote at any general meeting unless all monies presently payable by him or her in respect of shares in LSEG have been fully paid.

If, at any time, the LSEG Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Companies Act and is in default for the prescribed period in supplying to LSEG the information thereby required or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the LSEG Board may, in its absolute discretion at any time thereafter by notice to such member, direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to attend or vote either personally or by proxy at a general meeting or at a separate meeting of the holders of that class of shares or on a poll.

5.1.2 *Dividends and other distributions on Existing Shares*

Subject to the provisions of the Companies Act, LSEG may, by ordinary resolution, declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the LSEG Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of calls shall be treated for these purposes as paid on the share.

Subject to the provisions of the Companies Act, the LSEG Board may pay interim dividends if it appears to the LSEG Board that they are justified by the profits of LSEG available for distribution.

The LSEG Board may also pay, at intervals determined by it, any dividend at a fixed rate if it appears to the LSEG Board that the profits available for distribution justify the payment. If the LSEG Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against LSEG unless otherwise provided by the rights attached to the share.

The LSEG Board may withhold payment from a person of all or any part of any dividend or other monies payable in respect of shares in LSEG if those shares represent at least a 0.25 per cent. interest in Existing Shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide LSEG with information concerning interests in those shares required to be provided under section 793 of the Companies Act.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares during any portion of the period in respect of which the dividend is paid.

The LSEG Board may, if authorised by an ordinary resolution of LSEG, offer any holder of shares the right to elect to receive shares by way of scrip dividend instead of cash in respect of the whole (or some part, to be determined by the LSEG Board) of any dividend.

LSEG may by ordinary resolution direct that any dividend recommended by the LSEG Board and declared at a general meeting, shall be satisfied wholly or partly by the distribution of assets, including, without limitation, paid up shares or debentures of another body corporate.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, if the LSEG Board so resolves, be forfeited and cease to remain owing by LSEG.

Except as provided by the rights and restrictions attached to any class of shares, the holders of Existing Shares will, under general law, be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of LSEG and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

5.1.3 *Variation of rights*

Subject to the provisions of the Companies Acts, if at any time the capital of LSEG is divided into different classes of shares, the rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

5.1.4 *Lien and forfeiture*

LSEG shall have a first and paramount lien on every share (not being a fully paid share) for all monies payable to LSEG (whether presently or not) in respect of that share. LSEG may sell any share on which LSEG has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days after notice has been sent to the holder of the share demanding payment and stating that, if the notice is not complied with, the share may be sold.

The LSEG Board may, from time to time, make calls on the members in respect of any monies unpaid on their shares. Each member shall (subject to receiving at least 14 clear days' notice) pay to LSEG the amount called on his or her shares. If a call or any instalment of a call remains unpaid, in whole or in part, after it has become due and payable, the LSEG Board may give the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid, together with any interest which may have accrued and any costs, charges and expenses incurred by LSEG by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

5.1.5 *Transfer of shares*

A member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the LSEG Board may, from time to time, approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal.

The LSEG Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, provided that the refusal does not prevent dealings in shares in LSEG from taking place on an open and proper basis. The LSEG Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

(a) is lodged and duly stamped (if stampable) at the LSEG office or at another place appointed by the LSEG Board, accompanied by the certificate for the share to which it relates and such other evidence as the LSEG Board may reasonably require to show the right of the transferor to make the transfer;

(b) is in respect of one class of share only; and

(c) is in favour of not more than four persons.

The LSEG Board may refuse to register a transfer of shares in LSEG by a person if those shares represent at least a 0.25 per cent. interest in Existing Shares or any class thereof and if, in respect of those shares, such person has been served with a restriction notice after failure (whether by such person or by another) to provide LSEG with information concerning interests in those shares required to be provided under section 793 of the Companies Act, unless: (i) the transfer is an approved transfer (as defined in the LSEG Articles); (ii) the member is not himself or herself in default as regards supplying the information requested and certifies that no person in default as regards supplying such information is interested in any of the shares being the subject of the transfer; or (iii) the transfer of the shares is required to be registered by the Regulations.

If the LSEG Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with LSEG.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the LSEG Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

5.1.7 *General meetings*

The LSEG Board shall convene and LSEG shall hold general meetings as AGMs in accordance with the requirements of the Companies Act. The LSEG Board may call general meetings whenever and at such times and places as it shall determine.

5.2 *LSEG Directors*

5.2.1 *Appointment of LSEG Directors*

Unless otherwise determined by ordinary resolution, the number of LSEG Directors (other than alternate directors) shall be not less than two but shall not be subject to any maximum number. LSEG Directors may be appointed by ordinary resolution of LSEG Shareholders or by the LSEG Board, provided that the appointment has been recommended by the LSEG Board or notice has been received by the LSEG Board from a member qualified to vote at the meeting between 14 and 35 days before the relevant meeting. An LSEG Director appointed by the LSEG Board holds office only until the next following AGM and, if not re-appointed at such AGM, shall vacate office at its conclusion.

5.2.2 *No share qualification*

An LSEG Director shall not be required to hold any shares in the capital of LSEG by way of qualification.

5.2.3 *Retirement of LSEG Directors by rotation*

At every AGM, one-third of the LSEG Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The LSEG Directors to retire by rotation shall be, first, those who wish to retire and not be reappointed and, second, those who have been longest in office since their last appointment or re-appointment. In the case of those who were appointed or re-appointed on the same day, those to retire will be (unless they otherwise agree) determined by lot. A retiring LSEG Director shall be eligible for re-election.

5.2.4. *Removal of LSEG Directors*

LSEG Directors can be removed by ordinary resolution of the LSEG Shareholders or by a LSEG Director if not less than three-quarters of the other LSEG Directors sign a notice stating that that person should cease to be a LSEG Director.

5.2.5 *Remuneration of LSEG Directors*

The emoluments of any LSEG Director holding executive office for his or her services, as such, shall be determined by the LSEG Board, and may be of any description.

The ordinary remuneration of the LSEG Directors who do not hold executive office, but excluding the LSEG Chairman, (excluding amounts payable under any other provision of the LSEG Articles) shall not exceed in aggregate £1.5 million per annum or such higher amount as LSEG may, from time to time, by ordinary resolution, determine. Subject thereto, each such LSEG Director shall be paid a fee (which shall be deemed to accrue from day-to-day) at such rate as may, from time to time, be determined by the LSEG Board. In addition, any LSEG Director who does not hold executive office but who performs services outside the scope of the ordinary duties of an LSEG Director may be paid such extra remuneration as the LSEG Board may, from time to time, determine.

In addition to any remuneration to which the LSEG Directors are entitled under the LSEG Articles, LSEG Directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the LSEG Board or committees of the LSEG Board, general meetings or separate meetings of the holders of any class of shares or of debentures of LSEG or otherwise in connection with the discharge of their duties.

The LSEG Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present LSEG Director or employee of LSEG or any of its Subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his or her family or any person who is or was dependent on such LSEG Director.

5.2.6 *Permitted interests of LSEG Directors*

Subject to the provisions of the Companies Act, and provided that such LSEG Director has disclosed to the LSEG Board the nature and extent of his or her interest (unless the circumstances referred to in section 177(5) or section 177(6) of the Companies Act apply in which case, no such disclosure is required), an LSEG Director notwithstanding his or her office:

(a) may be a party to, or otherwise interested in, any transaction or arrangement with LSEG or in which LSEG is otherwise (directly or indirectly) interested;

(b) may act by himself or herself, or his or her firm, in a professional capacity for LSEG (otherwise than as auditor) and he or she or his or her firm shall be entitled to remuneration for professional services as if he or she were not an LSEG Director;

(c) may be a director or other officer of, or employed by, a party to a transaction or arrangement with, or otherwise interested in, any body corporate:

   (i) in which LSEG is (directly or indirectly) interested as a shareholder or otherwise; or

   (ii) with which he or she has such a relationship at the request or direction of LSEG; and

(d) shall not, by reason of office, be accountable to LSEG for any remuneration or other benefit which is derived from any office or employment or from any transaction or arrangement or from any interest in any body corporate:

   (i) the acceptance, entry into or existence of which has been approved by the LSEG Board (subject, in any case, to any limits or conditions to which such approval was subject); or

   (ii) which such LSEG Director is permitted to hold or enter into by virtue of paragraphs (a), (b) or (c) above;

nor shall the receipt of any such remuneration or other benefit constitute a breach of his or her duty under section 176 of the Companies Act.

5.2.7 *Restrictions on voting*

Unless the LSEG Shareholders resolve by ordinary resolution otherwise, an LSEG Director shall not vote on any resolution of the LSEG Board, or any committee of the LSEG Board, concerning a matter in which such LSEG Director has an interest, but these prohibitions shall not apply to:

(a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by such LSEG Director or any other person at the request of, or for the benefit of, LSEG or any of its Subsidiary undertakings;

(b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of LSEG or any of its Subsidiary undertakings for which the LSEG Director has assumed responsibility (in whole or part and whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of LSEG or any of its Subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(d) a contract, arrangement, transaction or proposal concerning any other body corporate in which he, she or any person connected with him or her is interested, directly or indirectly, and whether as an officer, LSEG Shareholder, creditor or otherwise, if he and any persons connected with him or her do not, to his knowledge, hold an interest (as that term is used in sections 198 to 211 of the Companies Act) representing one per cent. or more of either any class of the equity share capital of such body corporate (or any other body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of the LSEG Articles to be a material interest in all circumstances);

(e) a contract, arrangement, transaction or proposal for the benefit of employees of LSEG or of any of its Subsidiary undertakings which does not award him or her any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and

(f) a contract, arrangement, transaction or proposal concerning any insurance which LSEG is empowered to purchase or maintain for, or for the benefit of, any LSEG Directors or for persons who include LSEG Directors.

5.2.8 *Borrowing powers*

The LSEG Board may exercise all the powers of LSEG to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of LSEG or of any third party.

5.2.9 *Indemnity of officers*

Subject to the provisions of the Companies Act, but without prejudice to any indemnity to which an LSEG Director may otherwise be entitled, every LSEG Director or other officer of LSEG (other than any person (whether an officer or not) engaged by LSEG as an auditor) shall be indemnified out of the assets of LSEG against any liability incurred by him or her in defending any proceedings, whether civil or criminal, in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him or her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of LSEG.

6. LSEG Directors and LSEG Senior Managers interests in the LSEG Group and TMX Group Senior Managers interests in TMX Group

6.1 Details of the current LSEG Directors who will be directors of the Mergeco Board and of the Prospective Directors are set out in Part 13—"Directors and officers of Mergeco". This section sets out details of the Non-Continuing Directors, the LSEG Senior Managers and the TMX Group Senior Managers.

Non-Continuing Directors', LSEG Senior Managers' and TMX Group Senior Managers' interests

6.2 Details of the interests of the current LSEG Directors who will sit on the Mergeco Board and of the Prospective Directors are set out in paragraphs 6 and 7 of Part 13—"Directors and officers of Mergeco".

6.3 The interests of the Non-Continuing Directors, the LSEG Senior Managers and persons connected with them, all of which are beneficial, in the issued share capital of LSEG as at the LSEG Latest Practicable Date, are as follows:

Directors	Number of Existing Shares	Percentage of existing issued share capital	Percentage of issued share capital on Admission(1)
		(%)	(%)
Doug Webb	36,287	0.013	0.0073
Baroness (Janet) Cohen	6,616	0.002	0.0013
Sergio Ermotti	—	—	—
Paulo Scaroni	—	—	—
LSEG Senior Managers			
Kevin Milne	8,886	0.003	0.0018
David Lester	142,575	0.053	0.0288
Antoine Shagoury	5,673	0.002	0.0011
Tony Weeresinghe	218,125	0.080	0.0441

Note:

(1) Based on LSEG's and TMX Group Inc.'s issued share capital as at the LSEG Latest Practicable Date, 223,529,858 New Shares will be issued pursuant to the Merger (assuming that no options to acquire Existing Shares are exercised or Existing Shares issued under the LSEG Employee Share Plans and no options to acquire TMX Group Shares are exercised between the LSEG Latest Practicable Date and Admission of the New Shares).

6.4 The interests of the TMX Group Senior Managers and persons connected with them, all of which are beneficial, in the issued share capital of TMX Group Inc. as at the LSEG Latest Practicable Date are as follows:

TMX Group Senior Managers	Number of TMX Group Shares	Corresponding number of Mergeco Shares immediately upon Admission	Percentage holding in issued share capital of Mergeco immediately upon Admission[(1)]
			(%)
Kevan Cowan	13,543	40,578	0.008
Brenda Hoffman	3,536	10,594	0.002
Eric Sinclair	7,809	23,398	0.005
Mary Lou Hukezalie	315	943	0.000
Peter Krenkel	9,133	27,365	0.006
Alain Miquelon	125	375	0.000
Sharon Pel	18,032	54,027	0.011

Note:

(1) Based on LSEG's and TMX Group Inc.'s issued share capital as at the LSEG Latest Practicable Date, 223,529,858 New Shares will be issued pursuant to the Merger (assuming that no options to acquire Existing Shares are exercised or Existing Shares issued under the LSEG Employee Share Plans and no options to acquire TMX Group Shares are exercised or TMX Group Shares acquired under the ESPP between the LSEG Latest Practicable Date and Admission of the New Shares).

6.5 Share awards and share options granted under the LSEG Employee Share Plans to the Non-Continuing Directors and LSEG Senior Managers are summarised in paragraph 6.7 below. Share options granted under the TMX Group Option Plan to the TMX Group Senior Managers are summarised in paragraph 6.9 below.

6.6 Save as disclosed in paragraphs 6.3 and 6.4 above and paragraphs 6.7 and 6.9 below, none of the Non-Continuing Directors, LSEG Senior Managers, TMX Group Senior Managers or their immediate families, nor any person connected with any Non-Continuing Director, LSEG Senior Manager or TMX Group Senior Manager (within the meaning of section 252 of the Companies Act) will, at Admission, have any interest, whether beneficial or non beneficial, in any share or loan capital of Mergeco or any Subsidiary.

LSEG Employee Share Plans

6.7 Details of the awards held by Non-Continuing Directors and LSEG Senior Managers under the LSEG Employee Share Plans are set out below. Equivalent information in respect of current LSEG Directors who will sit on the Mergeco Board is set out in Part 13—"Directors and officers of Mergeco."

(a) *LSEG LTIP*

As at the LSEG Latest Practicable Date, the following performance share awards, the vesting of which is dependent on the achievement of performance targets, are held by Non-Continuing Directors and LSEG Senior Managers under the LSEG LTIP:

	Performance share awards			
	Maximum number of Existing Shares under award	**Price at award date**	**Date of award**	**Final vesting date**
		(£)		
Non-Continuing Directors				
Doug Webb	37,016	8.9150	09/06/08	09/06/11
	63,137	7.8400	23/07/08	23/07/11
	73,964	6.7600	16/07/09	16/07/12
	71,428	7.0000	14/09/10	14/09/13
LSEG Senior Managers				
David Lester	57,397	7.8400	23/07/2008	23/07/2011
	73,964	6.7600	16/07/2009	16/07/2012
	71,428	7.0000	14/09/2010	14/09/2013
Kevin Milne	71,428	7.0000	14/09/2010	14/09/2013
Antoine Shagoury	71,428	7.0000	14/09/2010	14/09/2013
Tony Weeresinghe	61,428	7.0000	14/09/2010	14/09/2013

The following participants have elected to invest a portion of their annual bonus to acquire additional Existing Shares and were awarded matching share awards, the vesting of which is dependent on the achievement of performance targets:

	Matching share awards			
	Maximum number of Existing Shares under award	**Price at award date**	**Date of award**	**Final vesting date**
		(£)		
Non-Continuing Directors				
Doug Webb	36,104	9.1400	10/06/08	10/06/11
	48,349	6.8250	28/07/09	28/07/12
	46,974	7.0250	27/09/10	27/09/13
LSEG Senior Managers				
David Lester	43,955	6.8250	28/07/09	28/07/12
Kevin Milne	29,437	7.0250	27/09/10	27/09/13
Antoine Shagoury	23,239	7.0250	27/09/10	27/09/13

(b) *SAYE Option Scheme*

The following options are held by Non-Continuing Directors under the SAYE Option Scheme:

	SAYE Option Scheme				
	Number of Existing Shares under option	**Option price**	**Date of grant**	**Final vesting date**	**Expiry date**
		(£)			
Non-Continuing Directors					
Doug Webb	1,652	5.69	07/08/08	01/09/11	01/03/12

(c) *LSEG Individual LTIPs for Kevin Milne and Antoine Shagoury*

The following awards are held by Kevin Milne and Antoine Shagoury under each of their LSEG Individual LTIPs:

	Individual LTIPs			
	Maximum number of Existing Shares under award	Price at award date	Date of award	Final vesting date
		(£)		
Kevin Milne	71,428	7.0000	14/09/10	14/09/13
Antoine Shagoury	71,428	7.0000	14/09/10	14/09/13

(d) *TRM2 Plan*

The following awards are held by LSEG Senior Managers under the TRM2 Plan:

	TRM2 Plan			
	Maximum number of Existing Shares under award	Price at award date	Date of award	Final vesting date
		(£)		
LSEG Senior Managers				
Tony Weeresinghe	24,970	8.035	25/11/09	01/12/11
	49,940	8.035	25/11/09	01/03/13

(e) *ESOS*

The following options are held by LSEG Senior Managers under the ESOS:

	Executive Share Options				
	Number of Existing Shares under option	Option price	Date of grant	Vesting date	Expiry date
		(£)			
LSEG Senior Managers					
David Lester	47,436	3.90	15/07/02	15/07/05	15/07/12
	60,682	3.23	16/05/03	16/05/06	16/05/13
	51,678	3.79	20/05/04	20/05/07	20/05/14

All options under the ESOS are vested.

6.8 A summary of the terms of the LSEG Employee Share Plans described in paragraph 6.7(a) above is set out in Part 13—"Directors and officers of Mergeco". A summary of the terms of the LSEG Employee Share Plans described in paragraph 6.7(b) to (e) above is set out in paragraph 8 below within this Part 20—"Additional information".

TMX Group Options

6.9 Details of the options held by TMX Group Senior Managers under the TMX Group Option Plan and the Replacement Options they will hold upon Admission are set out below. Equivalent information in respect of the Prospective Directors is set out in Part 13—"Directors and officers of Mergeco".

(a) TMX Group Options

As at the TMX Group Latest Practicable Date, details of the TMX Group Options held by TMX Group Senior Managers under the TMX Group Option Plan are set out as follows:

	TMX Group Option Plan				
	Number of TMX Group Shares under TMX Group Option[1]	Option price	Date of grant	Final vesting date	Expiry date
		(C$)			
TMX Group Senior Managers					
Kevan Cowan	4,631	49.64	10/02/06	10/02/09	09/02/13
	6,913	53.04	09/02/07	09/02/10	08/02/14
	8,795	45.23	22/02/08	22/02/11	21/02/15
	25,257	31.59	06/02/09	06/02/12	05/02/16
	22,051	29.52	22/02/10	22/02/13	21/02/17
	21,480	41.74	17/02/11	17/02/14	16/02/18
Brenda Hoffman	7,354	49.64	10/02/06	10/02/09	09/02/13
	8,078	53.04	09/02/07	09/02/10	08/02/14
	4,622	43.68	04/05/07	04/05/10	03/05/14
	10,983	45.23	22/02/08	22/02/11	21/02/15
	9,804	31.59	06/02/09	06/02/12	05/02/16
	15,989	29.52	22/02/10	22/02/13	21/02/17
	22,122	41.74	17/02/11	17/02/14	16/02/18
Eric Sinclair	18,000	11.10	30/01/03	30/01/07	29/01/13
	9,726	29.64	02/02/05	02/02/08	01/02/12
	7,762	49.64	10/02/06	10/02/09	09/02/13
	8,529	53.04	09/02/07	09/02/10	08/02/14
	8,795	45.23	22/02/08	22/02/11	21/02/15
	25,257	31.59	06/02/09	06/02/12	05/02/16
	21,044	29.52	22/02/10	22/02/13	21/02/17
	22,122	41.74	17/02/11	17/02/14	16/02/18
Mary Lou Hukezalie	7,789	29.52	22/02/10	22/02/13	21/02/17
	11,382	41.74	17/02/11	17/02/14	16/02/18
Peter Krenkel	9,726	29.64	02/02/05	02/02/08	01/02/12
	7,762	49.64	10/02/06	10/02/09	09/02/13
	8,529	53.04	09/02/07	09/02/10	08/02/14
	8,795	45.23	22/02/08	22/02/11	21/02/15
	23,445	31.59	06/02/09	06/02/12	05/02/16
	19,688	29.52	22/02/10	22/02/13	21/02/17
	17,886	41.74	17/02/11	17/02/14	16/02/18
Alain Miquelon	14,453	46.26	01/05/08	31/12/11	13/02/15
	15,974	43.53	01/05/08	31/12/11	14/08/14
	15,616	31.59	06/02/09	06/02/12	05/02/16
	15,000	31.71	08/05/09	08/05/12	07/05/16
	18,640	29.52	22/02/10	22/02/13	21/02/17
	18,571	41.74	17/02/11	17/02/14	16/02/18
Sharon Pel	7,762	49.64	10/02/06	10/02/09	09/02/13
	8,529	53.04	09/02/07	09/02/10	08/02/14
	9,889	45.23	22/02/08	22/02/11	21/02/15
	8,735	31.59	06/02/09	06/02/12	05/02/16
	12,659	29.52	22/02/10	22/02/13	21/02/17
	19,511	41.74	17/02/11	17/02/14	16/02/18

Notes:

(1) Under the Plan of Arrangement, the outstanding TMX Group Options held by TMX Group Senior Managers will be replaced with options to acquire Mergeco Shares. The number of Mergeco Shares under a Replacement Option will be equal to the number of TMX Group Shares shown against the corresponding TMX Group Option noted above multiplied by the Exchange Ratio, and the exercise price for each Replacement Option will be equal to the option exercise price of the corresponding TMX Group Option divided by the Exchange Ratio. Details of the Replacement Options are set out in paragraph 6.9(b) below.

(b) Replacement Options

The details of the Replacement Options to be held by TMX Group Senior Managers immediately upon Admission are set out as follows:

	Replacement Options				
	Number of Mergeco Shares under Replacement Option	Option price	Date of grant	Final vesting date	Expiry date
		(C$)			
TMX Group Senior Managers					
Kevan Cowan	13,876	16.57	10/02/06	10/02/09	09/02/13
	20,713	17.70	09/02/07	09/02/10	08/02/14
	26,352	15.10	22/02/08	22/02/11	21/02/15
	75,678	10.54	06/02/09	06/02/12	05/02/16
	66,071	9.85	22/02/10	22/02/13	21/02/17
	64,361	13.93	17/02/11	17/02/14	16/02/18
Brenda Hoffman	22,035	16.57	10/02/06	10/02/09	09/02/13
	24,204	17.70	09/02/07	09/02/10	08/02/14
	13,849	14.58	04/05/07	04/05/10	03/05/14
	32,908	15.09	22/02/08	22/02/11	21/02/15
	29,376	10.54	06/02/09	06/02/12	05/02/16
	47,908	9.85	22/02/10	22/02/13	21/02/17
	66,284	13.93	17/02/11	17/02/14	16/02/18
Eric Sinclair	53,933	3.71	30/01/03	30/01/07	29/01/13
	29,142	9.90	02/02/05	02/02/08	01/02/12
	23,257	16.57	10/02/06	10/02/09	09/02/13
	25,555	17.70	09/02/07	09/02/10	08/02/14
	26,352	15.09	22/02/08	22/02/11	21/02/15
	75,678	10.54	06/02/09	06/02/12	05/02/16
	63,054	9.85	22/02/10	22/02/13	21/02/17
	66,284	13.93	17/02/11	17/02/14	16/02/18
Mary Lou Hukezalie	23,338	9.85	22/02/10	22/02/13	21/02/17
	34,104	13.93	17/02/11	17/02/14	16/02/18
Peter Krenkel	29,142	9.89	02/02/05	02/02/08	01/02/12
	23,257	16.57	10/02/06	10/02/09	09/02/13
	25,555	17.70	09/02/07	09/02/10	08/02/14
	26,352	15.09	22/02/08	22/02/11	21/02/15
	70,248	10.54	06/02/09	06/02/12	05/02/16
	58,991	9.85	22/02/10	22/02/13	21/02/17
	53,592	13.93	17/02/11	17/02/14	16/02/18
Alain Miquelon	43,306	15.44	01/05/08	31/12/11	13/02/15
	47,863	14.53	01/05/08	31/12/11	14/08/14
	46,790	10.54	06/02/09	06/02/12	05/02/16
	44,945	10.58	08/05/09	08/05/12	07/05/16
	55,851	9.85	22/02/10	22/02/13	21/02/17
	55,644	13.93	17/02/11	17/02/14	16/02/18
Sharon Pel	23,257	16.57	10/02/06	10/02/09	09/02/13
	25,555	17.70	09/02/07	09/02/10	08/02/14
	29,630	15.09	22/02/08	22/02/11	21/02/15
	26,173	10.54	06/02/09	06/02/12	05/02/16
	37,930	9.85	22/02/10	22/02/13	21/02/17
	58,461	13.93	17/02/11	17/02/14	16/02/18

6.10 Summaries of the terms of the TMX Group Option Plan and the Replacement Options described above are set out in paragraph 10 of Part 13—"Directors and officers of Mergeco".

7. Non-Continuing Directors' service agreements and letters of appointment, emoluments of Non-Continuing Directors LSEG Senior Managers and TMX Group Senior Managers and other interests

7.1 Details of the dates on which members of the Mergeco Board were or will be appointed or reappointed as directors of the Mergeco Board are set out in Part 13—"Directors and officers of Mergeco".

7.2 The Non-Continuing Directors were appointed or reappointed directors of the LSEG Board on the following dates:

LSEG Directors	Position	Date of appointment or reappointment	Date of expiry of appointment
Doug Webb	Chief Financial Officer	2 June 2008	Upon 12 months notice
Baroness (Janet) Cohen . .	Non-Executive Director	1 February 2010	31 January 2013
Sergio Ermotti	Non-Executive Director	1 October 2010	30 September 2013
Paulo Scaroni	Non-Executive Director	1 October 2010	30 September 2013

Service agreements for Non-Continuing Directors

7.3 Details of the service agreements and letters of appointment for current LSEG Directors who will sit on the Mergeco Board are set out in Part 13—"Directors and officers of Mergeco".

7.4 Doug Webb entered into a service agreement with LSEG on 2 June 2008. The service agreement may be terminated by Mr Webb or LSEG on not less than 12 months notice. There are no provisions for pay in lieu of notice or liquidated damages. Doug Webb also receives benefits in kind, principally health care and life assurance. Under the LSEG flexible benefits plan, Doug Webb receives a flexible benefit allowance of £20,000 per annum which is not used to calculate bonus payments or pension contributions. In addition, Doug Webb is eligible to:

(a) participate in the LSEG annual bonus plan. Cash bonus awards are approved by LSEG's remuneration committee and are based on annual financial targets and individual performance; and

(b) participate in the LSEG LTIP which comprises performance share awards and matching share awards linked to investment by the participant in Existing Shares.

In 2010, LSEG paid a contribution on behalf of Doug Webb to the senior executive defined contribution plan of £83,000.

Non-executive Non-Continuing Directors

7.5 Each of the non-executive Non-Continuing Directors has a letter of appointment with LSEG, which sets out their responsibilities and commitments. Each of the appointments is for an initial period of three years expiring on the dates noted in paragraph 7.2 above unless the non-executive Non-Continuing Director is not re-elected by LSEG Shareholders at the next annual general meeting at which he or she is required to stand for re-election. The non-executive Non-Continuing Directors are not entitled to any compensation on termination or non-renewal of their appointment.

7.6 The non-executive Non-Continuing Directors are not eligible to participate in any incentive or pension arrangements of LSEG.

7.7 Save as specified in paragraph 7.4, there are no existing or proposed service agreements between any of the Non-Continuing Directors and LSEG or any of its Subsidiaries.

7.8 There is no arrangement under which any Non-Continuing Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year ended 31 March 2011.

7.9 As at the LSEG Latest Practicable Date, no outstanding loans or guarantees have been granted or provided to or for the benefit of any Non-Continuing Director by LSEG or any of its Subsidiaries.

7.10 Information equivalent to that contained in paragraphs 7.7 to 7.9 above is disclosed in relation to the current LSEG Directors who will sit on the Mergeco Board in Part 13—"Directors and officers of Mergeco".

Remuneration paid to Non-Continuing Directors, LSEG Senior Managers and TMX Group Senior Managers

7.11 Details of remuneration paid to the current LSEG Directors who will sit on the Mergeco Board and of the Prospective Directors are set out in Part 13—"Directors and officers of Mergeco".

7.12 The amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Non-Continuing Directors for the last full financial year are as follows:

	Non-Continuing Directors' remuneration			
	Salary/Fees[1]	**Performance bonus**	**Benefits[2]**	**Total**
	£000	**£000**	**£000**	**£000**
Doug Webb	350	450	1	801
Baroness (Janet) Cohen[3][4]	76	—	—	76
Sergio Ermotti	54	—	—	54
Paulo Scaroni[5]	88	—	—	88

Notes:

(1) Salary includes base salary, on which bonus and benefits allowance are based, and flexible benefit allowances paid in cash.

(2) Benefits represent the cash value of health and life assurance cover.

(3) Baroness (Janet) Cohen received an annual fee of £54,000 as a Non-Executive Director of LSEG and €26,000 (£22,090) as a non-executive director of Borsa Italiana.

(4) Where remuneration is presented in sterling; a Euro:sterling conversion rate of 1:1.13 has been used for 2010 and 1:1.18 for 2011.

(5) Paulo Scaroni's fee includes £34,015, which represents a pro rata amount of his increased fee of £120,000 p.a, following his appointment as Deputy Chairman of LSEG in September 2010.

7.13 The aggregate remuneration of the LSEG Senior Managers paid in or for the financial year of LSEG ended 31 March 2011 is as follows:

Basic salary	£1,318,864
Benefits	£527,549
Performance related bonuses	£1,923,529
Pensions/Retirement benefits	£119,250
Total	£3,889,192

7.14 In relation to the last full financial year, save as described above in paragraphs 7.12 and 7.13, there are no amounts set aside or accrued by LSEG or its Subsidiaries to provide pension, retirement or similar benefits to Non-Continuing Directors or LSEG Senior Managers.

7.15 The amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to Kevan Cowan, Brenda Hoffman and Eric Sinclair, each of whom is a TMX Group Senior Manager in or for the financial year of TMX Group ended 31 December 2010 are as follows:

	TMX Group Senior Manager remuneration					
	Salary	**Performance Bonus**	**Benefits[1]**	**Payments in respect of vested RSUs[2]**	**Pension/ Retirement benefits contribution[3]**	**Total**
	(C$000)	**(C$000)**	**(C$000)**	**(C$000)**	**(C$000)**	**(C$000)**
Kevan Cowan	325	350	40	22	49	**786**
Brenda Hoffman	350	340	38	28	48	**804**
Eric Sinclair	310	320	40	22	107	**799**

Notes:

(1) Benefits directly payable to the employee includes a perquisite allowance and the employer contribution under the Employee Share Purchase Plan. Benefits also include the cost to TMX Group of providing life insurance, health and dental, executive medical, parking and any security system.

(2) A portion of the TMX Group 2008 RSU awards vested 31 December 2010 and were paid 14 January 2011.

(3) The values shown under pension are compensatory change including the value of the projected pension earned for service in the year using actuarial methods and assumptions to calculate the current service cost for the 2010 pension expense plus the increase or decrease in the accrued obligation due to the difference between actual compensation in the year and the actuarial assumption for the year that was assumed at the end of the prior year.

7.16 The total aggregate amount of remuneration paid in or for the financial year of TMX Group ended 31 December 2010 to Mary Lou Hukezalie, Peter Krenkel, Alain Miquelon and Sharon Pel, each of whom is a TMX Group Senior Manager, are as follows:

Basic salary	C$	1,150,064
Benefits[(1)]	C$	138,513
Performance related bonuses	C$	1,070,000
Payments in respect of vested RSUs[(2)]		47,076
Pensions/Retirement benefit contribution[(3)]	C$	135,486
Total	C$	2,541,139

Notes:

(1) Benefits directly payable to the employee includes a perquisite allowance and the employer contribution under the Employee Share Purchase Plan. Benefits also include the cost to TMX Group of providing life insurance, health and dental, executive medical, parking and any security system.

(2) A portion of the TMX Group Inc. 2008 RSU awards vested 31 December 2010 and were paid 14 January 2011.

(3) The values shown under pension are compensatory change including the value of the projected pension earned for service in the year using actuarial methods and assumptions to calculate the current service cost for the 2010 pension expense plus the increase or decrease in the accrued obligation due to the difference between actual compensation in the year and the actuarial assumption for the year that was assumed at the end of the prior year.

7.17 In relation to the last full financial year, save as described above in paragraphs 7.15 and 7.16, there are no amounts set aside or accrued by TMX Group Inc. or its Subsidiaries to provide pension, retirement or similar benefits to TMX Group Senior Managers.

8. LSEG Employee Share Plans

LSEG currently operates the following employee share plans: the LSEG LTIP, ESOP, the Performance Aligned RSA Plan and the International Sharesave Plan.

The SAYE Option Scheme, the LSEG Individual LTIPs, the TRM2 Plan, the ESOS and the Initial and Annual Share Plans are closed in respect of new awards.

(a) *LSEG LTIP*

The terms of the LSEG LTIP are set out in paragraph 9.2 of Part 13—"Directors and officers of Mergeco".

(b) *The ESOP and the Performance Aligned RSA Plan*

The following common terms apply to each of the ESOP and the Performance Aligned RSA Plan.

Eligibility

Any person who is an employee of LSEG, excluding LSEG Directors, selected on a discretionary basis by the remuneration committee, is entitled to participate.

Grant of awards

Awards may be granted in the six week period commencing on the date on which LSEG announces its financial results for any period or any other day the remuneration committee determines exceptional circumstances exist to justify the granting of such awards. For the ESOP only, grants may also be made on any day that any change to legislation affecting the ESOP is proposed or made.

No awards may be granted more than 10 years after the date on which the relevant plan was adopted. No award may be granted to subscribe for unissued Existing Shares or treasury shares.

Cessation of employment

Awards vest and become exercisable normally three years after the date of grant. If a participant ceases employment with the LSEG Group before the vesting date by reason of death, injury, disability, ill health, redundancy, retirement (for the ESOP only), the business or part of the business in which the participant is employed being transferred to a transferee which is not a member of the LSEG Group or any other reason at the discretion of the remuneration committee, awards shall vest, to the extent the performance

conditions have been satisfied, and shall be pro-rated to reflect the proportion of the vesting period for which the participant was employed.

Change of control

In the event of a takeover, demerger, scheme of arrangement or voluntary winding-up of LSEG, awards shall vest and options may be exercised for a period of six months to the extent the performance condition has been satisfied, but the number of shares the participant receives shall be pro-rated to reflect the proportion of the vesting period that has elapsed between the date of grant and the date of the relevant event. Awards will not become exercisable on an internal reorganisation but will be rolled-over into awards of shares in the new holding company unless the remuneration committee determines otherwise.

Variation of capital

If there is a variation in LSEG's share capital (such as a rights issue, dividend *in specie* or any capitalisation issue) or if a transaction occurs which would affect the value of awards (such as a demerger), the remuneration committee may adjust the number of shares, subject to an award or option (and/or the exercise price of an option, if any), in such manner as it considers is appropriate.

Dilution limits

No award may be made under the ESOP or the Performance Aligned RSA Plan which would, at the time of award, cause the aggregate number of ordinary shares which have been or may be issued or transferred from treasury under that award and other awards or options granted in the previous ten years:

(i) under each of the ESOP and the Performance Aligned RSA Plan and all other share schemes established by LSEG, to exceed 10 per cent. of LSEG's issued ordinary share capital from time to time; and

(ii) under each of the ESOP and the Performance Aligned RSA Plan and all other discretionary share schemes established by LSEG, to exceed 5 per cent. of LSEG's issued ordinary share capital from time to time.

Amendments

The remuneration committee may amend the ESOP and the Performance Aligned RSA Plan at any time. In relation to the ESOP only, the approval of HMRC will be required when amending a key feature. Any amendment that would materially prejudice the interests of participants requires such affected participants' prior written consent.

(c) *ESOP*

In addition to the terms in sub-paragraph (a) above, the following additional terms apply to the ESOP.

Individual Limits

No employee shall be granted an award which would, at the proposed date of grant, cause the value of the employee's subsisting awards granted under the ESOP and any other employee share option plan approved by HMRC and established by LSEG or any associated company of LSEG schemes to exceed £30,000.

Vesting and performance conditions

Awards will normally become exercisable on the third anniversary of the date of grant.

The awards are subject to two performance conditions: 50 per cent. will vest according to TSR performance over a three-year period relative to the average of the net return index figures over a two month period immediately prior to the vesting date; and 50 per cent. will vest according to the achievement of corporate performance measures of actual cost management performance compared with LSEG's budget over a two year period, beginning on the first day of the financial year in which the award is granted or on any other date determined by the remuneration committee.

For awards subject to TSR performance, 50 per cent. of the award (that is, the full TSR tranche of the award) will vest where TSR growth is 16 per cent. per annum. At TSR growth of 8 per cent. per annum,

15 per cent. of the total award will vest. None of the award will vest for TSR growth below 8 per cent. per annum. For awards subject to cost management performance, 50 per cent. of the award (that is, the full cost management tranche of the award) will vest where cost management performance is 5 per cent. below budget. Where cost management performance meets budget 15 per cent. of the award will vest. None of the award will vest where costs exceed budget. Vesting under both conditions is calculated on a straight line basis between 15 per cent. and 50 per cent. performance.

(d) ***Performance Aligned RSA Plan***

In addition to the terms in sub-paragraph (b) above, the following additional terms apply to the Performance Aligned RSA Plan.

Vesting and performance conditions

Awards will normally vest on the third anniversary of grant.

The same performance conditions as apply to the ESOP apply to awards granted under the Performance Aligned RSA Plan.

(e) ***International Sharesave Plan***

The International Sharesave Plan was designed to provide share options to employees of LSEG who are not based in the UK, on similar terms to those available to UK employees through the SAYE Option Scheme, by granting such employees options to acquire Existing Shares. The scheme is not approved by any tax authority and is not intended to provide any preferential tax treatment to participants.

Eligibility

All employees and directors of any non-UK based Subsidiary of LSEG who have such minimum qualifying period of continuous employment with a group company as the remuneration committee may determine (not exceeding five years) are eligible to be invited to apply for options under the International Sharesave Plan whenever it is operated.

Grant of options

Invitations to participate in the International Sharesave Plan may be issued during the period of six weeks following its adoption by shareholders in general meeting and thereafter within six weeks after the announcement of LSEG's results for any period or any day on which the remuneration committee determines that exceptional circumstances justify a grant. No options may be granted under the International Sharesave Plan after the tenth anniversary of its adoption by shareholders.

Savings Contributions

At the time of receiving options, participants must enter into a savings contract with a nominated savings institution under which participants agree to make monthly contributions in pounds sterling or, at the discretion of the remuneration committee, in a nominated currency. The date on which the savings will be repaid to a participant (the "***maturity date***"), which will be fixed at the date of grant, may be three, five or seven years after commencement of the savings contract.

The number of Existing Shares over which a participant may be granted an option will be fixed at the time an option is granted as the number of Existing Shares that can be acquired on the maturity date, at the exercise price, with the savings that have accrued plus an amount calculated to be equivalent to the likely amount of interest payable on the savings.

The maximum monthly contribution is £250 (or the equivalent amount in a nominated currency) or such higher amount as the remuneration committee may specify from time to time. Where savings are made in a nominated currency other than sterling, the rate of exchange will be set at the date the eligible employee is invited to participate but the remuneration committee has power to adjust the exchange rate during the savings period (and allow the savings amount in the nominated currency to be similarly adjusted) if there is a material change in the relevant exchange rate. Alternatively participants may be allowed to top up any savings that have been made in a nominated currency if changes in the exchange rate have reduced the sterling value of the savings at the maturity date.

Exercise price

The exercise price of an option may not be less than 80 per cent. of the middle-market quotation of a LSEG Share as derived from the London Stock Exchange Daily Official List for the dealing day immediately prior to the invitation date (or, where the share scheme committee so determines, 80 per cent. of the average of the middle-market quotation of a LSEG Share on the three dealing days immediately prior to the invitation date). The exercise price will normally be expressed in sterling but the remuneration committee has the power to express it in a nominated currency.

Cessation of employment

Options will normally lapse if a participant ceases employment before it becomes exercisable. However, an option may be exercised early over the number of Existing Shares that may be acquired using the proceeds of the partially completed savings contract plus any interest that has accrued where the participant leaves employment by reason of death, injury, disability, redundancy, retirement, the business or part of the business in which the participant is employed is being transferred to a transferee which is not a member of LSEG or any other reason at the remuneration committee's discretion.

Variation of share capital

In the event of any capitalisation issue, rights issue, subdivision, consolidation or reduction of LSEG's share capital, the number of Existing Shares under option and/or the exercise price may be adjusted by the remuneration committee.

Dilution Limits

No option may be granted under the International Sharesave Plan if it would cause:

(i) the number of Existing Shares issued or issuable pursuant to options and rights granted in the preceding 10 years under any LSEG employee share plans, or which have been issued in the preceding 10 years under any such plans, to exceed 10 per cent. of LSEG's issued share capital at the proposed date of grant; or

(ii) the number of Existing Shares issued or issuable pursuant to options and rights granted in the preceding five years under any LSEG employee share plans, or which have been issued in the preceding five years under any such plans, to exceed five per cent. of LSEG's issued share capital at the proposed date of grant.

Options may be granted under the International Sharesave Plan over Existing Shares, and the percentage limits stated above will not apply to Existing Shares already on issue, except (for so long as institutional shareholder guidelines so recommend) to the extent that they are treasury shares.

Amendments

The provisions governing eligibility requirements, equity dilution, the basis for determining participants' entitlements, the rights attaching to shares and the adjustments that may be made following a rights issue or any other variation of capital cannot be altered to the advantage of eligible employees or option holders without the prior approval of LSEG Shareholders in general meeting (except for minor amendments to benefit the administration of the International Sharesave Plan, to take account of a change in legislation or developments in the law affecting the International Sharesave Plan or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the International Sharesave Plan or for any member of the group).

(f) *SAYE Option Scheme*

The SAYE Option Scheme was approved by LSEG Shareholders in March 2000 and is now closed to further grants. Prior to closure, all employees, including LSEG Executive Directors, were eligible to participate in the SAYE Option Scheme. Under the rules of the SAYE Option Scheme, participants are granted an option and can save up to £250 each month for a period of three or five years in a linked savings account. Savings plus interest are used to acquire Existing Shares on exercise of the related option. The options may be granted at an exercise price which represents a 20 per cent. discount to market value at the start of the savings period. No performance conditions are attached to SAYE options.

No options are held under the SAYE Option Scheme by current LSEG Directors who will sit on the Mergeco Board.

(g) *LSEG Individual LTIPs for Kevin Milne and Antoine Shagoury*

The terms of the LSEG Individual LTIPs for Kevin Milne and Antoine Shagoury are the same as the terms of the LSEG LTIP summarised in paragraph 9.2 of Part 13—"Directors and officers of Mergeco".

(h) *TRM2 Plan*

The TRM2 Plan was introduced in August 2009 and is now closed to further grants. One-third of the awards have vested and the remaining two-thirds vest three years after the date of grant, to the extent the performance conditions are met. The performance conditions broadly relate to the system performance, cost of production and speed of delivery of the information technology system implementing phase two of LSEG's technical roadmap. Where a participant ceases employment prior to the vesting date or the performance conditions are not satisfied, the awards will lapse.

In the event of a change of control of LSEG, a voluntarily winding-up or a demerger, dividend *in specie* or super-dividend, awards will vest to the extent the performance conditions have been satisfied. On an internal reorganisation, awards will not vest unless the remuneration committee determines otherwise, and shall be rolled-over into awards over shares in the new holding company.

No awards are held under the TRM2 Plan by current LSEG Directors who will sit on the Mergeco Board.

(i) *ESOS*

The ESOS was approved by LSEG Shareholders in July 2002 and is now closed to further grants. Options granted under the ESOS are exercisable as all relevant conditions, including the performance conditions, have been met. As a result, no options remain unvested under the ESOS.

No options are held under the ESOS by current LSEG Directors who will sit on the Mergeco Board.

(j) *Initial and Annual Share Plans*

The Initial and Annual Share Plans were approved by LSEG Shareholders in November 2000 and are now closed to further grants. All options and awards have vested and will lapse, to the extent not exercised, 10 years from the date of grant.

No options or awards are held under the Initial and Annual Share Plans by current LSEG Directors who will sit on the Mergeco Board.

9. Other interests

9.1 Other than current or former directorships of LSEG Group, during the five years immediately prior to the date of this document, the Non-Continuing Directors and the LSEG Senior Managers have been members of the administrative, management or supervisory bodies or partners of the companies or partnerships (excluding any member of the LSEG Group of which they are also a member of the administrative, management or supervisory bodies) specified below:

Non-Continuing Directors

Baroness Janet Cohen—current directorships are as follows: Proudfoot Trustees Limited, The Cambridge Arts Theatre Trust Limited, Roof Garden Restaurants Limited and OLDCO 190308 Limited. Former directorships are as follows: BPP Holdings Plc, TRL Electronics Limited, Freshwater UK Plc, Trillium Partners Limited and Management Consulting Group Plc.

Sergio Ermotti—current directorships are as follows: EMEA UBS. Former directorships are as follows: Unicredit Group.

Paolo Scaroni—current directorships are as follows: ENI S.P.A., Assicurazioni Generali-Societa Per Azioni, Veolia Environment SA and Fondazione Teatro Alla Scala. Former directorships are as follows: Alliance Unichem Plc.

Doug Webb—current directorships are as follows: Segro Public Limited Company. Former directorships are as follows: ASAP Calibration Services Limited, Qinetiq Group Plc, Qinetiq Overseas

Holdings Limited, Qinetiq Corporate Finance Limited, Qinetiq Partnership Finance Limited, Qinetiq Holdings Limited, Qintetiq Limited, Qinetiq Investments Limited, Qinetiq Targer Services Limited, Qinetiq Overseas Trading Limited, Metrix UK Limited, Tarsier Limited, Humanomix Limited and Optasense Limited.

LSEG Senior Managers

David Lester—current directorship: FTSE International Limited. Has no former directorships.

Kevin Milne—current directorships: Due Diligence Reports Limited, London Skolars Limited and Serenity Foundation. Former directorships are as follows: SS&C Technologies Inc., Financial Models Corporation Limited, Xtracker Limited, AIBD Limited, Association of International Bond Dealers Limited, ICMA Limited, International Bond Market Association (UK) Limited, International Capital Market Association Limited, International Securities Association Limited, IPMA Limited, ISMA (Holdings) Limited, ISMA Limited, TRAX Limited, TRAX2 Limited, OMR Systems—United Kingdom and WWCBA Limited.

Antoine Shagoury—has no current directorships. Former directorship is as follows: American Stock Exchange (now NYSE Euronext).

Tony Weeresinghe—has no current or former directorships.

Other than current or former directorships of TMX Group Inc., during the five years immediately prior to the date of this document, the TMX Group Senior Managers have been members of the administrative, management or supervisory bodies or partners of the companies or partnerships (excluding any member of TMX Group Inc. of which they are also a member of the administrative, management or supervisory bodies) specified below:

TMX Group Senior Managers

Kevan Cowan—current directorship: Toronto Financial Services Alliance. Has no former directorships.

Brenda Hoffman—has no current or former directorships.

Mary Lou Hukezalie—has no current or former directorships.

Peter Krenkel—has no current or former directorships.

Alain Miquelon—current directorships: International Financial Centre of Montréal, Finance Montréal, Canadian INSEAD Foundation and Lighthouse Children & Families. Former directorships are as follows: Fortsum Business Solutions.

Sharon Pel—has no current or former directorships.

Eric Sinclair—current directorship: Frontier College Foundation. Has no former directorships.

9.2 Baroness Cohen is a director of OLDCO 190308 Limited (incorporated in England and Wales). OLDCO 190308 Limited entered into administration on 3 September 2009. On 29 July 2010, the administration ended and on the same day OLDCO 190308 Limited entered into voluntary creditors liquidation. The liquidation is ongoing.

9.3 Each of the Non-Continuing Directors and LSEG Senior Managers can be contacted at LSEG's registered office, and the TMX Group Senior Managers can be contacted at TMX Group Inc.'s registered office.

9.4 None of the Non-Continuing Directors or the LSEG Senior Managers has any business interests nor performs any activities outside LSEG that are significant with respect to LSEG, and none of the TMX Group Senior Managers has any business interests or performs any activities outside TMX Group that are significant with respect to TMX Group.

9.5 At the date of this document, none of the Non-Continuing Directors, the LSEG Senior Managers or the TMX Group Senior Managers (except as set out in paragraph 9.2 above) have during the last five years:

(a) been convicted in relation to a fraudulent offence;

(b) been associated with any bankruptcies, receiverships or liquidations while acting in the capacity of a member of administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company;

(c) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies); or

(d) been disqualified by court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company.

9.6 None of the Non-Continuing Directors or LSEG Senior Managers has had any interest, whether direct or indirect in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of LSEG and which taken as a whole was effected by LSEG in the current or two immediately preceding financial years of LSEG or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

9.7 None of the TMX Group Senior Managers has had any interest, whether direct or indirect in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of TMX Group and which taken as a whole was effected by TMX Group in the current or two immediately preceding financial years of TMX Group or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

9.8 No Non-Continuing Director or LSEG Senior Manager has any potential conflicts of interest between his duties to LSEG and any private interests or other duties.

9.9 No TMX Group Senior Manager has any potential conflicts of interest between his duties to Mergeco and any private interests or other duties.

9.10 There are no family relationships between any of the Non-Continuing Directors, LSEG Senior Managers and TMX Group Senior Managers.

10. Significant Shareholders

10.1 *LSEG significant shareholders*

As at the LSEG Latest Practicable Date, LSEG had been notified of the following holdings of interests in the capital of LSEG or voting rights (as defined in the Disclosure and Transparency Rules) directly or indirectly in respect of 3 per cent. or more of LSEG's issued share capital as set out in the table below.

Name	% of LSEG's issued ordinary share capital	Number of shares of LSEG's issued ordinary share capital
Borse Dubai Limited	20.6	56,966,856
Qatar Investment Authority	15.08	41,700,652
Unicredito Italiano S.p.A.	5.95	16,619,419
Intesa Sanpaolo S.p.A.	5.33	14,900,214
FIL Limited	5.02	13,610,542
Legal & General Group plc	4.99	13,530,071

10.2 *Mergeco significant shareholders*

At Completion, existing LSEG Shareholders will hold approximately 55 per cent., while former TMX Group Shareholders will hold approximately 45 per cent. of the outstanding publicly held equity interests in the Merged Group.

As at the LSEG Latest Practicable Date, and insofar as LSEG is aware, the following interests will represent, directly or indirectly, 3 per cent. or more of the issued share capital of Mergeco (or voting rights as defined in the Disclosure and Transparency Rules) following Completion:

Name	% of Mergeco's enlarged issued ordinary share capital following Completion(1)	Number of shares of Mergeco's enlarged issued ordinary share capital following Completion
Borse Dubai Limited	11.5	56,966,856
Qatar Investment Authority	8.4	41,700,652
Unicredito Italiano S.p.A.	3.4	16,619,419
Intesa Sanpaolo S.p.A.	3.0	14,900,214

(1) Based on LSEG's and TMX Group Inc.'s issued share capital as at the LSEG Latest Practicable Date and assuming that no options to acquire Existing Shares are exercised or Existing Shares issued under the LSEG Employee Share Plans and no options to acquire TMX Group Inc. shares are exercised between the LSEG Latest Practicable Date and Admission of the New Shares.

Under Canadian law, shareholder disclosure is only required by a person acquiring beneficial ownership of, or the power to exercise control or direction over, voting or equity securities of any class of a reporting issuer that, together with the securities of that class already owned by such person or company, would constitute 10 per cent. or more of the outstanding securities of that class. Following Admission, the Disclosure and Transparency Rules will apply to all Mergeco Shareholders and Exchangeable Shareholders, including former TMX Group Inc. Shareholders. As such, any former TMX Group Inc. Shareholders who have a notifiable interest in holdings of 3 per cent. or above of the Mergeco Group's publicly held equity interests will be required to disclose such holding promptly following Admission.

10.3 To the knowledge of the LSEG Directors, other than as set forth above, following the Effective Date, there will be no person or company that beneficially owns, directly or indirectly, or exercises control or direction over, voting securities of Mergeco carrying 10 per cent. or more of the voting rights attached to any class of voting securities of the Merged Group.

10.4 The LSEG significant shareholders have identical voting rights to all other LSEG Shareholders.

10.5 LSEG is not aware of any person who can currently or who will, directly or indirectly, jointly or severally, own or exercise control over LSEG.

11. Subsidiaries and associated undertakings

The current significant Subsidiaries and other undertakings of LSEG and TMX Group Inc. are set out in the tables below. Unless expressly stated below, each of these companies is directly or indirectly wholly-owned by LSEG or TMX Group Inc., the issued share capital is fully paid, and are, in the case of LSEG, incorporated in England and Wales and, in the case of TMX Group Inc., incorporated in the Province of Ontario and the registered offices of each of the companies are either, in the case of LSEG, at 10 Paternoster Square, London EC4M 7LS or, in the case of TMX Group Inc., at The Exchange Tower, 130 King Street West, Toronto, M5X 1J2. There is no difference between the proportion of ownership interest and the proportion of voting power held.

Name	Principal activity	Proportion of ownership (for each class of share as applicable)/ voting rights (if any)	Jurisdiction of incorporation
Held directly by LSEG			
London Stock Exchange plc	RIE	100	England and Wales
London Stock Exchange Group Holdings (Italy) Limited	Holding company	100	England and Wales
London Stock Exchange Group Holdings Limited	Holding company	100	England and Wales
London Stock Exchange Group Holdings (R) Limited	Holding company	100	England and Wales

Name	Principal activity	Proportion of ownership (for each class of share as applicable)/ voting rights (if any)	Jurisdiction of incorporation
Held indirectly by LSEG			
Borsa Italiana S.p.A.	Recognised investment exchange	99.99	Italy
Cassa di Compensazione e Garanzia S.p.A.	CCP for clearing	86.36	Italy
Monte Titoli S.p.A.	Pre-settlement, settlement and centralised custody	98.80	Italy
Società per il Mercato dei Titoli di Stato Borsa Obbligazionaria Europea S.p.A.	Wholesale fixed income bonds	60.37	Italy
Millennium Information Technologies Limited	IT solutions provider	100	Sri Lanka
Turquoise Global Holdings Limited	Trading facility	51	England and Wales
Euro MTS Limited	Wholesale fixed income bonds	60.37	England and Wales
Held directly by TMX Group Inc.			
TSX Inc.	Senior listings	100	Ontario
Natural Gas Exchange Inc.	Natural Gas, electricity and crude oil trading and clearing	100	Canada
The Equicom Group Inc.	Investor relations services	100	Ontario
Shorcan Brokers Limited	Fixed income IDB	100	Ontario
Montréal Exchange Inc	Derivatives Exchange	100	Quebec
Held indirectly by TMX Group Inc.			
TSX Venture Exchange Inc.	Junior listings, trading and data	100	Alberta
CanDeal.ca Inc.	Institutional debt trading	47	Ontario
Shorcan Energy Brokers Inc.	Inter-participant for energy products	100	Ontario
Alberta Watt Exchange Limited	Electricity procurement services	100	Alberta
Canadian Derivatives Clearing Corporation	Derivatives clearing	100	Canada
Boston Options Exchange Group, LLC	Equity options market	53.8	Delaware

12. Principal establishments

Leasehold properties

Property	Location	Demise:	Sq ft	Annual rent
10 Paternoster Square	London	Whole building	224,090[(1)]	£12,454,630
The Exchange Tower 130 King Street West	Toronto	Part building	139,835	C$3,027,577
Palazzo Mezzanotte, Piazza Affari	Milan	Whole building	107,639	£2,880,551[(2)]
800 Victoria Square	Montreal	Part building	57,121	C$1,150,138
300–5th Avenue SW	Calgary	Part building	1,680	C$308,660
140–4th Avenue SW	Calgary	Part building	8,345	C$502,480
650 West Georgia Street	Vancouver	Part building	30,183	C$618,715.50
1 Millennium Drive	Colombo Malabe, Sri Lanka	Campus	107,810[(3)]	£11,558

Notes:

(1) Approximately 112,000 sq ft is sublet by LSEG to various tenants.

(2) Rent increases to £4,574,432 pa from January 2012.

(3) Principal office space, approximately 16 acres total campus area.

LSEG also has three freehold properties, two in London EC2 and one in the semi-centre of Milan, with an aggregate area of approximately 213,000 sq ft.

TMX Group also rents three properties in the downtown Toronto area and a property in the greater Toronto area.

13. Investments

LSEG's investments in joint ventures, associates and Subsidiary undertakings are shown in the annual reports for the years ended 31 March 2011, 2010 and 2009, on pages 84 to 85, 81 to 83 and 73 to 75 respectively, and are incorporated by reference herein.

Throughout the three years ended 31 March 2011, LSEG has held an available for sale investment of £0.4 million, representing the cost of LSEG's 0.6 per cent. investment in the unlisted ordinary shares of Euroclear plc. The value of these shares cannot be reliably measured as they are unquoted.

Other than in respect of the Merger, LSEG has not made any firm material commitments concerning principal investments in progress or any future investments by LSEG in the current financial year.

14. Capitalisation and indebtedness

LSEG

The following tables set out the capitalisation and indebtedness as at 31 March 2011, prepared under IFRS, of LSEG on a consolidated basis:

Capitalisation

	As at 31 March 2011
	£m
Current debt:	
— Guaranteed	—
— Secured	—
— Unguaranteed/unsecured	0.1
Total	**0.1**
Non-current debt (excluding current portion of long-term debt):	
— Guaranteed	—
— Secured	—
— Unguaranteed/unsecured(2)	499.0
Total	**499.0**
Shareholders' equity:	
— Share capital	18.8
— Capital redemption reserve	514.2
— Reverse acquisition reserve	(512.5)
— Merger reserve	1,304.3
Total(1)	**1,324.8**

Notes:

(1) The total shareholders' equity disclosed above excludes other reserves of £375.0 million (comprising foreign exchange translation reserve and hedging reserve) and retained earnings/(loss) of £(662.9) million.

(2) Unguaranteed/unsecured non-current debt excludes the fair value of the LSEG Group's derivatives.

Between 31 March 2011 and the LSEG Latest Practicable Date, there has been no material change in the capitalisation of LSEG.

Indebtedness

The following table sets out the net financial indebtedness of LSEG as at 31 March 2011:

	As at 31 March 2011
	£m
Cash and cash equivalents (including restricted cash)	267.0
Trading securities	—
Liquidity	**267.0**
Current financial receivable	
Current bank debt	(0.1)
Current portion of non-current debt	—
Other current financial debt	—
Current financial debt	**(0.1)**
Net current financial indebtedness	**266.9**
Non-current bank loans	—
Bonds issued	(499.0)
Other non-current loans	—
Non current financial indebtedness	**(499.0)**
Net financial indebtedness[1]	**(232.1)**

Note:

1. Net financial indebtedness excludes the fair value of the LSEG Group's derivatives.

LSEG had no indirect or contingent or other indebtedness as at 31 March 2011.

TMX Group

The following tables set out the capitalisation and indebtedness as at 31 March 2011, prepared under IFRS, of TMX Group Inc. on a consolidated basis:

Capitalisation

	As at 31 March 2011
	£m
Current debt:	
— Guaranteed	—
— Secured	—
— Unguaranteed/unsecured	275.7
Total	**275.7**
Non-current debt (excluding current portion of long-term debt):	
— Guaranteed	—
— Secured	—
— Unguaranteed/unsecured	0.6
Total	**0.6**
Shareholders' equity:	
— Share capital	619.9
— Capital redemption reserve	7.4
— Redemption acquisition reserve	—
— Merger reserve	—
Total[1]	**627.3**

Note:

(1) The total shareholders' equity disclosed above excludes other deficits of £2.8 million (comprising foreign exchange translation reserve) and retained earnings of £87.0 million.

Between 31 March 2011 and the LSEG Latest Practicable Date, there has been no material change in the capitalisation of TMX Group.

Indebtedness

The following table sets out the net financial indebtedness of TMX Group as at 31 March 2011:

	As at 31 March 2011
	£m
Cash and cash equivalents (including restricted cash)	54.0
Trading securities	188.1
Liquidity	**242.1**
Current financial receivable	**—**
Current bank debt	(275.2)
Current portion of non-current debt	—
Other current financial debt	(0.5)
Current financial debt	**(275.7)**
Net current financial indebtedness	**(33.6)**
Non-current bank loans	—
Bonds issued	—
Other non-current loans	(0.6)
Non current financial indebtedness	**(0.6)**
Net financial indebtedness(1)	**(34.2)**

Note:

(1) Net financial indebtedness excludes the fair value of TMX Group's derivatives.

TMX Group had no indirect or contingent or other indebtedness as at 31 March 2011.

15. Significant changes

There has been no significant change in the financial or trading position of the LSEG Group since 31 March 2011, the date to which the historical financial information incorporated by reference into Part 16—"Historical financial information relating to the LSEG Group" of this document has been prepared.

There has been no significant change in the financial or trading position of TMX Group since 31 March 2011, the date to which the historical financial information set out in Part 17—"Historical financial information relating to TMX Group" has been prepared.

16. Material contracts of the LSEG Group

In addition to the summary of the Merger Agreement (see Part 9—"Summary of Merger Agreement"), set out below is a summary of each contract entered into by any member of the LSEG Group outside of the ordinary course of business: (i) within the two years immediately preceding the date of this document and which is or may be material to the LSEG Group; or (ii) which contains any provision under which any member of the LSEG Group has any obligation or entitlement which is material to the LSEG Group as at the date of this document.

(a) On 4 July 2006 LSEG issued £250 million in aggregate principal amount of 5.875 per cent. notes due in 2016. The 2016 Notes are constituted by a trust deed dated 7 July 2006 made between LSEG and HSBC Trustee (C.I.) Limited and the coupon-holders. The 2016 Notes were issued on the following terms:

   (i) interest on the 2016 Notes is payable semi-annually in arrears in equal amounts on 7 January and 7 July of each year, at the rate of 5.875 per cent. of the principal amount. Under the terms of the 2016 Notes, the interest payable on the 2016 Notes will be increased or decreased in the event of a change in the credit rating assigned to the 2016 Notes at present the interest payable is at the rate of 6.125 per cent. of the principal amount;

   (ii) the 2016 Notes may be redeemed at the option of LSEG, in whole but not in part, at any time at a price which is the higher of the principal amount of the 2016 Notes and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015;

(iii) if a change of control in LSEG or London Stock Exchange occurs and, within 120 days thereafter, the credit rating of the 2016 Notes is downgraded from an investment grade credit rating to a non-investment grade credit rating or withdrawn, each 2016 Note may be redeemed at the option of each note-holder at a price which is the higher of the principal amount of the 2016 Note and an amount calculated by reference to the yield of the 4.75 per cent. UK Government Treasury Stock 2015, plus 1.18 per cent.;

(iv) the 2016 Notes are unsecured and unsubordinated obligations of LSEG and rank equally in right of payment with LSEG existing and future unsecured and unsubordinated obligations;

(v) the net proceeds from the issue are to be used by LSEG in order to refinance its indebtedness and for the LSEG's general corporate purposes; and

(vi) the terms and conditions applicable to the 2016 Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default. The 2016 Notes are governed by English law.

(b) LSEG has the following facility agreements:

(i) 2008 Facility Agreement—the 2008 Facility Agreement contains normal market terms, including:

(A) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any) and a commitment fee is payable on undrawn commitments;

(B) repayment of the 2008 Facility Agreement is by way of single lump sum repayment on the final maturity date;

(C) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG;

(D) customary covenants which restrict LSEG, and in certain cases its Subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (i) creating security; (ii) disposing of assets; (iii) proposing mergers; (iv) substantially changing the general nature of the business of LSEG; and (v) incurring Subsidiary borrowings; and

(E) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG, as well as two financial covenants (debt and interest cover).

(ii) 2010 Facility Agreement—the 2010 Facility Agreement contains normal market terms, including:

(A) borrowings bear interest at a floating rate (EURIBOR/LIBOR) plus a fixed margin and mandatory costs (if any). In addition, a commitment fee is payable on undrawn commitments and a utilisation fee is payable calculated on the amount of borrowings under the 2010 Facility Agreement;

(B) repayment of the 2010 Facility Agreement is by way of single lump sum repayment on the final maturity date;

(C) provisions relating to mandatory prepayment and cancellation on a change of control of LSEG;

(D) customary covenants which restrict LSEG, and in certain cases its Subsidiaries, from time to time (subject to agreed exceptions and materiality carve outs) from, amongst other things: (i) creating security; (ii) disposing of assets; (iii) proposing mergers; (iv) substantially changing the general nature of the business of LSEG; and (v) incurring Subsidiary borrowings; and

(E) the usual representations and warranties, information undertakings, general undertakings and events of default for an investment grade credit such as LSEG, as well as two financial covenants (debt and interest cover).

(iii) CC&G credit facility agreements—these are available specifically to CC&G as CCP to the Italian markets to support liquidity requirements in the clearing and settlement cycle on the following basis:

(A) €1,000 million of credit lines are made available by major Italian commercial banks to support the intra-day liquidity requirements of the MTS markets. These facilities re-finance positions taken by the Bank of Italy to settle an exposure created by the default of a market participant. The facilities are uncommitted with terms and conditions appropriate for on-demand facilities and are subject to a tri-partite framework between CC&G, the commercial banks and Bank of Italy;

(B) €200 million of committed credit lines are provided by major Italian commercial banks to support the short-term liquidity requirements of the CCP's broader market clearing activities. The terms and conditions are appropriate for back-up facilities of this nature; and

(C) these credit facilities are maintained, but are rarely called upon, with only one instance of utilisation in the period since the merger between LSEG and Borsa Italiana S.p.A. to support the liquidity requirements of the CCP.

(c) On 16 June 2009, LSEG issued £250 million in aggregate principal amount of 9.125 per cent. notes due in 2019. The 2019 Notes are constituted by a trust deed dated 18 June 2009 made between LSEG and HSBC Corporate Trustee Company (UK) Limited and the coupon-holders. The 2019 Notes were issued on the following terms:

(i) interest on the 2019 Notes is payable semi-annually in arrears in equal amounts on 18 April and 18 October of each year, at the rate of 9.125 per cent. of the principal amount. Under the terms of the 2019 Notes, the interest payable on the 2019 Notes will be increased or decreased in the event of a change in the credit rating assigned to the 2019 Notes at present the interest payable is at the rate of 9.125 per cent. of the principal amount;

(ii) the 2019 Notes may be redeemed at the option of LSEG in whole but not in part at any time at a price which is the higher of the principal amount of the 2019 Notes and an amount calculated by reference to the yield of the 4.5 per cent. UK Government Treasury Stock 2019;

(iii) if a change of control in LSEG or London Stock Exchange occurs and, within 120 days thereafter, the credit rating of the 2019 Notes is downgraded from an investment grade credit rating to a non investment grade credit rating or withdrawn, each 2019 Note may be redeemed at the option of each note-holder at a price which is the higher of the principal amount of the 2019 Notes and an amount calculated by reference to the yield of the 4.5 per cent. UK Government Treasury Stock 2019 plus 5.15 per cent.;

(iv) the 2019 Notes are unsecured and unsubordinated obligations of LSEG and rank equally in right of payment with LSEG existing and future unsecured and unsubordinated obligations;

(v) the net proceeds from the issue are to be used by LSEG in order to refinance its indebtedness and for LSEG's general corporate purposes; and

(vi) the terms and conditions applicable to the 2019 Notes also contain, *inter alia*, a negative pledge, redemption and purchase provisions and events of default. The 2019 Notes are governed by English law.

17. Material contracts of TMX Group

In addition to the summary of the Merger Agreement (see Part 9—"Summary of the Merger Agreement"), set out below is a summary of each contract entered into by TMX Group Inc. or one of its Subsidiaries outside of the ordinary course of business: (i) within the two years immediately preceding the date of this document and which is or may be material to TMX Group; or (ii) which contains any provision under which TMX Group Inc. or one of its Subsidiaries has an obligation or entitlement which is material to TMX Group as at the date of this document.

Credit agreement dated as of 18 April 2008, as amended (the "***TMX Group Credit Agreement***"), between TMX Group Inc. and a syndicate of financial institutions which provided for a non-revolving three-year term unsecured credit facility of C$430 million. TMX Group Inc. entered into the TMX Group Credit Agreement in connection with the MX Combination. In addition, TMX Group Inc. also established a revolving three-year unsecured credit facility of C$50 million with the same syndicate of financial

institutions which was cancelled as of 31 March 2011. Following a non-material amendment made on 1 December 2010, on 31 March 2011, TMX Group Inc. entered into an agreement to amend the TMX Group Credit Agreement (the "***TMX Group Credit Agreement Amendment***") to extend the maturity date of the non-revolving term credit facility to the earlier of: (i) 31 March 2012; and (ii) 180 days after the earlier of: (A) the date on which the Merger is terminated or otherwise expired or is cancelled or abandoned; or (B) Completion. TMX Group Inc. has the option to extend the maturity date, as determined under the TMX Group Credit Agreement Amendment, by a further 180 day period.

18. Litigation

Save as described in the following paragraph, there are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which LSEG is aware) that, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on LSEG's or one of its Subsidiaries' financial position or profitability.

CC&G is a defendant in a lawsuit filed in October 2001 by a client of MIB against MIB for damages of not less than Italian Liras 12 billion (approximately €6.2 million) and against CC&G for joint liability with MIB in an amount to be determined. The claim against CC&G was based on extra-contractual liability (ex article 2043 of the Italian Civil Code) for an alleged mistake by CC&G in calculating the margins on the closing of the trading day of 12 September 2001. The alleged mistake would have had an impact on the portfolio of the plaintiff. CC&G has defended the action and has sought damages against the plaintiff for vexatious litigation. The proceedings entered into evidentiary hearings in March 2004 and have continued since that date. In September 2009, an expert nominated by the Court was appointed.

There are no governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which LSEG is aware) that, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on either TMX Group Inc.'s or any of its Subsidiaries' financial position or profitability.

19. Related party transactions

The related party transactions between LSEG and its Subsidiaries that were entered into during the financial years ended 31 March 2011, 2010 and 2009 are shown in the transactions with related parties notes in the annual reports for the years ended 31 March 2011, 2010 and 2009 on pages 99-100, 99 and 92 respectively and are incorporated by reference herein. During the period 1 April 2011 to the LSEG Latest Practicable Date, there were no new related party transactions other than a continuation of those described on pages 99-100 of the annual report for the year ended 31 March 2011.

20. Prior sales of Existing Shares

Other than Existing Shares issued under LSEG Employee Share Plans, no Existing Shares were issued during the 12 months prior to the date of this document.

21. Working capital statement

LSEG is of the opinion that, taking into account the Merged Group's cash resources and available bank facilities, the Merged Group has sufficient working capital for its present requirements, that is, for at least 12 months following the date of publication of this document.

22. Consents

22.1 PricewaterhouseCoopers LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its accountant's report in Part 18—"Unaudited pro forma financial information relating to the Merged Group", in the form and context in which it appears and has authorised the contents of those parts of this document, which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

22.2 KPMG LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of its accountant's report in Part 17B—"Accountant's report", in the form and context in which it appears and has authorised the contents of those parts of this document which comprise its reports for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

22.3 Morgan Stanley has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

22.4 Barclays Capital has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

22.5 RBC Capital Markets has given and not withdrawn its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

23. Costs

The aggregate costs and expenses payable by LSEG in connection with the Merger are estimated to amount to approximately £39.4 million.

24. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 65 Fleet Street, London, EC4Y 1HS during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission:

(a) the Memorandum and the LSEG Articles referred to in paragraph 5 within this Part 20—"Additional information";

(b) service agreements of all of the Executive LSEG Directors and letters of appointment of the LSEG Chairman and all of the Non-Executive LSEG Directors;

(c) the consent letters referred to in "Consents" in paragraph 22 within this Part 20—"Additional information";

(d) the report from KPMG LLP which is set out in Part 17—"Historical financial information relating to TMX Group";

(e) the report from PricewaterhouseCoopers LLP which is set out in Part 18—"Unaudited pro forma financial information relating to the Merged Group";

(f) the audited consolidated accounts of LSEG for the financial periods ended 31 March 2009, 31 March 2010 and 31 March 2011;

(g) the Merger Agreement;

(h) the LSEG Circular;

(i) the Mergeco Articles; and

(j) this document.

25. Checklist of LSEG documents incorporated by reference

Information incorporated by reference	Document reference	Page number in prospectus
Review of Corporate Governance 2011	The annual report and accounts of LSEG for the financial year ended 31 March 2011 (pages 40 to 47)	129
The audited consolidated financial information of LSEG for the financial year ended 31 March 2009 and the auditors' report thereon. The page numbers below refer to the relevant pages of LSEG's annual report for the financial year ended 31 March 2009: Consolidated profit and loss account—page 55; Consolidated balance sheet—page 56; Consolidated cash flow statement—page 57; Accounting policies—pages 58 to 61; Notes to the financial statements—pages 62 to 94; and Auditor's report—page 54.	Part 16—"Historical financial information relating to the LSEG Group"	225
The audited consolidated financial information of LSEG for the year ended 31 March 2010 and the auditors' report thereon. The page numbers below refer to the relevant pages of LSEG's annual report for the financial year ended 31 March 2010: Consolidated profit and loss account—page 60; Consolidated balance sheet—page 61; Consolidated cash flow statement—page 62; Accounting policies—pages 64 to 68; Notes to the financial statements—pages 69 to 101; and Auditor's report—page 59.	Part 16—"Historical financial information relating to the LSEG Group"	225
The audited consolidated financial information of LSEG for the year ended 31 March 2011 and the auditors' report thereon. The page numbers below refer to the relevant pages of LSEG's annual report for the financial year ended 31 March 2011: Consolidated income statement—page 64; Consolidated balance sheet—page 65; Consolidated cash flow statement—66; Accounting policies—pages 68 to 72; Notes to the financial statements—pages 68 to 101; and Auditor's report—page 63.	Part 16—"Historical financial information relating to the LSEG Group"	225

Dated: 1 June 2011

PART 21

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

2008 Facility Agreement	means a £250 million multi-currency revolving loan facility, which was made available on an unsecured basis to LSEG for general corporate purposes and for a period of five years by a syndicate of seven banks, with Lloyds TSB Bank plc acting as agent bank, pursuant to the terms of a facility agreement dated 24 July 2008 and maturing on 24 July 2013;
2010 Facility Agreement	means a £250 million multi-currency revolving loan facility, which was made available on an unsecured basis to LSEG for general corporate purposes and for a period of five years by a syndicate of nine banks, with Lloyds TSB Bank plc acting as agent bank, pursuant to the terms of a facility agreement dated 17 November 2010 and maturing on 17 November 2015;
2016 Notes	means LSEG's £250 million in aggregate principal amount of 5.875 per cent. notes due in 2016;
2019 Notes	means LSEG's £250 million in aggregate principal amount of 9.125 per cent. notes due in 2019;
ABS	means asset-backed securities;
Absolute TSR	means absolute total shareholder return;
Acquisition Proposal	means, other than the transactions contemplated by the Merger Agreement and other than any transaction involving only a party to the Merger Agreement and/or one or more of its respective wholly-owned Subsidiaries, any offer, proposal or inquiry from any person or group of persons, whether or not in writing and whether or not delivered to the shareholders of a party, after the date hereof, relating to: (a) any acquisition or purchase, direct or indirect, through one or more transactions, of: (i) the assets of that party and/or one or more of its Subsidiaries that, individually or in the aggregate, constitute 20 per cent. or more of the consolidated assets of that party and its Subsidiaries, taken as a whole, or which contribute 20 per cent. or more of the consolidated revenue of a party and its Subsidiaries, taken as a whole, or (ii) 20 per cent. or more of any voting or equity securities of that party or any one or more of its Subsidiaries that, individually or in the aggregate, contribute 20 per cent. or more of the consolidated revenues or constitute 20 per cent. or more of the consolidated assets of that party and its Subsidiaries, taken as a whole; (b) any takeover bid, tender offer or exchange offer that, if consummated, would result in such person or group of persons beneficially owning 20 per cent. or more of any class of voting or equity securities of that party; or (c) a plan of arrangement, scheme of arrangement, merger, amalgamation, consolidation, share exchange, share reclassification, business combination, reorganisation, recapitalisation, liquidation, dissolution or other similar transaction involving that party and/or any of its Subsidiaries whose assets or revenues, individually or in the aggregate, constitute 20 per cent. or more of the consolidated assets or revenues, as applicable, of that party and its Subsidiaries, taken as a whole;
Adjusted Earnings Per Share or ***AEPS***	means IFRS basic earnings per share adjusted to exclude the impact (including associated tax effect) of non-recurring items

	which are material by size and/or nature, impairment of goodwill and amortisation of acquired intangible assets;
adjusted operating profit	has the meaning given in Part 14—"Operating and financial review for the LSEG Group";
Admission	means the re-admission of the Existing Shares and the admission of the New Shares by the FSA (in its capacity as the UK Listing Authority), to listing on the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange becoming effective;
affiliate	has the meaning given in NI 45-106—*Continuous Disclosure Obligations* as adopted by the Canadian Securities Regulators;
Aggregate AEPS	means aggregate Adjusted Earnings Per Share;
AGM	means annual general meeting;
AIM	means the London Stock Exchange's market for smaller and growing companies;
AIM Italia	means Borsa Italiana's market for smaller and growing companies;
allowable capital loss	has the meaning given in Part 19—"Taxation";
Amended DSUs	means the TMX Group DSUs after the Effective Date, the terms of which have been amended to reflect: (i) a reference to Mergeco Shares in substitution for TMX Group Shares; and (ii) that the amount to be paid on redemption will be linked to the market price of a Mergeco Share as described in more detail in Part 13—"Directors and officers of Mergeco";
Amended RSUs	means the TMX Group RSUs and TMX Group Special Retention RSUs after the Effective Date, the terms of which have been amended to reflect: (i) a reference to Mergeco Shares in substitution for TMX Group Shares; and (ii) that the amount to be paid on redemption will be linked to the market price of a Mergeco Share as described in more detail in Part 13—"Directors and officers of Mergeco";
AMF	means Quebec's Autorité des marchés financiers;
Ancillary LSEG Resolutions	means, conditional on the passing of the LSEG Resolution and on, and with effect from, Completion: (a) ordinary resolutions to: (i) increase the aggregate maximum remuneration payable to non-executive directors of Mergeco (excluding the Chairman) from £1.5 million to £2.0 million; (ii) adopt a replacement authority for the Mergeco Directors to allot Mergeco Shares by reference to the issued share capital of LSEG as enlarged by the Merger; and (b) special resolutions to: (i) change the name of LSEG to "LTMX Group plc"; (ii) adopt a replacement share buy back authority by reference to the issued share capital of LSEG as enlarged by the Merger; and

(iii) adopt a replacement authority disapplying pre-emption rights in relation to allotments of Mergeco Shares for cash consideration by reference to the issued share capital of LSEG as enlarged by the Merger.

Ancillary Rights	means the Voting Rights, the Automatic Exchange Right and the Automatic Exchange Rights on Liquidation;
ARC	means an advance ruling certificate issued by the Commissioner under subsection 102(1) of the Competition Act in respect of the transactions contemplated by the Merger Agreement;
Arrangement Resolution	means the special resolution of the TMX Group Shareholders approving the Merger, which is to be considered at the TMX Group Meeting;
ARROW	means the FSA's Advanced, Risk-Responsive Operating Framework;
Articles of Arrangement	means the articles of arrangement of TMX Group Inc. in respect of the Merger to be filed with the OBCA Director after the Final Order is made, which shall be in form and content satisfactory to TMX Group Inc. and LSEG, each acting reasonably;
ASC	means the Alberta Securities Commission;
ASP	means application service provider;
ATS	means an alternative trading system;
ATT Only	means admission to trading only;
Authorisation	means any authorisation, order, permit, approval, grant, license, registration, consent, right, notification, condition, franchise, privilege, certificate, judgment, writ, injunction, award, determination, direction, decision, decree, by-law, rule or regulation, of, from or required by any Governmental Entity;
Automatic Exchange Right	has the meaning given in section 5.1 of the Voting and Exchange Trust Agreement;
Automatic Exchange Rights on Liquidation	means the benefit of the obligation of Mergeco to effect the automatic exchange of Exchangeable Shares for Mergeco Shares under the Voting and Exchange Trust Agreement in connection with the liquidation or insolvency of Mergeco;
Available Exchangeable Share Amount	has the meaning given in Part 8—"Description of the Merger";
BA	has the meaning given in Part 15—"Operating and financial review for TMX Group";
Baikal	means Baikal Global Limited;
Barclays Capital	means Barclays Capital, the investment banking division of Barclays Bank PLC;
BAX	means Three-Month Canadian Bankers Acceptance Futures;
BCSC	means the British Columbia Securities Commission;
Beneficiaries	has the meaning given in Part 12—"Exchangeable Share structure";
Black-Scholes	means an option pricing model;
BLB	means Banque Lehman Brothers S.A.;
BMO Capital Markets	means BMO Nesbitt Burns Inc;

BofA Merrill Lynch	means Merrill Lynch Canada Inc.,
Borsa Italiana	means Borsa Italiana S.p.A., a company incorporated in Italy and a Subsidiary of LSEG;
BOX	means Boston Options Exchange Group, LLC, a US operated equity options market;
BrokerTec	means the electronic IDB platform owned by ICAP;
BSE	means the Boston Stock Exchange Inc.;
Business Day	means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario or London, United Kingdom;
Call Rights	means, collectively, the Liquidation Call Rights, the Redemption Call Rights and the Retraction Call Rights;
Callco	means LSEG Callco Limited, a corporation existing under the laws of the province of Ontario or any successors thereto;
Callco Agreement	means an agreement to be made between LSEG, Exchangeco and Callco, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;
Canadian Director	means a director who is ordinarily resident in Canada, or if at least five directors are ordinarily resident in Canada, one may be a Canadian citizen who is not ordinarily resident in Canada, provided that, before the fourth anniversary of LSEG's undertakings to the OSC, such individual is ordinarily resident anywhere other than Europe;
Canadian dollars or ***C$*** or ***$***	means the lawful currency of Canada;
Canadian GAAP	means Canadian generally accepted accounting principles;
Canadian Resident	means a resident of Canada for the purposes of the Canadian Tax Act and who is not exempt from tax under Part I of the Canadian Tax Act, and includes a partnership any member of which is a Canadian Resident;
Canadian Securities laws	means the Securities Act, together with all other applicable provincial securities laws, rules and regulations and published policies thereunder;
Canadian Securities Regulators	means the BCSC, the ASC, the Saskatchewan Financial Services Commission, the Manitoba Securities Commission, the OSC, the AMF, the New Brunswick Securities Commission, the Superintendent of Securities of Prince Edward Island, the Nova Scotia Securities Commission, the Securities Commission of Newfoundland and Labrador, the Registrar of Securities of the Northwest Territories, the Registrar of Securities of the Yukon Territory, and the Registrar of Securities of Nunavut;
Canadian Tax Act	means the Income Tax Act (Canada) and the Income Tax Regulations;
CanDeal	means CanDeal.ca Inc.;
Capital Requirements Directive	means Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions;
CAREX	means Canadian Resources Exchange Inc.;

Cash	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
cash-generating unit or ***CGU***	has the meaning given in Part 15—"Operating and financial review for TMX Group";
CC	means the Competition Commission;
CC&G	means Cassa di Compensazione e Garanzia S.p.A., a Subsidiary of LSEG;
CCP	means central counterparty;
CDCC	means Canadian Derivatives Clearing Corporation;
CDEX	means CDEX Inc.;
CDS	means the clearing and depository service operated by CDS Clearing and Depository Services Inc. or Canadian Depositary for Securities Limited, as the context requires;
CEA	means the US Commodity Exchange Act;
Certificate of Arrangement	means the certificate of arrangement to be issued by the OBCA Director pursuant to section 183(2) of the OBCA in respect of the Articles of Arrangement;
CESR Recommendations	means the guidance issued in the Committee of European Securities Regulators' recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004;
CFD	means contract for difference;
CFTC	means the US Commodity Futures Trading Commission;
CGB	means Ten-Year Canada Government Bond Futures;
Change in Recommendation	means an LSEG Change in Recommendation or a TMX Group Change in Recommendation, as the context requires;
Chittagong Stock Exchange	means Chittagong Stock Exchange Limited;
CIBC Mellon	means CIBC Mellon Trust Company;
CIFRS	means Canadian International Financial Reporting Standards;
Circuit	means Circuit Technology Limited;
CME	means CMEG NYMEX Holdings Inc., formerly NYMEX Holdings Inc.;
Commissioner	means the Commissioner of Competition appointed under the Competition Act;
Companies Act	means the Companies Act 2006, including any statutory modification or re-enactment thereof;
Companies Act 1985	means the Companies Act 1985, including any statutory modification or re-enactment thereof;
Comparative TSR	means comparative total shareholder return;
Competition Act	means the Competition Act (Canada), as amended and the regulations promulgated thereunder;
Completion	means completion of the Merger;
Consideration	means the consideration to be received by the TMX Group Shareholders pursuant to the Plan of Arrangement as consideration for their TMX Group Shares, consisting of either

	2.9963 New Shares or 2.9963 Exchangeable Shares (and Ancillary Rights) per TMX Group Share;
CONSOB	means Commissione Nazionale per le Società e la Borsa;
Contract	means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding, joint venture, partnership or other right or obligation (written or oral) to which a party or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject;
Court	means the Ontario Superior Court of Justice (Commercial List);
CRA	means the Canada Revenue Agency;
CREST	means the system for the paperless settlement of trades in securities and the holding of uncertified securities operated by EUI in accordance with the Regulations;
CSA	means Canadian Securities Administrators, the national umbrella group representing Canada's securities regulators;
CSD	means central securities depository which is an entity that holds and administrates securities and enables securities transactions to be processed by book entry transfer;
CSD Regulation	means the consultation initiated by the European Commission in January 2011 on CSDs and on the harmonisation of certain aspects of securities settlement in the EU;
DCMC	means Discovery Capital Management Corp.;
DCMM	means Daily Capital Margin Monitoring;
DDM	means Diffusione Dati di Mercato, the platform which disseminates Borsa Italiana real-time data;
DDMplus	means Diffusione Dati di Mercato and is the data dissemination platform for Italian markets;
Declaring Party	means either of LSEG or TMX Group Inc., as the context requires;
Depositary	means Canadian Stock Transfer Company;
Derivatives	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
Directors	where used in the context of the sub-section entitled "Risk factors" in Part 1—"Summary" and Part 2—"Risk factors", means the LSEG Directors and, with respect to the Merged Group, the LSEG Directors and the Prospective Directors;
Disclosure and Transparency Rules	means the Disclosure and Transparency Rules made by the FSA pursuant to FSMA;
Dissenting Shareholder	means a TMX Group Shareholder who has filed a Notice of Dissent and has not voted for the Arrangement Resolution or withdrawn his or her objection;
Dividend Amount	means an amount equal to all declared and unpaid dividends on an Exchangeable Share held by a holder on any dividend record date which occurred prior to the date of purchase of such share by Callco from such holder;
Dodd-Frank Act	means the US Dodd-Frank Wall Street Reform and Consumer Protection Act;

DOL	means the Daily Official List produced by the London Stock Exchange;
DSU	means deferred share units;
EBITDA	means earnings before interest, tax, depreciation, amortisation, non-recurring items and investment income;
ECM	means exempt commercial market;
EDX	means EDX London Limited;
EEA	means the European Economic Area;
Effective Date	means the date shown on the Certificate of Arrangement giving effect to the Merger;
Effective Time	means 12:01 a.m. (Eastern time) on the Effective Date or such other time as the parties agree to in writing before the Effective Date;
EFT	means electronic funds transfer;
Elected Exchangeable Share Amount	has the meaning given in Part 8—"Description of the Merger";
Election Deadline	means 5:00 p.m. (Eastern time) at the place of deposit on the date indicated as the election deadline on the Letter of Transmittal and Election Form, which shall be not more than 10 days before the Effective Date;
Eligible Canadian Resident	means a TMX Group Shareholder who is (i) a Canadian Resident who is holding TMX Group Shares on its own behalf; or (ii) holding TMX Group Shares on behalf of a beneficial owner who is a Canadian Resident;
ELP	means electronic liquidity provider;
ELP Program	has the meaning given in Part 15—"Operating and financial review for TMX Group";
EMIR	means the proposed regulation of the European Parliament and the European Council on OTC derivatives, CCPs and trade repositories, also known as the European Market Infrastructure Regulation;
Enbridge	means Enbridge Inc.;
Energy	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
Enterprise Act 2002	means the Enterprise Act, including any statutory modification or re-enactment thereof;
EPS	means earnings per share;
EQS	means the European Quoting Service;
Equicom	means The Equicom Group Inc.;
ESOP	means the London Stock Exchange Group plc Employee Share Option Plan 2009;
ESOS	means the London Stock Exchange Executive Share Option Scheme;
ESPP	has the meaning given in Part 13—"Directors and officers of Mergeco";
ETC	means exchange-traded commodity;
ETD	means an exchange-traded derivative;
ETF	means exchange-traded fund;
ETFplus	means Borsa Italiana's funds market ETFplus;
ETN	means exchange-traded note;
EU	means the European Union;

EUI	means Euroclear UK and Ireland Limited;
EURIBOR	means Euro Interbank Offered Rate;
Euro or ***€***	means the official currency of the Eurozone;
EuroMTS	means a segment of the MTS cash market, which includes the most liquid Euro benchmark fixed income products;
European Commission	means the Commission of the European Union, originally constituted under Article 4 of the Treaty establishing the European Economic Community, signed in Rome on 25 March 1957;
European Parliament	means the Parliament of the European Union, originally constituted under Article 4 of the Treaty establishing the European Economic Community, signed in Rome on 25 March 1957;
Eurosystem	means the European central banks and the national central banks of the European Member States which have adopted the Euro;
Eurozone	means the subset of European countries who have adopted the Euro;
Excess EPS	has the meaning given in Part 13—"Directors and officers of Mergeco";
Exchange Ratio	means 2.9963;
Exchangeable Elected Share	means, subject to certain limitations, any TMX Group Share that a TMX Group Shareholder shall have validly elected (in a duly completed Letter of Transmittal and Election Form deposited with the Depositary no later than the Election Deadline) to transfer to Exchangeco under the Merger in exchange for fully paid and non-assessable Exchangeable Shares and Ancillary Rights, provided that at the Effective Time such electing TMX Group Shareholder is either: (i) a Canadian Resident holding such TMX Group Share on its own behalf; or (ii) holding such TMX Group Share on behalf of a beneficial owner thereof who is a Canadian Resident;
Exchangeable Share Alternative	means the exchange of Exchangeable Elected Shares for Exchangeable Shares and Ancillary Rights provided for in section 2.2(b) of the Plan of Arrangement;
Exchangeable Share Provisions	means the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares, which rights, privileges, restrictions and conditions are as set out in Exhibit 1 to the Plan of Arrangement;
Exchangeable Share Support Agreement	means an agreement to be made between LSEG, Exchangeco and Callco, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;
Exchangeable Share Voting Event	has the meaning given in Part 12—"Exchangeable Share structure";
Exchangeable Shareholders	means the holders of Exchangeable Shares and "Exchangeable Shareholder" shall mean any one of them;
Exchangeable Shares	means the exchangeable shares in the capital of Exchangeco, having substantially the rights, privileges, restrictions and conditions set out in Exhibit 1 to the Plan of Arrangement;

Exchangeco	means LSEG Exchangeco Limited, a corporation existing under the laws of the province of Ontario or any successors thereto;
Exchangeco Board	means the board of directors of Exchangeco as the same is constituted from time to time;
Existing Shares	means the 271,108,651 ordinary shares of $6\frac{79}{86}$ pence each in the capital of LSEG as at the LSEG Latest Practicable Date;
Existing Termination Payments	has the meaning given in Part 13—"Directors and officers of Mergeco";
EXPRESS II	means the net settlement service provided by Monte Titoli;
FBOT	means a foreign board of trade;
FCA	means Financial Conduct Authority;
Final Order	means the final order of the Court pursuant to section 182(5) of the OBCA, in a form acceptable to TMX Group Inc. and LSEG, each acting reasonably, approving the Merger, as such order may be amended by the Court (with the consent of both TMX Group Inc. and LSEG, each acting reasonably) at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both TMX Group Inc. and LSEG, each acting reasonably) on appeal;
financial statements	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
Financial Times	means Financial Times Limited;
free cash flow	has the meaning given in Part 14—"Operating and financial review for the LSEG Group";
FSA	means the Financial Services Authority;
FSA Handbook	means the FSA's handbook of rules and guidance;
FSMA	means the Financial Services and Markets Act 2000;
FTC	means the Federal Trade Commission;
FTSE	means FTSE International Limited;
FTSE 100	means the benchmark index calculated by FTSE comprising of the 100 most highly capitalised UK-domiciled blue chip companies;
FTSE 250	means the index calculated by FTSE comprising of 250 largest mid-capitalised companies not covered by the FTSE 100;
FTSE China	means the index calculated by FTSE which represents approximately 80 largest and most liquid Chinese stocks;
FTSE Index	means a series of indices calculated by FTSE comprising of UK-domiciled companies;
FTSE Italia Mid Cap	means the index calculated by FTSE comprising of the mid-capitalised companies of the Italian market;
FTSE MIB	means the index calculated by FTSE which measures the performance of 40 Italian equities and seeks to replicate the broad sector weights from the stocks trading on the Borsa Italiana main equity market. Analysed by size and liquidity, the index has appropriate sector representation;
FTSE Russia	means the index calculated by FTSE which represents the 15 largest and most liquid Russian companies trading on the IOB;

FTSE Small Cap Index means the index calculated by FTSE comprising of companies outside of the FTSE 100 and FTSE 250 indices;

functional currency has the meaning given in Part 17C—"Restated financial information relating to TMX Group";

FXI means Xinhua Finance Limited;

general prohibition has the meaning given in Part 10—"Regulation of the Merged Group";

Golden Copy means a master copy of data that is validated and verified from a number of independent sources;

Governmental Entity means: (i) any multinational, federal, provincial, territorial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, ministry, bureau or agency, domestic or foreign; (ii) except for the purposes of section 6.1(c) of the Merger Agreement, any stock exchange, including TSX and the London Stock Exchange; (iii) any subdivision, agent, commission, board or authority of any of the foregoing; or (iv) any quasi-governmental or private body, including any tribunal, commission, regulatory agency or self-regulatory organisation, exercising any regulatory, anti-trust, foreign investment, expropriation or taxing authority under or for the account of any of the foregoing;

gross dividend has the meaning given in Part 19—"Taxation";

Group where used in the context of the subsection entitled "Risk factors" in Part 1—"Summary" and Part 2—"Risk factors", means prior to Completion, the LSEG Group and, following Completion, the Merged Group;

Group Consolidation Rules means the rules set out in Chapter 8 of the FSA Prudential Sourcebook for Banks, Building Societies and Investment Firms which is part of the FSA Handbook;

Gulf Co-operation Council means the political and economic union of six Gulf States;

HMRC means Her Majesty's Revenue and Customs;

HSR Act means the Hart-Scott-Rodino Anti-trust Improvements Act of 1976 (US), as amended;

IAS means International Accounting Standards;

IAS 19 has the meaning given in Part 17C—"Restated financial information relating to TMX Group";

IASB means International Accounting Standards Board;

ICAP means ICAP plc;

ICE means IntercontinentalExchange, Inc.;

ICSD means a CSD that holds and administrates international securities and enables cross-border transactions to be processed by book entry transfer;

IDA means the Investment Dealers Association of Canada;

IDB means inter-dealer broker;

IDEM means the Italian Derivatives Market;

IDEM-Equity means the derivatives market for equity products operated by Borsa Italiana;

IDEX	means Borsa Italiana's derivatives market for power futures;
IFRIC	means the International Financial Reporting Interpretations Committee;
IFRIC 1	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
IFRIC 4	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
IFRS	means International Financial Reporting Standards as adopted for use in the EU;
IFRS 2	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
IFRS 3	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
IIROC	means the Investment Industry Regulatory Organization of Canada;
Indian Rupee or ***IRP***	means the lawful currency of India;
Infolect	means the information dissemination platform for London markets;
Initial and Annual Share Plans	means the London Stock Exchange Initial and Annual Share Plans;
Insolvency Act 1986	means the Insolvency Act 1986, including any statutory modification or re-enactment thereof;
insolvency event	has the meaning given in Part 12—"Exchangeable Share structure";
Interco	means LSEG Interco Limited, a company existing under the laws of England and Wales or any successors thereto;
Interim Order	means the interim order of the Court made pursuant to section 182(5) of the OBCA, in a form acceptable to TMX Group Inc. and LSEG, each acting reasonably, providing for, among other things, the calling and holding of the TMX Group Meeting, as the same may be amended by the Court with the consent of TMX Group Inc. and LSEG, each acting reasonably;
International Sharesave Plan	means the London Stock Exchange Group plc International Sharesave Plan 2008;
Invested Shares	has the meaning given in Part 13—"Directors and officers of Mergeco";
Investment Canada Act	means the Investment Canada Act, as amended;
Investment Canada Act Approval	means that the Minister of Industry shall have advised LSEG in writing that he or she is satisfied or is deemed to be satisfied that the transactions contemplated by the Merger Agreement are likely to be of "net benefit to Canada" and such approval has not been modified or withdrawn;
IOB	means an electronic order book service for international services;
IPO	means initial public offering;
ISDA	means the International Swaps and Derivatives Association;
ISIN	means international securities identification number;

ITCH	means a low-latency and low-bandwidth direct delivery protocol;
Jerseyco	means LSEG Jerseyco Trust Limited, a corporation existing under the laws of the Isle of Jersey or any successors thereto;
LCH.Clearnet	means LCH.Clearnet Limited;
Letter of Transmittal and Election Form	means the letter of transmittal and election form for use by TMX Group Shareholders with respect to the Merger, which shall be mailed to TMX Group Shareholders not less than 20 Business Days before the Effective Date;
LIBOR	means London Interbank Offered Rate;
Liquidation Call Rights	means has the meaning given in section 5.1(1) of the Plan of Arrangement;
Lira	means the official currency of Italy until 2002;
London Standard	means issuance of shares, global depositary receipts, debt and securitised derivatives that comply with EU minimum requirements;
London Stock Exchange	means London Stock Exchange plc, a Subsidiary of LSEG;
LSEG	means London Stock Exchange Group plc, a public limited company incorporated in England and Wales with registered number 5369106;
LSEG Articles	means the articles of association of LSEG;
LSEG Board	means the board of directors of LSEG as the same is constituted from time to time;
LSEG Chairman	means the chairman of the LSEG Board;
LSEG Change in Recommendation	means when: (i) the LSEG Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to TMX Group Inc. or fails to publicly reaffirm its recommendation of the Merger within five Business Days (and in any case prior to the LSEG Meeting) after having been requested in writing by TMX Group Inc. to do so, but in each case only until such time as the condition in section 6.1(d) of the Merger Agreement is satisfied; and (ii) the LSEG Board or a committee thereof shall have approved or recommended any Acquisition Proposal;
LSEG Circular	means the circular issued by LSEG in connection with the implementation of the Merger as required by the UK Listing Rules;
LSEG Control Transaction	shall be deemed to have occurred if: (a) any person, firm or corporation acquires (including by way of scheme of arrangement) directly or indirectly any voting security of LSEG and immediately after such acquisition, the acquirer has voting securities representing more than 50 per cent. of the total voting power of all the then outstanding voting securities of LSEG on a fully diluted basis; (b) the LSEG Shareholders shall approve a merger, consolidation, recapitalisation or reorganisation of LSEG, other than any such transaction which would result in the holders of outstanding voting securities of LSEG immediately prior to such transaction having at least 75 per cent. of the total voting power represented by the voting

securities of the surviving entity outstanding immediately after such transaction, with the voting power of each such continuing holder relative to such other continuing holders being not altered substantially in the transaction; and

(c) the LSEG Shareholders shall approve a liquidation of LSEG;

(d) LSEG agrees to sell or dispose of all or a substantial portion of its assets (i.e., 66⅔ per cent. or more in fair market value of the total assets of LSEG);

LSEG Directors means the current members of the LSEG Board and "LSEG Director" shall mean any one of them;

LSEG Employee Share Plans means the LSEG Performance Aligned Restricted Share Plan 2010, the LSEG Employee Share Option Plan 2009, the LSEG Long-Term Incentive Plan 2004, the LSEG International Sharesave Plan 2008, the MillenniumIT Share Award Plan, the LSEG Long-Term Incentive Plan for Xavier Rolet, the LSEG Long-Term Incentive Plan for Kevin Milne, the LSEG Long-Term Incentive Plan For Antoine Shagoury, the LSEG Initial and Annual Share Plans and the LSEG Executive Share Option Scheme;

LSEG Executive Directors means the current executive members of the LSEG Board and "LSEG Executive Director" shall mean any one of them;

LSEG Expense Fee means C$10,000,000 (inclusive of any amounts in respect of VAT, sales or turnover tax or any other similar tax, if applicable);

LSEG Group means LSEG and its current Subsidiaries as at the date of this document;

LSEG Individual LTIPs means, collectively, the Long-Term Incentive Plans for Xavier Rolet, Kevin Milne and Antoine Shagoury and "LSEG Individual LTIP" shall mean any one of them;

LSEG Latest Practicable Date means 30 May 2011 (being the latest practicable date prior to publication of this document);

LSEG LTIP means the London Stock Exchange Group plc Long Term Incentive Plan 2004;

LSEG Material Adverse Effect means any event, change, occurrence, effect or state of facts, that, individually or in the aggregate with other events, changes, occurrences, effects or states of facts is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, capital, property, obligations (whether absolute, accrued, conditional or otherwise) or financial condition of LSEG and its Subsidiaries taken as a whole, except any such event, change, occurrence, effect or state of facts resulting from or arising in connection with:

(a) any change or development affecting the industries in which LSEG and its Subsidiaries operate;

(b) any change or development in general economic, business or regulatory conditions or in global financial, credit, currency or securities markets;

(c) any change or development in global, national or regional political conditions (including any act of terrorism or any outbreak of hostilities or war or any escalation or worsening thereof) or any natural disaster;

(d) any adoption, proposed implementation or change in applicable law or any interpretation thereof by any Governmental Entity;

(e) any change in IFRS;

(f) the announcement of the entering into of the Merger Agreement;

(g) actions or inactions expressly required by the Merger Agreement or that are taken with the prior written consent of the applicable party;

(h) any change in the market price or trading volume of any securities of LSEG (it being understood, without limiting the applicability of paragraphs (a) through (g), that the causes underlying such changes in market price or trading volume may be taken into account in determining whether an LSEG Material Adverse Effect has occurred), or any suspension of trading in securities generally or on any securities exchange on which any securities of LSEG trades; or

(i) the failure, in and of itself, of LSEG to meet any internal or public projections, forecasts or estimates of revenues or earnings (it being understood, without limiting the applicability of paragraphs (a) through (g), that the causes underlying such failure may be taken into account in determining whether an LSEG Material Adverse Effect has occurred);

provided, however, that any such event, change, occurrence, effect or state of facts referred to in paragraphs (a), (b), (c), (d) or (e), above does not primarily relate only to (or have the effect of primarily relating only to) LSEG and its Subsidiaries taken as a whole, or disproportionately adversely affects LSEG and its Subsidiaries, taken as a whole, compared to other companies of similar size operating in the industries in which LSEG and its Subsidiaries operate (and for the purposes of this proviso, the term Governmental Entity in paragraph (d) above shall exclude LSEG). References in the Merger Agreement to dollar amounts are not intended to be and shall not be deemed to be illustrative or interpretative for purposes of determining whether a LSEG Material Adverse Effect has occurred;

LSEG Meeting means the general meeting of LSEG Shareholders, including any adjournment or postponement thereof, to be called to consider the LSEG Resolution and Ancillary LSEG Resolutions;

LSEG Non-Executive Directors means the current non-executive members of the LSEG Board and "LSEG Non-Executive Director" shall mean any one of them;

LSEG Record Date means 6:00 p.m. (local UK time) on 28 June 2011;

LSEG Resolution means the resolutions of the LSEG Shareholders:

(a) to approve the Merger; and

(b) to authorise the LSEG Directors pursuant to section 551 of the Companies Act to allot relevant securities up to a maximum aggregate nominal amount of £15,912,791 for the purposes of the Merger;

LSEG Senior Managers	means the senior managers of LSEG, being Kevin Milne, David Lester, Antoine Shagoury and Tony Weeresinghe and "LSEG Senior Manager" shall mean any one of them;
LSEG Share Alternative	means the exchange of Non-Rollover Shares for Existing Shares provided for in section 2.2(a) of the Plan of Arrangement;
LSEG Shareholder Approval	means the requisite approval by LSEG Shareholders of the LSEG Resolution;
LSEG Shareholders	means the holders of Existing Shares and "LSEG Shareholder" shall mean any one of them;
LSEG Termination Fee	means C$39,000,000 (inclusive of any amounts in respect of value added tax, sales or turnover tax or any other similar tax, if applicable);
LTIP	means long-term incentive plan;
MAC	means alternative capital market for smaller, growing companies which is operated by Borsa Italiana and is a Multilateral Trading Facility;
Main Market	means the main market for listed securities;
Maple	has the meaning given in Part 8—"Description of the Merger";
Material Contracts	means, in respect of a party any Contract: (i) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have an LSEG Material Adverse Effect or TMX Group Material Adverse Effect (as the case may be) on such party; (ii) under which such party or any of its Subsidiaries has directly or indirectly guaranteed any liabilities or obligations of a third party (other than ordinary course endorsements for collection) in excess of C$20,000,000 in the aggregate; (iii) relating to indebtedness for borrowed money, whether incurred, assumed, guaranteed or secured by any asset, with an outstanding principal amount in excess of C$20,000,000; (iv) relating to any Key Joint Venture (as such term is defined in the Merger Agreement); (v) under which such party or any of its Subsidiaries is obligated to make or expects to receive payments in excess of C$20,000,000 over the remaining term of the contract; or (vi) that is a collective bargaining agreement, a labour union contract or any other memorandum of understanding or other agreement with a union;
maturity date	has the meaning given in Part 20—"Additional information";
MCeX	means Montréal Climate Exchange Inc.;
Member State	means a member state of the EEA;
Memorandum of Association	means the memorandum of association of LSEG;
Mergeco	means LSEG following Completion, proposed to be re-named "LTMX Group plc" with effect from Completion;
Mergeco Articles	means the articles of association of Mergeco;
Mergeco Board	means the board of directors of Mergeco;
Mergeco Directors	means the members of the Mergeco Board and "Mergeco Director" shall mean any one of them;
Mergeco Shareholders	means the holders of Mergeco Shares and "Mergeco Shareholder" shall mean any one of them;

Mergeco Shares means the ordinary shares of $6\frac{79}{86}$ pence each in the capital of Mergeco (and, for the avoidance of doubt, includes the Existing Shares and the New Shares);

Merged Group means Mergeco and its Subsidiaries (and, for the avoidance of doubt, includes TMX Group);

Merger means the arrangement of TMX Group Inc. and LSEG under section 182 of the OBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Merger Agreement or the Plan of Arrangement or made at the direction of the Court in the Final Order (provided that any such amendment or variation is acceptable to both TMX Group Inc. and LSEG, each acting reasonably);

Merger Agreement means the merger agreement entered into on 9 February 2011 between TMX Group Inc. and LSEG, providing for, among other things, the terms and conditions on which the parties agree to complete the Merger, a copy of which was filed on SEDAR on 9 February 2011;

MI 61-101 means Multilateral Instrument 61-101—*Protection of Minority Security Holders in Special Transaction*, as adopted by certain Canadian Securities Regulators;

MIB means Banca Intermobiliare di Investimenti e Gestioni S.p.A.;

MIC means the interbank collateralised deposit market in Italy operated by Bank of Italy prior to the introduction of the New MIC in October 2010;

MiFID means Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments;

MiFID Review means the consultation initiated by the European Commission in December 2010 regarding proposed amendments to MiFID;

Millennium Exchange means the trading platform of MillenniumIT and is the platform is used by the UK cash markets and includes data dissemination;

MillenniumIT means Millennium Information Technologies Limited, a Subsidiary of LSEG;

Minister means the minister responsible for the Investment Canada Act;

MIV means the electronic market for investment vehicles for highly specialised investment entities operated by Borsa Italiana;

Monte Titoli means Monte Titoli S.p.A., a Subsidiary of LSEG;

Moody's means Moody's Investors Service, Inc.;

Morgan Stanley means Morgan Stanley & Co. Limited;

MOT means Mercato Obbligazionario Telematico;

MTA means Borsa Italiana's electronic markets on which shares, convertible bonds, warrants and option rights are traded;

MTA International means the market segment of MTA dedicated to the trading of shares in non-Italian issues already issued in other EU regulated markets;

MTA STAR means the market segment of MTA dedicated to midsize companies with a capitalisation of less than €1 billion and who voluntarily adhere to set requirements;

MTS means Società per il Mercato dei Titoli di Stato Borsa Obbligazionaria Europea S.p.A., a Subsidiary of LSEG and the owner and operator of an electronic trading platform for European fixed income securities;

Multilateral Trading Facilities means electronic communications networks and alternative trading systems, as categorised under MiFID;

MX Combination means the business combination with MX on 1 May 2008;

MX or ***Montréal Exchange*** means the Montréal Exchange Inc.;

MX Replacement Option means the replacement option granted in connection with the MX Combination to MX option holders using an exchange ratio of 0.7784 (for every one MX option, 0.7784 TMX Group Share Options were granted);

MX Replacement Option Plan means the plan that governs the MX Replacement Option;

NCIB means normal course issuer bid;

net dividend has the meaning given in Part 19—"Taxation";

New MIC means the interbank collateralised deposit market in Italy operated by e-MID SIM;

New Shares means the ordinary shares of $6\frac{79}{86}$ pence each in the capital of Mergeco, to be issued by Mergeco pursuant to the Merger or on exercise of a Replacement Option;

NGX means Natural Gas Exchange Inc., a corporation existing under the laws of Canada;

NI 45-102 means National Instrument 45-102—*Resale Restrictions*, as adopted by the Canadian Securities Regulators;

NI 45-106 means National Instrument 45-106—*Prospectus and Registration Exemptions of the Canadian Securities Administrators*, as adopted by the Canadian Securities Regulators;

NI 51-102 means National Instrument 51-102—*Continuous Disclosure Obligations*, as adopted by the Canadian Securities Regulators;

No-Action Letter means a letter from the Commissioner advising either LSEG or TMX Group Inc. (directly or through either party's counsel) in writing that she does not have grounds at the time on which to initiate proceedings before the Competition Tribunal under section 92 of the Competition Act for an order in respect of the transaction contemplated by the Merger Agreement;

Non-Continuing Directors means the LSEG Directors who will not be directors of the Merged Group and "Non-Continuing Director" shall mean any one of them;

Non-Rollover Share means each outstanding TMX Group Share other than: (i) an Exchangeable Elected Share; (ii) TMX Group Shares held by LSEG or any affiliate thereof; and (iii) TMX Group Shares held by any affiliate of TMX Group Inc.;

Notice of Dissent means a written objection to the Arrangement Resolution provided to TMX Group Inc. by a Registered TMX Group Shareholders;

Notice of Meeting means the notice of annual and special meeting of TMX Group Shareholders dated 30 June 2011;

Notifiable Transactions has the meaning given in Part 8—"Description of the Merger";

Notification Form has the meaning given in Part 8—"Description of the Merger";

NTP	means NetThruPut Inc.;
OBCA	means the Business Corporations Act (Ontario);
OBCA Director	means the director appointed pursuant to section 278 of the OBCA;
OECD	means the Organisation for Economic Co-operation and Development;
Official List	means the official list of the FSA;
OFT	means the UK Office of Fair Trading;
OPRA	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
ORB	means order book for retail bonds;
OSC	means the Ontario Securities Commission;
Oslo Børs	means Oslo Børs ASA;
OTC	means over-the-counter;
Outside Date	means 9 November 2011 provided, however, that if at that time all conditions to Completion shall have been satisfied or waived, other than the condition set forth in section 6.1(e) of the Merger Agreement (and those conditions that by their terms are to be satisfied at the Effective Time), then either party may postpone the Outside Date by an additional 30 days by giving written notice to the other party to such effect no later than 5:00 p.m. (Eastern time) on 9 November 2011 or such later date as may be agreed to in writing by the parties;
Part 22 Notice	has the meaning given in Part 8—"Description of the Merger";
PD Regulation	means Regulation No. 89/2004 stemming from Directive 2003/71/EC;
Performance Aligned RSA Plan	means the London Stock Exchange Group plc Performance Aligned Restricted Share Plan 2010;
performance share awards	has the meaning given in Part 13—"Directors and officers of Mergeco";
PIC	means Pension Insurance Corporation Limited;
Plan of Arrangement	means the plan of arrangement of TMX Group Inc., substantially in the form of Annex B to the TMX Group Circular, and any amendments or variations thereto made in accordance with the Merger Agreement and the Plan of Arrangement or upon the direction of the Court in the Final Order with the consent of TMX Group Inc. and LSEG, each acting reasonably;
PRA	means Prudential Regulatory Authority;
Professional Securities Market	means a market for debt securities or depositary receipts of any denomination upon production of a prospectus targeting a wholesale or professional investors, operated by the London Stock Exchange;
Proposed Agreement	means any agreement, understanding or arrangement in respect of an Acquisition Proposal;
Proquote	means London Stock Exchange's wholly owned Subsidiary, which provides financial market software and data services;

Prospective Directors	means Wayne C. Fox, Thomas A. Kloet, Michael S. Ptasznik, Raymond Chan, Denyse Chicoyne, J. Spencer Lanthier and John P. Mulvihill and "Prospective Director" shall mean any one of them;
Prospective Executive Directors	means Thomas A. Kloet and Michael S. Ptasznik and "Prospective Executive Director" shall mean either of them;
Prospectus Rules	means the prospectus rules of the FSA made for the purposes of Part VI of the FSMA in relation to offers of transferable securities to the public and admission of transferable securities to trading on a regulated market and brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004;
RBC Capital Markets	means RBC Dominion Securities Inc., a member company of RBC Capital Markets;
RCA	means retirement compensation arrangement;
RDSP	means Registered Disability Savings Plan as defined in the Canadian Tax Act;
Recognised Bodies	means recognised bodies under part XVIII of FSMA;
Recognised Overseas Clearing House	means an overseas clearing house which is a recognised clearing house granted by the FSA;
Recognition Requirements	means the recognition requirements for investment exchanges set out in the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (as amended), incorporated in the FSA's sourcebook for Recognised Investment Exchanges and Recognised Clearing Houses;
Redeemable Preference Share	means the fixed rate redeemable preference share of £50,000 created and allotted as paid up in full in order to enable LSEG to obtain a certificate to commence business;
Redemption Call Right	has the meaning given in Part 12—"Exchangeable Share structure";
Redemption Date	has the meaning given in Part 12—"Exchangeable Share structure";
Registered TMX Group Shareholders	means TMX Group Shareholders whose names appear in the register of holders of TMX Group Shares maintained by or on behalf of TMX Group Inc. and "Registered TMX Group Shareholders" shall mean any one of them;
Regulations	means the Uncertificated Securities Regulations 2001 (SI 2001/3755);
Regulatory Approvals	means the approvals, decisions and confirmations set out in Schedule 5.5 of the Merger Agreement (including by way of any expiration, waiver or termination of any relevant waiting period in relation to any Governmental Entity), as well as any other material approvals, decisions and confirmations that the parties to the Merger Agreement agree, acting reasonably, are required in order to complete the Merger, but excluding any "Regulatory Intervention";
Regulatory Information Service	means an information dissemination provider approved by the FSA and whose name is set out in the list maintained by the FSA;

Regulatory Intervention means a Governmental Entity or regulator having jurisdiction over either party to the Merger Agreement and/or any of their respective Subsidiaries, having indicated that, as a result or consequence of Completion, it intends to or does in fact withdraw, revoke, modify (in any material respect) or otherwise impose any material condition on, any material Authorisation held by that party or its relevant Subsidiary for the conduct of its business, in terms which are considered by either party, acting reasonably, to have a material impact on the party concerned, including (without prejudice to the foregoing) the FSA not having indicated that it intends to:

(a) revoke London Stock Exchange's recognition order; or

(b) give a direction to London Stock Exchange under section 296 of the FSMA: (i) that London Stock Exchange and/or LSEG hold a materially greater level of capital resources; or (ii) which requires a significant divergence from any material commercial term of the Merger;

REIC means real estate investment companies which are property funds that comply with specific Borsa Italiana listing rules;

Replacement Option means an option granted by Mergeco to acquire a number of New Shares equal to the product of 2.9963 multiplied by the number of TMX Group Shares subject to each outstanding TMX Group Option that was not duly exercised prior to the Effective Time;

Resignation Window has the meaning given in Part 13—"Directors and officers of Mergeco";

RESP means Registered Education Savings Plan as defined in the Canadian Tax Act;

Response Period means five Business Days from the date a party to the Merger Agreement received requisite notice and documentation from the other party in connection with an Acquisition Proposal;

Restricted Jurisdiction means any jurisdiction where either sending this document or the issuing of New Shares or Exchangeable Shares would violate the law of that jurisdiction;

Retail Service Providers means a firm that provides the price feed for the online electronic quoting system similar to a computerised market maker for retail customers;

Retraction Call Right has the meaning given in Part 12—"Exchangeable Share structure";

Reviewable Transaction has the meaning given in Part 8—"Description of the Merger";

RIE means Recognised Investment Exchange;

RMP means risk mitigation programme;

RNS means the London Stock Exchange's regulatory news and non-regulatory news disclosure service;

RS means Market Regulation Services Inc.;

RSA Agreement has the meaning given in Part 8—"Description of the Merger";

RSU means restricted share unit;

S&P means Standard and Poor's;

SAYE means save as you earn;

SAYE Option Scheme means the London Stock Exchange SAYE Option Scheme;

SDRT means stamp duty reserve tax;

SEAQ means the London Stock Exchange's non-electronically executable quotation service;

SEC means the US Securities and Exchange Commission;

Securities Act means the Securities Act (Ontario) and the rules, regulations and published policies made thereunder, as now in effect and as they may be promulgated or amended from time to time;

Security Agreement means any security agreements to be entered into by Jerseyco in relation to the Mergeco Shares held by Jerseyco;

Securities Regulatory Approvals means the approvals set out under the heading "Description of the Merger—Regulatory Approvals" in the TMX Group Circular and in Schedule 5.5 of the Merger Agreement;

SEDAR means the System for Electronic Document Analysis and Retrieval of the CSAs;

SeDeX means Borsa Italiana's electronic regulated market for securitised derivatives;

SEDOL means the London Stock Exchange's global, multi-asset class reference data service;

SEDOL Masterfile means the London Stock Exchange's expanding securities identification services;

Select Committee has the meaning given in Part 8—"Description of the Merger";

Senior Canadian Officer means the most senior executive officer of the Merged Group (and its Subsidiaries worldwide) (excluding, for greater certainty, the Chairman of the Mergeco Board who is ordinarily resident in Canada);

SETS means the electronic order book operated by the London Stock Exchange for the most liquid securities;

SETSqx means the hybrid market for less liquid securities, combining continuous price formation from market makers with periodic auctions operated by the London Stock Exchange;

Sharia law means the body of law derived from the Qur'an and the teachings and traditions of Prophet Mohammed;

Shorcan means Shorcan Brokers Limited, a corporation existing under the laws of the Province of Ontario;

Shorcan Energy means Shorcan Energy Brokers Inc., a corporation existing under the laws of the Province of Ontario and a wholly-owned Subsidiary of Shorcan;

Short Selling Regulation means the proposed regulation of the European Parliament and the European Council on short selling and certain aspects of credit default swaps;

SIA-SSB means Società Interbancaria per l'Automazione S.p.A.;

SMEs means small and medium-sized enterprises;

SMF means SEDOL Masterfile Service;

SOLA means the electronic trading platform for derivatives developed by MX;

Specialist Fund Market	means the London Stock Exchange's regulated market for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors;
Sri Lankan Rupee or ***LKR***	means the lawful currency of Sri Lanka;
SRO	means self-regulatory organisation;
sterling, pounds sterling, GBP, £, pence or ***p***	means the lawful currency of the United Kingdom;
Subsidiary or ***Subsidiaries***	has the meaning given in NI 45-106;
Sukuk Instruments	means a security which provides a similar investment profile to a conventional debt security but which does not have a coupon structure in order to conform with Sharia law;
Superior Proposal	means an unsolicited *bona fide* written Acquisition Proposal to acquire all of the shares of a party to the Merger Agreement or all or substantially all of the assets of a party and its Subsidiaries and (i) that is reasonably capable of being completed without undue delay, taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal; (ii) that is not subject to any financing condition and in respect of which any required financing to complete such Acquisition Proposal has been demonstrated to be available to the satisfaction of the board of directors of such party, acting in good faith (after consultation with its financial advisers and outside legal counsel); (iii) that is not subject to a due diligence and/or access condition; (iv) that did not result from a breach of section 5.8 of the Merger Agreement; and (v) in respect of which the board of directors of such party determines in good faith (after consultation with its outside financial advisers and outside legal counsel), taking into account all of the terms and conditions of such Acquisition Proposal, would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction which would be more likely to promote the success of that party for the benefit of its shareholders, having regard to, among other things, the likely consequences of such Acquisition Proposal in the long-term, the interests of all of the stakeholders of the party, including capital market participants, employees and the community in which the party operates, and the impact of the proposed governance and management structure of the party under such Acquisition Proposal on those stakeholders, than the Merger (including any adjustment to the terms and conditions of the Merger proposed by the other party pursuant to subsection 5.8(f) of the Merger Agreement);
Supplementary Information Request	has the meaning given in Part 8—"Description of the Merger";
Takeover Code	means the City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel on Takeovers and Mergers;
Target2 Securities	means the European Central Bank's project to deliver a single central settlement process for securities belonging to Eurozone and other participating countries;
Tax Proposals	has the meaning given in Part 19—"Taxation";
Tax Returns	includes all refunds, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form), including any amendments,

schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required by a Governmental Entity to be made, prepared or filed by law in respect of taxes;

taxable capital gain	has the meaning given in Part 19—"Taxation";
Term Loan	has the meaning given in Part 15—"Operating and financial review for TMX Group";
TMX Datalinx	means the information services division of TMX Group;
TMX Group	means TMX Group Inc. and its Subsidiaries;
TMX Group Board	means the board of directors of TMX Group Inc. as the same is constituted from time to time;
TMX Group Change in Recommendation	means when: (i) the TMX Group Board fails to recommend or withdraws, amends, modifies or qualifies, in a manner adverse to LSEG or fails to publicly reaffirm its recommendation of the Merger within five Business Days (and in any case prior to the TMX Group Meeting) after having been requested in writing by LSEG to do so but, in each case, only until such time as the condition in section 6.1(a) of the Merger Agreement is satisfied; and (ii) the TMX Group Board or a committee thereof shall have approved or recommended any Acquisition Proposal;
TMX Group Circular	means the Notice of Meeting and the management information circular of TMX Group Inc., including all schedules, appendices and exhibits thereto, sent to the TMX Group Shareholders in connection with the TMX Group Meeting, as amended, supplemented or otherwise modified from time to time;
TMX Group Credit Agreement	has the meaning given in Part 20—"Additional information";
TMX Group Credit Agreement Amendment	has the meaning given in Part 20—"Additional information";
TMX Group DSU	means a cash settled deferred share unit of TMX Group Inc. issued under a TMX Group DSU Plan;
TMX Group DSU Plans	means, collectively, (i) the TMX Group Executive DSU Plan; and (ii) the TMX Group Non-Executive Director DSU Plan, and "TMX Group DSU Plan" means: (1) the TMX Group Executive DSU Plan; or (2) the TMX Group Non-Executive Director DSU Plan, as the context requires;
TMX Group Executive DSU Plan	means the deferred share unit plan of TMX Group Inc. for executives dated 10 February 2010;
TMX Group Expense Fee	means C$10,000,000 (inclusive of any amounts in respect of value added tax, sales or turnover tax or any other similar tax, if applicable);
TMX Group Inc.	means TMX Group Inc., a corporation existing under the laws of the Province of Ontario or any successors thereto;
TMX Group Latest Practicable Date	means 23 May 2011 (being the latest practicable date prior to publication of the TMX Group Circular);
TMX Group Material Adverse Effect	means any event, change, occurrence, effect or state of facts, that, individually or in the aggregate with other events, changes, occurrences, effects or states of facts is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, capital, property, obligations (whether absolute, accrued, conditional or otherwise) or financial condition of TMX Group taken as a whole, except any such

event, change, occurrence, effect or state of facts resulting from or arising in connection with:

(a) any change or development affecting the industries in which TMX Group operates;

(b) any change or development in general economic, business or regulatory conditions or in global financial, credit, currency or securities markets;

(c) any change or development in global, national or regional political conditions (including any act of terrorism or any outbreak of hostilities or war or any escalation or worsening thereof) or any natural disaster;

(d) any adoption, proposed implementation or change in applicable law or any interpretation thereof by any Governmental Entity;

(e) any change in IFRS;

(f) the announcement of the entering into of the Merger Agreement;

(g) actions or inactions expressly required by the Merger Agreement or that are taken with the prior written consent of the applicable party;

(h) any change in the market price or trading volume of any securities of TMX Group Inc. (it being understood, without limiting the applicability of paragraphs (a) through (g), that the causes underlying such changes in market price or trading volume may be taken into account in determining whether a TMX Group Material Adverse Effect has occurred), or any suspension of trading in securities generally or on any securities exchange on which any securities of TMX Group Inc. trades; or

(i) the failure, in and of itself, of TMX Group to meet any internal or public projections, forecasts or estimates of revenues or earnings (it being understood, without limiting the applicability of paragraphs (a) through (g), that the causes underlying such failure may be taken into account in determining whether a TMX Group Material Adverse Effect has occurred);

provided, however, that any such event, change, occurrence, effect or state of facts referred to in paragraphs (a), (b), (c), (d) or (e), above does not primarily relate only to (or have the effect of primarily relating only to) TMX Group, taken as a whole, or disproportionately adversely affects TMX Group, taken as a whole, compared to other companies of similar size operating in the industries in which TMX Group operates (and for the purposes of this proviso, the term Governmental Entity in paragraph (d) above shall exclude TMX Group Inc.). References in the Merger Agreement to dollar amounts are not intended to be and shall not be deemed to be illustrative or interpretative for purposes of determining whether a TMX Group Material Adverse Effect has occurred;

TMX Group Meeting means the annual and special meeting of TMX Group Shareholders, including any adjournment or postponement thereof, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

TMX Group Non-Executive Director DSU Plan	means the deferred share unit plan of TMX Group Inc. for non-executive directors dated 3 March 2010;
TMX Group Option Plan	means the TMX Group Inc. share option plan dated 25 April 2007;
TMX Group Options	means the outstanding options to purchase TMX Group Shares granted under the share option plan dated 25 April 2007 and those replacement options to purchase TMX Group Shares granted to MX optionees pursuant to TMX Group Inc.'s combination with MX on 1 May 2008;
TMX Group Record Date	means 5.00 p.m. (Eastern time) on 20 May 2011;
TMX Group RSU	means a cash-settled restricted share unit granted under the employees' restricted share unit plan dated 3 March 2010 and amended 8 February 2011;
TMX Group RSU Plan	means TMX Group Inc. employees' restricted share unit plan dated 3 March 2010, amended 8 February 2011;
TMX Group Senior Managers	means the senior managers of TMX Group Inc., being Kevan Cowan, Brenda Hoffman, Eric Sinclair, Mary Lou Hukerzalie, Peter Krenkel, Alain Miquelon, and Sharon Pel and "TMX Group Senior Manager" shall mean any one of them;
TMX Group Share Ownership Restrictions	has the meaning given in Part 10—"Regulation of the Merged Group";
TMX Group Shareholder Approval	means the requisite approval for the Arrangement Resolution, being two-thirds of the votes cast on the Arrangement Resolution by the TMX Group Shareholders present in person or represented by proxy at the TMX Group Meeting and voting as a single class;
TMX Group Shareholders	means the holders of TMX Group Shares and "TMX Group Shareholder" shall mean any one of them;
TMX Group Shares	means the common shares in the authorised share capital of TMX Group Inc.;
TMX Group Special Retention RSU	has the meaning given in Part 13—"Directors and officers of Mergeco";
TMX Group Special Retention RSU Plan	means TMX Group Inc. employees' restricted share unit plan dated 13 May 2011;
TMX Group Termination Fee	means an amount equal to C$39,000,000 (inclusive of any amounts in respect of value added tax, sales or turnover tax or any other similar tax, if applicable);
TMX Group Undertaking	has the meaning given in Part 10—"Regulation of the Merged Group";
TOKYO AIM	means TOKYO AIM Inc., a joint venture between LSEG and Tokyo Stock Exchange Group Inc.;
TradElect	means the trading platform used for London and Italian cash markets;
Transfer Agent	means CIBC Mellon;
Transition Date	has the meaning given in Part 17C—"Restated financial information relating to TMX Group";
trattamento di fine rapporto	has the meaning given in Part 13—"Directors and officers of Mergeco";

TRM2 Plan	means the London Stock Exchange's MillenniumIT Share Award Plan;
TRS	means total return swap;
Trustee	means the trustee to be chosen by LSEG and TMX Group Inc., acting reasonably, to act as trustee under the Voting and Exchange Trust Agreement, being a corporation organised and existing under the laws of Canada and authorised to carry on the business of a trust company in all the provinces of Canada, and any successor trustee appointed under the Voting and Exchange Trust Agreement;
TSX	means Toronto Stock Exchange;
TSX Listing Rules	means TSX's original listing requirements and ongoing listing maintenance requirements as set out in TSX's company manual;
TSX Venture Exchange	means the division of TSX Venture Exchange Inc. which operates TMX Group's equity exchange for junior listings;
TUF	means the Legislative Decree No. 58 of 1998 (the Testo Unico della Finanza), which is the consolidated law of finance of Italy;
Turquoise	means Turquoise Global Holdings Limited, a Subsidiary of LSEG;
Turquoise Derivatives	means Turquoise planned pan-European derivatives markets;
Turquoise Equities	means Turquoise pan-European cash equity markets;
UK Corporate Governance Code	means the UK Corporate Governance Code published by the UK Financial Reporting Council;
UK Listing Rules	means the listing rules and regulations of the FSA made under Part VI of FSMA relating to the admission of securities to the Official List, as amended from time to time;
UK or ***United Kingdom***	means the United Kingdom of Great Britain and Northern Ireland;
UKLA or ***UK Listing Authority***	means the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA or any successor thereto;
UMIR	means the Universal Market Integrity Rules maintained by IIROC, as amended from time to time;
UnaVista	means a hosted platform for providing matching validation and reconciliation services;
Undertakings Regarding TSX Venture Exchange	means the undertakings provided by TSX Inc. and TMX Group Inc. to the ASC and BCSC in relation to TSX Venture Exchange;
US DOJ	means the Anti-trust Division of the US Department of Justice;
US dollars, USD or ***US$***	means the lawful currency of the US;
US Employee	means employees of TMX Group who are US persons;
US Employee Redemption Date	has the meaning given in Part 13—"Directors and officers of Mergeco";
US Exchange Act	means the US Securities Exchange Act of 1934, as amended;
US Holder	means a holder of securities who is in the United States of America, its territories or possessions, any state of the United States or the District of Columbia, but does not include any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-US person by a

	dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States;
US or ***United States***	means the United States of America;
US Securities Act	means the US Securities Act of 1933, as amended;
VAT	means value added tax;
Ventures	means ISE Ventures, LLC.;
Voting and Exchange Trust Agreement	means an agreement to be made between LSEG, Exchangeco, Interco, Jerseyco and the Trustee, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;
Voting Rights	means the rights of Exchangeable Shareholders (other than Mergeco and its affiliates) to direct the voting of New Shares held by Jerseyco in accordance with the Voting and Exchange Trust Agreement;
Watt Ex	means The Alberta Watt Exchange;
WFE	means the World Federation of Exchanges; and
X-TRM	means the daily matching service and a securities lending service operated by CC&G which manages the matching and routing of securities transactions traded on markets to be settled through EXPRESS II or through other securities settlement systems.

Merrill Corporation Ltd, London
11ZBM49201