

SECOND QUARTER REPORT

Period Ended
June 30, 2008

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements



THOMSON REUTERS

THOMSON REUTERS MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis is intended to assist you in understanding and evaluating changes in our financial condition and operations for the three-month and six-month periods ended June 30, 2008, compared to the same periods in the preceding year. We recommend that you read this management's discussion and analysis in conjunction with our consolidated financial statements for each of the three-month and six-month periods ended June 30, 2008 and the year ended December 31, 2007, the related notes to those financial statements, and our management's discussion and analysis for the year ended December 31, 2007. Our financial statements are prepared in accordance with accounting principles generally accepted in Canada, or Canadian GAAP. References in this discussion to "\$" are to U.S. dollars, references to "£" are to British pounds sterling, references to "€" are to the Euro, references to "¥" are to the Japanese yen and references to "C\$" are to Canadian dollars. Unless otherwise indicated or the context otherwise requires, references in this discussion to "we," "our," "us" and "Thomson Reuters" are to Thomson Reuters Corporation, Thomson Reuters PLC and their respective subsidiaries which operate as a unified group under a dual listed company (DLC) structure. In addition to historical information, this management's discussion and analysis contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Some of these factors include those identified in the section entitled "Cautionary Note Concerning Factors That May Affect Future Results" at the end of this management's discussion and analysis and in the "Risk Factors" section of Thomson Reuters PLC's annual report on Form 20-F for the year ended December 31, 2007 filed with the U.S. Securities and Exchange Commission and the Canadian securities regulatory authorities. This management's discussion and analysis is dated as of August 11, 2008.

OVERVIEW

On April 17, 2008, The Thomson Corporation (Thomson) acquired Reuters Group PLC (Reuters) and Thomson Reuters was formed. Thomson Reuters is organized in two divisions:

- **Markets**, which consists of our financial businesses, which are a combination of those operated by Reuters and Thomson Financial prior to the closing of the acquisition; and
- **Professional**, which consists of our Legal, Tax & Accounting, Scientific and Healthcare segments.

By combining Thomson's strength in North America with Reuters strength in Europe, the Middle East and Asia, we created a business that we believe will allow us to grow faster than either Thomson or Reuters could have on its own. We expect to achieve this by:

- Capitalizing on a global brand and presence to drive international growth
 - We currently operate in 93 countries and serve customers in more than 140
 - Our first-half 2008 pro forma revenues were 57% from the Americas, 33% from Europe and 10% from Asia
- Delivering greater value to customers through a broader range of electronically delivered critical information and decision support tools
 - Our revenues are overwhelmingly digital, which means we can leverage the Internet to deliver services and software rapidly and efficiently
 - Our customers depend on our intelligent information, and we are at the center of their daily workflows
- Integrating Thomson and Reuters businesses to accelerate growth and capture synergies
 - Our Markets Division recently rolled out a new product strategy, drawing upon the best assets of Reuters and Thomson Financial, and sales, service and product teams are coming together in a unified force to benefit customers with new offerings and enhancements
 - Across our organization, we are identifying new opportunities to drive revenue growth and profitability
- Leveraging increased revenue diversity and scale, financial strength and capital deployment to maximize shareholder return
 - We have a disciplined capital strategy and strong financial flexibility evidenced by our balanced funding of the Reuters acquisition and retirement of our acquisition credit facility through the issuance of approximately \$3 billion of new securities in June 2008
 - We continue to maintain strong credit ratings and provide returns to shareholders through dividends and share repurchases

Thomson Reuters operates under a DLC structure, which means that we have two parent companies, both of which are publicly listed:

- Thomson Reuters Corporation, an Ontario, Canada corporation, and
- Thomson Reuters PLC, an English company.

Thomson Reuters Corporation and Thomson Reuters PLC operate as a unified group pursuant to contractual arrangements as well as provisions in their organizational documents. Under the DLC structure, shareholders of Thomson Reuters Corporation and Thomson Reuters PLC both have a stake in Thomson Reuters, with cash dividend, capital distribution and voting rights that are comparable to the rights they would have if they were holding shares in one company carrying on the Thomson Reuters business. The boards of the two parent companies comprise the same individuals, as do the companies' executive management teams.

Our Business and Strategy

What Thomson Reuters does — We are the world's leading source of intelligent information for businesses and professionals. We define intelligent information as information that organizes itself, suggests connections and fits into professionals' workflows. We combine industry expertise with innovative technology to deliver critical information to decision makers in the financial, legal, tax and accounting, scientific, healthcare and media markets, powered by the world's most trusted news organization, Reuters. We believe that our intelligent information provides our customers with a competitive advantage by enabling them to make better decisions faster.

How Thomson Reuters makes money — We generate revenues by supplying knowledge workers with business-critical information solutions and services. We make our information more valuable by adding expert analysis, insight and commentary, and couple it with software tools and applications that our customers can use to search, compare, synthesize and communicate the information. To further enhance our customers' workflows, we deliver information and services electronically, integrate our solutions with our customers' own data and tailor the delivery of information to meet specific customer needs. As we integrate critical information with analysis, tools and applications, we place greater focus on the way our customers use our content, instead of simply selling the content itself and are moving from just informing our customers to enabling their decisions. We believe our ability to embed our solutions into customers' workflows is a significant competitive advantage as it leads to strong customer retention.

Thomson Reuters business environment and trends — As a global organization, we are affected by economic and market dynamics, governmental regulations and business conditions of each market and country in which we operate. Currently, global markets are being impacted by a variety of factors, and the mortgage and credit markets within the financial services markets are being hit particularly hard. While we are not immune to economic cycles, the professional markets that we serve have historically been resilient. Further, our business has increasingly become subscription-based with more customers entering into multi-year commitments for our critical workflow tools and applications, which we believe will help mitigate the impact of a downturn in global markets.

Relative to the financial services industry, while we have observed the industry softening in the Americas, we also see the industry growing in other parts of the world due to the international nature of the banking businesses. Against this backdrop, our Markets Division revenues from Asia increased 15% and from the Middle East increased 30%. The downturn is not impacting all banks or geographic regions equally, and we are not experiencing widespread cancellations or downgrades in service. Within the industry, the fixed income asset class continues to make headlines for significant losses. While this situation has impacted our business, this area comprises only 10% of Markets Division revenue. More than offsetting the impact from the fixed income asset class was the strong continued growth in the remaining 90% of the Markets Division revenue base, including areas such as foreign exchange and other exchange-traded instruments, commodities and energy and corporate.

We have traditionally encountered competition in each of our markets from both large information providers and smaller niche market businesses. However, we now face an evolving competitive landscape. Certain of our traditional competitors are implementing solutions strategies of their own. In the future, other competitors could come from outside our traditional competitive set. For instance, Internet service companies and search providers could pose a threat to some of our businesses by providing more in-depth offerings than are currently available from such services. In response to this, we are continuing to move forward aggressively in segmenting our markets and developing solutions that will allow us to remain embedded in our customers' workflows.

Thomson Reuters operational structure — Thomson Reuters manages its operations through its two divisions: Professional and Markets. The reportable segments of Thomson Reuters are Markets, Legal, Tax & Accounting, Scientific and Healthcare, as well as a Corporate and Other category. The Corporate and Other category principally includes corporate expenses, certain costs associated with stock-related compensation, costs associated with corporate integration and synergy programs and costs

associated with the Reuters acquisition. We began reporting for these segments with our results for the three and six months ended June 30, 2008.

Consolidated financial statements and accounting standards — Our primary financial statements beginning with the three and six months ended June 30, 2008 are the consolidated financial statements of Thomson Reuters Corporation. Those statements account for Thomson Reuters PLC as a subsidiary and have been prepared in accordance with Canadian GAAP. We are seeking exemptive relief to present Thomson Reuters Corporation's financial statements in accordance with International Financial Reporting Standards (IFRS) in 2009. We have provided a voluntary reconciliation to IFRS in this management's discussion and analysis. See the section entitled "Recently Issued Accounting Standards" for more information.

Results for Reuters are included in our consolidated financial statements beginning April 17, 2008, as we are accounting for the acquisition under the purchase method. For informational purposes, we have also included Thomson Reuters pro forma results in this management's discussion and analysis, which present the hypothetical performance of our business as if Thomson had acquired Reuters on January 1, 2007. See the sections of this management's discussion and analysis entitled "Acquisition of Reuters" and "Unaudited Pro Forma Results" for more information.

Acquisition of Reuters

Consideration

On April 17, 2008, Thomson acquired Reuters for approximately \$17 billion. Under the terms of the acquisition:

- All of the issued and outstanding Reuters ordinary shares were cancelled; and
- Reuters shareholders received, for each Reuters ordinary share held:
 - 352.5 pence in cash; and
 - 0.16 Thomson Reuters PLC ordinary shares.

One Thomson Reuters PLC ordinary share is equivalent to one Thomson Reuters Corporation common share under the DLC structure. As part of the transaction, Thomson shareholders continued to hold their shares of Thomson, renamed as Thomson Reuters Corporation.

Subject to certain exceptions, all options and awards outstanding under Reuters share-based employee compensation plans vested and became fully exercisable prior to the closing of the acquisition.

Thomson Reuters PLC issued 194,107,278 of its ordinary shares to Reuters shareholders when the transaction closed on April 17, 2008. These shares were valued at approximately \$8.2 billion, or \$42.38 per share using the average Thomson share price a few days before and after May 15, 2007, the date of the announcement of the acquisition. The par value of Thomson Reuters PLC ordinary shares was changed from £10 to 25 pence shortly after the acquisition closed.

On May 1, 2008, Thomson Reuters paid \$8.45 billion in cash to former Reuters shareholders to satisfy the cash consideration component of the transaction. Thomson Reuters funded this cash consideration using proceeds from the sale of its Thomson Learning businesses as well as borrowings under an acquisition credit facility. See the section entitled "Financial Position" for further discussion on acquisition-related borrowings and repayments.

A total of 33,670,064 Reuters options were outstanding as of April 17, 2008. These options will expire during the fourth quarter of 2008. Upon exercise, holders will be entitled to consideration of 352.5 pence in cash and 0.16 Thomson Reuters PLC ordinary shares for each share of Reuters that would have been received. The fair value of outstanding options, determined using the Black-Scholes pricing model, was \$195 million and was included in the purchase consideration.

The purchase consideration was as follows (millions of U.S. dollars):

Cash	8,450
Ordinary shares, Thomson Reuters PLC	8,226
Reuters Group PLC options	195
Transaction costs	138
<hr/> Total purchase consideration	<hr/> 17,009

We have not yet completed the allocation of the purchase price to the Reuters assets acquired and liabilities assumed, but we have included a preliminary purchase price allocation in note 4 of our consolidated financial statements for the six months ended June 30, 2008. We expect to finalize our purchase price allocation within 12 months from the closing date of the acquisition.

Under the DLC structure, shareholders of Thomson Reuters Corporation and Thomson Reuters PLC ordinarily vote together as a single decision-making body, including in the election of directors, and in that sense have voting interests in Thomson Reuters. Following the acquisition, the controlling shareholder of Thomson Reuters is The Woodbridge Company Limited and other companies affiliated with it (Woodbridge). As of the date of this management's discussion and analysis, Woodbridge had a voting interest in Thomson Reuters of approximately 55% based on the aggregate issued share capital of Thomson Reuters Corporation and Thomson Reuters PLC. See the section entitled "Related Party Transactions" for additional information about our relationship with Woodbridge.

Required Divestitures

In order to obtain antitrust clearance for the transaction, we agreed to sell a copy of the Thomson Fundamentals (Worldscope), Reuters Estimates, Reuters Aftermarket Research and Reuters Economics (EcoWin) databases. The sales include copies of the databases, source data and training materials, as well as certain contracts and selected employees connected to the databases. We do not expect the required sales to have any material adverse effect on our revenues or profitability or to have any material impact on the synergies expected to be generated by the transaction. See the section entitled "Subsequent Events" for additional information.

Selected Historical and Pro Forma Financial Information

The following table summarizes selected financial information for Thomson Reuters for the three and six-month periods ended June 30, 2008 and 2007.

(unaudited) (millions of U.S. dollars, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
<i>Canadian GAAP results:</i>				
Revenues	3,128	1,805	4,962	3,467
Operating profit	295	352	511	577
Earnings from continuing operations	179	262	372	471
Earnings (loss) from discontinued operations, net of tax	(6)	115	(5)	130
Net earnings	173	377	367	601
Diluted earnings per share from continuing operations	\$ 0.22	\$ 0.40	\$ 0.52	\$ 0.73
Diluted earnings per share	\$ 0.22	\$ 0.58	\$ 0.51	\$ 0.93
<i>Pro forma results:</i>				
Pro forma revenues	3,442	3,091	6,696	5,921
Pro forma operating profit	336	409	764	554
Pro forma revenues from ongoing businesses	3,422	3,069	6,654	5,963
Pro forma underlying operating profit	708	618	1,284	1,040
Pro forma underlying operating profit margin	20.7%	20.1%	19.3%	17.4%

Please see the "Results of Operations" section of this management's discussion and analysis for commentary on these results. The 2008 results are not directly comparable to 2007 results due to the inclusion of financial results from Reuters beginning with the date of acquisition and certain one-time items. Therefore, we have provided supplemental information and analysis in the section entitled "Unaudited Pro Forma Results" to further explain our operating performance.

Seasonality

Historically, Thomson's revenues and operating profits from continuing operations were proportionately the smallest in the first quarter and the largest in the fourth quarter, as certain product releases were concentrated at the end of the year, particularly in the regulatory and healthcare markets. As costs were incurred more evenly throughout the year, its operating margins historically increased as the year progressed. For these reasons, the performance of its businesses were not comparable quarter to consecutive quarter and were best considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter for the previous year. As Reuters revenues and profits have not historically fluctuated significantly throughout the year, we anticipate that the seasonality of Thomson Reuters revenues and operating profits will be slightly less pronounced.

USE OF NON-GAAP FINANCIAL MEASURES

In addition to our results reported in accordance with Canadian GAAP, we use certain non-GAAP financial measures as supplemental indicators of our operating performance and financial position and for internal planning purposes. We have historically reported non-GAAP financial results as we believe their use provides more insight into our performance.

The following is a description of our non-GAAP financial measures, including an explanation of why we believe they are useful measures of our performance, including our ability to generate cash flow.

- *Revenue and operating profit from ongoing businesses.* We believe our revenue and profits are best measured based on our ability to grow our ongoing businesses over the long term. Accordingly, we evaluate our revenue and operating profits excluding results from disposals, which are defined as businesses sold or held for sale that do not qualify for discontinued operations classification.
- *Net debt.* We define our net debt as our total indebtedness, including associated fair value hedging instruments (swaps) on our debt, less cash and cash equivalents. Given that we hedge some of our debt to reduce risk, we include hedging instruments as we believe it provides a better measure of the total obligation associated with our outstanding debt. However, because we intend to hold our debt and related hedges to maturity, we do not consider the associated fair market value of cash flow hedges in our measurements. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt. See the reconciliation of this measure to the most directly comparable Canadian GAAP measure in the "Liquidity and Capital Resources" section of this management's discussion and analysis.
- *Free cash flow.* We evaluate our operating performance based on free cash flow, which we define as net cash provided by operating activities less capital expenditures, other investing activities and dividends paid on our preference shares. We use free cash flow as a performance measure because it represents cash available to repay debt, pay common and ordinary dividends and fund new acquisitions. See the reconciliation of this measure to the most directly comparable Canadian GAAP measure in the "Liquidity and Capital Resources" section of this management's discussion and analysis.

Non-GAAP measures do not have any standardized meaning prescribed by Canadian GAAP and, therefore, are unlikely to be comparable with the calculation of similar measures used by other companies. You should not view these measures as alternatives to measures of financial performance calculated in accordance with Canadian GAAP. Due to the significant impact of the Reuters acquisition on our results, we included pro forma results as if we had acquired Reuters on January 1, 2007 to provide a more meaningful analysis of our performance compared to the prior year. Pro forma results do not reflect the actual results of our business. See the section entitled "Unaudited Pro Forma Results."

INTEGRATION AND SYNERGY PROGRAMS

Prior to the Reuters acquisition, Thomson and Reuters were individually pursuing a series of transformational initiatives called THOMSON*plus* and Core Plus, respectively. THOMSON*plus* was a series of initiatives, announced in 2006, designed to allow Thomson to become a more integrated operating organization by leveraging assets and infrastructure across all segments of its business. Core Plus was a growth and transformation program, announced by Reuters in 2005, designed to invest in new revenue and transformation initiatives, including content and development transformation, and the consolidation of common platforms, customer administration and data centers.

As a consequence of the Reuters acquisition, we announced an integration and synergy program directed at integrating Thomson and Reuters and capturing cost synergies. Its primary objective is the integration of Thomson Financial with Reuters, which now comprise the new Markets Division, but also includes efforts to integrate both shared services across the whole of Thomson Reuters and corporate departments. Because the objectives of the program are similar to those of the THOMSON*plus* and Core Plus programs, we are managing these initiatives as a single program beginning in the three month period ended June 30, 2008. Because these are corporate initiatives, incremental expenses associated with these programs are reported within the Corporate and Other segment. The integration and synergy initiatives are expected to be completed in 2011 at a total cash cost of \$1.2 billion, which excludes expenses associated with THOMSON*plus* and Core Plus incurred prior to 2008. We will incur restructuring costs associated with these efforts, including severance and losses on lease terminations and other cancellations of contracts. Certain costs will qualify to be recorded as part of goodwill and the remainder will be expensed.

We expect the program will generate run-rate savings of approximately \$1.2 billion by 2011. In addition to realizing synergies from the creation of the Markets Division, we also expect to realize efficiencies and improve effectiveness across Thomson Reuters, including in areas such as technology procurement, third-party data suppliers, real estate and data center infrastructure. Further savings will be realized by eliminating duplicative corporate functions, consolidating shared service centers, and improving our effectiveness by extending common platforms in back office business systems.

In the three-month period ended June 30, 2008, we incurred \$141 million of expenses associated with integration and synergy programs primarily related to severance and consulting costs associated with technology initiatives. In the six-month period

ended June 30, 2008, we incurred \$154 million of expenses, including legacy spending in THOMSONplus as a stand-alone program. These legacy expenses primarily related to consulting fees and severance costs related to efforts to deploy SAP as a company-wide enterprise resource planning (ERP) system.

For the three and six-month periods ended June 30, 2007, we incurred \$27 million and \$61 million, respectively, of expenses associated with THOMSONplus consisting primarily of consulting fees and severance. The consulting costs primarily related to efforts to deploy SAP. In the three months ended June 30, 2007, severance costs principally related to the elimination of certain finance positions in conjunction with the establishment of centralized service centers. For the six months ended June 30, 2007, severance costs also reflected efforts to streamline the operations of Thomson Financial.

THOMSONplus, as a stand-alone program, achieved annualized run-rate savings of approximately \$160 million upon its completion at June 30, 2008. These savings were primarily due to the elimination of certain positions and the relocation of others to lower cost locations, including those resulting from the establishment of a facility in Hyderabad, India to perform certain finance functions.

RESULTS OF OPERATIONS

The following discussion compares our results for the three and six-month periods ended June 30, 2008 and 2007 and provides analyses of results from ongoing businesses and discontinued operations.

Basis of Analysis

Our results from continuing operations include the performance of acquired businesses from the date of their purchase and exclude results from operations classified as discontinued. Our results from ongoing businesses exclude discontinued operations and other business sold or held for sale.

The financial results of Reuters are reflected in our consolidated financial statements beginning April 17, 2008. Given the significance of the Reuters acquisition to Thomson Reuters, and the Markets Division of our business, the fluctuations in consolidated results from 2007 to 2008 and changes in our financial position since December 31, 2007, were generally a result of the acquisition. We have provided an analysis of results on a pro forma basis as though Reuters had been acquired on January 1, 2007 in the section of this management's discussion and analysis entitled "Unaudited Pro Forma Results."

Results from operations that qualify as discontinued operations have been reclassified to that category for all periods presented. Please see the section below entitled "Discontinued Operations" for a discussion of these operations. In analyzing the results of our operating segments, we measure the performance of existing businesses and the impact of acquired businesses and foreign currency translation.

The following table summarizes our consolidated results for the periods indicated:

(millions of U.S. dollars, except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Revenues	3,128	1,805	4,962	3,467
Operating profit	295	352	511	577
<i>Operating profit margin</i>	9.4%	19.5%	10.3%	16.6%
Net earnings	173	377	367	601
Diluted earnings per share	\$0.22	\$ 0.58	\$ 0.51	\$ 0.93

Revenues. For the three-month and six-month periods ended June 30, 2008, revenues increased 73% and 43%, respectively. The increases in revenues largely reflected the addition of Reuters, which was acquired on April 17, 2008. Contributions from acquired businesses also included results from our Property Tax Services business and, for the six-month period, CrossBorder Solutions in the Tax & Accounting segment.

For our existing businesses, revenue growth was exhibited in all of our segments, reflecting customer demand for our integrated solutions, particularly in the legal and tax and accounting markets. Our breadth of offerings, coupled with our geographic diversification, has enabled us to continue to increase revenues despite softness in certain markets and products.

Operating profit. In the three-month and six-month periods ended June 30, 2008, operating profit decreased 16% and 11%, respectively, and our margins declined. The declines occurred as additional profit from our existing businesses and from the acquisition of Reuters was more than offset by costs associated with the Reuters acquisition and our integration and synergy program, as well as from an impairment on assets held for sale.

Depreciation and amortization. Depreciation expense increased \$75 million and \$81 million in the three-month and six-month periods ended June 30, 2008, respectively, compared to the prior year periods, primarily because of the acquisition of Reuters. The increases also reflected capital expenditures from our existing businesses. Amortization expense increased \$79 million and \$80 million in the three-month and six-month periods ended June 30, 2008, respectively, compared to the prior year periods. The increases in amortization were due to acquired Reuters assets. Relative to our existing businesses, amortization approximated the prior year as increases from newly acquired assets were offset by decreases from the completion of amortization for certain identifiable intangible assets acquired in previous years.

Impairment on assets held for sale. In conjunction with our decision to sell our Dialog business, we recognized a charge of \$72 million for the impairment of its intangible assets. This business was not classified as a discontinued operation as we will continue to receive royalty payments associated with its operations.

Net other expense/income. Net other expense in the three-month and six-month periods ended June 30, 2008 was \$38 million and \$64 million, respectively. These amounts primarily consisted of losses from changes in foreign currency exchange rates associated with the cash consideration for the Reuters acquisition. See the section entitled "Hedging Program for Reuters Consideration" for a related discussion of the effects of foreign exchange on the Reuters acquisition cash consideration. Net other expense in both periods also included losses from changes in foreign currency exchange rates on intercompany funding arrangements. These amounts were required to be expensed as the arrangements are not considered permanent in nature. Net other income in the three-month and six-month periods ended June 30, 2008 and 2007 of \$6 million and \$12 million, respectively, primarily consisted of income from, and gains on the sales of, certain equity investments.

Net interest income/expense and other financing costs. Net interest expense in the three-month period ended June 30, 2008 was \$54 million compared to \$51 million in the prior year period. The increase in interest expense was primarily due to higher borrowings from utilizing our acquisition credit facility, which were subsequently replaced with long-term debt. See the section entitled "Financial Position" for further discussion. Net interest expense in the six-month period ended June 30, 2008 was \$15 million compared to \$104 million in the prior year period. The lower interest expense in the current year period reflected interest income from the investment of the proceeds from the sale of Thomson Learning's higher education, careers and library reference businesses in money market funds. These proceeds contributed toward the funding of our acquisition of Reuters in the second quarter of 2008.

Income taxes. Income taxes for the three-month and six-month periods ended June 30, 2008 and 2007 reflected the mix of taxing jurisdictions in which pre-tax profits and losses were recognized. The seasonality in our businesses affects our geographic mix of pre-tax profits and losses in interim periods and, therefore, distorts our reported tax rate. Consequently, our effective tax rate in interim periods is not indicative of our estimated effective tax rate for the full year. For the three-month and six-month periods ended June 30, 2008, income taxes included a \$26 million benefit associated with an impairment of assets held for sale. During the first quarter of 2007, our provision reflected benefits of \$35 million resulting from a change in Australian tax law and the recognition of Canadian tax losses. In the second quarter of 2007, the tax provision reflected \$14 million of additional benefits related to the recognition of Canadian tax losses. The Canadian tax losses were recognized in anticipation of using them against taxable income from the sale of Thomson Learning's Canadian education business later in the year.

Tradeweb ownership interests. See the section entitled "Tradeweb Partnership" for a discussion of a recent transaction involving Tradeweb. For the three and six-month periods ended June 30, 2008, we consolidated the results of Tradeweb Markets and recorded minority interest expense, net of tax, of \$4 million and \$6 million, respectively. For the three and six-month periods ended June 30, 2008, our share of the earnings of Tradeweb New Markets was not significant. Amounts related to Tradeweb Markets and Tradeweb New Markets were reflected in Tradeweb ownership interests in our consolidated statement of earnings for the six months ended June 30, 2008.

Earnings attributable to Thomson Reuters Corporation common shares and Thomson Reuters PLC ordinary shares (collectively, "common and ordinary shares") and earnings per share. For the three months ended June 30, 2008, earnings attributable to common and ordinary shares of \$172 million decreased 54% compared to that of the prior year period of \$375 million. Diluted earnings per common share were \$0.22 in the three months ended June 30, 2008 compared to \$0.58 in the prior year period. For the six months ended June 30, 2008, earnings attributable to common and ordinary shares of \$364 million decreased 39% compared to that of the prior year period of \$598 million. Diluted earnings per share were \$0.51 in the six months ended June 30, 2008 compared to \$0.93 in the prior year period.

For both periods, the decreases in reported earnings and diluted earnings per share were the result of a decrease in operating profit, certain non-operating losses due to changes in foreign currency exchange rates and lower earnings from discontinued operations. The decline in operating profit and foreign exchange losses were directly attributable to the Reuters acquisition and included the costs associated with our integration and synergy programs, as well as higher amortization and depreciation associated with the acquired assets. Additionally, operating profit in 2008 included an impairment of assets held for sale.

Operating Results by Business Segment

While in accordance with Canadian GAAP, our definition of segment operating profit as reflected below may not be comparable to that of other companies. We define segment operating profit as operating profit before the amortization of identifiable intangible assets and impairment of assets held for sale. We use this measure for our segments because we do not consider amortization and impairments to be a controllable operating cost for purposes of assessing the current performance of our segments. We also use segment operating profit margin, which we define as segment operating profit as a percentage of revenues.

Markets

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Segment revenues	1,737	540	2,302	1,067
Segment operating profit	280	107	390	202
<i>Segment operating profit margin</i>	16.1%	19.8%	16.9%	18.9%

Beginning April 17, 2008, the Markets Division includes the results of Thomson Financial and Reuters, operating as a single unit. Given the significance of the Reuters acquisition to the Markets Division, the changes in results for the three months and six months ended June 30, 2008 compared to the comparable prior year periods were generally due to the acquisition. We have provided an analysis of results on a pro forma basis, including revenues by subsegment which encompass legacy Reuters products, as though Reuters had been acquired on January 1, 2007 in the section entitled "Unaudited Pro Forma Results."

While certain sectors of the financial services market have experienced declines, these have primarily been in the mortgage and credit markets, where we do not have a significant presence. Revenues from existing businesses increased as a result of higher transaction revenues and higher revenues from Thomson ONE products. Revenues from Omgeo's straight-through-processing services increased due to continued customer demand. Thomson Transaction Services revenues increased due to higher volumes. Tradeweb's overall revenues increased due to higher transaction fees from new asset classes, particularly dollar and Euro-denominated interest rate swaps. Revenues from Thomson ONE products increased across all customer sectors, especially in the investment management, investment banking and corporate services markets, due to new sales and migrations from legacy offerings. Revenue growth from existing businesses was slightly tempered by increased customer credits.

Segment operating profit increased primarily due to higher revenues attributable to the Reuters acquisition. The segment operating profit margin decreased due to a less profitable product mix.

Professional Division

The Professional Division consists of our Legal, Tax & Accounting, Scientific and Healthcare segments. A discussion of the operating results of each segment follows this divisional summary.

(millions of U.S. dollars)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	Change	2008	2007	Change
Revenues from ongoing businesses	1,375	1,247	10%	2,625	2,366	11%
Revenues from disposals	20	22	-9%	42	44	-5%
Revenues	1,395	1,269	10%	2,667	2,410	11%
Operating profit from ongoing businesses	412	375	10%	708	655	8%
Operating profit from disposals	3	4	n/m	6	6	0%
Operating profit	415	379	10%	714	661	8%
<i>Operating profit margin for ongoing businesses</i>	30.0%	30.1%		27.0%	27.7%	
<i>Operating profit margin</i>	29.7%	29.9%		26.8%	27.4%	

n/m = not meaningful.

For the three-month and six-month periods ended June 30, 2008, revenues for our Professional Division increased 10% and 11%, respectively. These revenues include those from our Dialog business that was sold in July 2008. Because we will continue

to receive royalties from Dialog, it could not be classified as a discontinued operation. In order to present the performance of our ongoing businesses, the Dialog results, net of the royalty revenues we will continue to receive, were removed. For both the three-month and six-month periods ended June 30, 2008, revenues from ongoing businesses increased 10% and 11%, respectively, comprised of the following:

	Three months	Six months
• growth from existing businesses	6%	7%
• contributions of newly acquired businesses	3%	3%
• impact from foreign currency translation	1%	1%

For both periods, revenues from existing businesses increased primarily due to increased revenues from our online services and solutions, as well as from software and services. Results from acquired businesses primarily reflected contributions from our Property Tax Services business, acquired in October 2007, and TaxStream, acquired in January 2008.

The increase in operating profit was primarily the result of higher revenues described above. These results also reflected continued investments in localizing content and technology for Asian markets, as well as the impact of lower initial margins for certain acquired businesses due to acquisition accounting adjustments. The segment operating profit margin was consistent with that of the prior year period as the effects of scale in our existing businesses were offset by the impact of our Asian investments and acquisition accounting adjustments in our Tax & Accounting segment.

Legal

	Three months ended			Six months ended		
	June 30,			June 30,		
(millions of U.S. dollars)	2008	2007	Change	2008	2007	Change
Segment revenues	923	852	8%	1,732	1,592	9%
Segment operating profit	321	294	9%	546	500	9%
<i>Segment operating profit margin</i>	34.8%	34.5%		31.5%	31.4%	

Results for Legal reflected continued demand for our online services in the United States, United Kingdom and other international markets. For the three-month and six-month periods ended June 30, 2008, revenues increased 8% and 9%, respectively, compared to the prior year periods comprised of the following:

	Three months	Six months
• growth from existing businesses	6%	7%
• impact from foreign currency translation	2%	2%

For both the three-month and six-month periods ended June 30, 2008, growth within Legal's existing businesses reflected the performance of online services, consisting primarily of Westlaw and our international online services, which increased 7% compared to the prior year periods. Revenue from sales of software and services increased 6% and 9% for the three-month and six-month periods, respectively, as a result of higher sales of website development, design and hosting services. Print and CD revenues increased 4% in both periods as a result of the timing of shipments.

Within the North American legal businesses, revenues increased primarily due to higher online, software and services revenues. Westlaw revenue increased in the law firm, government and corporate segments, although revenues from ancillary database usage decreased from lower volumes. Revenues from the Westlaw Litigator suite of online products continued to increase due to our expansion of content and functionality of the offerings. Revenues from services increased primarily due to higher sales at FindLaw reflecting, in part, new product introductions. However, our North American legal businesses experienced a decline in new sales in the government and small law firms segments as a result of budgetary constraints and the slowing economy. Outside North America, online revenues increased due to higher customer demand for our products, particularly in the United Kingdom and other markets and, to a lesser extent, the continued migration of our international customers from CD and print formats to online products.

The increase in segment operating profit was primarily the result of higher revenues described above. These results also reflected continued investments in localizing content and technology for Asian markets, particularly Japan and China. The segment

operating profit margin was consistent with that of the prior year period as the effects of scale in our existing businesses were offset by the impact of our Asian investments.

Tax & Accounting

(millions of U.S. dollars)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	Change	2008	2007	Change
Segment revenues	189	155	22%	394	315	25%
Segment operating profit	33	31	6%	72	69	4%
<i>Segment operating profit margin</i>	17.5%	20.0%		18.3%	21.9%	

Results for Tax & Accounting reflected continuing customer demand for our online solutions and software products and services. For the three-month and six-month periods, revenues increased 22% and 25%, respectively, comprised of the following:

	Three months	Six months
• growth from existing businesses	7%	10%
• contributions of newly acquired businesses	15%	15%

Revenues from Tax & Accounting's existing businesses increased as a result of higher online, software and services sales, as well as improved retention. In the research and guidance sector, Checkpoint online revenue continued to increase significantly as a result of new sales and continued migration of customers from print to online products. Print revenues were also impacted by the timing of shipments. Revenues in the professional software and services sector increased due to higher tax transaction revenues and increased sales of product suites derived from additional offerings, particularly document management systems. Within the corporate software and services sector, revenues increased primarily as a result of higher sales of income and trust tax products and services. These revenues were tempered by lower interest income on funds held for clients due to lower interest rates.

Results from newly acquired businesses primarily reflected contributions from our Property Tax Services business, a provider of property tax compliance outsourcing and consulting services, acquired in October 2007; TaxStream, a provider of income tax provision software, acquired in January 2008; and, for the six-month period, CrossBorder Solutions, a tax software provider specializing in international tax compliance areas such as transfer pricing that was purchased in March 2007.

Growth in segment operating profit compared to the prior year period reflected the increase in revenues. The segment operating profit margin decreased as the impact of lower initial margins for certain acquired businesses due to acquisition accounting adjustments, as well as effect of the decrease in interest income, more than offset the benefits from the effects of scale. Relative to these acquisitions, we anticipate that the impacts of the accounting adjustments will normalize and the operating profit margin will return to historical averages by the end of 2008.

Scientific

(millions of U.S. dollars)	Three months ended June 30,			Six months ended June 30,		
	2008	2007	Change	2008	2007	Change
Revenues from ongoing businesses	154	140	10%	295	267	10%
Revenues from disposals	20	22	-9%	42	44	-5%
Segment revenues	174	162	7%	337	311	8%
Operating profit from ongoing businesses	48	41	17%	77	73	5%
Operating profit from disposals	3	4	n/m	6	6	0%
Segment operating profit	51	45	13%	83	79	5%
<i>Operating profit margin, ongoing businesses</i>	31.2%	29.3%		26.1%	27.3%	
<i>Segment operating profit margin</i>	29.3%	27.8%		24.6%	25.4%	

n/m = not meaningful.

Results for Scientific reflected continuing customer demand for our solutions. For the three-month and six-month periods revenues increased 7% and 8%, respectively. These revenues included those from our Dialog business that was sold in July 2008. Because we will continue to receive royalties from Dialog, it could not be classified as a discontinued operation. In order to present the performance of our ongoing businesses, the Dialog results, net of the royalties we will continue to receive, were removed. For both the three-month and six-month periods, revenues from ongoing businesses increased 10%, comprised of the following:

	Three months	Six months
• growth from existing businesses	3%	4%
• contributions of newly acquired businesses	6%	4%
• impact from foreign currency translation	1%	2%

Growth in revenues from existing businesses was due to higher subscription revenues for Web of Science and ISI Web of Knowledge and our Thomson Pharma solution. Thomson Pharma revenues increased primarily due to an increase in customers from new sales and migrations. Revenues from corporate information solutions benefited from continued demand for engineering standards information. Revenues for legacy products declined as a result of migrations and cancellations. Revenues from newly acquired businesses reflected contributions from Prous Science, a provider of life sciences solutions and services that was acquired in September 2007.

Segment operating profit and the related margin increased compared to the prior year primarily as the effects of scale on higher revenues, as well as realized benefits from prior efficiency programs, more than offset the impact of additional investments associated with efforts to localize content in Asian markets.

Healthcare

	Three months ended June 30,			Six months ended June 30,		
	2008	2007	Change	2008	2007	Change
(millions of U.S. dollars)						
Segment revenues	109	100	9%	204	192	6%
Segment operating profit	10	9	11%	13	13	0%
<i>Segment operating profit margin</i>	9.2%	9.0%		6.4%	6.8%	

Results for Healthcare reflected customer demand for our management decision support offerings. For the three-month and six-month periods, revenues increased 9% and 6%, respectively, attributable to growth from existing businesses. For both the three and six-month periods ended June 30, 2008, revenues from Healthcare's existing businesses increased as a result of continuing demand for its decision support offerings, particularly in the payer market. Decision support revenues in the provider market increased modestly as a result of new offerings. Revenues for our clinical decision support solutions also increased primarily due to higher renewals for Micromedex's electronic offerings. For the six-month period, these increases were partially offset by a decline in PDR custom project revenues.

For the second quarter of 2008, segment operating profit and its related margin increased compared to the prior year period. These increases were primarily due to higher revenues and the effects of scale. For the six months ended June 30, 2008, segment operating profit increased as higher revenues more than offset the effect of unfavorable timing on expenses, particularly product development costs. The segment operating profit margin declined slightly compared to the prior year period due to the increase in expenses.

First half performance for Healthcare is not indicative of the anticipated full-year results, as historically approximately 35% of the segment's revenues and 67% of its operating profit have been generated in the fourth quarter. This is largely a result of the annual shipment of the PDR in December.

Corporate and Other

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Expenses excluding integration and synergy program and Reuters transaction costs	46	43	96	100
Integration and synergy costs	141	27	154	61
Reuters transaction costs	—	2	68	2
Total	187	72	318	163

We began reporting on our integration and synergy program, including THOMSON*plus* and Core Plus, on a combined basis starting with the three-month period ended June 30, 2008 as these legacy efforts no longer exist as separate initiatives but are part of a company-wide program. See the section entitled "Integration and Synergy Programs" for further discussion.

For the three and six-month periods ended June 30, 2008, Corporate and Other expenses increased \$115 and \$155 million, respectively, compared to the prior year periods. Expenses excluding integration and synergy costs and Reuters transaction costs increased as a result of the addition of certain legacy Reuters corporate overhead costs as of the acquisition closing date, April 17, 2008. Costs associated with our integration and synergy programs increased largely reflecting severance and consulting services associated with integrating information into our ERP system. We analyze these program costs in terms of those incurred to effect future synergies, such as severance, and those that are considered one-time costs of integration such as branding.

The Reuters transaction costs were incurred prior to the closing date of April 17, 2008 and primarily consisted of consulting costs for integration planning and expenses associated with retention programs, as well as closing date communications.

Integration and synergy costs for the six-month period include \$13 million of THOMSON*plus* expenses associated with our efforts to deploy SAP as our company-wide ERP system and create shared service centers as well as severance costs. The severance primarily related to efforts to relocate certain activities to lower cost locations at our Scientific segment.

Discontinued Operations

As part of our continuing strategy to optimize our portfolio of businesses to ensure that we are investing in parts of our business that we believe have the greatest potential for growth and returns, we sell certain businesses from time to time. Results for certain of these businesses were reflected as discontinued operations within our consolidated financial statements for all periods presented. The most significant of these businesses were those that comprised Thomson Learning. In 2007, we completed the sale of Thomson Learning through three independent processes, as follows:

- In July 2007, we sold Thomson Learning's higher education, careers and library reference businesses to funds advised by Apax Partners and OMERS Capital Partners.
- In May 2007, we sold NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC.
- In October 2007, we sold Prometric, a provider of assessment services, to ETS.

For more information on other discontinued operations, see note 11 to our consolidated financial statements for the period ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

At June 30, 2008, our total assets were approximately \$38 billion, an increase of \$15 billion, or 65%, compared to approximately \$23 billion at December 31, 2007. This increase primarily reflected the acquired Reuters assets, partially offset by a decline in cash and cash equivalents resulting from the cash consideration paid.

The following table presents comparative information related to net debt, shareholders' equity and the ratio of net debt to shareholders' equity.

(millions of U.S. dollars)	As at	
	June 30, 2008	December 31, 2007
Short-term indebtedness	4	183
Current portion of long-term debt	667	412
Long-term debt	7,733	4,264
Total debt	8,404	4,859
Swaps	(391)	(424)
Total debt after swaps	8,013	4,435
Remove fair value adjustment of cash flow hedges	16	14
Less: Cash and cash equivalents	(789)	(7,497)
Net debt	7,240	(3,048)
Shareholders' equity	21,666	13,571
Net debt/equity ratio	0.33:1	(0.22:1)

We guarantee certain obligations of our subsidiaries, including their borrowings under our revolving credit facility. Under our credit facility, we must maintain a ratio of total debt as of the last day of each fiscal quarter to adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization and other modifications described in the guarantee) for the last four quarters ended of not more than 4.5:1. As of June 30, 2008, we were in compliance with this covenant.

Effective April 17, 2008, Thomson Reuters Corporation and Thomson Reuters PLC each guarantee all contractual obligations of the other company, and those of other parties to the extent they are guaranteed by the other company, and other obligations as agreed. Thomson Reuters PLC guarantees all contractual obligations of Reuters existing as of April 17, 2008 and, as a result, those obligations are covered by Thomson Reuters Corporation's guarantee of Thomson Reuters PLC's obligations.

In June 2008, we completed two separate offerings of debt securities. The issuer of the notes was Thomson Reuters Corporation and the guarantor of the notes was Thomson Reuters PLC. The first offering was for \$1.75 billion comprised of \$750 million of 5.95% notes due 2013 and \$1.0 billion of 6.50% notes due 2018. The second offering was for C\$1.2 billion comprised of C\$600 million of 5.25% notes due 2011 and C\$600 million of 5.70% notes due 2015. Upon completion of these offerings, we entered into cross-currency swap agreements whereby the notes due 2015 will pay 6.25% on US\$593 million. We also entered into cross-currency interest rate swap agreements whereby the notes due 2011 will pay a floating interest rate on US\$593 million.

We used the net proceeds from these offerings and other resources available to us to fully repay borrowings under an acquisition credit facility drawn to finance a portion of the cash consideration for the Reuters acquisition. See the section below entitled "Credit facilities and commercial paper program" for further discussion regarding the acquisition credit facility.

Included with the acquired Reuters assets was \$465 million of cash. Additionally, we assumed certain financial obligations of Reuters, which included the following:

- A revolving credit facility with £312 million outstanding, which was repaid in April 2008;
- €500 million of debentures due 2010, for which we subsequently entered into cross-currency interest rate swap agreements whereby these debentures will ultimately pay a floating rate based on LIBOR on US\$757 million;
- €250 million of floating rate notes due November 2008, for which we subsequently entered into a cross-currency interest rate swap agreements whereby these notes will ultimately pay a floating rate based on LIBOR on US\$398 million;
- ¥1 billion of bonds, which were repaid in June 2008; and
- Certain derivative instruments used by Reuters to hedge the above-mentioned debentures and notes, which were settled in April 2008.

In February 2008, we repaid \$400 million of notes upon their maturity.

The following table displays the recent changes in our shareholders' equity:

(millions of U.S. dollars)

Balance as of December 31, 2007	13,571
Earnings attributable to common and ordinary shares for the six months ended June 30, 2008	364
Common and ordinary share issuances	132
Issuance of Thomson Reuters PLC ordinary shares to acquire Reuters	8,226
Additions to paid-in capital related to stock compensation plans ⁽¹⁾	209
Repurchases of shares	(479)
Common and ordinary share dividends declared	(378)
Net unrealized losses on derivatives that qualify as cash flow hedges	1
Change in translation adjustment	20
Balance at June 30, 2008	21,666

(1) Includes \$173 million for the assumption on April 17, 2008 of certain equity-based compensation awards granted by Reuters prior to the closing of the acquisition.

Creditors of Thomson Reuters Corporation and Thomson Reuters PLC that are entitled to the benefit of the guarantees mentioned above have been, to the extent possible, placed in the same position as if the obligation were owed by Thomson Reuters. In light of these guarantees, each of Thomson Reuters Corporation and Thomson Reuters PLC is exposed to the credit risk of the other. Accordingly, both companies share the same credit rating.

The following table sets forth the ratings that we have received from rating agencies in respect of our outstanding securities as of June 30, 2008:

	Moody's	Standard & Poor's	DBRS Limited	Fitch
Long-term debt	Baa1	A-	A (low)	A-
Commercial paper	—	—	R-1 (low)	—
Trend/Outlook	Stable	Negative	Stable	Stable

You should be aware that a rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. We cannot assure you that our credit ratings will not be lowered in the future or that rating agencies will not issue adverse commentaries regarding our securities.

The maturity dates for our long-term debt are well balanced with no significant concentration in any one year. The aggregate \$2.9 billion of notes issued in June 2008 to repay borrowings under the acquisition credit facility include maturities of three, five, seven and 10 years. The long-term debt assumed as part of our acquisition of Reuters includes \$398 million of debt securities maturing in November 2008, which we intend to repay with available resources, and \$757 million of debt securities maturing in 2010.

At June 30, 2008, the carrying amounts of our total current liabilities exceeded the carrying amounts of our total current assets because current liabilities include deferred revenue. Deferred revenue does not represent a cash obligation, however, but rather an obligation to perform services or deliver products in the future. The costs to fulfill these obligations are included in our operating costs. As of March 31, 2008, current assets had exceeded current liabilities as our current assets included the proceeds from the sale of Thomson Learning. During the three months ended June 30, 2008, the Thomson Learning proceeds were used to finance a portion of the cash consideration related to the Reuters acquisition.

Treasury Locks

In November 2007, we entered into two treasury lock agreements with a total notional amount of \$800 million, in anticipation of the issuance of debt securities during 2008. The treasury lock agreements originally set to expire in May 2008 were extended to June 2008. The agreements were intended to offset changes in future cash flows attributable to fluctuations in interest rates and were designated as cash flow hedges. Upon the issuance of debt securities in June 2008, we settled the agreements for a loss of approximately \$5 million, which will be amortized to interest over the 10 year term of the related debt. See the section above entitled "Financial Position" for discussion of long-term debt issuances.

Hedging Program for Reuters Consideration

As the funding of the cash consideration paid to former Reuters shareholders fluctuated based on the \$/£ exchange rate, in July 2007 we commenced a hedging program to mitigate exposure to changes in the \$/£ exchange rate. In the third quarter of 2007, we paid \$76 million for the purchase of several sterling call options with a cumulative notional value of £2.3 billion and various strike prices approximating \$2.05/£1.00. These options expired at various dates from February to April 2008.

Throughout April 2008, we entered into multiple short-term forward foreign exchange contracts to mitigate exposures to changes in the \$/£ exchange rate. We recognized a gain of \$9 million in net other (expense) income in our consolidated statement of earnings associated with these agreements.

Additionally, after completion of the sale of Thomson Learning's higher education, careers and library reference businesses in July 2007, we invested a portion of the proceeds in sterling-denominated money market funds and in sterling term bank deposits. These funds were utilized to fund a portion of the cash consideration paid to former Reuters shareholders.

Share Repurchase Program

Prior to the closing of the acquisition, Thomson and Reuters each had share repurchase programs in effect from time to time. In April 2008, we commenced a new \$500 million share repurchase program. As part of this program, we repurchased approximately 15.6 million Thomson Reuters PLC ordinary shares for a total cost of \$479 million during the second quarter of 2008. There were no repurchases of Thomson Reuters Corporation shares during the first half of 2008.

The following table summarizes recent repurchase activities.

Three-month period ended	Shares Repurchased	Average Price per Share
Thomson Reuters Corporation		
June 30, 2007	495,000	\$42.68
September 30, 2007	—	—
December 31, 2007	2,370,500	\$38.76
March 31, 2008	—	—
June 30, 2008	—	—
Thomson Reuters PLC		
June 30, 2008	15,645,535	\$30.59

For more information on our share repurchase program, see the section entitled "Subsequent Events."

Shares that we repurchase are cancelled. We will continue to repurchase shares from time to time as part of our capital management strategy. Decisions regarding any future repurchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. We may repurchase shares in open market transactions on the Toronto Stock Exchange, London Stock Exchange or the New York Stock Exchange. We may elect to suspend or discontinue our share repurchases at any time, in accordance with applicable laws. From time to time, when we do not possess material nonpublic information about ourselves or our securities, we may enter into a pre-defined plan with our broker to allow for the repurchase of shares at times when we ordinarily would not be active in the market due to our own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with our broker will be adopted in accordance with applicable Canadian and English securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended.

Tradeweb Partnership

In January 2008, we formed a partnership with a consortium of nine global securities dealers to seek to further expand Tradeweb, our electronic trading unit that is now within the Markets Division. The partnership utilizes Tradeweb's established market position in creating a global multi-asset class execution venue for clients. Additional information about this partnership is provided in note 17 to our financial statements for the six months ended June 30, 2008.

In connection with the formation of the partnership, we realized and deferred a net gain of \$96 million associated with the sale of our 15% interest and our contribution of assets to Tradeweb New Markets. Additionally, we recorded a minority interest of \$64 million. As of June 30, 2008, we reflected in our consolidated balance sheet a minority interest balance of \$73 million associated with the consortium's ownership of Tradeweb Markets and an equity investment of \$60 million associated with our ownership of Tradeweb New Markets.

Cash Flow

Our principal sources of liquidity are cash provided by our operations, borrowings under our revolving bank credit facility and our commercial paper program and the issuance of public debt. Our principal uses of cash have been to finance the acquisition of Reuters, working capital and debt servicing costs, repay debt, and finance dividend payments, capital expenditures and other acquisitions. Additionally, as discussed in the section entitled "Share Repurchase Program," we have also used our cash to repurchase outstanding shares in open market transactions.

Operating activities. For the three months ended June 30, 2008, cash provided by our operating activities was \$880 million compared to \$443 million for the prior year period. Cash provided by our operating activities in the six months ended June 30, 2008 was approximately \$1.16 billion compared to \$730 million in the prior year period. These increases primarily reflected a significant change in the composition of our businesses as the 2008 periods included Reuters, which provided net cash inflows from operations, compared to the 2007 periods which included Thomson Learning, which produced net cash outflows in the first half of the year.

Investing activities. For the three months ended June 30, 2008, cash used in our investing activities was \$8.4 billion compared to cash provided by our investing activities of \$199 million for the prior year period. For the six-months period ended June 30, 2008, cash used in our investing activities was \$8.5 billion compared to \$117 million for the prior year period. The increased use of cash reflected the consideration for Reuters. Capital expenditures increased compared to the prior year periods due to the higher spending in our Markets Division as a result of the acquired Reuters operations. For the six months ended June 30, 2008, we had proceeds from disposals as a result of our sale of a minority interest in Tradeweb Markets. See the section entitled "Tradeweb Partnership" for further discussion. For the three months and six months ended June 30, 2007, results included proceeds from the sale of various businesses, including NETg.

Financing activities. For the three months ended June 30, 2008, cash used in our financing activities was \$841 million compared to \$570 million in the prior year period. The outflows of cash reflected greater repayments of debt due to repayments of assumed Reuters obligations. These were partially offset by the inflows resulting from our issuances of long-term debt. See the section entitled "Financial Position" for further discussion. For the six months ended June 30, 2008, cash provided from financing activities was \$666 million compared to \$525 million used in such activities in the prior year. Results for 2008 reflected cash inflows resulting from increased borrowings under our credit facilities. Both periods of 2008 reflected an increase in our repurchases of shares (see "Share Repurchase Program" above). Additionally, both periods of 2008 included an assumed dividend payment to former Reuters shareholders representing the accrued/pro-rated dividends from January 1, 2008 through April 16, 2008. These periods also included proceeds from the settlement of acquired Reuters derivative instruments.

The following table sets forth our dividend activity related to common shares of Thomson Reuters Corporation and ordinary shares of Thomson Reuters PLC:

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Dividend payable assumed	246	—	246	—
Dividends declared	205	157	378	314
Dividends reinvested	(61)	(4)	(108)	(8)
Dividends paid	390	153	516	306

A discussion of other significant financing activities from each period is noted under the section entitled "Financial Position".

Free cash flow. The following table sets forth a calculation of our free cash flow for the three months and six months ended June 30, 2008 and 2007:

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net cash provided by operating activities	880	443	1,164	730
Capital expenditures, less proceeds from disposals	(232)	(142)	(340)	(240)
Other investing activities	(11)	(13)	(23)	(23)
Dividends paid on preference shares	(1)	(2)	(3)	(3)
Capital expenditures of discontinued operations	—	(58)	—	(95)
Other investing activities of discontinued operations	—	(2)	(7)	(6)
Free cash flow	636	226	791	363

For the three months and six months ended June 30, 2008, our free cash flow increased due to a significant change in the composition of our businesses, as previously described above. These effects were partially offset by increased capital expenditures associated with the acquired Reuters operations.

Credit facilities and commercial paper program. We have a syndicated credit agreement which consists of a \$2.5 billion unsecured revolving credit facility that currently expires in 2012. Under the terms of the agreement, we may request an increase (subject to approval by applicable lenders) in the amount of the lenders' commitments up to a maximum amount of \$3.0 billion. The financial covenant related to this agreement is described in the "Financial Position" section above. As of June 30, 2008, there were no outstanding borrowings from this facility.

Until June 30, 2008, we also had a £2.5 billion acquisition credit facility related to the Reuters transaction. The credit agreement was terminated following the repayment of all borrowings, which we financed using proceeds from the debt securities issued in June 2008 and other available resources. See "Financial Position" above for discussion of the newly-issued notes.

Debt shelf registration. We completed our offerings of notes in June 2008 under a shelf prospectus that allows us to issue up to \$3 billion of debt securities from time to time. The shelf prospectus is valid until December 2009. As of June 30, 2008, we had approximately \$65 million of debt securities available for issuance under this shelf prospectus. See "Financial Position" above for discussion of the newly-issued notes. We intend to amend our shelf prospectus to allow us to issue additional securities from time to time.

Off-balance sheet arrangements, commitments and contractual obligations. For a summary of our other off-balance sheet arrangements, commitments and contractual obligations, please see our management's discussion and analysis for the year ended December 31, 2007. We assumed Reuters commitments with our acquisition. As noted in the Thomson Reuters PLC annual report on Form 20-F for the year ended December 31, 2007 filed with the SEC and the Canadian securities regulatory authorities, Reuters had material contractual commitments associated with operating leases, capital expenditures and an outsourcing arrangement with Fujitsu Services Limited.

For the foreseeable future, we believe that cash from our operations and available credit facilities will be sufficient to fund our future cash dividends, debt service, projected capital expenditures and acquisitions that we pursue in the normal course of business and share repurchases.

Contingencies

Lawsuits and Legal Claims

In July 2008, the U.S. Court of Appeals for the Federal Circuit ruled in our favor by reversing a decision in a patent infringement case related to a business formerly owned by Thomson Financial. Following the initial court's decision, we had posted a \$95 million letter of credit in connection with our appeal. The letter of credit represented the amount of the court's judgment, plus fees and interest.

In February 2007, we entered into a settlement agreement related to a lawsuit involving our BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and Kaplan Inc.*). Our part of the settlement was \$36 million, which was accrued for in the fourth quarter of 2006 and paid in June 2007. We are a defendant in a separate lawsuit involving our BAR/BRI business, *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc.*, which was filed in the U.S. District Court for the Southern District of New York. The Park lawsuit alleges primarily violations of the U.S. federal antitrust laws. In the third quarter of 2007, we accrued \$13 million in connection with this matter. We have entered into a settlement

agreement which has been preliminarily approved by the court. In February 2008, another purported class action complaint alleging violations of U.S. federal antitrust laws was filed in the United States District Court for the Central District of California against West Publishing Corporation, d/b/a BAR/BRI and Kaplan Inc. In April 2008, this case was dismissed with prejudice. The plaintiffs have appealed this dismissal.

In addition to the matters described above, we are engaged in various legal proceedings and claims that have arisen in the ordinary course of business. Some of these matters are described in our management's discussion and analysis for the three months ended March 31, 2008 and for the year ended December 31, 2007 as well as in Thomson Reuters PLC's annual report on Form 20-F for the year ended December 31, 2007. Except as updated and supplemented above, there have been no material developments to these matters. The outcome of all of the proceedings and claims against us including, without limitation, those described above, and in our management's discussion and analysis for the three months ended March 31, 2008 and the year ended December 31, 2007 as well as in the Thomson Reuters PLC's annual report on Form 20-F for the year ended December 31, 2007, is subject to future resolution, including the uncertainties of litigation. Based on information currently known by us and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on our financial condition, taken as a whole.

Taxes

We maintain contingent liabilities that we believe appropriately reflect our risk with respect to tax positions under discussion, audit, dispute or appeal with tax authorities, or otherwise considered to involve uncertainty (commonly referred to as uncertain tax positions). We regularly assess the adequacy of these liabilities. In April 2008, upon the completion of a routine tax audit for the years 2003 to 2005, the Internal Revenue Service notified us that it would challenge certain positions taken on our tax returns. We do not believe that any material impact will result from this challenge. Contingent tax liabilities are reversed to income in the period in which we assess that they are no longer required, when they are no longer required by statute, or when they are resolved through the normal tax dispute process. Our contingency reserves principally represent liabilities in respect of the years 2000 to 2007.

Please see our management's discussion and analysis for the year ended December 31, 2007 for a summary of our tax contingencies and market risks.

UNAUDITED PRO FORMA RESULTS

We have prepared certain unaudited pro forma financial information for Thomson Reuters to illustrate the effect of the acquisition of Reuters and to provide comparable results to measure our performance. These pro forma results for the three-month and six-month periods ended June 30, 2008 and 2007 have been prepared as if the acquisition had occurred on January 1, 2007. This pro forma information:

- has not been audited;
- has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and, therefore, does not represent Thomson Reuters actual financial position or results;
- does not purport to represent what the consolidated results of operations actually would have been if the acquisition had occurred on January 1, 2007 or what those results will be for any future periods. The pro forma adjustments are based on current information; and
- has not been adjusted to reflect any matters not directly attributable to the acquisition. No adjustment, therefore, has been made to periods prior to the closing date (April 17, 2008) for actions which have or may be taken upon completion of the acquisition, such as any integration plans of Thomson Reuters.

Pro Forma Results

The following tables set forth the pro forma results for Thomson Reuters for the three-month and six-month periods ended June 30, 2008 and 2007:

	Three months ended June 30,			Six months ended June 30,		
	2008 ⁽¹⁾	2007	Change	2008 ⁽¹⁾	2007	Change
Pro forma revenues						
Legal	923	852	8%	1,732	1,592	9%
Tax & Accounting	189	155	22%	394	315	25%
Scientific	154	140	10%	295	267	10%
Healthcare	109	100	9%	204	192	6%
Professional	1,375	1,247	10%	2,625	2,366	11%
Sales & Trading	1,001	901	11%	1,976	1,799	10%
Investment & Advisory	593	544	9%	1,189	1,071	11%
Enterprise	338	275	23%	638	530	20%
Media	119	106	12%	233	207	13%
Markets	2,051	1,826	12%	4,036	3,607	12%
Eliminations	(4)	(4)	n/m	(7)	(10)	n/m
Pro forma revenues from ongoing businesses	3,422	3,069	12%	6,654	5,963	12%
Disposals	20	22	n/m	42	44	n/m
Pro forma revenues before purchase accounting normalization	3,442	3,091	11%	6,696	6,007	11%
Purchase accounting normalization	—	—	n/m	—	(86)	n/m
Pro forma revenues	3,442	3,091	11%	6,696	5,921	13%
Pro forma operating profit						
Legal	321	294	9%	546	500	9%
Tax & Accounting	33	31	6%	72	69	4%
Scientific	48	41	17%	77	73	5%
Healthcare	10	9	11%	13	13	0%
Professional	412	375	10%	708	655	8%
Markets	372	286	30%	715	502	42%
Corporate & Other	(221)	(98)	n/m	(277)	(208)	n/m
Amortization	(158)	(158)	n/m	(316)	(315)	n/m
Pro forma operating profit from ongoing businesses	405	405	0%	830	634	31%
Disposals	3	4	n/m	6	6	n/m
Impairment of assets held for sale	(72)	—	n/m	(72)	—	n/m
Pro forma operating profit before purchase accounting normalization	336	409	(18%)	764	640	19%
Purchase accounting normalization	—	—	n/m	—	(86)	n/m
Pro forma operating profit	336	409	(18%)	764	554	38%
Pro forma operating profit margin %	9.8%	13.2%		11.4%	9.4%	

n/m = not meaningful.

(1) In the second quarter of 2008, we revised our methodology for corporate expense allocation with respect to Reuters. As a result, we reclassified previously reported pro forma results in arriving at our six-month pro forma results. Our previously reported pro forma segment operating profit for Markets and Corporate and Other for the three months ended March 31, 2008 have been reclassified to \$343 million and (\$56) million, respectively. Our previously reported pro forma segment operating profit for Markets and Corporate and Other for the three months ended March 31, 2007 have been reclassified to \$216 million and (\$110) million, respectively. There was no impact on our total operating profit in these periods.

Pro forma revenues. For the three-month and six-month periods ended June 30, 2008, pro forma revenues increased 11% and 13%, respectively. These increases include the effects of revenues from a disposal that could not be classified as a discontinued operation, as well as the impact of a pro forma purchase accounting adjustment on 2007 revenues. In order to present the performance of our ongoing businesses, the effects of the disposals and purchase accounting adjustment, were removed. Total pro forma revenues from ongoing businesses for both the three-month and six-month periods ended June 30, 2008 increased 12%. The primary components of the increase compared to the prior year periods were as follows:

	Three months ended June 30,		Percentage change due to:			
	2008	2007	Existing businesses	Acquired businesses	Currency translation	Total
Professional	1,375	1,247	6%	3%	1%	10%
Markets	2,051	1,826	7%	0%	5%	12%
Eliminations	(4)	(4)				
	3,422	3,069	7%	1%	4%	12%

	Six months ended June 30,		Percentage change due to:			
	2008	2007	Existing businesses	Acquired businesses	Currency translation	Total
Professional	2,625	2,366	7%	3%	1%	11%
Markets	4,036	3,607	8%	0%	4%	12%
Eliminations	(7)	(10)				
	6,654	5,963	8%	1%	3%	12%

As revenues in both periods for our Professional Division were not impacted by the Reuters acquisition, its pro forma results correspond to the analysis provided in the section entitled "Results of Operations." For both the three months and six months ended June 30, 2008, pro forma revenues in our Markets Division increased 12%. These increases were largely a result of higher revenues from existing businesses and were exhibited in each major geographic area, particularly Asia, and in all the Markets Division's subsegments.

In the three months and six months ended June 30, 2008, Sales & Trading revenues increased 11% and 10%, respectively. Excluding the effects of foreign currency translation, Sales & Trading revenues increased 5% and 6%, respectively. These increases were primarily a result of higher Treasury, Commodity & Energy and cross-asset class trading, offset by slower growth in Fixed Income and Equities. Treasury revenues were driven by foreign exchange volatility and higher transaction volumes. Commodity & Energy revenues increased due to higher demand for our information products resulting from sector activity. Tradeweb's revenues increased due to higher transaction fees from new asset classes, particularly dollar and Euro-denominated interest rate swaps.

In the three months and six months ended June 30, 2008, Investment & Advisory revenues increased 9% and 11%, respectively. Excluding the effects of foreign currency translation, Investment & Advisory revenues increased 8% and 10%, respectively. These increases were primarily a result of increased desktops and datafeed sales, particularly in the investment management and corporate sectors. Investment management revenues benefited from higher sales of advanced analytics. Revenues from the corporate sector increased primarily due to demand in Europe and Asia.

Enterprise revenues increased 23% and 20% for the three months and six months ended June 30, 2008, respectively. Excluding the effects of foreign currency translation, Enterprise revenues increased 14% and 15%, respectively. These increases primarily reflected higher data feed revenues. Trade & Risk Management revenues increased as a result of higher sales of our Kondor+ solution. Additionally, revenues for PORTIA, our portfolio accounting solution, increased due to greater activity for our customers, upgrade releases and demand for new modules.

Media revenues increased 12% and 13% for the three months and six months ended June 30, 2008, respectively. Excluding the effects of foreign currency translation, Media revenues increased 2% and 4%, respectively. These increases were primarily due to the favorable impact of foreign exchange. Additionally, revenues from agency services increased due to higher demand offset by timing of expenses and weakness in the Consumer business.

Pro forma operating profit. For the three months ended June 30, 2008, pro forma operating profit decreased 18%. The decrease was primarily the result of spending on our integration and synergy programs, as well as an impairment on assets held for sale. For the six months ended June 30, 2008, pro forma operating profit increased 38%. The increase was largely due to a purchase accounting adjustment that reduced revenues in the prior year period.

In both periods, we experienced certain unusual or one-time items that impacted comparability. The following table provides an analysis of our profitability excluding those items to derive our underlying operating profit.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Pro forma operating profit	336	409	764	554
Adjustments:				
Amortization	158	158	316	315
Purchase accounting normalization	—	—	—	86
Disposals	(3)	(4)	(6)	(6)
Impairment of assets held for sale	72	—	72	—
Fair value adjustments	4	28	(16)	30
Integration and synergy program costs	141	27	154	61
Pro forma underlying operating profit	708	618	1,284	1,040
<i>Pro forma underlying operating profit margin %</i>	20.7%	20.1%	19.3%	17.4%

For the three months and six months ended June 30, 2008, pro forma underlying operating profit increased 15% and 23%, respectively. Pro forma underlying operating profit in both periods benefited significantly from the favorable effect of foreign currency translation. These increases also reflected the higher revenues in each period, savings attributable to certain spending which was deferred prior to the Reuters acquisition, and initial synergy savings in the post-acquisition period. Our pro forma underlying operating margin increased in both periods as a result of the impact of foreign exchange translation, effects of scale and the impact of synergy initiatives.

For the three months and six months ended June 30, 2008, pro forma operating profit for the Markets Division increased 30% and 42%, respectively. These increases largely reflected the factors discussed above, including a significant benefit from the effect of foreign currency translation.

Pro forma adjusted earnings and pro forma adjusted earnings per share from continuing operations. The table below presents a reconciliation of pro forma underlying operating profit to pro forma adjusted earnings from continuing operations for the three-month and six-month periods ended June 30, 2008.

	Three months ended June 30, 2008	Six months ended June 30, 2008
Pro forma underlying operating profit	708	1,284
Adjustments:		
Integration and synergy program costs	(141)	(154)
Net Interest expense	(112)	(225)
Income taxes	(73)	(145)
Tradeweb ownership interests	(4)	(6)
Dividends declared on preference shares	(1)	(3)
Pro forma adjusted earnings from continuing operations	377	751
Pro forma adjusted earnings per share from continuing operations	\$0.45	\$0.90

Our adjusted earnings from continuing operations for the three-month and six-month periods ended June 30, 2008 were \$377 million, or \$0.45 per share, and \$751 million, or \$0.90 per share, respectively. These measures are presented to allow an analysis of our performance on the same basis as our Business Outlook contained in this management's discussion and analysis, which assumes the acquisition of Reuters had occurred on January 1, 2007. We derived our pro forma adjusted earnings by deducting from pro forma underlying operating profit certain normally recurring items appearing below operating profit on the statements of earnings: interest expense, income taxes, Tradeweb ownership interests and dividends declared on preference

shares. Additionally, we deduct costs associated with our integration and synergy programs, but exclude "other income and expense" and amortization.

Pro forma interest expense and income taxes reflect assumptions in the "Business Outlook" section. Specifically, interest expense was derived by reflecting in the period a proportional amount of the pro forma full year run rate. Income taxes reflect an estimated pre-amortization effective tax rate. These amounts do not represent the actual amounts in the consolidated financial statements of Thomson Reuters for the three-month and six-month periods ended June 30, 2008.

Pro forma basic weighted average common and ordinary shares outstanding reflected the actual reported weighted average common and ordinary shares outstanding adjusted as if the approximately 194 million Thomson Reuters PLC shares issued to Reuters shareholders on April 17, 2008 were outstanding from the beginning of the period presented, as well as the effect of the approximately 34 million Reuters Group PLC share options assumed. Pro forma adjusted earnings per share from continuing operations do not represent actual earnings per share attributable to shareholders.

Pro Forma Information Calculation

The calculation of pro forma information for the six-months ended June 30, 2008 is set forth below:

Six months ended June 30, 2008	Thomson Reuters	Pro forma adjustments		Adjustment Note	Pro forma Thomson Reuters
		Reuters ⁽¹⁾	Other		
Revenues	4,962	1,699	35	a)	6,696
Cost of sales, selling, marketing, general and administrative expenses	(3,863)	(1,364)	95	b), c), d), e)	(5,132)
Depreciation	(313)	(86)	(13)	d)	(412)
Amortization	(203)	(8)	(105)	d)	(316)
Impairment of assets held for sale	(72)	—	—		(72)
Operating profit	511	241	12		764

(1) Represents Reuters results for the pre-acquisition period January 1, 2008 to April 16, 2008.

The calculation of pro forma information for the six-months ended June 30, 2007 is set forth below:

Six months ended June 30, 2007	Thomson	Pro forma adjustments		Adjustment Note	Pro forma Thomson Reuters
		Reuters	Other		
Revenues	3,467	2,540	(86)	a)	5,921
Cost of sales, selling, marketing, general and administrative expenses	(2,535)	(2,174)	53	b), c), d), e)	(4,656)
Depreciation	(232)	(136)	(28)	d)	(396)
Amortization	(123)	(28)	(164)	d)	(315)
Operating profit	577	202	(225)		554

Basis of Presentation

The unaudited pro forma information for the six-month periods ended June 30, 2008 and 2007 were calculated in a manner consistent with the preparation of the unaudited pro forma consolidated statement of earnings for the year ended December 31, 2007, unless otherwise noted, included in the Thomson Reuters PLC annual report on Form 20-F for the year ended December 31, 2007 filed with the SEC and the Canadian securities regulatory authorities. This unaudited pro forma information has been compiled from financial statements prepared in accordance with Canadian GAAP as previously applied by Thomson and which continue to apply to Thomson Reuters. The underlying financial information of Thomson and Thomson Reuters is included in the Thomson Reuters Corporation interim financial statements for the six-month period ended June 30, 2008 accompanying this management's discussion and analysis. The underlying financial information of Reuters was compiled from its internal financial records. The acquisition was reflected with Thomson as the acquirer and Reuters as the acquiree, assuming that the acquisition had been completed on January 1, 2007. No account has been taken of the trading activity or other transactions of Thomson Reuters for the period since June 30, 2008.

The pro forma information has been compiled in a manner consistent with the accounting policies previously adopted by Thomson, and which continue to apply to Thomson Reuters, since the acquisition of Reuters. These accounting policies differ in certain respects from those of Reuters. The adjustments made to reconcile Reuters financial information were consistent with those described in the reconciliations summarizing the material differences between IFRS and Canadian GAAP as applied by Thomson set out in Note 7 "Reconciliation to Canadian GAAP as applied by The Thomson Corporation" in the unaudited pro forma financial statements in the Thomson Reuters PLC annual report on Form 20-F for the year ended December 31, 2007.

Pro Forma Adjustments

The pro forma adjustments for the six-month periods ended June 30, 2008 and 2007 reflected adjustments made in the unaudited pro forma financial statements in the Thomson Reuters PLC annual report on Form 20-F for the year ended December 31, 2007, as follows, except as noted in a) below due to additional information made available to us following completion of the acquisition:

- a) To adjust the carrying value of Reuters deferred revenue obligation as of January 1, 2007 to its estimated fair value, revenues were reduced by \$86 million for the three months ended March 31, 2007, which carried through to the six months ended June 30, 2007. Because of Reuters contractual quarterly billing cycle, this adjustment was reflected in its entirety in the quarter ended March 31, 2007.

In the Thomson Reuters consolidated financial statements for the six-month period ended June 30, 2008, the first reporting period after the Reuters acquisition, reported revenues were reduced by \$35 million. For purposes of the pro forma results, the revenue reduction was reversed, as it is assumed to have occurred in 2007, and therefore should not be recognized again in 2008 pro forma results.

- b) Thomson and Reuters expensed integration planning and other transaction-related costs that do not qualify to be capitalized as part of estimated purchase consideration. For purposes of the pro forma results, \$238 million and \$44 million of expenses incurred in the six-month periods ended June 30, 2008 and 2007, respectively, were reversed because the pro forma results have been prepared as if the acquisition had occurred on January 1, 2007, and these expenses would have been incurred prior to the closing date. Additionally, these expenses are non-recurring in nature and are not expected to have a continuing impact on the consolidated results.

There was no adjustment taken to reverse integration and synergy program expenses incurred beginning from April 17, 2008, the acquisition date.

- c) For the six-month period ended June 30, 2008, cost of sales, selling, marketing, general and administrative expenses were increased by \$140 million (June 30, 2007 — decrease of \$36 million) to eliminate amortization related to past service costs and net actuarial gains and losses in connection with Reuters pension and other post-retirement benefit plans. These expenses were eliminated as retirement plan assets and obligations would have been reflected at their fair values on January 1, 2007.

The adjustments to amortization, depreciation and rent expense described in d) and e) below relate to pre-acquisition periods. The adjustments reflect the effects of purchase accounting on operating profit as if the Reuters acquisition had occurred on January 1, 2007. These adjustments were not required from April 17, 2008, the closing date of the acquisition, and after the closing as the Thomson Reuters Corporation consolidated financial statements for the six-month period ended June 30, 2008 reflect application of purchase accounting to the Reuters acquisition beginning from April 17, 2008.

- d) Amortization and depreciation
- Adjustments of \$105 million and \$164 million were recorded in the six-month periods ended June 30, 2008 and 2007, respectively, to reflect additional amortization attributable to the preliminary fair value increment allocated to identifiable intangible assets.
 - Adjustments of \$13 million and \$28 million were recorded in the six-month periods ended June 30, 2008 and 2007, respectively, to reflect additional depreciation attributable to the preliminary fair value increment allocated to computer hardware and other property, and internal use software.
 - Adjustments of \$6 million and \$12 million were recorded in the six-month periods ended June 30, 2008 and 2007 to decrease and increase, respectively, cost of sales, selling, marketing, general and administrative expenses to reflect amortization attributable to the preliminary fair value increment allocated to capitalized software to be sold externally. Reuters accelerated amortization on certain impaired software assets in the second quarter of 2008. The adjustment to decrease amortization in 2008 is partly due to these accelerated charges and other factors.
- e) Adjustments of \$9 million and \$15 million were recorded in the six-month periods ended June 30, 2008 and 2007, respectively, to reflect additional rent expense attributable to amortization of the preliminary fair value increment allocated to favorable and unfavorable leases.

Pro Forma Depreciation by Segment

The following table details pro forma depreciation expense by segment and disposals for the three and six-month periods ended June 30, 2008 and 2007:

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Professional Division				
Legal	(61)	(52)	(116)	(100)
Tax & Accounting	(7)	(5)	(15)	(11)
Scientific	(8)	(7)	(16)	(13)
Healthcare	(6)	(6)	(13)	(11)
Markets Division	(121)	(126)	(247)	(254)
Corporate and other	(3)	(3)	(4)	(6)
Disposals	—	—	(1)	(1)
Total	(206)	(199)	(412)	(396)

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the sections below entitled "Material Assumptions" and "Cautionary Note Concerning Factors That May Affect Future Results."

In our management's discussion and analysis for the period ended March 31, 2008, we provided a business outlook for 2008 on a pro forma basis that assumes Thomson acquired Reuters on January 1, 2007. Based on our first-half results and continued positive sales momentum across the company, we are confident in confirming this outlook.

- Pro forma revenue growth (excluding currency effects) is estimated to be between 6% and 8%.
- Pro forma underlying operating profit margin is estimated to be between 19% and 21%.
- Free cash flow margin, excluding integration and synergy costs, is estimated to be between 11% and 12% of revenues.

MATERIAL ASSUMPTIONS

Our material assumptions related to the "Outlook" discussed above were as follows:

- there will be no change to existing prevailing worldwide macroeconomic conditions;
- there will be no material adverse events which will have a significant impact on Thomson Reuters financial results;
- a portion of Thomson Reuters anticipated 2008 revenue growth will come from tactical acquisitions made during the year;
- the anticipated 2008 underlying operating profit margin includes benefits of savings programs and excludes synergy and integration costs and acquisition-related expenses of intangibles;
- the anticipated 2008 free cash flow margin excludes synergy and integration-related costs;
- the Outlook reflects the continuing operations of Thomson Reuters business as of June 30, 2008;
- the Outlook includes integration-related costs together with various cost savings initiatives;
- the Outlook assumes Thomson had acquired Reuters on January 1, 2007; and
- the Outlook includes preliminary estimates of pro forma adjustments based on estimated fair values of assets.

RELATED PARTY TRANSACTIONS

As of August 11, 2008, based on the issued share capital of Thomson Reuters Corporation and Thomson Reuters PLC, Woodbridge had a voting interest in Thomson Reuters of approximately 55%.

Transactions with Woodbridge

From time to time, in the normal course of business, Woodbridge purchases some of our products and service offerings. These transactions are negotiated at arm's length on standard terms, including price, and are not significant to our results of operations or financial condition individually or in the aggregate.

In the normal course of business, a Woodbridge-owned company rents office space from one of our subsidiaries. Additionally, a number of our subsidiaries charge a Woodbridge-owned company fees for various administrative services. In 2007, the total amount charged to Woodbridge for these rentals and services was approximately \$1 million.

The employees of Jane's Information Group (Jane's) participated in our pension plans in the United States and United Kingdom, as well as the defined contribution plan in the United States, until June 2007. We had owned Jane's until we sold it to Woodbridge in April 2001. As part of the original purchase from us, Woodbridge assumed the pension liability associated with the active employees of Jane's. As a consequence of the sale of Jane's by Woodbridge in June 2007, Jane's employees ceased active participation in our plans. From April 2001 until June 2007, Jane's made proportional contributions to these pension plans as required, and made matching contributions in accordance with the provisions of the defined contribution plan. Coincident with the sale of Jane's by Woodbridge in June 2007, Jane's ceased to be a participating employer in any Thomson benefit plan.

We purchase property and casualty insurance from third party insurers and retain the first \$1 million of each and every claim under the programs via our captive insurance subsidiary. Woodbridge is included in these programs and pays us a premium commensurate with its exposures. In 2007, these premiums were about \$50,000, which would approximate the premium charged by a third party insurer for such coverage.

We have in the past maintained an agreement with Woodbridge under which Woodbridge agreed to indemnify up to \$100 million of liabilities incurred either by our current and former directors and officers or by our company in providing indemnification to these individuals on substantially the same terms and conditions as would apply under an arm's length, commercial arrangement. In 2007, we paid Woodbridge a fee of \$750,000, which was less than the premium that we would have paid for commercial insurance. This agreement has been replaced by a conventional insurance agreement. Thomson Reuters Corporation is nevertheless entitled to seek indemnification from Woodbridge in respect of claims arising from events prior to April 17, 2008 and made within a six-year run-off period following that date.

Transactions with Investments in Affiliates and Joint Ventures

We enter into transactions with our investments in affiliates and joint ventures. These transactions involve providing or receiving services and are entered into in the normal course of business and on an arm's length basis.

We and The Depository Trust & Clearing Corporation each have a 50% interest in Omgeo, a provider of trade management services. Omgeo pays us for use of facility and technology and other services. For the six months ended June 30, 2008, these services were valued at approximately \$5 million.

We and Shin Nippon Hoki Shuppan K.K. each own 50% of Westlaw Japan K.K., a provider of legal information and solutions to the Japanese legal market. We provide the venture with technology and other services, which were valued at \$3 million for the six months ended June 30, 2008.

Our Tradeweb Markets business provides services, including use of its trading platform and various back office functions, to Tradeweb New Markets, in which we have a 20% ownership stake. For the six months ended June 30, 2008, we recognized revenues of \$1 million related to these services.

With the acquisition of Reuters, we assumed a lease agreement with 3XSQ Associates, an entity now owned by Thomson Reuters and Rudin Times Square Associates LLC that was formed to build and operate the 3 Times Square property and building in New York, New York that now serves as our corporate headquarters. We follow the equity method of accounting for our investment in 3XSQ Associates. The lease provides us with over 690,000 square feet of office space until 2021 and includes provisions to terminate portions early and various renewal options. In the year ended December 31, 2007, Reuters paid 3XSQ Associates approximately \$32 million for rent, taxes, insurance and other expenses.

Also as a result of the acquisition of Reuters, we have an investment in a joint venture with the Chicago Mercantile Exchange to create a centrally-cleared, global foreign exchange trading system named FXMarketSpace. Among various other services, we provide trading access to and trade notification services for, and distribute market data from, FXMarketSpace. The total cost of these services provided by Reuters to FXMarketSpace in the year ended December 31, 2007 was approximately \$20 million.

Other Transactions

In February 2005, we entered into a contract with Hewitt Associates Inc. to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. Under the current contract terms, we expect to pay Hewitt an aggregate of approximately \$165 million over a 10 year period beginning in 2006. In 2007, we paid Hewitt \$11 million for its services. Steven A. Denning, one of our directors and chairman of the board's Human Resources Committee, is also a director of Hewitt. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the board of directors.

SUBSEQUENT EVENTS

In July 2008, we completed the sale of Dialog, an online provider of aggregated content databases used for research in such fields as business, science, engineering, finance and law. Dialog was previously part of the Scientific segment. The disposal did not qualify to be presented as a discontinued operation because we will continue to receive royalties from the distribution of Scientific content through Dialog.

In July 2008, we completed our previously announced \$500 million share repurchase program. We repurchased and subsequently cancelled 825,000 Thomson Reuters PLC shares for approximately \$21 million in July 2008.

In July 2008, we sold a copy of the Thomson Fundamentals (Worldscope) database to FactSet. We have received regulatory approval to sell a database copy of Reuters Economics (Ecowin) and that sale is expected to close during the third quarter of 2008. Database copy sales of Reuters Estimates and Reuters Aftermarket Research are progressing. These sales were required in order to satisfy antitrust obligations relative to the Reuters acquisition.

ACCOUNTING CHANGES

Financial Instruments and Comprehensive Income

As of December 31, 2007, Thomson adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures*, and CICA Handbook Section 3862, *Financial Instruments — Disclosures*. The required disclosures were included in Thomson's annual report on Form 40-F for the year ended December 31, 2007.

Income Taxes

Effective January 1, 2007, we voluntarily adopted a new accounting policy for uncertain income tax positions. As a result of this change in accounting policy, we recorded a non-cash charge of \$33 million to our opening retained earnings as of January 1, 2007 with an offsetting increase to non-current liabilities.

Under our previous policy, we would reserve for tax contingencies if it was probable that an uncertain position would not be upheld. Under our new policy, we evaluate a tax position using a two-step process:

- First, we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more likely than not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information.
- Second, a tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. If the tax position does not meet the more likely than not recognition threshold, no benefit from the tax position is recorded.

We were not able to retroactively apply this new policy as the data to determine the amounts and probabilities of the possible outcomes of the various tax positions that could be realized upon ultimate settlement was not collected in prior periods. Further, significant judgments are involved in assessing these tax positions and we concluded that it is not possible to estimate the effects of adopting the policy at an earlier date.

CRITICAL ACCOUNTING POLICIES

Please refer to the "Critical Accounting Policies" section of our management's discussion and analysis for the year ended December 31, 2007 for information on accounting policies that we consider critical in preparing our consolidated financial statements. Since the date of our annual management's discussion and analysis, there have not been any significant changes to these policies, nor have there been any new accounting policies that we would consider critical.

RECENTLY ISSUED ACCOUNTING STANDARDS

Transition to IFRS from Canadian GAAP

In 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) by 2011 in replacement of Canadian GAAP. We applied for exemptive relief from the Canadian securities regulatory authorities to adopt IFRS early and our application is currently under review. If permitted by the regulatory authorities, we intend to adopt IFRS in 2009. Comparative periods for 2008 would be restated. The following discussion provides further information about our proposed adoption.

Estimated Impact of IFRS on 2008 Financial Results

IFRS employs a conceptual framework that is similar to Canadian GAAP. In accordance with our agreement with the United Kingdom Listing Authority, we have provided a reconciliation of shareholders equity and net earnings from Canadian GAAP to IFRS as of and for the three and six-month periods ended June 30, 2008 and 2007, respectively in the section entitled "Voluntary reconciliation from Canadian GAAP to IFRS". While this reconciliation does not represent an official adoption of IFRS, it provides an indication of the major differences identified to date, relative to our historical financial statements. With respect to our intended official adoption of IFRS in 2009, we have not quantified the impact that IFRS 1 "First Time Adoption of International Reporting Standards" (IFRS 1) will have on our financial statements, nor have we definitively concluded if we will elect different policies in selected circumstances under IFRS. However, we do not expect the adoption of IFRS to impact the overall revenue and underlying profitability trends of our operating performance.

Voluntary Reconciliation from Canadian GAAP to IFRS

Thomson Reuters consolidated financial statements are prepared in accordance with Canadian GAAP. The following reconciliation presents the material differences between Canadian GAAP and IFRS, relative to our financial statements. However, this reconciliation does not constitute an adoption of IFRS by Thomson Reuters. In preparing the reconciliation, Thomson Reuters applied the principles and elections of IFRS 1, with a transition date of January 1, 2004, consistent with those assumed in its Business Acquisition Report dated May 15, 2008. If we are permitted to adopt IFRS, effective January 1, 2009, we will apply the provisions of IFRS 1 as described under the section entitled "Initial Adoption — IFRS 1", with a January 1, 2008 transition date. We will also apply IFRS standards in effect at December 31, 2009 as required by IFRS 1 and may elect accounting policies which differ from those applied in this reconciliation.

(in millions of US dollars, except per share amounts)	Three Months ended June 30,		Six Months ended June 30,	
	2008	2007	2008	2007
Net earnings under Canadian GAAP	173	377	367	601
Differences in GAAP increasing (decreasing) reported earnings:				
1. Business combinations	(61)	—	(61)	(1)
2. Employee benefits	6	16	11	32
3. Stock-based compensation	(3)	—	(16)	2
4. Impairments of long-term assets	(17)	6	(17)	(61)
5. Derivative instruments and hedging activities	—	(7)	(2)	(8)
6. Income taxes	21	1	16	12
Net earnings under IFRS	119	393	298	577
Basic earnings per share	0.15	0.61	0.41	0.90
Diluted earnings per share	0.15	0.61	0.41	0.89

(in millions of US dollars, except per share amounts)	As at June 30,	
	2008	2007
Shareholders' equity under Canadian GAAP	21,666	10,769
Differences increasing (decreasing) reported shareholders' equity:		
1. Business combinations	(1,083)	(41)
2. Employee benefits	(698)	(458)
3. Stock-based compensation	(39)	(15)
4. Impairment of long-term assets	(17)	(92)
5. Derivative instruments and hedging activities	(4)	(7)
5. Share repurchases	(21)	—
6. Income taxes	228	188
Shareholders' equity under IFRS	20,032	10,344

The following describes the differences presented in the reconciliation of net earnings and shareholders' equity.

1. Business Combinations

Acquisition Cost

Canadian GAAP — Shares issued as consideration are measured at their market price a few days before and after the date the parties reach an agreement on the purchase price and proposed transaction is announced.

IFRS — Shares issued as consideration are measured at their market price on the acquisition closing date.

Contingent Consideration

Canadian GAAP — Contingent consideration is recognized as part of the cost of an acquisition, but only at the point when the amount can be reasonably estimated and the outcome is determined beyond reasonable doubt.

IFRS — Contingent consideration is recognized as part of the cost of an acquisition, at the date of acquisition, if it is probable that the contingency will be met and the amount can be reliably measured at fair value. Changes to the initial amount recognized are recognized through income and discounts on future cash payments are accreted through interest expense.

Acquisition Related Costs

Canadian GAAP — Costs of the acquirer such as (1) exiting an activity, (2) involuntarily terminating an employee, or (3) relocating employees of an acquired company are recognized as part of the cost of an acquisition.

IFRS — These costs are expensed, unless they are part of an existing restructuring by the acquiree, in which case they may be recognized as part of the cost of an acquisition.

2. Employee Benefits

Measurement Date

Canadian GAAP — The measurement date of defined benefit obligations and plan assets may be up to three months prior to the date of the financial statements.

IFRS — The measurement date generally coincides with the date of the financial statements, because the measurement date must not result in a materially different outcome than if the balance sheet date had been used.

Past Service Cost

Canadian GAAP — Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of active employees expected to benefit from the amendment.

IFRS — These costs are amortized on a straight-line basis over the average period until the benefits become vested. To the extent that the amended benefits are already vested, past service costs are recognized immediately.

Actuarial Gains and Losses

Canadian GAAP— Actuarial gains and losses are recognized on a systematic and consistent basis, subject to a minimum required amortization based on a “corridor” approach. Unrecognized actuarial gains and losses below the corridor are deferred.

IFRS— In accordance with our IFRS 1 election, actuarial gains and losses are recognized immediately into equity.

Fair value of Plan Assets

Canadian GAAP— The expected return on plan assets is calculated using a market-related fair value, which recognizes changes in the fair value of plan assets over a five-year period.

IFRS— The expected return on plan assets is based on market expectations, at the beginning of the period, for returns over the entire life of the related obligation and reflects changes due to actual contributions made and actual benefits paid during the period.

3. Stock-based Compensation

Recognition of expense

Canadian GAAP— The fair value of a stock-based award with graded vesting is recognized on a straight-line basis over the vesting period.

IFRS— Each tranche of an award is considered a separate grant with a different vesting date and fair value, and each is accounted for separately.

Forfeitures

Canadian GAAP— Forfeitures of awards may be recognized as they occur.

IFRS— Forfeiture estimates are recognized in the current period and revised for actual experience in subsequent periods.

Cash-settled share-based payments

Canadian GAAP— The liability for cash-settled share-based payments is accrued based upon the intrinsic value of the award.

IFRS— The liability for cash-settled share-based awards is measured at fair value, using an option pricing model. Changes in fair value are recognized over the remaining vesting period until the liability is settled. Changes in fair value of vested awards are recognized in income immediately.

Recognition of deferred tax assets

Canadian GAAP— Deferred tax asset for share-based awards are based upon the cumulative amount of compensation cost recognized.

IFRS— Deferred tax assets for share-based awards are based upon the estimated tax deduction, which is generally the intrinsic value of the vested award at the balance sheet date. If the estimated deduction exceeds the cumulative compensation expense, the excess is recognized in equity. If no tax deduction is anticipated because the fair value of the shares has declined, then the deferred tax asset is reversed to income or equity as appropriate, depending on how the asset was originally recorded.

Employer Taxes

Canadian GAAP— Employer taxes on share-based compensation are recognized upon exercise of the instrument.

IFRS— Employer taxes on share-based compensation are recognized over the vesting period based upon the fair value of the awards at each balance sheet date.

4. Impairments of Long-Term Assets

Canadian GAAP— Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell, where the carrying amount for purposes of determining impairment includes cumulative translation adjustments.

IFRS— Assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell, where the carrying amount excludes cumulative translation adjustments.

5. Financial Instruments

Hedge accounting

Canadian GAAP — Effectiveness for compound derivative instruments that hedge currency and interest rate risk is assumed provided the critical terms of the derivative instrument are consistent with the hedged instrument.

IFRS — Effectiveness for compound derivative instruments must be assessed retrospectively and prospectively each reporting period. As a result, certain hedge relationships had to be prospectively discontinued as of the date of adoption of IAS 32 and IAS 39.

Share repurchases

Canadian GAAP — An obligation for an entity to purchase its own equity instruments is accounted for as an equity-transaction upon completion of each purchase.

IFRS — A liability must be recognized currently through equity for an obligation when the entity has no discretion to cancel its instructions to repurchase shares. Subsequent adjustments to the present value of the liability are reflected within earnings. If the contract expires without delivery, the liability is reversed against equity.

6. Income Taxes

Intercompany transactions

Canadian GAAP — Prohibits the recognition of deferred tax for a temporary difference arising from intercompany transactions. Further, taxes paid or recovered as a result of an intercompany asset transfer are recorded as an asset or liability and recognized as tax expense when the asset leaves the group or is otherwise utilized.

IFRS — Deferred taxes are recognized for temporary differences arising from intercompany transactions. Taxes paid or recovered as a result of an intercompany asset transfer are recognized in the period incurred.

Business Combinations: Deferred tax assets not previously recognized

Canadian GAAP — Previously unrecognized income tax assets of an acquired company are recognized as part of the cost of the acquisition when such assets are more likely than not to be realized as a result of a business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, such benefit will also be recognized through goodwill. The acquirer recognizes its own tax benefits which become realizable as a result of the acquisition as part of the cost of the acquisition.

IFRS — Previously unrecognized income tax assets of an acquired company are recognized as part of the cost of the acquisition if realization is more likely than not as a result of the business combination. If an unrecognized deferred tax asset becomes realizable subsequent to the acquisition date, the tax benefit is recognized through income, and a corresponding amount of goodwill is written off to operating expense. The acquirer recognizes its own tax benefits which become realizable as a result of the acquisition through income.

Accounting for uncertainty in income taxes in business combinations

Canadian GAAP — Changes to income tax contingencies relating to pre-acquisition periods are adjusted through the purchase price allocation, first reducing goodwill, intangible assets associated with the business combination, and only after exhausting those amounts, reducing income tax expense.

IFRS — Changes to pre-acquisition tax uncertainties beyond twelve months of the acquisition date are recorded to the income statement.

Income tax effect of other reconciling differences between Canadian GAAP and IFRS

Differences from income taxes include the deferred tax effect on earnings of pre-tax differences between Canadian GAAP and IFRS described above. These amounts were \$21 million and \$1 million for the three-month periods ended June 30, 2008 and 2007, respectively and \$16 million and \$12 million for the six-month periods ended June 30, 2008 and 2007, respectively.

Initial Adoption of International Accounting Standards

IFRS 1 "First Time Adoption of International Accounting Standards" sets forth guidance for the initial adoption of IFRS. As required, we will restate our comparative 2008 financial statements for annual and interim periods to be consistent with our

new IFRS basis. Further, we will reconcile equity and net earnings from the previously reported 2008 Canadian GAAP amounts to the 2008 IFRS amounts.

IFRS 1 generally requires that first-time adopters consistently apply all effective IFRS standards retrospectively from the reporting date. IFRS 1 provides for certain optional exemptions and certain mandatory exceptions to this general principle. While we have not finalized our conclusions with respect to the optional exemptions, we expect to make the following elections:

- **Business combinations** — IFRS 3, Business Combinations, may be applied retrospectively or prospectively. The retrospective basis would require restatement of all business combinations that occurred prior to the transition date. We plan to adopt IFRS 3 on a prospective basis. Further, we do not expect to early adopt IFRS 3 Revised, and will adopt that standard upon its effective date, January 1, 2010.
- **Fair value or revaluation as deemed cost** — IFRS 1 provides a choice between measuring property, plant and equipment at its fair value at the date of transition and using those amounts as deemed cost or using the historical valuation under the prior GAAP. We plan to use our historical bases as deemed cost.
- **Employee benefits** — IAS 19, Employee Benefits allows certain actuarial gains and losses to be either deferred and amortized, subject to certain provisions, or immediately recognized through equity. We expect to elect immediate recognition of actuarial gains and losses as of the transition date and for future periods.
- **Currency translation differences** — IFRS 1 permits cumulative translation gains and losses to be reset to zero at the transition date. Alternatively, IFRS 1 allows translation differences to be recalculated in accordance with IFRS from the date a subsidiary or associate was formed or acquired. We expect to reset cumulative translation gains and losses to zero at the transition date.
- **Share-based payments** — IFRS 2, Share Based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2008. We expect to apply IFRS 2 only to equity instruments granted after November 7, 2002 that had not vested by January 1, 2008.
- **Changes in existing decommissioning, restoration and similar liabilities included in the cost of property, plant and equipment** — IFRS 1 allows for either the retroactive adoption or prospective adoption from the transition date of IFRIC 1, *Changes in existing decommissioning, restoration and similar liabilities*. We plan to prospectively apply this standard.

Further optional exemptions are provided under IFRS 1. However, we do not believe these exemptions will impact our adoption of IFRS.

Hindsight is not permitted to create or revise estimates. The estimates previously made by us under Canadian GAAP will not be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

IFRS Impact on Our Organization

The conversion to IFRS will impact the way we present our financial results. We have obtained an understanding of IFRS from intensive training and preparation of reconciliations of historical Canadian GAAP financial statements to IFRS. Further, our accounting staff includes former Reuters employees who prepared financial statements under IFRS for the past three years.

We are still evaluating the impact of the conversion on our accounting systems. However, based on the differences identified to date, we believe our systems can accommodate the required changes. We believe our internal and disclosure control processes, as currently designed, will not need significant modifications as a result of our conversion to IFRS.

We have assessed the impacts of adopting IFRS on our debt covenants and other contractual arrangements, and have not identified any material compliance issues. We are considering the impacts that the transition will have on our internal planning process and compensation arrangements.

CICA 3064, Goodwill and Intangible Assets

In February 2008, the CICA adopted CICA 3064, *Goodwill and Intangible Assets*, which replaces CICA 3062 and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard applies to internally generated intangible assets and rights under licensing agreements and is effective for us in the fourth quarter of 2008. We believe there will not be a significant impact on our financial statements upon adoption.

ADDITIONAL INFORMATION

Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in applicable U.S. and Canadian securities law) as of the end of the period covered by this management's discussion and analysis, have concluded that our disclosure controls and procedures are effective to ensure that all information required to be disclosed by Thomson Reuters in reports that it files or furnishes under the U.S. Securities Exchange Act and applicable Canadian securities law is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and Canadian securities regulatory authorities and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

As a result of our acquisition of Reuters in the second quarter of 2008, we have expanded our internal controls over financial reporting to include consolidation of the Reuters results of operations, as well as, acquisition related accounting and disclosures. We have also migrated certain Reuters financial systems and related work flows to our SAP solution with effect from August 1, 2008 as part of our integration and synergy program. In connection with the SAP implementation and transfer of workflows from the legacy Reuters systems, we have modified the design and documentation of our internal control processes and procedures. Changes to our control environment are incorporated into our annual assessment of internal control over financial reporting. We anticipate that as we execute our integration and synergy program across Thomson Reuters over the next three years that additional business information systems will be consolidated and related workflow processes migrated as legacy Thomson and Reuters shared service center environments mature into a Thomson Reuters global business services organization. Except as described above, there was no change in our internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Share Capital

As of August 11, 2008, Thomson Reuters had outstanding 642,591,896 common shares of Thomson Reuters Corporation, 180,093,188 ordinary shares of Thomson Reuters PLC, 6,000,000 Series II preference shares, 4,461,781 restricted share units and 15,013,630 stock options. Also outstanding were 18,129,247 options previously granted by Reuters Group PLC prior to the closing that upon exercise will entitle the holders to receive 0.16 ordinary shares of Thomson Reuters PLC, plus 352.5 pence per share for each share of Reuters Group PLC that would have been received.

A Reuters Founders Share has also been issued by each of Thomson Reuters Corporation and Thomson Reuters PLC which enables the Reuters Founders Share Company to exercise extraordinary voting power to safeguard the Reuters Trust Principles. Thomson Reuters Corporation and Thomson Reuters PLC have also each issued a special voting share to a special voting trust so that shareholders of the two companies can ordinarily vote together as a single decision-making body. Thomson Reuters Corporation has issued an equalization share to Thomson Reuters PLC in connection with Thomson Reuters Corporation's support obligations under the DLC structure.

Public Securities Filings and Regulatory Announcements

You may access other information about Thomson Reuters, including our annual information form and our other disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities through SEDAR at www.sedar.com and in the United States with the SEC through EDGAR at www.sec.gov. Information that we announce in the United Kingdom through RNS, a Regulatory Information Service, (including this management's discussion and analysis and our financial statements) is available on our website, www.thomsonreuters.com, as well as on SEDAR and EDGAR.

QUARTERLY INFORMATION FOR THOMSON REUTERS (UNAUDITED)

The following table presents a summary of consolidated operating results for Thomson Reuters eight most recent quarters:

(millions of U.S. dollars, except per share amounts)	Quarter ended March 31,		Quarter ended June 30,		Quarter ended September 30,		Quarter ended December 31,	
	2008	2007	2008	2007	2007	2006	2007	2006
Revenues	1,834	1,662	3,128	1,805	1,796	1,617	2,033	1,850
Operating profit	216	225	295	352	310	312	410	422
Earnings from continuing operations	193	209	179	262	314	206	311	305
Discontinued operations, net of tax	1	15	(6)	115	2,655	213	123	86
Net earnings	194	224	173	377	2,969	419	434	391
Dividends declared on preference shares	(2)	(1)	(1)	(2)	(1)	(1)	(2)	(1)
Earnings attributable to common and ordinary shares	192	223	172	375	2,968	418	432	390
Basic earnings per share								
From continuing operations	\$0.30	\$0.32	\$ 0.22	\$0.41	\$0.49	\$0.32	\$0.48	\$0.47
From discontinued operations	0.00	0.03	(0.00)	0.18	4.14	0.33	0.19	0.14
	\$0.30	\$0.35	\$ 0.22	\$0.59	\$4.63	\$0.65	\$0.67	\$0.61
Diluted earnings per share								
From continuing operations	\$0.30	\$0.32	\$ 0.22	\$0.40	\$0.49	\$0.32	\$0.48	\$0.47
From discontinued operations	0.00	0.03	(0.00)	0.18	4.12	0.33	0.19	0.14
	\$0.30	\$0.35	\$ 0.22	\$0.58	\$4.61	\$0.65	\$0.67	\$0.61

Historically, Thomson's revenues and operating profits from continuing operations were proportionately the smallest in the first quarter and the largest in the fourth quarter, as certain product releases were concentrated at the end of the year, particularly in the regulatory and healthcare markets. Costs were incurred more evenly throughout the year. Its operating margins historically increased as the year progressed. In general, Thomson's year-over-year performance reflected increased operating profit driven by higher revenues from existing businesses and contributions from acquired businesses. As Reuters revenues and profits have not historically fluctuated significantly throughout the year, we anticipate that the seasonality of Thomson Reuters revenues and operating profits will be slightly less pronounced.

In the quarter ended September 30, 2007, earnings from discontinued operations reflected a gain on the sale of Thomson Learning's higher education, careers and library reference businesses. In the quarter ended March 31, 2008, operating profit and earnings reflected expenses associated with the Reuters transaction.

Results for Reuters are included in our consolidated financial statements for the quarter ended June 30, 2008 beginning from April 17, 2008, the closing date of the acquisition. All prior periods reflect the results of Thomson only. In the quarter ended June 30, 2008, operating profit and earnings from continuing operations reflected an impairment on assets held for sale.

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This management's discussion and analysis, in particular the section under the heading "Outlook," includes forward-looking statements that are based on certain assumptions and reflect our current expectations. Forward-looking statements are those that are not historical facts and also include our expectations about future prospects. Forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Some of the factors that could cause actual results to differ materially from current expectations include risks related to our ability to achieve the anticipated benefits from the Reuters transaction and our integration and synergy program (including within the time periods currently expected); changes in the general economy; actions of competitors; changes to legislation and regulations; increased accessibility to free or relatively inexpensive information sources; failure to derive fully anticipated benefits from future or existing acquisitions, joint ventures, investments or dispositions; failure to develop new products, services, applications and functionalities to meet customers' needs, attract new customers or expand into new geographic markets; failure of electronic delivery systems, network systems or the Internet; detrimental reliance on third parties for information; failure to meet the challenges involved in the expansion of international operations; failure to protect our reputation; impairment of goodwill and identifiable intangible assets; failure of significant investments in technology to increase revenues or decrease operating costs; increased self-sufficiency of customers; inadequate protection of intellectual property rights; downgrading of credit ratings; threat of legal actions and claims; changes in foreign currency exchange and interest rates; failure to recruit and retain high quality management and key employees; funding obligations in respect of pension and post-retirement benefit arrangements; and actions or potential actions that could be taken by Woodbridge. Additional factors are discussed in our materials filed with the securities regulatory authorities in Canada and the United States from time to time, including Thomson Reuters Corporation's annual report on Form 40-F for the year ended December 31, 2007 and Thomson Reuters PLC's annual report on Form 20-F for the year ended December 31, 2007. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law, rule or regulation.

Thomson Reuters Corporation
Consolidated Statement of Earnings
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
(millions of U.S. dollars, except per share amounts)	2008	2007 (note 11)	2008	2007 (note 11)
Revenues	3,128	1,805	4,962	3,467
Cost of sales, selling, marketing, general and administrative expenses	(2,428)	(1,274)	(3,863)	(2,535)
Depreciation	(192)	(117)	(313)	(232)
Amortization	(141)	(62)	(203)	(123)
Impairment of assets held for sale (note 7)	(72)	—	(72)	—
Operating profit	295	352	511	577
Net other (expense) income (note 8)	(38)	6	(64)	12
Net interest expense and other financing costs (note 9)	(54)	(51)	(15)	(104)
Income taxes (note 10)	(20)	(45)	(54)	(14)
Tradeweb ownership interests (note 17)	(4)	—	(6)	—
Earnings from continuing operations	179	262	372	471
(Loss) earnings from discontinued operations, net of tax (note 11)	(6)	115	(5)	130
Net earnings	173	377	367	601
Dividends declared on preference shares	(1)	(2)	(3)	(3)
Earnings attributable to Thomson Reuters Corporation common shares and Thomson Reuters PLC ordinary shares	172	375	364	598
Earnings per share (note 13):				
Basic earnings per share:				
From continuing operations	\$ 0.22	\$ 0.41	\$ 0.52	\$ 0.73
From discontinued operations	\$(0.00)	\$ 0.18	\$(0.01)	\$ 0.20
Basic earnings per share	\$ 0.22	\$ 0.59	\$ 0.51	\$ 0.93
Diluted earnings per share:				
From continuing operations	\$ 0.22	\$ 0.40	\$ 0.52	\$ 0.73
From discontinued operations	\$(0.00)	\$ 0.18	\$(0.01)	\$ 0.20
Diluted earnings per share	\$ 0.22	\$ 0.58	\$ 0.51	\$ 0.93

The related notes form an integral part of these consolidated financial statements.

Thomson Reuters Corporation
Consolidated Balance Sheet
(unaudited)

(millions of U.S. dollars)	June 30, 2008 (note 4)	December 31, 2007
Assets		
Cash and cash equivalents	789	7,497
Accounts receivable, net of allowances	1,811	1,565
Prepaid expenses and other current assets	801	512
Deferred income taxes	197	104
Current assets	3,598	9,678
Computer hardware and other property, net	1,723	731
Computer software, net	1,903	721
Identifiable intangible assets, net	8,618	3,438
Goodwill	19,994	6,935
Other non-current assets	1,994	1,328
Total assets	37,830	22,831
Liabilities and shareholders' equity		
Liabilities		
Short-term indebtedness	4	183
Accounts payable and accruals	2,560	1,536
Deferred revenue	1,235	1,108
Current portion of long-term debt and finance lease obligations	667	412
Current liabilities	4,466	3,239
Long-term debt and finance lease obligations (note 18)	7,733	4,264
Other non-current liabilities	1,270	783
Deferred income taxes	2,622	974
Minority interest in equity of consolidated affiliate (note 17)	73	—
Shareholders' equity		
Capital	11,020	2,932
Retained earnings	10,341	10,355
Accumulated other comprehensive income	305	284
Total shareholders' equity	21,666	13,571
Total liabilities and shareholders' equity	37,830	22,831

Contingencies (note 15)

The related notes form an integral part of these consolidated financial statements.

Thomson Reuters Corporation
Consolidated Statement of Cash Flow
(unaudited)

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Cash provided by (used in):				
Operating activities				
Net earnings	173	377	367	601
Remove loss (earnings) from discontinued operations	6	(115)	5	(130)
Add back (deduct) items not involving cash:				
Depreciation	192	117	313	232
Amortization	141	62	203	123
Net gains on disposals of businesses and investments	—	(2)	—	(8)
Impairment of assets held for sale (note 7)	72	—	72	—
Deferred income taxes	(77)	(19)	(130)	(61)
Other, net	96	71	184	135
Changes in working capital and other items (note 19)	283	5	170	(96)
Cash used in operating activities — discontinued operations (note 11)	(6)	(53)	(20)	(66)
Net cash provided by operating activities	880	443	1,164	730
Investing activities				
Acquisitions, less cash acquired (note 16)	(8,147)	(29)	(8,270)	(183)
Proceeds from (payments for) disposals of discontinued operations, net of income taxes paid (note 11)	—	438	(53)	473
Proceeds from other disposals	—	5	154	11
Capital expenditures, less proceeds from disposals	(232)	(142)	(340)	(240)
Other investing activities	(11)	(13)	(23)	(23)
Capital expenditures of discontinued operations (note 11)	—	(58)	—	(95)
Acquisitions by discontinued operations (note 11)	—	—	—	(54)
Other investing activities of discontinued operations (note 11)	—	(2)	(7)	(6)
Net cash (used in) provided by investing activities	(8,390)	199	(8,539)	(117)
Financing activities				
Proceeds from debt	5,921	—	7,600	—
Repayments of debt	(4,679)	(20)	(5,079)	(20)
Net repayments under short-term loan facilities	(1,426)	(380)	(1,072)	(136)
Repurchase of common and ordinary shares (note 12)	(458)	(20)	(458)	(75)
Dividends paid on preference shares	(1)	(2)	(3)	(3)
Dividends paid on common and ordinary shares	(390)	(153)	(516)	(306)
Other financing activities, net	192	5	194	15
Net cash (used in) provided by financing activities	(841)	(570)	666	(525)
Translation adjustments	(82)	—	1	—
(Decrease) increase in cash and cash equivalents	(8,433)	72	(6,708)	88
Cash and cash equivalents at beginning of period	9,222	350	7,497	334
Cash and cash equivalents at end of period	789	422	789	422

The related notes form an integral part of these consolidated financial statements.

Thomson Reuters Corporation
Consolidated Statement of Changes in Shareholders' Equity
(unaudited)

(millions of U.S. dollars)	Stated Share Capital ⁽¹⁾	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Total Retained Earnings and AOCI	Total
Balance, December 31, 2007	2,727	205	2,932	10,355	284	10,639	13,571
Comprehensive income:							
Net earnings				367	—	367	367
Unrecognized net gain on cash flow hedges				—	1	1	1
Foreign currency translation adjustments				—	20	20	20
Comprehensive income				367	21	388	388
Issuance of Thomson Reuters PLC shares	96	8,130	8,226	—	—	—	8,226
Dividends declared on preference shares				(3)	—	(3)	(3)
Dividends declared on common shares and ordinary shares				(378)	—	(378)	(378)
Shares issued under Dividend Reinvestment Plan ("DRIP")	108	—	108	—	—	—	108
Repurchases of shares	(8)	(471)	(479)	—	—	—	(479)
Effect of stock compensation plans	24	209	233	—	—	—	233
Balance, June 30, 2008	2,947	8,073	11,020	10,341	305	10,646	21,666

(millions of U.S. dollars)	Stated Share Capital ⁽¹⁾	Contributed Surplus	Total Capital	Retained Earnings	AOCI	Total Retained Earnings and AOCI	Total
Balance, December 31, 2006	2,642	157	2,799	7,169	513	7,682	10,481
Opening balance adjustment for income tax accounting change (note 5)	—	—	—	(33)	—	(33)	(33)
Balance, January 1, 2007	2,642	157	2,799	7,136	513	7,649	10,448
Comprehensive income:							
Net earnings				601	—	601	601
Unrecognized net loss on cash flow hedges				—	(20)	(20)	(20)
Foreign currency translation adjustments				—	88	88	88
Net gain reclassified to income				—	(38)	(38)	(38)
Comprehensive income				601	30	631	631
Dividends declared on preference shares	—	—	—	(3)	—	(3)	(3)
Dividends declared on common shares	—	—	—	(314)	—	(314)	(314)
Shares issued under DRIP	8	—	8	—	—	—	8
Repurchases of shares	(7)	—	(7)	(68)	—	(68)	(75)
Effect of stock compensation plans	48	26	74	—	—	—	74
Balance, June 30, 2007	2,691	183	2,874	7,352	543	7,895	10,769

(1) Includes common, ordinary and preference share capital.

The related notes form an integral part of these consolidated financial statements.

Thomson Reuters Corporation
Notes to Consolidated Financial Statements (unaudited)

(unless otherwise stated, all amounts are in millions of U.S. dollars)

Note 1: Consolidated Financial Statements

Principles of Consolidation

On April 17, 2008, The Thomson Corporation (“Thomson”) acquired Reuters Group PLC (“Reuters”) and was renamed Thomson Reuters Corporation (“Thomson Reuters” or the “Company”). See note 4 for further discussion of the acquisition. The results of Reuters are included in the accounts of Thomson Reuters from April 17, 2008. For all prior periods, the Thomson Reuters accounts, including the Thomson Reuters consolidated balance sheet as of December 31, 2007, exclude amounts relating to Reuters. Unless otherwise indicated, references in this discussion to “Thomson” are to The Thomson Corporation and its subsidiaries prior to its acquisition of Reuters and being renamed Thomson Reuters Corporation on April 17, 2008.

The unaudited interim consolidated financial statements of Thomson Reuters include all controlled companies for both Thomson Reuters Corporation and Thomson Reuters PLC and are prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). All intercompany transactions and balances are eliminated on consolidation.

References to “\$” are to U.S. dollars, references to “£” are to British pounds sterling, references to “€” are to the Euro, references to “¥” are to Japanese yen and references to “C\$” are to Canadian dollars.

Note 2: Accounting Principles and Methods

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1751, *Interim Financial Statements*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian GAAP have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2007, as set out in Thomson’s 2007 Annual Report.

In the opinion of management, the unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring accruals, considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The unaudited interim consolidated financial statements of Thomson Reuters were prepared using the same accounting policies and methods as those used in the financial statements for Thomson for the year ended December 31, 2007.

Prior periods have been restated for discontinued operations. Where necessary, certain amounts for 2007 have been reclassified to conform to the current period’s presentation.

In February 2008, the CICA adopted CICA 3064, *Goodwill and Intangible Assets*, which replaces CICA 3062 and establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard applies to internally generated intangible assets and rights under licensing agreements and is effective for the Company in the fourth quarter of 2008. The Company believes there will not be a significant impact on its financial statements upon adoption.

Note 3: Seasonality

Historically, Thomson’s revenues and operating profits from continuing operations were proportionately the smallest in the first quarter and the largest in the fourth quarter, as certain product releases were concentrated at the end of the year, particularly in the regulatory and healthcare markets. Costs were incurred more evenly throughout the year. Its operating margins historically increased as the year progressed. For these reasons, the performance of Thomson’s businesses were not comparable quarter to consecutive quarter and were best considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter for the previous year. As Reuters revenues and profits did not historically fluctuate significantly throughout the year, the Company anticipates that the seasonality of Thomson Reuters revenues and operating profits will be slightly less pronounced.

Note 4: Acquisition of Reuters Group PLC

Overview

On April 17, 2008, Thomson acquired Reuters by implementing a dual listed company (“DLC”) structure. Thomson was renamed Thomson Reuters Corporation. Under the DLC structure, Thomson Reuters has two parent companies, both of which are publicly listed — Thomson Reuters Corporation, an Ontario, Canada corporation, and Thomson Reuters PLC, a new English company in which existing Reuters shareholders received shares as part of their consideration in the transaction. Thomson Reuters Corporation and Thomson Reuters PLC operate as a unified group pursuant to contractual arrangements as well as provisions in their organizational documents. Under the DLC structure, shareholders of Thomson Reuters Corporation and Thomson Reuters PLC both have a stake in Thomson Reuters, with cash dividend, capital distribution and voting rights that are comparable to the rights they would have if they were holding shares in one company carrying on the Thomson Reuters

business. The boards of the two parent companies comprise the same individuals, as do the companies' executive management teams.

The primary reason for the acquisition was to create a global leader in electronic information services, trading systems and news. The operations of Reuters were combined with the former Thomson Financial segment.

Required Divestitures

In order to obtain antitrust clearance for the transaction, Thomson Reuters agreed to sell a copy of the Thomson Fundamentals (Worldscope), Reuters Estimates, Reuters Aftermarket Research and Reuters Economics (EcoWin) databases. The sales include copies of the databases, source data and training materials, as well as certain contracts and selected employees connected to the databases. Thomson Reuters does not expect the required sales to have any material adverse effect on its revenues or profitability nor to have any material impact on the synergies expected to be generated by the transaction.

Consideration

Reuters was indirectly acquired by Thomson Reuters PLC. Under the terms of the acquisition, all of the issued and outstanding Reuters ordinary shares were cancelled and Reuters shareholders were entitled to receive, for each Reuters ordinary share held, 352.5 pence in cash and 0.16 Thomson Reuters PLC ordinary shares. As of the closing, one Thomson Reuters PLC ordinary share was equivalent to one Thomson Reuters Corporation common share under the DLC structure. Thomson shareholders continued to hold their shares of Thomson, renamed as Thomson Reuters Corporation.

Subject to certain exceptions, all options and awards outstanding under Reuters share-based employee compensation plans vested and became fully exercisable prior to the close of the acquisition.

Thomson Reuters PLC issued 194,107,278 Thomson Reuters PLC ordinary shares to Reuters shareholders when the transaction closed on April 17, 2008. These shares were valued at \$8,226 million, or \$42.38 per share, using the average Thomson share price a few days before and after May 15, 2007, the date of the announcement of the acquisition. The par value of Thomson Reuters PLC ordinary shares was changed from £10 to 25 pence shortly after the acquisition closed. Based on the issued share capital of Thomson Reuters Corporation and of Thomson Reuters PLC as of April 17, 2008, The Woodbridge Company Limited and other companies affiliated with it ("Woodbridge") had a voting interest in Thomson Reuters of approximately 53%. Woodbridge is the principal and controlling shareholder of Thomson Reuters.

On May 1, 2008, Thomson Reuters paid \$8,450 million in cash to Reuters shareholders to satisfy the cash consideration component of the transaction. Thomson Reuters funded this cash consideration using proceeds from the sale of its Thomson Learning businesses as well as borrowings under an acquisition credit facility.

A total of 33,670,064 Reuters Group PLC options were outstanding as of April 17, 2008. These options will expire during the fourth quarter of 2008. Upon exercise, holders will be entitled to consideration of 352.5 pence in cash and 0.16 Thomson Reuters PLC ordinary shares for each share of Reuters that would have been received. The fair value of the outstanding options, determined using the Black-Scholes pricing model, was \$195 million and was included in the purchase consideration.

Preliminary purchase price allocation

The acquisition has been accounted for using the purchase method and the results of Reuters have been included in the consolidated statement of earnings for the three-month and six-month periods ending June 30, 2008, beginning from April 17, 2008, the closing date of the acquisition. The purchase consideration was as follows (millions of U.S. dollars):

Cash	8,450
Ordinary shares, Thomson Reuters PLC	8,226
Reuters Group PLC options	195
Transaction costs	138
<hr/> Total purchase consideration	<hr/> 17,009

The total purchase consideration has been preliminarily allocated to acquired net tangible and identifiable intangible assets based on their estimated fair values as of April 17, 2008 as set forth below. The excess of the purchase price over the net tangible and identifiable intangible assets was recorded as goodwill and will not be deductible for tax purposes.

The preliminary allocation of the purchase price was based upon estimated fair values and assumptions and is subject to change pending completion of a comprehensive valuation process.

(millions of U.S. dollars)	Purchase Price Allocation
Assets	
Cash and cash equivalents	465
Accounts receivable, net of allowances	1,460
Prepaid expenses and other current assets	391
Deferred income taxes	93
Current assets	2,409
Computer hardware and other property, net	1,042
Computer software, net	1,100
Identifiable intangible assets, net	5,400
Goodwill	12,950
Other non-current assets	918
Total assets	23,819
Liabilities	
Short-term indebtedness	895
Accounts payable and accruals	1,497
Deferred revenue	926
Current portion of long-term debt and finance lease obligations	409
Current liabilities	3,727
Long-term debt and finance lease obligations	851
Other non-current liabilities	458
Deferred income taxes	1,774
Total Liabilities	6,810
Total	17,009

See note 10 for further discussion regarding uncertain tax positions.

Intangible Assets

The Company's preliminary estimates of the fair values of intangible assets acquired and their respective estimated useful lives as at April 17, 2008 are as set forth below. These values are subject to change and such changes may be material. To estimate fair value, the Company considered, among other factors, the intended future use of acquired assets as well as projected performance:

(millions of U.S. dollars)	Estimated Fair Value	Estimated Useful Life
Tradenames	2,000	Indefinite
Customer relationships	2,400	8 - 18 years
Other (databases, images and other)	1,000	5 years
Identifiable intangible assets	5,400	
Developed technology	1,100	5 - 10 years

"Customer relationships" represent the underlying relationships with existing customers. "Other" includes financial and media content, databases and images. "Developed technology" primarily represents acquired software which processes data and provides customers access to databases and subscription services, as well as applications sold directly to customers.

Leases

The estimated net favorable difference between the fair value of acquired leases and their contractual terms is \$388 million. The individual values which comprise this amount will be amortized over the terms of the respective leases, and have been included

as components of prepaid expenses and other current assets, other non-current assets, accounts payable and accruals, and other non-current liabilities as applicable. These estimates are subject to change and such changes may be material.

Deferred revenue

The carrying value of deferred revenue was reduced by \$40 million to reflect the estimated fair value of customer contract obligations assumed. This adjustment reduced revenues and operating profit by \$35 million in the three months ended June 30, 2008. As a result, revenues recognized from these agreements will be less than the amounts paid by the customer.

Note 5: Changes in Accounting Policies

Financial Instruments and Comprehensive Income

As of December 31, 2007, Thomson adopted CICA Handbook Section 1535, *Capital Disclosures*, and CICA Handbook Section 3862, *Financial Instruments — Disclosures*. The required disclosures were included in Thomson's 2007 Annual Report.

Income Taxes

Effective January 1, 2007, Thomson voluntarily adopted a new accounting policy for uncertain income tax positions. As a result of this change in accounting policy, Thomson recorded a non-cash charge of \$33 million to its opening retained earnings as of January 1, 2007 with an offsetting increase to non-current liabilities.

Under its previous policy, Thomson would reserve for tax contingencies if it was probable that an uncertain position would not be upheld. Under its new policy, the Company evaluates a tax position using a two-step process:

- First, the Company determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more likely than not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information.
- Second, a tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. If the tax position does not meet the more likely than not recognition threshold, no benefit from the tax position is recorded.

The Company believes that this new policy will provide reliable and more relevant information because all tax positions of the Company will be affirmatively evaluated for recognition, derecognition and measurement using a consistent threshold of more likely than not, based on the technical merits of a tax position. In addition, the Company will be providing more information about uncertainty related to income tax assets and liabilities.

The Company was not able to retroactively apply this new policy as the data to determine the amounts and probabilities of the possible outcomes of the various tax positions that could be realized upon ultimate settlement was not collected in prior periods. Further, significant judgments are involved in assessing these tax positions and the Company has concluded that it is not possible to estimate the effects of adopting the policy at an earlier date.

The Company will continue to recognize interest and penalties on underpayment of income taxes as an income tax expense.

Note 6: Integration and Synergy Programs

Prior to the Reuters acquisition, Thomson and Reuters were individually pursuing a series of transformational initiatives called THOMSON*plus* and Core Plus, respectively. THOMSON*plus* was a series of initiatives, announced in 2006, designed to allow Thomson to become a more integrated operating organization by leveraging assets and infrastructure across all segments of its business. Core Plus was a growth and transformation program, announced by Reuters in 2005, designed to invest in new revenue and transformation initiatives, including content and development transformation, and the consolidation of common platforms, customer administration and data centers.

As a consequence of the Reuters acquisition, the Company announced an integration and synergy program directed at integrating Thomson and Reuters and capturing cost synergies. Its primary objective is the integration of Thomson Financial with Reuters, which now comprise the new Markets Division, but also includes efforts to integrate both shared services across the whole of Thomson Reuters and corporate departments. Because the objectives of the program are similar to those of the THOMSON*plus* and Core Plus programs, these initiatives are being managed as a single program beginning in the three-month period ended June 30, 2008. Because these are corporate initiatives, incremental expenses associated with these programs are reported within the Corporate and Other segment. The integration and synergy initiatives are expected to be completed in 2011 at a total cash cost of \$1.2 billion, which excludes expenses associated with THOMSON*plus* and Core Plus incurred prior to 2008.

The Company will incur restructuring costs associated with these efforts, including severance and losses on lease terminations and other cancellations of contracts. Certain costs will qualify to be recorded as part of goodwill and the remainder will be

expensed. The following table presents the balances and activity of the Company's liabilities for restructuring costs, which were included in accounts payable and accruals and other non-current liabilities, as at and for the six months ended June 30, 2008:

Balance at January 1, 2008	Additions			Balance at June 30, 2008
	Acquisition related	Charges	Utilization	
12	61	41	(20)	94

All amounts presented above relate to severance costs. The \$41 million in additions from charges was included in cost of sales, selling, marketing, general and administrative expenses in the statement of earnings for the six months ended June 30, 2008.

In the three-month period ended June 30, 2008, the Company incurred \$141 million of expenses associated with integration and synergy programs primarily related to severance and consulting costs associated with technology initiatives. In the six-month period ended June 30, 2008, the Company incurred \$154 million of expenses, including legacy spending in THOMSONplus as a stand-alone program. These legacy expenses primarily related to consulting fees and severance costs related to efforts to deploy SAP as a company-wide enterprise resource planning (ERP) system.

For the three and six-month periods ended June 30, 2007, the Company incurred \$27 million and \$61 million, respectively, of expenses associated with THOMSONplus consisting primarily of consulting fees and severance. The consulting costs primarily related to efforts to deploy SAP. In the three months ended June 30, 2007, severance costs principally related to the elimination of certain finance positions in conjunction with the establishment of centralized service centers. For the six months ended June 30, 2007, severance costs also reflected efforts to streamline the operations of Thomson Financial.

Note 7: Impairment of Assets Held for Sale

In conjunction with the Company's decision to sell its Dialog business, the Company recognized a charge of \$72 million for the impairment of Dialog's intangible assets. This business was not classified as a discontinued operation as the Company will continue to receive revenues associated with Dialog's operations.

Note 8: Net Other (Expense) Income

During the period, Net Other (Expense) Income included:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net losses on foreign currency exchange rates	(39)	—	(39)	—
Net losses on freestanding derivative instruments	(8)	—	(34)	—
Other income, net	9	6	9	12
Net other (expense) income	(38)	6	(64)	12

Net losses on foreign currency exchange rates

For the three and six months ended June 30, 2008, this amount primarily related to the effect of changes in foreign currency exchange rates on the cash consideration for Reuters, for which a liability was incurred on the closing date of April 17, 2008, but not paid until May 1, 2008. Additionally, for both periods, the Company realized losses from changes in foreign currency exchange rates on certain intercompany funding arrangements. Such amounts were required to be expensed as these arrangements were not considered long-term in nature.

Net losses on freestanding derivative instruments

For the three and six months ended June 30, 2008, net losses on freestanding derivative instruments included the loss on the fair value of sterling call options acquired as part of the Company's hedging program to mitigate exposure to the \$/£ exchange rate on the cash consideration paid for Reuters. Additionally, for both periods, amounts reflected losses incurred on derivative instruments previously used to hedge positions by Reuters, which were settled shortly after the close of the acquisition.

Other income, net

For the three and six months ended June 30, 2008, other income, net, included the reversal of a legal reserve associated with a previously-held equity investment. Also, for all periods, other income, net reflected equity in earnings of unconsolidated affiliates. For the three and six months ended June 30, 2007, other income, net included a gain on sale of an equity investment.

Note 9: Net Interest Expense and Other Financing Costs

During the period, Net Interest Expense and Other Financing Costs includes:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Interest income	41	9	151	18
Interest expense on short-term indebtedness	(2)	(8)	(8)	(17)
Interest expense on long-term debt	(93)	(52)	(158)	(105)
	(54)	(51)	(15)	(104)

Note 10: Income Taxes

As discussed in note 5, the Company voluntarily adopted a new policy for accounting for uncertain tax positions effective January 1, 2007. As a result of this change, the Company recorded a non-cash charge of \$33 million to its opening retained earnings as of January 1, 2007 with an offsetting increase to non-current liabilities.

The Company is in the process of evaluating the uncertain income tax positions acquired as part of the Reuters transaction, but has recorded a preliminary estimate of approximately \$340 million at June 30, 2008. As a result, the Company had total unrecognized tax benefits of \$494 million at June 30, 2008 (December 31, 2007 — \$150 million). The increase from December 31, 2007 is primarily due to the estimate recorded for Reuters. Additionally, interest and penalties in respect of uncertain tax positions increased to \$49 million at June 30, 2008 from \$29 million at December 31, 2007, primarily due to Reuters.

Note 11: Discontinued Operations

The following businesses were classified as discontinued operations within the consolidated financial statements for all periods presented. With the exception of PLM, described below, all dispositions were completed by March 31, 2008. The required divestitures resulting from the acquisition of Reuters, which are described in note 4, do not qualify as discontinued operations as the Company will retain ownership of the databases and the ability to market them.

In the fourth quarter of 2007, the Company approved plans to sell GEE, a regulatory information business in the United Kingdom. This business was managed within Thomson Legal. The sale was completed in December 2007.

In April 2007, the Company approved plans to sell Fakta, its regulatory information business in Sweden. This business was managed within Thomson Legal. The sale was completed in November 2007.

In March 2007, the Company approved plans within Thomson Healthcare to sell PLM, a provider of drug and therapeutic information in Latin America; the New England Institutional Review Board ("NEIRB"), an ethical review board that monitors clinical research involving human subjects; and CenterWatch, a provider of clinical research information. The sales of NEIRB and CenterWatch were completed in December 2007. Thomson Reuters continues to actively pursue the sale of PLM.

In 2007, the Company completed the sale of Thomson Learning through three independent processes, each on its own schedule, as follows:

- In July 2007, the Company sold Thomson Learning's higher education, careers and library reference businesses to funds advised by Apax Partners and OMERS Capital Partners.
- In May 2007, the Company sold NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC.
- In October 2007, the Company sold Prometric, a provider of assessment services, to ETS.

In future periods, the net proceeds received from its sale may be adjusted for certain post-closing adjustments. The Company recorded pre-tax impairment charges associated with certain of these businesses of \$14 million in the fourth quarter of 2006. Based on estimates of fair value, as well as current carrying value, at March 31, 2007, these impairment charges were reversed in the first quarter of 2007.

Additionally, in the fourth quarter of 2006, the Company approved plans to sell the business information and news operations of Thomson Legal, which include the Company's Market Research and NewsEdge businesses. Based on estimates of fair value at March 31, 2007, the Company recorded pre-tax impairment charges to identifiable intangible assets of \$3 million related to these businesses. The Company completed the sale of its Market Research business in May 2007 and the NewsEdge business in July 2007.

In June 2006, the Company's board of directors approved plans to sell IOB, a Brazilian regulatory business within Thomson Legal, and Thomson Medical Education, a provider of sponsored medical education within Thomson Healthcare. The Company completed the sale of Thomson Medical Education in April 2007 and IOB in June 2007.

Also in the first quarter of 2006, the Company approved plans within Thomson Learning to sell the North American operations of Thomson Education Direct, a consumer-based distance learning career school. The Company completed the sale of its North American operations of Thomson Education Direct in March 2007.

The Company adjusts liabilities previously established for businesses that have been sold when actual results differ from estimates used in establishing such liabilities. Adjustments are made in conjunction with the expiration of representations and warranty periods or to reflect the refinement of earlier estimates. In the six months ended June 30, 2007, the Company adjusted disposal liabilities related to businesses previously sold resulting in \$10 million of earnings from discontinued operations. These amounts are included in "Other" below.

As of June 30, 2008 and December 31, 2007, the assets and liabilities of discontinued operations were not significant. The revenues, loss before income taxes and loss from discontinued operations for the three months and six months ended June 30, 2008, were also not significant.

The statement of earnings for discontinued operations for the three months and six months ended June 30, 2007 were as follows:

	Three months ended June 30, 2007				Total
	Legal	Learning	Healthcare	Other	
Revenues from discontinued operations	25	440	6	—	471
Earnings (loss) from discontinued operations before income taxes	(22)	56	140	—	174
Income taxes	5	(49)	(15)	—	(59)
Earnings (loss) from discontinued operations	(17)	7	125	—	115

	Six months ended June 30, 2007				Total
	Legal	Learning	Healthcare	Other	
Revenues from discontinued operations	52	854	33	—	939
Earnings (loss) from discontinued operations before income taxes	(32)	68	132	—	168
Income taxes	8	(44)	(12)	10	(38)
Earnings (loss) from discontinued operations	(24)	24	120	10	130

"Proceeds from (payments for) disposals of discontinued operations, net of income taxes paid" within the consolidated statement of cash flow represent cash paid for certain working capital adjustments and taxes. For the three months ended June 30, 2007, such proceeds represent cash received from the sale of NETg and Thomson Medical Education. For the six months ended June 30, 2007, this amount also includes the North American operations of Thomson Education Direct.

Note: 12: Share Repurchase Program

Prior to the closing of the acquisition, Thomson and Reuters each had share repurchase programs in effect from time to time. In April 2008, the Company commenced a new \$500 million share repurchase program. As part of this program, the Company repurchased approximately 15.6 million Thomson Reuters PLC ordinary shares for a total cost of \$479 million during the second quarter of 2008. There were no repurchases of Thomson Reuters Corporation shares during the first half of 2008.

The following table summarizes recent repurchase activities.

Three month period ended	Shares Repurchased	Average Price per Share
Thomson Reuters Corporation		
June 30, 2007	495,000	\$42.68
September 30, 2007	—	—
December 31, 2007	2,370,500	\$38.76
March 31, 2008	—	—
June 30, 2008	—	—
Thomson Reuters PLC		
June 30, 2008	15,645,535	\$30.59

For more information on Thomson Reuters share repurchase program, see note 22.

Shares that are repurchased are cancelled. Thomson Reuters will continue to repurchase shares from time to time as part of its capital management strategy. Decisions regarding any future repurchases will be based on market conditions, share price and other factors including opportunities to invest capital for growth. The Company may repurchase shares in open market transactions on the Toronto Stock Exchange, London Stock Exchange or the New York Stock Exchange. Thomson Reuters may elect to suspend or discontinue the program at any time, in accordance with applicable laws. From time to time when Thomson Reuters does not possess material nonpublic information about its activities or its securities, Thomson Reuters may enter into a pre-defined plan with its broker to allow for the repurchase of shares at times when Thomson Reuters ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with Thomson Reuters broker will be adopted in accordance with the applicable Canadian and English securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended.

Note 13: Earnings per Share

Basic earnings per share is calculated by dividing earnings attributable to Thomson Reuters Corporation common shares and Thomson Reuters PLC ordinary shares (collectively, "common and ordinary shares") by the sum of the weighted-average number of common and ordinary shares outstanding, during the period plus vested deferred share units. Deferred share units represent the amount of Thomson Reuters common shares certain employees have elected to receive in the future in lieu of cash compensation.

Diluted earnings per share were calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and other securities. The Company used the treasury stock method to calculate diluted earnings per share.

Earnings used in determining earnings per share from continuing operations are presented below. Earnings used in determining earnings per share from discontinued operations are the earnings from discontinued operations as reported within the consolidated statement of earnings.

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Earnings from continuing operations	179	262	372	471
Dividends declared on preference shares	(1)	(2)	(3)	(3)
Earnings from continuing operations attributable to common and ordinary shares	178	260	369	468

The weighted-average number of common and ordinary shares outstanding, as well as a reconciliation of the weighted-average number of common and ordinary shares outstanding used in the basic earnings per share computation to the weighted-average number of common and ordinary shares outstanding used in the diluted earnings per share computation, is presented below:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Weighted-average number of common and ordinary shares outstanding	791,619,307	640,040,445	715,394,625	640,157,917
Vested deferred share units	924,863	844,458	928,924	820,222
Basic	792,544,170	640,884,903	716,323,549	640,978,139
Effect of stock and other incentive plans	5,222,027	3,276,685	3,774,788	3,026,706
Diluted	797,766,197	644,161,588	720,098,337	644,004,845

Note 14: Employee Benefit Plans

The Company's net defined benefit plan expense is comprised of the following elements:

Three months ended June 30,	Pensions		Other post-retirement plans	
	2008	2007	2008	2007
Current service cost	27	16	—	1
Interest cost	64	37	3	3
Expected return on plan assets	(76)	(40)	—	—
Amortization of net actuarial losses	4	11	—	—
Net defined benefit plan expense	19	24	3	4

Six months ended June 30,	Pensions		Other post-retirement plans	
	2008	2007	2008	2007
Current service cost	38	32	1	2
Interest cost	99	74	5	5
Expected return on plan assets	(114)	(80)	—	—
Amortization of net actuarial losses	8	22	1	1
Net defined benefit plan expense	31	48	7	8

Note 15: Contingencies

In July 2008, the U.S. Court of Appeals for the Federal Circuit ruled in the Company's favor by reversing a decision in a patent infringement case related to a business formerly owned by Thomson Financial. Following the initial court's decision, the Company had posted a \$95 million letter of credit in connection with its appeal. The letter of credit represented the amount of the court's judgment, plus fees and interest.

In February 2007, the Company entered into a settlement agreement related to a lawsuit involving its BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and Kaplan Inc.*). The Company's part of the settlement was \$36 million, which was accrued for in the fourth quarter of 2006 and paid in June 2007. The Company is also a defendant in a separate lawsuit involving its BAR/BRI business, *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc.*, which was filed in the U.S. District Court for the Southern District of New York. The Park lawsuit alleges primarily violations of the U.S. federal antitrust laws. In the third quarter of 2007, the Company accrued \$13 million in connection with this matter. The Company has entered into a settlement agreement which has been preliminarily approved by the court. In February 2008, another purported class action complaint alleging violations of U.S. federal antitrust laws was filed in the United States District Court for the Central District of California against West Publishing Corporation, d/b/a BAR/BRI and Kaplan Inc. In April 2008, this case was dismissed with prejudice. The plaintiffs have appealed this dismissal.

In addition to the matters described above, the Company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. Some of these matters are described in the Company's management discussion and analysis for the three months ended March 31, 2008 and for the year ended December 31, 2007 as well as in Thomson Reuters PLC's annual report on Form 20-F for the year ended December 31, 2007. Except as updated and supplemented above, there have been no material developments to these matters. The outcome of all of the proceedings and claims against the Company, including, without limitation, those described above, and in the Company's management's discussion and analysis for the three months ended March 31, 2008 and the year ended December 31, 2007 as well as in Thomson Reuters PLC's annual report on Form 20-F for the year ended December 31, 2007, is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole.

The Company maintains contingent liabilities that it believes appropriately reflect its risk with respect to tax positions under discussion, audit, dispute or appeal with tax authorities, or otherwise considered to involve uncertainty, commonly referred to as uncertain tax positions. The Company regularly assesses the adequacy of these liabilities. In April 2008 upon the completion of a routine tax audit for the years 2003 to 2005, the Internal Revenue Service notified the Company that it would challenge certain positions taken on its tax returns. Management does not believe that any material impact will result from this challenge. Contingent tax liabilities are reversed to income in the period in which management assesses that they are no longer required, when they are no longer required by statute, or when they are resolved through the normal tax dispute process. The Company's contingency reserves principally represent liabilities in respect of the years 2000 to 2007.

Note 16: Acquisitions

Thomson acquired Reuters on April 17, 2008 for \$17 billion. See note 4 for further discussion. The components of the net cash consideration for this transaction were as follows:

Cash consideration to former Reuters shareholders	8,450
Transaction costs paid	104
Less: cash acquired	(465)
	8,089

Excluding the Reuters transaction, the number of acquisitions completed during the three-month and six-month periods ended June 30, 2008 and 2007 and the related cash consideration were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Number of transactions				
Businesses and identifiable intangible assets acquired	4	6	7	17
Investments in businesses	1	—	2	—
	Three months ended June 30,		Six months ended June 30,	
Cash consideration	2008	2007	2008	2007
Businesses and identifiable intangible assets acquired	56	29	149	183
Investments in businesses	2	—	32	—
Total acquisitions excluding Reuters	58	29	181	183

Included in these acquisitions was the purchase of TaxStream, a provider of income tax provision software for corporations in January 2008, and CrossBorder Solutions, a provider of tax software, in March 2007. Investment in business reflected the purchase of a minority interest related to Tradeweb (see note 17).

The value of goodwill and identifiable intangible assets acquired in connection with these transactions is detailed below:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Goodwill — Reuters acquisition	12,950	—	12,950	—
Goodwill — all other acquisitions	14	37	72	108
Goodwill — Total	12,964	37	13,022	108
Identifiable intangible assets — Reuters acquisition	5,400	—	5,400	—
Identifiable intangible assets — all other acquisitions	28	40	54	117
Identifiable intangible assets — Total	5,428	40	5,454	117

All acquisitions have been accounted for using the purchase method and the results of acquired businesses are included in the consolidated financial statements from the dates of acquisition. For acquisitions made during the three-month and six-month periods ended June 30, 2008 and 2007, respectively, the majority of the acquired goodwill is not deductible for tax purposes. Purchase price allocations related to certain acquisitions may be subject to adjustment pending completion of final valuations.

Note 17: Tradeweb

In October 2007, the Company announced that it had agreed to form a partnership with a consortium of nine global securities dealers to seek to further expand Tradeweb, its electronic trading unit that is now within the Markets Division. This agreement was executed in January 2008. The partnership utilizes Tradeweb's established market position in creating a global multi-asset class execution venue for clients.

Under the terms of the agreement, the dealers invested \$180 million to purchase a 15% stake in an entity that includes Tradeweb's established markets, as well as the Company's Autex and order routing businesses, which were named Tradeweb Markets. The dealers will receive free services from Tradeweb Markets, which were valued at \$26 million. Additionally, Thomson and the dealers funded additional investment in asset class expansion through a new entity, Tradeweb New Markets. Under the terms of the agreement, the Company's contribution to this new entity was an initial cash investment of \$30 million, with a commitment for an additional \$10 million, and certain assets valued at approximately \$30 million. The consortium contributed \$60 million, with a commitment for an additional \$40 million, as well as certain contracts valued at approximately \$180 million. The Company owns 20% of Tradeweb New Markets and the consortium owns 80%.

The infrastructure, including the existing Tradeweb platform, and management of Tradeweb Markets supports both companies. Tradeweb New Markets will pay a fee for services provided by Tradeweb Markets. Under the terms of the agreement, these two entities will merge upon meeting either certain performance or time-based milestones. The ownership interests of the merged entity will be based upon the fair values of the two entities at the time of merger. Until the merger, Thomson will consolidate the results of Tradeweb Markets, reflecting the consortium's share of earnings as a minority interest, and reflect its minority share in Tradeweb New Markets as an equity investment. After the merger, the accounting treatment for the Company's investment will reflect its ultimate ownership stake and degree of control over the entity.

Upon the execution of the transaction, the Company realized and deferred a pre-tax gain of \$96 million associated with the sale of its 15% interest and its contribution of assets to Tradeweb New Markets. Additionally, the Company recorded a minority interest of \$64 million. As of June 30, 2008, the Company's consolidated balance sheet reflected a minority interest liability of \$73 million associated with the consortium's ownership of Tradeweb Markets and an equity investment of \$60 million associated with its ownership of Tradeweb New Markets.

For the three-month and six-month periods ended June 30, 2008, the Company consolidated the results of Tradeweb Markets and recorded minority interest expense, net of tax, of \$4 million and \$6 million, respectively. Amounts related to Tradeweb Markets and Tradeweb New Markets are reflected in Tradeweb ownership interests in the accompanying consolidated statement of earnings.

Note 18: Financial Instruments

In June 2008, the Company completed two separate offerings of debt securities. The issuer of the notes was Thomson Reuters Corporation and the guarantor of the notes was Thomson Reuters PLC. The first offering was for \$1.75 billion comprised of \$750 million of 5.95% notes due 2013 and \$1.0 billion of 6.50% notes due 2018. The second offering was for C\$1.2 billion comprised of C\$600 million of 5.25% notes due 2011 and C\$600 million of 5.70% notes due 2015. Upon completion of these offerings, the Company entered into cross-currency swap agreements whereby the notes due 2015 will pay 6.25% on

US\$593 million. The Company also entered into cross-currency interest rate swap agreements whereby the notes due 2011 will pay a floating interest rate on US\$593 million.

The Company used the net proceeds from these offerings and other available resources to fully repay borrowings under an acquisition credit facility drawn to finance a portion of the cash consideration for the Reuters acquisition. This acquisition credit facility was terminated in June 2008.

With the Reuters acquisition, the Company assumed certain financial obligations previously held by Reuters, which included the following:

- A revolving credit facility with £312 million outstanding, which was repaid in April 2008;
- €500 million of debentures due 2010, for which the Company subsequently entered into cross-currency interest rate swap agreements whereby these debentures will ultimately pay a floating rate based on LIBOR on US\$757 million;
- €250 million of floating rate notes due November 2008, for which the Company subsequently entered into a cross-currency interest rate swap agreements whereby these notes will ultimately pay a floating rate based on LIBOR on US\$398 million;
- ¥1 billion of bonds, which were repaid in June 2008; and
- Certain derivative instruments used by Reuters to hedge the above-mentioned debentures and notes, which were settled by the Company in April 2008.

In February 2008, the Company repaid \$400 million of notes upon their maturity.

Hedging Program for Reuters Consideration

As the funding of the cash consideration paid to former Reuters shareholders fluctuated based on the \$/£ exchange rate, in July 2007 the Company commenced a hedging program to mitigate exposure to changes in the \$/£ exchange rate. In the third quarter of 2007, the Company paid \$76 million for the purchase of several sterling call options with a cumulative notional value of £2,300 million and various strike prices approximating \$2.05/£1.00. These options expired at various dates from February to April 2008.

Throughout April 2008, the Company entered into multiple short-term forward foreign exchange contracts to mitigate exposures to changes in the \$/£ exchange rate. The Company recognized a gain of \$9 million in Net Other (Expense) Income in its consolidated statement of earnings associated with these agreements.

Additionally, after completion of the sale of Thomson Learning's higher education, careers and library reference businesses in July 2007, the Company invested a portion of the proceeds in sterling-denominated money market funds and sterling term bank deposits. These funds were utilized to fund a portion of the cash consideration paid to former Reuters shareholders.

Treasury Locks

In November 2007, the Company entered into two treasury lock agreements with a total notional amount of \$800 million, in anticipation of the issuance of debt securities during 2008. The treasury lock agreements originally set to expire in May 2008 were extended to June 2008. The agreements were intended to offset changes in future cash flows attributable to fluctuations in interest rates and were designated as cash flow hedges. Upon the issuance of debt securities in June 2008, Thomson Reuters settled the agreements for a loss of approximately \$5 million, which will be amortized to interest over the 10 year term of the related debt.

Note 19: Supplemental Cash Flow Information

Details of "Changes in working capital and other items" are as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Accounts receivable	1,108	17	1,237	115
Prepaid expenses and other current assets	80	(31)	46	(44)
Accounts payable and accruals	(31)	59	(348)	(187)
Deferred revenue	(916)	(55)	(825)	30
Income taxes	38	38	72	24
Other	4	(23)	(12)	(34)
	283	5	170	(96)

For the three months ended March 31, 2008, the Company recorded a deferred gain on the sale of its 15% interest in Tradeweb Markets and its contribution of assets to Tradeweb New Markets (see note 17).

Note 20: Related Party Transactions

As at June 30, 2008, Woodbridge beneficially owned approximately 70% of Thomson Reuters Corporation's outstanding common shares. Under the DLC structure, holders of Thomson Reuters Corporation common shares and Thomson Reuters PLC ordinary shares ordinarily vote together as a single decision-making body, including in the election of directors, and in that sense have voting interests in Thomson Reuters. As of June 30, 2008, based on the issued share capital of the two companies, Woodbridge had a voting interest in Thomson Reuters of approximately 55%.

Transactions with Woodbridge

From time to time, in the normal course of business, Woodbridge purchases products and service offerings from the Company. These transactions are negotiated at arm's length on standard terms, including price, and are not significant to the Company's results of operations or financial condition either individually or in the aggregate.

In the normal course of business, a Woodbridge-owned company rents office space from one of the Company's subsidiaries. Additionally, a number of the Company's subsidiaries charge a Woodbridge-owned company fees for various administrative services. In 2007, the total amount charged to Woodbridge for these rentals and services was approximately \$1 million.

The employees of Jane's Information Group ("Jane's") participated in the Company's pension plans in the United States and United Kingdom, as well as the defined contribution plan in the United States, until June 2007. Jane's had been owned by the Company until it was sold to Woodbridge in April 2001. As part of the original purchase from the Company, Woodbridge assumed the pension liability associated with the active employees of Jane's. As a consequence of the sale of Jane's by Woodbridge in June 2007, Jane's employees have ceased active participation in the Company's plans. From April 2001 until June 2007, Jane's made proportional contributions to these pension plans as required, and made matching contributions in accordance with the provisions of the defined contribution plan. Coincident with the sale of Jane's by Woodbridge in June 2007, Jane's ceased to be a participating employer in any Thomson benefit plan.

Thomson Reuters purchases property and casualty insurance from third party insurers and retains the first \$1 million of each and every claim under the programs via the Company's captive insurance subsidiary. Woodbridge is included in these programs and pays the Company a premium commensurate with its exposures. These premiums were approximately \$50,000 for the year ended December 31, 2007, which would approximate the premium charged by a third party insurer for such coverage.

In the past, the Company maintained an agreement with Woodbridge under which Woodbridge agreed to indemnify up to \$100 million of liabilities incurred either by the Company's current and former directors and officers or by the Company in providing indemnification to these individuals on substantially the same terms and conditions as would apply under an arm's length, commercial arrangement. In 2007, Thomson paid Woodbridge a fee of \$750,000, which was less than the premium that the Company would have paid for commercial insurance. This agreement has been replaced by a conventional insurance agreement. Thomson Reuters Corporation is nevertheless entitled to seek indemnification from Woodbridge in respect of claims arising from events prior to April 17, 2008 and made within a six-year run-off period following that date.

Transactions with Investments in Affiliates and Joint Ventures

The Company enters into transactions with its investments in affiliates and joint ventures. These transactions involve providing or receiving services and are entered into in the normal course of business and on an arm's length basis.

The Company and The Depository Trust & Clearing Corporation each have a 50% interest in Omgeo, a provider of trade management services. Omgeo pays the Company for use of facility and technology and other services. For the six months ended June 30, 2008, these services were valued at approximately \$5 million.

The Company and Shin Nippon Hoki Shuppan K.K. each own 50% of Westlaw Japan K.K., a provider of legal information and solutions to the Japanese legal market. The Company provides the venture with technology and other services, which were valued at \$3 million for the six months ended June 30, 2008.

The Company's Tradeweb Markets business provides services, including use of its trading platform and various back office functions, to Tradeweb New Markets, in which it has a 20% ownership stake. For the six months ended June 30, 2008, the Company recognized revenues of \$1 million related to these services.

With the acquisition of Reuters, the Company assumed a lease agreement with 3XSQ Associates, an entity now owned by Thomson Reuters and Rudin Times Square Associates LLC that was formed to build and operate the 3 Times Square property and building in New York, New York that now serves as the Company's corporate headquarters. Thomson Reuters follows the equity method of accounting for its investment in 3XSQ Associates. The lease provides the Company with over 690,000 square feet of office space until 2021 and includes provisions to terminate portions early and various renewal options. In the year ended December 31, 2007, Reuters paid 3XSQ Associates approximately \$32 million for rent, taxes, insurance and other expenses.

Also as a result of the acquisition of Reuters, the Company has an investment in a joint venture with the Chicago Mercantile Exchange to create a centrally-cleared, global foreign exchange trading system named FXMarketSpace. Among various other services, the Company provides trading access to and trade notification services for, and distributes market data from, FXMarketSpace. The total cost of these services provided by Reuters to FXMarketSpace in the year ended December 31, 2007 was approximately \$20 million.

Other transactions

In February 2005, the Company entered into a contract with Hewitt Associates Inc to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. Under the current contract terms, the Company expects to pay Hewitt an aggregate of approximately \$165 million over a 10 year period beginning in 2006. In 2007, the Company paid Hewitt \$11 million for its services. Steven A. Denning, one of the Company's directors and chairman of the board's Human Resources Committee, is also a director of Hewitt. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the board of directors.

Note 21: Segment Information

Thomson Reuters is a global provider of electronically delivered information and decision support tools to businesses and professionals.

Effective April 17, 2008, upon closing the Reuters acquisition, Thomson Reuters organized itself into two divisions: Markets, which consists of the Company's financial businesses, and which is a combination of the businesses operated by Reuters and Thomson Financial prior to the closing; and Professional, which consists of the Company's Legal, Tax & Accounting, Scientific and Healthcare segments previously operated by Thomson.

The reportable segments of Thomson Reuters are strategic business groups that offer products and services to target markets, as described below. The accounting policies applied by the segments are the same as those applied by the Company.

Markets

Providing trading and enterprise automation solutions, decision support tools, financial market data and news services. Markets serves financial and technology professionals in various markets such as fixed income, foreign exchange, equities, commodities and energy as well as professionals in corporate, institutional, investment banking, and retail wealth management settings and the world's media organizations.

Legal

Providing workflow solutions throughout the world to legal, intellectual property, compliance, and other business professionals, as well as government agencies.

Tax & Accounting

Providing integrated information and workflow solutions for tax and accounting professionals in North America.

Scientific

Providing information and services to researchers, scientists and information professionals in the academic, scientific, corporate and government marketplaces.

Healthcare

Providing information and services to physicians and other professionals in the healthcare, corporate and government marketplaces.

Reportable segments	Three months ended June 30, 2008		Three months ended June 30, 2007	
	Revenues	Segment operating profit	Revenues	Segment operating profit
Markets Division	1,737	280	540	107
Legal	923	321	852	294
Tax & Accounting	189	33	155	31
Scientific	174	51	162	45
Healthcare	109	10	100	9
Professional Division	1,395	415	1,269	379
Segment totals	3,132	695	1,809	486
Corporate and other ⁽¹⁾	—	(187)	—	(72)
Eliminations	(4)	—	(4)	—
Total	3,128	508	1,805	414

Reportable segments	Six months ended June 30, 2008		Six months ended June 30, 2007	
	Revenues	Segment operating profit	Revenues	Segment operating profit
Markets Division	2,302	390	1,067	202
Legal	1,732	546	1,592	500
Tax & Accounting	394	72	315	69
Scientific	337	83	311	79
Healthcare	204	13	192	13
Professional Division	2,667	714	2,410	661
Segment totals	4,969	1,104	3,477	863
Corporate and other ⁽¹⁾	—	(318)	—	(163)
Eliminations	(7)	—	(10)	—
Total	4,962	786	3,467	700

(1) Corporate and other includes corporate costs, costs associated with the Company's stock-based compensation plans, expenses for integration and synergy programs, and certain Reuters transaction costs.

In accordance with CICA Handbook Section 1701, *Segment Disclosures*, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company uses segment operating profit to measure the operating performance of its segments. Segment operating profit is defined as operating profit before amortization of identifiable intangible assets and impairment of assets held for sale. Management uses this measure because amortization of identifiable intangible assets and impairment of assets held for sale are not considered to be a controllable operating cost for purposes of assessing the current performance of the segments. While in accordance with Canadian GAAP, the Company's definition of segment operating profit may not be comparable to that of other companies.

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated statement of earnings:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Segment operating profit	508	414	786	700
Less: Amortization	(141)	(62)	(203)	(123)
Impairment of assets held for sale	(72)	—	(72)	—
Operating profit	295	352	511	577

Note 22: Subsequent Events

In July 2008, the Company completed the sale of Dialog, an online provider of aggregated content databases used for research in such fields as business, science, engineering, finance and law. Dialog was previously part of the Scientific business segment. The disposal did not qualify to be presented as a discontinued operation because Thomson Reuters will continue to receive royalties from the distribution of Scientific content through Dialog.

In July 2008, Thomson Reuters completed its previously announced \$500 million share repurchase program. The Company repurchased and subsequently cancelled 825,000 Thomson Reuters PLC shares for approximately \$21 million in July 2008.

In July 2008, the Company sold a copy of the Thomson Fundamentals (Worldscope) database to FactSet. The Company has received regulatory approval to sell a database copy of Reuters Economics (Ecowin) and that sale is expected to close during the third quarter of 2008. Database copy sales of Reuters Estimates and Reuters Aftermarket Research are progressing. These sales were required in order to satisfy antitrust obligations relative to the Reuters acquisition.

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