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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Thomson Reuters second-quarter earnings conference call. At this time come all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will be given at that time. (Operator Instructions) Also as a reminder, this teleconference is being recorded.

At this time I will turn the conference call over to your host, Senior Vice President, Investor Relations, Mr. Frank Golden. Please go ahead, sir.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Thanks very much and thank you for joining us today as Thomson Reuters reports its second-quarter results. Those of you listening should have a copy of today's earnings release and related slides, which are posted on our website at ThomsonReuters.com.

We will begin today with Thomson Reuters' CEO, Tom Glocer, who will be followed by our CFO, Bob Daleo. As you know, Thomson's acquisition of Reuters closed on April 17, and this marks the first time we are officially reporting as Thomson Reuters. Both Tom and Bob will discuss pro forma results for the quarter and year-to-date, since we believe these are more meaningful measures for investors.

Following Tom and Bob's presentations, we will open the call for questions, and I would ask that you please limit yourselves to one question each, to enable us to get to as many questions as possible.

Now before we begin, I want to direct your attention to a change made in our quarterly 2007 and Q1 '08 pro forma figures. Following the closing of the Reuters acquisition in April, we reviewed the cost allocation methodology between Corporate and the Markets Division. As many of you know, Reuters was an operating company and did not have a corporate segment, per se. Therefore, allocating costs when creating a pro forma prior to the closing was challenging.

Upon further review post-closing, we concluded $63 million of costs in the second quarter of 2007 is more appropriately allocated to the Markets Division; and we made similar-type reclassifications to other quarters in 2007 and the first quarter of 2008. Consolidated pro forma costs and profits for each quarter and the year did not change. This was just a shifting between Corporate and Markets. All pro forma reported results reflect these updates, and you can find these adjusted figures published on our website today.

Let me also point out that we closed the sale of Dialog, a small business within our Scientific segment, on July 1; and the sale has been treated as a disposal within our reported results. Updated historical pro forma information reflecting this change has also been posted to our website.

Now, today's presentation contains forward-looking statements, and actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we have provided to regulatory agencies. You can access these documents on our website or by contacting our Investor Relations Department.

It is my pleasure now to introduce the Chief Executive Officer of Thomson Reuters, Tom Glocer.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Thanks for joining us today. I am very happy to share this first set of results for Thomson Reuters with you and then to take your questions, along with Bob Daleo. As you can see from today's earnings release, the second-quarter results were strong from the top line to the bottom line, with solid contributions from both the Markets and Professional Divisions.

There are three things I plan to cover today -- the headlines for the quarter; the current market environment for both the Professional and Markets Divisions; and third, an update on my priorities for the Company. I outlined these on our last earnings call, so I will just discuss the progress we have made in the roughly 100 days since Thomson Reuters was formed.

Let's look at the headlines for the quarter. Momentum continued in the second quarter with solid revenue growth. Revenue was up 11%, 7% of that organic. Strong top-line growth, combined with $490 million of run rate savings, led to solid year-to-date underlying margin improvement. And as you will hear Bob discuss in more detail, the integration programs and related savings are on target, and we're very pleased with our success and our pace to date.

Despite the volatility in the credit markets during the quarter, we successfully raised some $3 billion in the US and Canadian debt markets at attractive interest rates, enabling us to fully take out the bridge facility used to complete the Reuters acquisition. Both of these issuances were heavily oversubscribed.

Given our strong first-half results, and continued positive sales momentum across the Company, we are confident in confirming our full-year guidance and we believe we are well positioned as we look to 2009 and beyond.

Now let me take a few minutes to describe what we are seeing in the market. Let me begin with the Professional Division, which delivers nearly 60% of our profits. While the professional markets we serve are not immune to economic cycles, they have certainly been quite resilient and continue to be very healthy; and we expect the Professional Division to continue to perform well through the end of the year.

We continue to see good growth from our portfolio of legal services. There have been some moments in instances of layoffs at law firms and some softening in transactional revenues, as they more closely monitor their budgets. But our contract structure is typically three to five years for large law firms, and the diversity of our legal portfolio of businesses provides good balance and growth.

Additionally, Law school enrollments are likely to rise, given the current economic conditions; and litigation from the mortgage and credit crisis is beginning to kick in. In fact, federal securities class action lawsuits are already beginning to rise sharply, with 110 such suits filed in the first half of 2008 compared to 66 in the first half of 2007. Mis-selling cases, such as those involving the Market Auction Preferred situation which has been much in the news over the last week, are also rising fast.

The science and healthcare markets are naturally more resilient to the cycle, while the tax and accounting market in the US is essentially noncyclical. The November election will likely result in tax law changes no matter who is elected, which is always good for our business.

Let me turn now to the Markets Division. It goes without saying that many of our global investment banking clients have been experiencing tough times. The credit crisis has spilled over to the equity markets, and our customers are taking firm action to shore up their balance sheets and protect their core franchises.

In the capital markets, M&A activity and IPO issuances are both down 30% and 50%, respectively. The fixed income business, where we have traditionally not had a strong presence is down sharply.

However, the Markets Division is not a monolithic $7 billion business conducted in just New York and London. While we have seen softening among our largest global customers -- the ones we call the Focus Group Accounts, or FGAs -- and to a lesser extent in the Americas, the international parts of our franchise are still flourishing. Asia was up 15%, and the Middle East was up 30% in the quarter. The small and mid-tier financial institutions, which are much less affected by the credit crisis, have continued to show solid growth around the world.

By asset class, growth has of course been slower or flat in areas like fixed income, which comprises 10% of Markets' revenue and 6% of total Company revenue. But more than offsetting this was the strong continued growth in the remaining 90% of the Markets Division. Franchise areas like foreign exchange, investment management, corporate, commodities, and energy. In fact our commodity and energy business was up double-digit on the back of surging markets, and volumes on our FX transaction services are up 30% year-to-date.

Now for those of you who continue to focus on workstations, which is less than 50% of the Markets Division's total revenues, the effect of layoffs in the financial services markets has not been significant. Out of a base of some 530,000 terminals, we are down less than 1% compared to a year ago. Offsetting this has been fantastic growth of datafeeds, as our clients look to cut cost through increased trade automation.

So all in all we are staying close to our customers and working in a collaborative manner to help them through this period. Customers are coming to us seeking ways to reduce their overall information and technology spend, while we capitalize on the combined Thomson Reuters offering by delivering a set of products and services that our competitors can't match -- a real win-win scenario for us.

In this breadth of product and market coverage, which continues to sustain the Markets Division growth 12 months into the downturn. So when you look at the Markets Division's results 12 months into this downturn, versus 12 months into the 2002 downturn, you see a very different picture. Up 8% organically for the first half of this year versus down 5% on a pro forma basis in 2002, assuming both Thomson Financial and Reuters had been together at that time.

Against this backdrop, let's take a look at the entire portfolio of the Company, since this is really what is represented by owning a share in Thomson Reuters Corp. or Thomson Reuters PLC.

On this slide you immediately see the diversified nature of Thomson Reuters. The first thing that should catch your eye is the size of our Legal business, 26% of total Company revenue and 38% of segment operating profit. Taking Legal together with the fast-growing Tax & Accounting segment and the Scientific and Healthcare businesses, 40% of total Company revenues come from very resilient, professional businesses.

Midway through the year, our Professional businesses are delivering excellent rates of growth compared to their peers, and we expect them to continue to do so. The market-leading Professional Division, when combined with the fast-growing treasury, commodities energy, corporate, enterprise, and investment management businesses, account for roughly 75% of our total revenues.

We continue to expect momentum to moderate in the second half of the year, all of which is reflected in our reconfirmed guidance. However, the picture continues to be one where we are leading our markets and gaining share. As I tell my team regularly, down markets may not be that much fun to manage through, but these are the times when great companies pull away from the pack and continue to add value and position themselves for strong growth in the next cycle.

Let me turn now to an update on our priorities. First, let me talk about integration and synergies. As I discussed last quarter, I have set a goal to truly become One Company in one year. We have a detailed integration and synergy plan covering every part of the Markets Division, common portions of the Corporate Center, and revenue synergy opportunities in Professional. I am very pleased with the progress we have made, which has exceeded my expectations. To date we have achieved $490 million of run rate savings.

In the Markets Division, which is the heart of our efforts, Devin Wenig and his team are making impressive progress towards this One Company goal. We have already completely integrated our account teams so that every one of our customers around the world has a single account manager who has the authority to speak for all of Thomson Reuters business.

We also have delivered some early product and content enhancements that begin to show the power of our combination. These include delivering Reuters News, Lipper data, and Reuters Messaging to Thomson ONE users and StreetEvents content -- like this call -- to Reuters 3000 Xtra and Reuters Knowledge users, and Tradeweb fixed income data, Thomson municipal data, and IFR capital markets news and information to Reuters 3000 Xtra users.

Last month, the Markets Division rolled out an initial product roadmap to their customers. It outlined the product and technology enhancements that they can expect over the course of the next year. By early 2009, we will rationalize what we sell and rebrand our products, and we will start the migration to two strategic desktop platforms of the future.

The first platform will deliver our trading room products, such as Reuters 3000 Xtra and its exciting successor product, due next year. The second platform will deliver our off-trading floor products, such as Thomson ONE for Investment Management and for Corporates.

Globalization is our second priority. Our core customer groups are growing rapidly around the world, and this is one of the reasons the Markets Division continues to perform so well. We are using this space to help internationalize the outstanding businesses of the Professional Division.

Our Legal business launched Westlaw China during the second quarter, following the launch of Westlaw Japan late last year. Our Scientific segment is expanding its patent business in Asia, where Japan, Korea, and China are three of the five largest patenting authorities globally.

Our Professional and Markets Divisions are also working together to capitalize on the fast-growing demand for Shari'ah-compliant financing and the legal and financial information services to support it. We are seeing very strong growth in the Middle East from our financial services products, up some 30%. Given the growing size and number of deals and the legal and financial complexity of Shari'ah compliance, we saw an opportunity to support the information needs of lawyers and finance professionals working in the Gulf.

With the growth of the middle class in countries like China and India, the demand for financial, legal, tax, accounting, science, and healthcare services will continue to increase, requiring more professionals in these disciplines, who will in turn require more of our products and solutions to help meet that growth.

As this story illustrates, we have a terrific opportunity to leverage assets and expertise across our business, to expand or create new products. This is all about enhancing the value we deliver to customers and driving revenue growth -- which brings me to my third priority, scale economics.

Westlaw business, the platform which will be used for the Islamic finance initiative I just mentioned, is a shining example of scale economics for us. This integrated global platform meets the workflow needs of business law professionals by delivering mission-critical securities law and regulatory filings, including legal documents and provisions to reflect every sort of transaction; company information; relevant law; and expert legal guidance. Data from Thomson Reuters Markets is already embedded in Westlaw Business and in Thomson ONE Pharma. There are efforts underway to sell Thomson ONE Pharma in the equity research space.

We continue to work on ways to combine the Professional Division's strength in legal information and services with the business intelligence, global capital markets, and news strengths of the Markets Division. We are looking to do this on a global basis, and this is one of the reasons why I am confident in our ability to outgrow our peers as we look ahead.

Keep in mind that our business -- information-based and electronic -- is highly scalable, thereby enabling us to quickly and affordably develop and deploy new services which generate high incremental profitability.

I am confident that higher top-line growth, coupled with the $1.2 billion of run rate savings we will deliver from our integration initiatives, as well as day in, day out incremental operating efficiencies, will drive higher margins for us and generate significant free cash flow over the coming years.

On that financial note, I will turn it over to Bob Daleo.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Thank you, Tom. I will cover several topics today -- the results for the second quarter, an update of our integration programs, and I will review our 2008 outlook.

Before I turn to the financials, let me quickly highlight a few key takeaways. First, we continue to see strong top-line growth. Organic growth in both the Professional and Markets Divisions was very healthy, signaling not only the strength of our businesses in their respective markets, but also the diversified nature of our revenue streams in these businesses.

When the transaction closed on April 17, we quickly pivoted from a planning phase to an implementation phase. We are off to a good start, and there will be more details on this in a moment. Based on our first-half results, as Tom has mentioned, we feel confident we are on track to achieve our 2008 outlook.

Let me point out that I will be discussing results from ongoing businesses, which excludes the recent Dialog sale.

For the quarter, pro forma revenues grew 12% to $3.4 billion. 7% of this was organic; 1% came from acquisitions; and 4% from foreign exchange. The strong revenue growth reflects solid contributions from each of our business segments.

Underlying operating profit, which excludes amortization of intangibles and the costs associated with integration and synergy initiatives, was up 15% in the quarter to $708 million. Excluding exchange, operating profit was up 5%.

This has been impacted by investments in the Professional business, higher corporate costs, and the fact that little of the synergy savings impacted this quarter. We expect growth to improve in the second half as we benefit from these savings.

On a year-to-date basis, revenues rose 12%. 8% of that was organic; 1% came from acquisitions; and 3% from foreign exchange. Underlying operating profit rose 23% including exchange. Excluding exchange, operating profit rose 14% and the margin increased 80 basis points to 19.2%.

Now I would like to discuss the operating performance of the businesses, starting with the Professional Division. Second-quarter revenue growth for the Professional Division was 10% -- 6% organic; 3% from acquisitions; and 1% from exchange. Online software and services represented 79% of total revenue and grew 13%. Operating profit rose 10%, and the operating margin was essentially unchanged from the prior year.

Year-to-date revenues increased 11%; operating profit rose 8%; and the operating profit margin declined 70 basis points to 27.0%.

Both the quarter and the year-to-date margins are impacted by two factors. First, a series of product development initiatives across the various business units; and second, the dilutive impact of acquisitions in both Tax & Accounting and Scientific. The underlying margin in both the year-to-date and the quarter increased excluding these items.

Historically, about 60% of our operating profit is generated in the second half of the year. As I mentioned last quarter, in spite of the above-mentioned items, we continue to expect to see slight margin improvement in the Professional Division for the full year.

Now I will discuss the second-quarter revenue results for each of the Professional business units. The Legal segment grew 8% in the second quarter -- 6% organic and 2% from exchange. Online solutions grew 6% organically, benefiting from 19% growth in international online products and continued growth in US Westlaw subscription revenue. Partly offsetting this growth was softness in transactional-type revenues such as trademark searches.

Software and services grew by 9% in the quarter, 6% organically, led by continued success of FindLaw from new sales and new product introductions. Print and CD grew 4% versus the prior year and represented 24% of total revenue.

Tax & Accounting revenues grew 22% in the quarter, 7% organic and 15% from acquisitions. Organic revenue growth is being driven from core products such as Checkpoint and UltraTax.

Now, some timing-related items impacted the quarter's growth rate; and we believe the year-to-date organic growth rate of 10% is more indicative of the full-year performance than this quarter's. I will remind you that Tax & Accounting is a seasonal business, historically generating 35% of its revenues and half of its profits in the fourth quarter.

The Scientific segment revenues rose 10%, 3% organic and 6% acquisition. The results for Scientific exclude Dialog, as this business was sold in July. In conjunction with our decision to sell this business, we took an impairment on the carrying value of the assets this quarter.

Revenue growth in the quarter was driven by the Pharma segment of Scientific, the academic, and government businesses, led by continued subscription growth in our Web of Knowledge/Web of Science products and the acquisition of Prous, which occurred in the fourth quarter of last year. We do expect to achieve higher organic growth in the second half of this year.

Healthcare's revenue increased 9% in the second quarter, all organic, largely driven by the payers segment, or Medstat, which grew 14%.

Let's now turn to the operating profit for the Professional segments. Legal operating profit for the quarter grew 9%, and the margin increased 30 basis points. The improvement is attributable to revenue flowthrough and continued efficiency initiatives.

Tax & Accounting's profit grew 6% for the quarter, and margins declined 250 basis points. As I have mentioned in the past, the accounting treatment of recent acquisitions had a detrimental impact on the operating profit; and we continue to see that in the second quarter.

Year-to-date operating profit was up 4%, and the margin declined 360 basis points. As the impact of acquisition accounting begins to decline in the second half of the year, we anticipate much more favorable margin trends and expect Tax & Accounting margins to be relatively flat versus the prior year.

Scientific operating profit increased 17%, with the margin expanding 190 basis points due to higher revenues, efficiency initiatives, and some timing of expenses. Year-to-date operating profit was up 5%, and the operating margin has decreased 120 basis points due to new product investments in our Asian businesses that I mentioned in the first quarter and the lower margins of the Prous business acquired last year. As I have previously said for the full year, we expect a slight decline in Scientific margins due primarily to this Asian investment.

Healthcare operating profit and margins were relatively flat in the second quarter and year to date. I will remind you that historically about 70% of Healthcare's operating profit is generated in the fourth quarter.

The Markets Division delivered very solid growth in the quarter. Revenue grew 12% to $2.1 billion; 7% of that was organic. Let me compare and contrast the areas where we are seeing stronger growth and, conversely, where we see some softness.

By asset class, fixed income was essentially flat; but more than offsetting this was continued strength in treasury and foreign exchange markets, commodities and energy, corporate and investment management.

By product, while total desktop counts were flat in the quarter, sales of 3000 Xtra were strong, and sales of datafeeds continued to be extremely robust, as customers look to automate trading, reduce costs, and manage risk.

By region, North America was up 3%, EMEA was up 8%, and Asia grew 15%.

Operating profit was up 30% in the quarter and 42% year to date including exchange. Excluding exchange, operating profit grew 11% in the quarter and 23% year to date, reflecting tight cost controls and good operational gearing as revenue growth flowed through the bottom line.

Now let me run through the four strategic business units of the Markets Division.

Sales & Trading delivered strong second-quarter growth of 11%, of which 5% was organic. This was driven by continued strength in its core treasury franchise, with high levels of activity in the foreign exchange market driving both transactions and demand for information products. Commodities and energy was also strong, as was demand for cross asset class trading products. Year-to-date Sales & Trading growth was 10%.

Investment & Advisory grew 9%, all organic. Investment management was particularly strong, driven by increased functionality and offerings and in particular analytics. The corporate segment was up 20%, benefiting from geographic expansion in Europe and Asia, as well as improved client penetration. Year-to-date, Investment & Advisory growth was 11%.

Enterprise delivered excellent growth of 23% in the second quarter, 14% organic. This was driven by demand for datafeeds such as Reuters DataScope Real Time, as well as good demand for risk management products and PORTIA, our portfolio accounting solution. Year to date Enterprise growth was 20%.

Finally, Media grew 12%, 2% organic in the quarter, with solid growth in agency and professional publishing, but overall was impacted by some timing issues. Year-to-date Media growth was 13%.

Given the focus on headcount in the financial services industry and the often-assumed historical relationship of terminals to our overall business performance, I would like to take a minute to touch on the relationship between workstations and revenues within our Markets Division and how this has changed since the end of 2004, as we have evolved our business model.

As you can see from the red line on this chart on this slide, combined Reuters and Thomson Financial workstations have declined 1% between 2004 and 2007. As you can see from the blue line on the chart, over that same period and excluding the impact of exchange the cumulative combined organic revenue increased 14%. Now less than half of this was due to price. The balance has come from new sales and new product introductions in non-terminal businesses, which now account for more than 50% of the Markets revenue.

Furthermore, these trends have continued year to date, as organic revenue is up 8% versus a continued slight decline in the number of workstations.

Just as the Professional Division underwent a transformation by significantly converting from print to electronic five years ago, so the Markets Division has undergone its own transformation, moving from being predominantly screen and headcount driven, to being a broader and more diverse provider of services. Both of these transformations have resulted in more resilient business models and underlying businesses.

Let me now turn to our integration programs. This slide contains several headlines regarding our progress in the integration programs. A few key points to note.

First, we are pleased with the progress in sales and service in the Markets Division, where account teams have been completely integrated and every account now has a single Thomson Reuters owner. In addition, these reps have had good success in beginning to cross-sell Thomson and Reuters products.

Second, last month we sent out our initial communication to customers outlining our new product roadmap, a streamlined and fit for purpose set of products and services delivered over our new common platform.

Third, the common platform project itself is on schedule for deployment of the first products in mid-2009.

Lastly, the SAP implementation went live on August 1, moving the entire Company on to one enterprise-wide accounting system. A significant release of our GCAP automated admin system in Markets also went live in July.

As I discussed last quarter, we are now reporting our three savings initiatives -- THOMSONplus, Core Plus, and our Thomson Reuters integration and synergy initiatives -- as one program. Our estimates of the annual run rate savings targets and cash costs are unchanged from those which we shared with you last quarter.

These three programs have yielded combined run rate savings of $490 million at June 30, compared to $300 million at the end of the first quarter. We are on track to reach our stated target of $600 million run rate savings by the end of 2008. The pro forma P&L benefit year to date is about $150 million.

Year-to-date, we spent $127 million in cash on these programs, and expect that pace to accelerate in the second half of the year. We believe $600 million is still a good estimate for the full year.

You will recall last quarter I discussed that we anticipated approximately $200 million of integration and transaction related costs that would be realized in 2008 and 2009. Year to date, we have spent $131 million on these items. Of these costs, only the $63 million of integration related costs incurred after closing flows through our pro forma P&L. There is another $6 million to $8 million of transaction related costs incurred pre-closing that do not flow through the P&L.

Now I will discuss pro forma corporate costs. In the quarter, total corporate costs increased $123 million to $221 million due primarily to an incremental $115 million of integration and synergy related costs. Please note these integration and synergy costs are not additional cash expenditures, but simply the P&L impact of those charges described on the previous slide.

Core corporate costs were $76 million for the quarter, compared to $43 million in the prior period. The increase was due to a one-time Reuters' pension credit in the prior period, which represented about $14 million, and in the current quarter includes higher stock compensation related expense, severance costs, and higher healthcare costs.

Year-to-date, total corporate costs increased $69 million, primarily driven by integration and synergy expenses and the prior year Reuters' pension credit, partly offset by the fair value adjustment which relates to the impact of foreign exchange on certain customer and vendor contracts. We continue to anticipate core underlying corporate cost base of approximately $250 million for 2008.

Let me now turn to our pro forma earnings per share calculation. To generate this number, we begin with our underlying operating profit figure, which excludes amortization of intangibles and all costs associated with the Reuters acquisition. To arrive at a pro forma EPS we reduce profits for the following.

First, all costs associated with the Reuters acquisition, including costs to achieve savings as well as integration costs. Second, interest expense; and to arrive at this number we are taking one-fourth of the pro forma guidance number we provided last quarter. Third, our tax provision, which is calculated by applying a 25% post-amortization tax rate to the pretax profit. Finally, we also adjust for the impact of our Tradeweb interest and for dividends paid on preferred shares.

Based on this methodology, pro forma earnings in the quarter were $377 million and diluted EPS was $0.45 per share.

Year to date, reported free cash flow was $791 million. After adjusting for one-time cash costs related to the Reuters acquisition and integration related costs, adjusted free cash flow was $1.049 billion.

Comparing 2008 versus 2007 is a bit challenging, given we still owned Thomson Learning which at the time had actually negative free cash flow of $115 million. But the free cash flow number reported for the first half of 2007 by Thomson was $363 million; and the Reuters reported free cash flow was GBP24 million; for a total combined of about $400 million -- about $500 million if you exclude discontinued operations. While a bit rough, it does give us a sense that the combined businesses' cash generation will be strong.

Lastly, here is a picture of our debt maturity schedule. As Tom mentioned, we successfully raised $3 billion in the debt markets during the second quarter, at maturities ranging from three to 10 years at very attractive rates ranging from 5.25% to 6.5%. This is a picture of our debt portfolio now. The average term of our debt is about six years; and the average rate of our debt hat is slightly above 5%.

Let me also mention that even in these turbulent times, both the US and Canadian debt offerings were well oversubscribed, reflecting the confidence fixed income investors have in our business model.

So to wrap up before we take your questions, let me say we are very pleased with the year-to-date results and the trends we are seeing. Therefore we are affirming our full-year pro forma outlook.

We expect revenue growth of 6% to 8%, nearly all organic. Acquisition-related growth could contribute about 1% of this. As we told you in May, this implies a moderating growth rate for the second half of the year due to several factors.

First, both Thomson and Reuters enjoyed record growth performances over the second half of 2007 so the comparables are a bit tougher. Second, Professional Division has a greater proportion of print sales in the second half, which tends to dampen its growth. Third, we do expect the overall market will impact our business, just like every other business in these economic times.

So with that, let me turn it back to Frank.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Thanks very much, Bob. Okay, we would like to open it up for questions. So operator, if we could have the first question please.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Vince Valentini with TD Newcrest.

Vince Valentini - *TD Newcrest - Analyst*

Yes, thanks. The question is on the topic you just finished on, Bob. It's the revenue guidance for the year. You said there would only be a 1% contribution from acquisitions. Correct me if I am wrong, but in the first half, there was more like 4 percentage points, if you did 12% but only 8% organic.

So will there actually be negative contribution from acquisitions in the second half of the year with the small divestiture? Or are you just perhaps being conservative with the range, given that you have already done 12% in the first half? Only saying it could be as low as 6% for the full year would imply pretty much flat results in the second half.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

I think the first half, that 12% includes exchange, first of all. I think that we are running about 1% acquisitions as of total revenues at this point. So we are just saying it's fairly consistent.

I think in rounding maybe we are running at 1.5, and by the second half of the year it will be 1 point or a little bit less than 1 point, which will round up. But no, there is nothing like that at all.

I will remind you that Prous, for example, we acquired in the fourth quarter of last year, so we would -- on a comparative, would be equal.

We're 2% year to date. I'm sorry. So we're 2% year-to-date; and we will be 1% for the full year. So what that means is that by the time we get to the third quarter that will fall away and the fourth quarter probably will be all organic. Very little, if any, acquisitions.

Vince Valentini - *TD Newcrest - Analyst*

Okay, thanks.

Operator

Colin Tennant with Lehman Brothers.

Colin Tennant - *Lehman Brothers - Analyst*

A couple of questions, just first on the Markets Division. I wonder if you could give us an idea of visibility into the second half. I think I saw in the tape, Tom, that you were quoted as saying that net sales were positive through to July. So just wanted confirmation of that.

Also you talked about the large bracket investment banks versus the Asian banks and the different exposures. I wonder if you could give us a number on the exposure to what we regard as the bulge bracket, North American and European banks.

The other question was on operational gearing. I wonder if you can give us an idea of the drop-through rate. I know for Reuters in the old format we used to think in terms of about 80% operational gearing on both the upside and the downside. I wonder if that is still a number we should be using and how does that compare with the Professional Division. Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay, why don't I tackle the first two, Colin, then and Bob will get us on the leverage, the operating leverage.

So, the good news for me, which I have been saying all year long, is that the Markets Division has had very strong, positive net sales through the first seven months of the year; positive again in the month of July, which is our most recent month.

We have seen obviously the big bulge bracket firms come down a bit. But Bob quoted numbers like Asia up 15%. That is not a small piece of the pie; that is $1 billion of our revenue growing 15%. Middle East is smaller, but that is up 30%.

You know, we are seeing a little bit of a factor like you see in the banking market itself, where we have got a Standard Chartered or maybe HSBC exposure to emerging markets which has been very strong. The FX market has been very strong. Our commodities and energy business has been growing double digits.

So while we do see growth rates coming down in New York and London and among our largest accounts, we have more than made up with that with very strong sales that to date has left us positive -- and handsomely so.

In terms of quantifying it, the number we always gave, which was still roughly true of our Focus Group Accounts, which is the top 25 accounts, they were roughly 24% of the Markets Division revenue. In those top 25 accounts, it is not just obviously the big New York, London sell-side shops. You already have folks like the HSBC and Standard Chartereds of the world. So you would have to take a subsection of the FGAs, and then take that revenue and put it on the entire Company.

So I would say 5% to 10% of Thomson Reuters' revenues are at the banks doing the strongest workouts of their balance sheets; and the rest of the revenues, although they grow at different rates, are largely positive, and in some cases very positive.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

In terms of the gearing, you use a number that I am pretty familiar with from Thomson as well. I would say that that probably is not a bad assumption to say that our gearing is roughly about 80%.

These are -- the vast majority of our revenues are electronic, and therefore the incremental cost of service is very low. I would say certainly in the Markets Division, I would say that probably it is around 80%. Professional side may even be a tad higher in the sense that the cost of incremental customers, because there aren't the large data commitments or the communications commitments entailed there, because most of the Markets Division uses the Web -- so it might even be higher than that, closer to 85%. But that is probably a reasonable number to use.

Colin Tennant - *Lehman Brothers - Analyst*

Okay, thank you very much.

Operator

Drew McReynolds with RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thanks very much and good morning. Perhaps three questions for Tom, more or less all related, big-picture questions.

Just with respect to the emerging market trends, obviously growth is still pretty strong. You guys have been able to kind of separate kind of the secular strength and the cyclical strength in the emerging markets.

Then, also on the Professional side of the business, clearly double-digit growth coming from pretty big products like Checkpoint and Westlaw Litigator. Just wondering where we are in the product lifecycles and penetration of those products. Perhaps maybe talk a little bit about pipeline of new product coming onstream.

Then third question, just on the Professional Division, when you look back to last cycle, you did a good job comparing the Markets Division. Just wondering if you could compare the Professional Division in terms of what you have seen to date versus last cycle. Thank you.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure, well, I think there is an interesting analogy; I will start with your last question, Drew, which is just as on the financial side of the business we have seen this shift from purely terminal to enterprise revenues -- with terminals essentially flat or slightly declining, as Bob showed on that slide, and the datafeed and enterprise revenues sharply up. The similar trend you see in Professional is away from print and towards electronics.

So going back to the last minirecession, let's say, of 2002, a far greater proportion of the then Thomson Professional businesses were in print. You had the somewhat one-time phenomenon of law firms in America -- which I am certainly familiar with from my old time there -- essentially scrapping their print libraries or greatly downsizing them, to reap not only the savings on the books but on the real estate associated with it.

Now, you have got a much more electronic business on the Professional side, which has shown itself to be more resilient than the print.

Working my way up through your questions, on the second one in terms of product lifecycle, you're right. Products like Checkpoint have been growing very smartly. Bob always reminds me how many consecutive quarters of double-digit growth we are up to.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Again this quarter.

Tom Glocer - *Thomson Reuters Corporation - CEO*

What does this make it? 20, 21 or 22?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

22, yes.

Tom Glocer - *Thomson Reuters Corporation - CEO*

22 quarters of consecutive double-digit growth. I think the really good news in Tax & Accounting is -- and you are going to see it in our figures as well -- now not only the SEC has accepted IFRS accounting, including for American issuers, but Canada is going to adopt generally and allow us to go early. As the world accounting standards coalesce around IFRS, you get the same sort of a global platform that, let's say, you see in the FX business, which is a global business as well.

I think that means we can extend the platform in Tax & Accounting global. That's exactly what is in the product plan, to in part leverage some of the Reuters footprint around the world and pull that fast-growing business offshore. First products being a corporate workstation that is coming out in the second half of the year. A focus on things like transfer pricing, which is a very international and complex analytically-driven area. So I feel good about that.

Litigator remains very strong in the Legal franchise. We are just now gearing up Westlaw Business, which has seen double-digit growth year-on-year in the first six months. That is a product we can take international. I mentioned using it as a platform in the Gulf; but London is obviously a much larger potential market. As the Thomson Reuters deal represents, that was really a New York, Toronto, London transaction. The world is looking more similar in these professional markets.

Then, finally, coming back up to the first question on the emerging markets' trends, I think you have seen -- it is hard for us to separate out the various strands. So the commodities and energy boom has essentially reinforced trends in a variety of emerging markets.

Brazil is a case in point. So you have a very strong surging currency; very good exports; the country moving to investment grade. But obviously also, very strong steel producers like CVRD. So the two trends coming together have helped us very much around world.

We may be -- I think, one of the positive signs generally for the financial services market is, of course, that oil has come down from what? $160, closer to $113. So we may see a little bit of that emerging market growth that has been fueled by the commodity bubble come down a bit.

But I think the basic outlook in these markets -- in India, in China, in Brazil and Russia and the Gulf -- still is quite good for us in the second half of the year and beyond.

Drew McReynolds - *RBC Capital Markets - Analyst*

Okay, thanks very much for that.

Operator

Paul Steep with Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Great. Thanks. Tom, maybe you could talk a little bit -- to not confuse things, I guess I will call them organization-wide contracts. Both you and Bob alluded to, I guess, the diversification away from terminal workstations. But maybe you can talk a little bit about some of the trends you are saying in customer purchasing and any exposure we might have to expiries throughout the year. You have alluded to that strength.

Then secondly, not to steal your thunder, Bob gave us the heads-up that common platform min '09. What is the value proposition for clients and TRI? Then, secondly, when would we think about that beta starting to roll out? Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay. Let me start with common platform. There are a variety of benefits both internally to Thomson Reuters and especially to our customers. The single largest benefit, I think, to customers is a whole new set of more intuitive user interface; much higher quality search; multimedia news and information delivered in a much more modern look and feel.

By focusing everything on a common platform, which is replacing a variety of legacy architectures, we can focus the service experience as well. So I think you will see greater reliability and greater perceived customer sat because of service quality.

Now that, in turn, also reflects some of the benefits to us, which are reduced cost of maintaining multiple legacy networks, in particular for real-time data; and lower development costs of developing on a common rather than on multiple architectures; and there are other things. But that is sort of the core benefit.

Now in terms of timing, certainly with our largest accounts, they don't sort of take something right off the shelf in version 1.0. Our experience, and I think it has been Thomson Financial's experience with Thomson ONE as well, is it takes a number of months into years to see a significant amount of the user base migrate over. New sales and smaller accounts obviously can come very quickly.

One of the things we are doing via common platform is moving more and more to server-side hosted information services, so that we will need to do less and less work at customer premises. But still on the big trading floors, all the banks, they want to take it into their labs, they want to take it apart, they want to repackage it. Don't expect middle of next year you suddenly have all the big Focus Accounts already on common platform.

But we are very excited about it and we think it will make us significantly more competitive in the terminal world, to complement the strength we have on the enterprise.

Now, let me pop up to your first question, which is sort of organizational-wide and contract expiry. On the Professional side in Legal, I already referred to the nature of the Westlaw contracts with some of our largest accounts, which are often as long as three to five years. There is no particular unusual concentration of those contracts, let's say, expiring in the first six months of next year or the last six months of this year. So you should just expect to see the regular rollover of those.

Again, I think the single best protection of this franchise is not the contracts but the fact that the services themselves are really must-have services to do the work.

Now on the financial side of the house, there are really two factors at work. One again is contractual. So we have with a handful of our largest clients what we call enterprise agreements, which have typically large minima and do lock in revenue during difficult periods. Again, there is no particularly large ones that I am aware of that are expiring. They will be sort of phased expirations over the next couple of years, and no doubt renewals.

I would point to the fact that I think it was only last November that Citibank re-upped, re-executed their large enterprise agreement with us, which was of course already a difficult time for all banks, and there in fact increased their spend with at the time Reuters.

The only other thing to mention is this. We use the word enterprise sometimes in another sense, which is not just an enterprise agreement, but the Enterprise solutions and information. That really is a strength in these markets. So the ability for us to go to a client and say, look, we know you want to take costs out of your technology and information spend. We know you deal with 80 separate vendors. We now cover the entire waterfront, now with really credible buy-side offerings as well. Being able to come in essence back up the Thomson Reuters truck and provide a soup-to-nuts service does allow clients to see a reduction in their total cost of ownership across all vendors, and has generally been quite favorable for us.

So maybe a longer answer than you wanted, but at least that is how I see the full cycle of why we are doing okay in this market.

Paul Steep - *Scotia Capital - Analyst*

Great. Thanks, guys.

Operator

Mark Braley with Deutsche Bank.

Mark Braley - *Deutsche Bank - Analyst*

Just a couple of questions, both really related to Markets again and sort of trying to get to the bottom of how we should think about that business in the second half and in next year.

About three months ago, I think, Bob, you were sort of saying that you felt that, absent a big lurch down in financial markets, you wouldn't expect the Markets Division to go into negative organic territory in 2009. So the first question is, do you think that is still a kind of reasonable view to take?

Then the second question is just thinking about how we model this in the second half of this year. If we have gone from 9% in the first quarter in Markets to 7% in the second quarter, but net sales are still positive, presumably the math suggests that we can't really get a lot worse than minus-3 in the third quarter. Would that be a reasonable assumption, allowing for the shape of the comps?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Do you want to just send me your model?

Mark Braley - *Deutsche Bank - Analyst*

Well, yes, that would be the easy solution.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

First of all, the first question, I don't remember, Mark, if I had actually said something about a negative performance in 2009 for the Markets Division. I don't ever remember being that specific.

But you know -- and I am actually very reluctant to talk about 2009, as any business would be given the current market environment and the level of uncertainties.

I have a great deal of confidence in where we are in 2008. I think that there are many permutations you can go through to get to the numbers that we have in our forecast. But I am very comfortable that the Markets Division will perform well in the second half of the year. So without getting into what well means, I am from Thomson and negative is not something we talk about.

So, in my view, I think that we have got a great business, a great business model. Tom has just spent a great deal of time exploring the details of why he feels that way; and I echo every single bit of it.

Just the level of diversity of the business is so great, I think we keep saying it, that when you look at the performance of the our business and the Markets Division in terms of corporates and in terms of Asia and so on, it would take a lot for the Markets Division's revenues to deteriorate to that level in the second half of the year. I will just leave it at that.

Mark Braley - *Deutsche Bank - Analyst*

Okay. A follow-up if I can. In terms of the flexibility to buy stock back, are you sort of trying to say something new today in terms of your willingness to use that lever? Particularly when you look at the share price reaction today, for example, with the London stock down 5% and the Canadian stock on my screen now flat. Are you sort of trying to signal to us that the discount appears irrational?

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

Well, I don't think we are trying to signal. I think we just told you that we really think that buybacks are an important part of our overall capital strategy. We think that we feel very good about our business, and we feel very strongly about how that value should translate in the marketplace.

What we have said is when we think that those are out of whack, we will be prepared to step in from time to time. But it has to be balanced against all the other capital needs that we have as a business.

So the answer is that we just -- all we did was reaffirm what we have always said in the past, that we are prepared to enter the marketplace to support our stock when we think it is right and when it represents a good economic value for our shareholders.

Mark Braley - *Deutsche Bank - Analyst*

Okay.

Tom Glocer - *Thomson Reuters Corporation - CEO*

I am with Bob on that one, Mark. I think what we are -- to the extent we are saying something different, it is just -- don't expect to see us coming out with announcements of sort of big programs. Just expect that from time to time when it makes sense within the overall capital structure, and obviously what we view an attractive level that the stock is at, we will without a lot of fanfare -- we will be in the market sometimes; we won't be in the markets other times. And you are not going to see a lot of advance warning from us about it.

Mark Braley - *Deutsche Bank - Analyst*

Okay, thank you.

Operator

Tim Casey with BMO Capital Markets.

Tim Casey - *BMO Capital Markets - Analyst*

Thanks. Tom, you mentioned in your opening comments that you felt the Company was capturing market share, and that was an opportunity in a down market. Can you give us more color on that?

What gives you confidence that you are capturing share? Could you provide any specifics on within which operating groups you are seeing that? Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure, Tim. I mean, I have made it a practice as long as I could not too speak ill of competitors. Because frankly, I think our competitors are all really impressive businesses.

But at least for the ones that are public, what I tend to look at is -- what are they saying about their total growth or their organic growth in different segments? So the ones that came to my attention recently were Wolters Kluwer that competes with us, let's say, in Legal, Tax & Accounting and Scientific -- really right across our Professional Division. I think they just took down their overall growth estimate for the year from 4% to 3%.

Reed, which runs an excellent legal business in Lexis, I think, just did 4% organic growth, which you would read across to our 6%.

Now I don't mean that in any way to cast aspersions at their business. Those are really good companies run by really smart management teams. But I do want to pause to just reflect on how good our Professional businesses are. Maybe in particular because Bob and I are in London today, maybe you have to be like me, an old US lawyer who worked in those markets, but there is a huge difference between the Westlaw franchise -- as a practicing lawyer -- and everyone else out there.

I know it is difficult unless you are living in and using those products to see it, but I think you are beginning to see that in the best possible way, which is in the financial results.

On the Markets Division side, it is harder for us to show anything other than anecdotal evidence on market share. Because the single best and very impressive competitor is obviously private. Though just because of where Thomson Reuters is positioned -- FX, commodities and energy, and emerging markets versus, let's say, a heavy concentration in fixed income and credit and mortgage-backeds -- viewed as total share of customer pocket book out there, I think we have gained over the last six months.

But I don't have anything like a published comparable revenue figure to point to.

Tim Casey - *BMO Capital Markets - Analyst*

Thank you.

Operator

Patrick Wellington with Morgan Stanley.

Patrick Wellington - *Morgan Stanley - Analyst*

Tom, you talked about the changing nature of the Markets business. Should we still think of Q4 as being a potentially big cancellation quarter as it used to be in the old Reuters' financial business?

Can you say something more about the Enterprise business and how those contracts work? How long are those contracts? When were they signed? Is that potentially a linked cycle business? You can see where I am going with these questions.

The third question actually goes back to Mark Braley. I have definitely heard you, Tom, say that you won't see negative growth in the Markets Division in 2009. What is your view of that going forward?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay, let's start with the change -- well, I will take them in order.

You know, the end of the year we do tend to see on in particular our Enterprise segment -- so is the risk management business, the trading room systems business, and now picking up the excellent PORTIA portfolio management service from Thomson Financial -- you do see a backend load there. So more of the revenue and profit comes in there.

You know, it's very difficult for me to predict what the feel will be in December. I can tell you over the last month, speaking to folks at Morgan Stanley as well as a lot of other firms, nobody is feeling we are out of the woods here, but there is a distinctively more positive tone. Probably tied to the fall in the price of oil and the strengthening dollar.

All of which is basically saying rest of 2008 is going to be difficult; but there are some folks at least who are feeling better about '09. Frankly, Bob and I have the luxury of not having to decide yet until we set our budgets how we feel about '09.

So bottom line answer on Q4, I don't know what it's going to be yet. There is a certain amount of revenue that does come in more in the last quarter than anywhere else.

In terms of the Enterprise agreements and whether we are late cycle in the distribution of them, I don't know. Typically they are two to four years in length. There is no particular pattern. Frankly, there are not that many of them; they are large contracts. It is five to 10 of them essentially on the Markets side.

So, I don't think you are going to see any great change. To me, the best example is the Citi one, your former employer I just mentioned, which was in between CEOs and at a time in November when it would have taken a lot of guts to increase one's subscription. They did just that. And they did it not because they are very nice people, but they didn't do it out of charity for Thomson Reuters. They did it because I think we offer real value for money; and in particular, with the Enterprise offering.

The final one, picking me up on -- or following up on Mark's question, I can't remember exactly what I said earlier in the year, but I think it was quite similar to Bob. What I probably would have said is, take a look at where our organic revenue growth is in Markets today. So let's take 7% from the most recent quarter. Feed into your assumption a continued positive net sales through July, with obviously the fact that those -- we haven't got -- something we have just sold in July doesn't get installed till September; we will only get at most a quarter of revenue this year and hopefully 12 months next year. Then finally, factor in what we have been averaging in price increase 2%, 2.5% of price increase.

I think what I said is mathematically it is not impossible to get to where I know you got in your report, which I think was minus-5% for subscription revenues next year. But it would take a massive and continuing hemorrhaging.

So I don't want to predict the future. Horrible things like 9/11 happen in this world. But it is not what we see in the current environment; and you would have to see a pretty horrible lurch down to get to those sort of numbers quickly.

Patrick Wellington - *Morgan Stanley - Analyst*

Tom, would you say the fourth quarter is -- in that Enterprise segment is that more your traditional sort of clients that you are dependent on there? I.e., not the Middle East and Asia; more the traditional investment banking client.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Well, interestingly, the risk business is really our largest outright revenue now. What has tended to happen -- although maybe it will change given the events of the last 12 months. The big money center banks have their own proprietary risk management systems, and typically our strongest sales of the Kondor+ system have actually been in Asia and in Tier Two and Tier Three banks.

So, we are not -- I wish we were, and maybe folks will be more interested in that product line going forward. But, that is not what we need in our fourth-quarter pipeline to make those numbers.

Patrick Wellington - *Morgan Stanley - Analyst*

Great, thank you.

Operator

Michael Meltz with JPMorgan.

Michael Meltz - *JPMorgan - Analyst*

You know what? Most of our questions have been answered. In the interest of time, I will follow up with Frank. Thank you.

Operator

Thomas Singlehurst with Citigroup.

Thomas Singlehurst - *Citigroup - Analyst*

Good afternoon, gentlemen. Tom Singlehurst here from Citigroup. Just one question, actually. On the restatement, you said $63 million of cost being moved from central to Markets. At the same time, did you say that the underlying central costs should still be around $250 million for the full year 2008? I couldn't remember whether that is a change from previously.

Bob Daleo - *Thomson Reuters Corporation - EVP, CFO*

No, that hasn't changed. Same. Unchanged.

Thomas Singlehurst - *Citigroup - Analyst*

So technically a mild uplift in the central costs relative to what you were thinking before. Not that it particularly matters.

Tom Glocer - *Thomson Reuters Corporation - CEO*

No; we had always anticipated the $250 million and we just had it allocation wrong. So it isn't a massive change.

Thomas Singlehurst - *Citigroup - Analyst*

Perfect, thanks very much.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Okay, that will conclude our call and we would like to thank you all very much for joining us on this second-quarter call. Look forward to taking your questions following this, to either myself or Chris Colette. We will look forward to reporting back to you again in November. Thanks.

Operator

Thank you, ladies and gentlemen. This conference call will be available for replay after 12 p.m. Eastern Time today through August 19, 2008, at midnight. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701 and entering the access code of 954642. International participants may dial 320-365-3844. (Operator Instructions)

That does conclude our conference for today. We thank you for your participation and for using AT&T executive teleconference. You may now disconnect.
