FINAL TRANSCRIPT

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TRI - Thomson Reuters Conference Call to Discuss Conversion to IFRS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Thomson Reuters Conversion to IFRS conference call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session. Instructions will be given at that time. (Operator Instructions) As a reminder, this call is being recorded.

I would now like to turn the conference over to our host, Senior VP of Investor Relations, Mr. Frank Golden. Please go ahead.

Frank Golden - *Thomson Reuters Corporation - VP, IR*

Thank you for joining us today. The purpose of today's call is to discuss the changes you will see to our financial statements resulting from our conversion from Canadian GAAP to international financial reporting standards, or IFRS. Yesterday Thomson Reuters filed amended MD&A and financial statements for the first quarter of 2009 to adopt IFRS. We will report our second-quarter results under IFRS in our earnings release on Thursday, August 6.

Our CFO, Bob Daleo, will provide an overview and a summary of the changes to our 2008 results from the conversion to IFRS. And Bob will then be followed by Linda Walker, our Chief Accounting Officer. Linda will take us through the key changes resulting from the conversion to IFRS.

In an effort to make this conversion as painless as possible for you, on the Thomson Reuters website you will find the 2008 quarterly P&L on a consolidated basis, as well as for the Markets Division and the Professional Division, and a balance sheet for full-year 2008 and first-quarter 2009, reflecting IFRS standards.

Following Bob's and Linda's presentation, we will open the call for your questions. Please note that we are currently in a closed period and, therefore, we will not be discussing financial results or providing a trading update on this call. Those questions should be held until we report on August 6th.

Now today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You can access these documents on our website or by contacting our Investor Relations department. I would now like to turn it over to Bob Daleo.

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

Thank you, Frank, and good morning, everyone. Let me begin by explaining why we are adopting IFRS as our accounting standard. Thomson Reuters previously reported under Canadian GAAP, and we were also required to reconcile our results to US GAAP and IFRS in order to satisfy various reporting requirements.

In 2008, the Canadian Institute of Chartered Accountants announced that all Canadian public companies, of which we are one, must switch to IFRS by 2011. This presented us with an opportunity, as all of our public company reporting requirements can now be satisfied using one criteria, IFRS. The conversion will simplify our reporting, achieve efficiencies, and ease the burden of what had become a very complex financial reporting process for the Company.

Before I discuss the key impacts of the adoption, I want to make a few important points. First, the impact to the 2008 and Q1 2009 P&L are minimal. Second, the adoption of IFRS does not change the cash flow of the Company as we continue to report. Third, many of the accounting practices we have historically followed were broadly consistent with the principles of IFRS.

In addition, recent efforts among the US, Canadian and IFRS standard setters have helped converge accounting principles and reduce changes related to conversions such as this one.

Now let's look at the key changes to our 2008 results from our adoption of IFRS. There is no significant impact to our 2008 consolidated revenue. This is because the accounting principles for our subscription-based business are the same under IFRS as they were under Canadian GAAP. Most of our revenue will continue to be recognized ratably over the subscription period.

Our underlying operating profit is slightly impacted by the accounting for pension expense under IFRS. Adjusted earnings is also affected by the change in pension expense, as well as the new accounting treatment for integration costs. There is no impact to free cash flow, and our net debt is the same.

Finally, our shareholders equity is lower under IFRS, due principally to the different method of accounting for the Reuters acquisition and in the way we measure pension obligations.

Now I am going to turn this over to Linda Walker who will provide further details.

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

Thank you, Bob. Now that you have heard the big-picture impact related to the conversion to IFRS, I will discuss the following. First, as there are presentational differences resulting from IFRS in addition to changes in the way we measure our results, I will explain the new form of our IFRS income statement.

Next, I will expand upon the impacts on our results and certain key metrics. I will use 2008 results as the basis of comparison. I will refer to impacts on non-GAAP measures such as ongoing revenues, underlying operating profit, and adjusted earnings. I want to emphasize that the definitions of our non-GAAP earnings measures will remain largely the same. Lastly, I will discuss how Q1 2009 compares to Q1 2008 under IFRS.

Before I describe the detailed changes, let me show you the format of our new income statement under IFRS. The highlighted items illustrate differences in presentation versus our former Canadian GAAP format. I will discuss each of these items in detail in the next few slides, but it will be helpful to keep the overall picture in mind as we go through it.

One of the most significant changes is the presentation of software amortization. Previously, we included amortization of what we refer to as an external use software within cost of sales. External use software included development for software products which we sell, such as our UltraTax and Elite products. Amortization of internal use software, which related to software such as our technology platforms through which we deliver our content, was previously reported within depreciation.

Under IFRS we no longer make this distinction, and the two types of amortization will be aggregated into one separate line on the face of the income statement, which will be called amortization of computer software. In 2008, we reported $60 million of amortization of external use software within cost of sales and $419 million of depreciation of internal use software within the depreciation line.

Under IFRS the total amount of $479 million is reported as amortization of computer software. Accordingly, cost of sales will be lower by $60 million under IFRS due to this presentational difference. I want to emphasize that we are not changing our underlying accounting policies for depreciation and amortization, and there is no impact to operating profit. This is only a presentational change.

Another significant presentational difference on the income statement is that we will no longer report a net other income expense line below operating profit. So for 2008, the $304 million that we had originally reported within other income will now be reported in three components.

First, the $68 million related to gains on the sales of a building and some businesses are now reflected in a line called other operating gains, which is included in operating profit. Next, the $238 million of finance income related primarily to foreign exchange gains on intercompany funding arrangements will remain below operating profit in a line called other finance income.

And finally, $2 million of equity losses will be reported on its own line below operating profit. Again, these are presentational differences only, which have no impact on bottom-line earnings or EPS.

Further, we consider all of these items to be nonoperating for purposes of our non-GAAP metrics, and we will continue to exclude them from our pro forma operating profit and pro forma adjusted earnings.

Under IFRS the circumstances under which businesses can qualify as a discontinued operation will be significantly reduced. Under IFRS only major lines of business such as a segment can be segregated from core results and presented as a discontinued operation.

In 2008, we reflected a small business we had for sale, PLM, as a discontinued operation. PLM had 2008 revenues of about $10 million. Under IFRS this business must be treated as a component of continuing operations. However, for our non-GAAP measures we will characterize PLM as a disposal and remove it from revenues and underlying operating profit from ongoing businesses, as well as from adjusted earnings. Therefore, this presentational change will not have any impact on our non-GAAP metrics, although it will change certain line items on our reported income statement.

Lastly, the presentation of our Tradeweb ownership interest in our income statement will change. The portion related to our 20% equity position in Tradeweb new markets will be aggregated with earnings and other equity method investments below operating profit. As for the minority interest, we will no longer deduct this amount from our computation of net earnings under IFRS.

Rather, we will compute our net earnings as though we had 100% ownership of majority-owned entities, and the resulting net earnings will be allocated between our common shareholders and that applicable to the minority. EPS, however, will be computed using earnings attributable only to common shareholders. Therefore, there is no change to the computation of EPS.

Again, here is the same format of our income statement under IFRS that I showed you earlier, and after all the presentational changes I just described. I have spoken to all of the highlighted items, but let me emphasize that at the bottom you'll note the segregation of net earnings into amounts attributable to common shareholders and the minority or non-controlling interest.

The amounts attributable to common and ordinary shareholders after deducting dividends on preference shares will be the numerator in our calculation of earnings per share.

Finally, I should point out that preference dividends will no longer be presented on the face of the income statement, but as I just noted, they will still be deducted for the purpose of the EPS computation.

Now that we have discussed the major presentational differences under IFRS, let me explain the key impacts on our results themselves. Most of the differences that impact operating profit are in corporate expenses. Under IFRS, our pro forma core corporate costs in 2008 are $38 million lower, primarily due to $33 million lower pension expense which we will discuss shortly, and $6 million lower stock-based compensation expenses due to the timing of recognizing the expense.

Integration and synergy costs increased by $106 million under IFRS, as Reuters acquisition-related costs that were previously capitalized to goodwill under Canadian GAAP are now expensed under IFRS. These costs primarily relate to severance of Reuters employees, and I will discuss this change further in a moment.

So let me add some additional color on our pension expense. First, let me stress that IFRS does not affect the cash contributions we expect to make to our pension plan. However, the change in accounting treatment will impact pension expense and, therefore, our underlying operating profit calculation. Under IFRS we report actuarial gains and losses directly to equity. Under Canadian GAAP we had amortized such amounts to the P&L.

In the transition to IFRS, our 2008 pension expense was lowered by $33 million because we removed this impact from the P&L and reported it to equity. Looking forward to 2009, we expect pension expense to increase to about $85 million or $32 million more than the 2008 amount under IFRS.

The increase is primarily because under IFRS, we must use the asset values as of December 31, 2008, to compute our 2009 expected return on assets. Under Canadian GAAP, we had been allowed to use an average asset value over a period of years. Because our plan assets were at a low point on December 31, 2008, our 2009 pension expense will be higher.

Additionally, the discount rate we use to compute IFRS pension expense was impacted because we had to move to a December 31 measurement date to set all of our assumptions. As such, the volatile market conditions in the last three months of 2008 compounded the methodology changes we had to make under IFRS, resulting in a higher 2009 pension cost.

As I mentioned earlier, some Reuters acquisition-related costs previously capitalized to goodwill are now expensed under IFRS. This slide illustrates the increase in integration costs recorded in the IFRS P&L over the integration period.

First, an additional $106 million will be recognized in 2008, related to severance. And second, an additional $20 million is expected to be realized in 2010, related to real estate exit costs. When we first outlined the P&L program costs in Q4 2008, you will recall that we noted $200 million of costs were being excluded from our GAAP-based pro forma P&L. Those incremental figures I just noted were included in that footnote, with the balance primarily relating to transaction costs.

It is also worth mentioning that there is no change on a cash basis, nor is there any change to the $1.4 billion in savings we expect under the program.

Now let's look at the impact on our 2008 pro forma measures, including our non-GAAP measures. In the top box, again we show the total change on major captions. You can see there is a slight impact to revenue from ongoing businesses, as we netted certain revenues against expenses in our Professional Division.

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In the second box we detailed the major items making up the total change for 2008 pro forma operating profit, underlying operating profit, and adjusted earnings. You see that pro forma underlying operating profit has increased more than pro forma operating profit, because our underlying operating profit excludes acquisition-related costs and gains or losses on sales of businesses. Therefore, the primary impact on underlying operating profit is the lower pension expense.

The impact to adjusted earnings includes having to expense more Reuters acquisition-related expense, which will be categorized as part of our integration program, the other impacts to OI, and the related tax impacts from all of these adjustments.

At the Professional Division level, there is a slight negative impact to revenues, as going forward a small revenue stream will be shown net of its cost. Hence, there is no impact on operating profit and a slight increase in the margin. At the Markets Division level, there is no impact to revenue and operating profit.

On our balance sheet, the biggest impact stems from the differing methodology to measure the Reuters acquisition. Specifically, under Canadian GAAP, the shares issued in the acquisition were valued around the date the offer was made. Under IFRS the shares are valued almost a year later on the date the acquisition closed. For this reason, our goodwill and equity are about $1 billion lower under IFRS.

On the face of the balance sheet, our debt will now include debt issuance costs as well as the discount of premium on the debt itself. Previously, these amounts were included in other assets or liabilities as applicable. While we must make these changes for our new IFRS reporting, our definition of net debt will remain the same, and I will show you that calculation on the next slide.

The other big impact to equity relates to pension. At each quarterly balance sheet date, the assets of our pension plans must be valued as well as the related obligation, using assumptions and values in effect at each quarterly balance sheet date. These unrealized gains and losses will be reported to equity each quarter under IFRS. Previously, such amounts would have been deferred and amortized to income.

This slide illustrates how the non-GAAP measure of net debt will not change under IFRS, but the calculation to get there will. Again, on the face of our balance sheet, our debt will include transaction costs and premiums or discounts associated with the debt itself, but we will remove those items for our calculation of net debt.

Now let's compare our first-quarter 2009 results under Canadian GAAP and IFRS. The first column should look familiar. These are the results we previously reported under Canadian GAAP.

In the second column are the IFRS results. As you can see, revenues are broadly similar and the growth rate versus 2008 is unchanged. Our underlying operating profit margin is also similar under IFRS at 18.9% and adjusted earnings per share remains at $0.40.

Although there is virtually no change to our Q1 underlying operating profit and no change to our adjusted earnings number, I should note that our Q1 EPS number on a reported basis decreases by $0.04. You will see this in the details of our amended filing. The decrease relates to certain items below operating profit, specifically to foreign exchange on intercompany loans and certain tax adjustments.

However, the foreign exchange item is something that we routinely remove from our adjusted earnings number because it is simply an accounting adjustment. Further, the tax accounting adjustment does not impact our rate expectation for the full year. Therefore, both of these items do not have an impact on our adjusted EPS.

Now with that I think I would like to open it up for questions.

Frank Golden - *Thomson Reuters Corporation - VP, IR*

Thanks very much, Linda. That was, needless to say, an awful lot to get through so I am sure there are some questions out there. So we would be happy to take those.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Anthony de Larrinaga, Jefferies International.

Anthony de Larrinaga - *Jefferies & Company - Analyst*

Great, it's Anthony de Larrinaga from Jefferies International here. Just wanted to ask will we be getting the restated quarterly numbers for 2008 provided for us at some point? And also, going forth, will we be getting your reporting under both IFRS and Canadian GAAP until the end of the year?

Frank Golden - *Thomson Reuters Corporation - VP, IR*

Anthony, I had mentioned earlier in my comments as I opened that we posted to our website the 2008 quarterly results under IFRS. So if you go to the Thomson Reuters website you will find them there this morning.

Anthony de Larrinaga - *Jefferies & Company - Analyst*

Right, that is great. Will they be on a pro forma basis or on a reported basis?

Frank Golden - *Thomson Reuters Corporation - VP, IR*

Pro forma.

Anthony de Larrinaga - *Jefferies & Company - Analyst*

Pro forma, right. Okay, thanks. I will hunt them out.

Frank Golden - *Thomson Reuters Corporation - VP, IR*

And in response to your second question, I will turn it over to Linda.

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

Yes, going forward our reports will be only on an IFRS basis. As Frank noted, we will be showing you the trail how to get from our previously reported numbers under Canadian GAAP to IFRS, but our current period results from now on will be purely under IFRS with no reconciliation.

Anthony de Larrinaga - *Jefferies & Company - Analyst*

Right. That is great. And as I am sure it's in the website, do you have a net deficit number for the pension?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

The impact on equity itself for the pension?

Anthony de Larrinaga - *Jefferies & Company - Analyst*

Yes, you will have a valuation NPV of the net deficit or asset value of the pension funds and such. Will I be able to find it on the site?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

It's going to be in our filing. I don't have that number handy, but that information will be in the filing.

Anthony de Larrinaga - *Jefferies & Company - Analyst*

Fine. Thank you, I will (multiple speakers). Okay, fine. I will find it then.

Operator

(Operator Instructions) Tim Casey, BMO Capital Markets.

Tim Casey - *BMO Capital Markets - Analyst*

Could you just go over the pension impact on a forward-looking basis again? So pension expense goes up, but does the cash contribution go up or is this a non-cash treatment?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

This is an accounting adjustment only. The cash requirements for our pension plan are not dictated by our accounting requirements, so cash is unaffected. This is purely an impact to the P&L computation of pension expense.

Tim Casey - *BMO Capital Markets - Analyst*

And it shows up in the operating cost lines?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

That is correct.

Tim Casey - *BMO Capital Markets - Analyst*

Right. Okay, thanks.

Operator

Vince Valentini, TD Newcrest.

Vince Valentini - *TD Newcrest - Analyst*

Yes, thanks. Two questions; one, just to clarify on the balance sheet and goodwill adjustments to make sure I am clear on this, the Thomson share price would have been lower when the Reuters deal closed than it was when it was announced. So you book -- the deal value gets reduced so both the equity and the goodwill on your books gets reduced by that amount. Is that right?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

That is exactly right. I think the price around the time we made the offer was $42 and change. I think the price when we closed the deal was $37 and change. That difference applied to the number of shares we issued affects -- reduces goodwill and equity; that is exactly right.

Vince Valentini - *TD Newcrest - Analyst*

Okay, great. The second question is on the way you show EPS. I didn't see anything in here about pre-amortization versus post-amortization. Do you still show it both ways? Does IFRS dictate that you have to only do it one way or the other?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

The pre-amortization/post-amortization I think that you are referring to is generally a non-GAAP type of presentation. So clearly in our reported income statement we will continue to have a reduction for amortization. But when we show our underlying operating profit or our adjusted earnings that is a non-GAAP measure, IFRS does not impact that, and we will continue to show those measures the way we always have.

Vince Valentini - *TD Newcrest - Analyst*

Okay. And to clarify on that, when you show pre-amortization you are only taking out amortization of intangibles related to acquired assets as opposed to this stuff on money you are spending on internally- or externally-driven software that will be on a separate line now?

Linda Walker - *Thomson Reuters Corporation - SVP, Controller & Chief Accounting Officer*

That is correct. We only remove the amortization related to acquired intangibles; that is correct.

Vince Valentini - *TD Newcrest - Analyst*

Okay, thank you.

Operator

There are no additional questions in queue. Please go ahead.

Frank Golden - *Thomson Reuters Corporation - VP, IR*

Okay. If there are no final questions, then we will wrap the call up. We would like to thank you very much for joining us today.

Operator

Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.