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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Thomson Reuters second-quarter 2011 earnings 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 to you at that time. (Operator Instructions) As a reminder, today's conference call is being recorded.

I would now like to turn the conference over to Senior Vice President, Investor Relations, Mr. Frank Golden. Please go ahead.

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Frank Golden - *Thomson Reuters Corporation - SVP IR*

Good morning and thank you for joining us as we report our second-quarter 2011 results. We'll begin today with our CEO, Tom Glocer, who will be followed by our CFO, Bob Daleo.

Following Tom's and Bob's presentations, we'll open the call for questions. Please limit yourself to one question so we can get to as many as possible.

Throughout today's presentation, keep in mind that when we compare performance period-on-period we look at revenue growth rates before currency, as we believe this provides the best basis to measure the underlying performance of the business. Let me point out that the second-quarter results are for ongoing businesses and therefore exclude the Healthcare business which we announced on June 6 that we plan to divest.

Earlier this month, we posted on our website the restated financials for ongoing businesses for 2008, 2009, 2010 quarterly, and the first quarter of 2011. Today's results should be measured against these financials. The planned divestiture of the Healthcare business and several other small disposals had a $0.02 dilutive impact on adjusted EPS in the quarter.

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.

It's now my pleasure to introduce the CEO of Thomson Reuters, Tom Glocer.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Thank you, Frank, and thank you all for joining us. Typically, when I speak to you each quarter, I begin with a review of in-period performance using a slide like this. Today, I want to do things a little bit differently.

The numbers themselves are pretty good, but they don't tell the whole story. So rather than just summarizing our results, I'll leave that to Bob Daleo; and I'll focus instead on the Markets division reorganization that we announced last week.

So last Friday, I announced a set of organizational changes intended to close the chapter on the Reuters integration and best position us for growth in our Financial services businesses. These changes will simplify the business, enhance sales effectiveness, and allow us to call on the resources and talents of the entire Company to serve our customers.

Financial Professionals & Marketplaces and Enterprise solutions, reflecting our two-platform strategy, Eikon and Elektron respectively.

Financial Professionals & Marketplaces will focus on services for professionals delivered to screens combining the former Sales & Trading and Investment & Advisory units, and includes our Trading Marketplaces, the FX dealing ones, and Tradeweb. This unit will be lead by Shanker Ramamurthy, who joined the Company earlier this year and has been running Sales & Trading.

Enterprise Solutions will focus on services and infrastructure for financial firms as a whole, continuing and expanding the current Enterprise unit, and will continue to be managed by Jon Robson. This structure will enable us to focus on our core strengths of content, infrastructure, trading communities, distribution, and joined-up workflow solutions. Eikon remains our flagship desktop offering, but it will be sold as part of an integrated strategy.

These changes not only simplify the Markets organization but also reflect how the financial markets are evolving and reconfiguring themselves, becoming really a partnership of man and machine, serving customers with the greatest capital efficiency possible. This is something we need to stay out in front of and drive.

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So why did we restructure the Markets division? It's no secret that I've been disappointed with the slow growth in Markets. I realized that the growth trajectory was not as strong as it needed to be, nor was the customer experience universally as favorable as it should be.

Much of the underperformance resulted from a poorly executed sales reorganization in Markets at the end of last year. We've now changed the leadership in sales, and a detailed fix is already under way.

In addition, I felt that we were not leveraging the strength of the entire financial business in the development and marketing of Eikon. Again, there's new leadership in place and a robust development plan.

Much of this work was actually already under way. But when I saw the results were going to be slower, we swung more quickly into action.

I am disappointed in the overall performance of the Markets division. But these weak results overall mask some underlying positive trends built on our core strengths.

So for example, our Enterprise business, which is now over $1.2 billion in annual revenues, grew 10% in Q2 and is an increasingly important part of the Thomson Reuters Markets story. Our Trading Marketplaces business also grew 10%. And our Commodities & Energy and Asia businesses grew 5% each.

Before I discuss what steps we're taking to improve performance, let me say that I view my role as one of galvanizing and leading a strong Markets management team. This is not an interim arrangement. This is core to my performance as CEO of all of Thomson Reuters.

In order to accomplish this, there are several changes the management team and I have already begun to implement.

First, have we simplified the business structure. Second, we're driving an accountable performance culture; and nothing speaks more loudly to this than last week's changes themselves.

Third, we've begun to realign the sales force with markets, customers, and products. Fourth, we're drawing in proven managers and resources from other parts of the Company, such as Professional, to support our efforts. And last, we will continue implementation of the two-platform strategy, Eikon and Elektron, which I'm confident will enable us to drive growth and improve efficiency.

These changes are all about performance, putting proven managers into clear and accountable roles, speeding decision-making, and improving collaboration, all of which together makes me confident that we'll take the Company to the next level of performance. And with that, let me now turn it over to Bob Daleo who will review the second=quarter results with you.

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

Thank you, Tom. And good morning and good afternoon to everyone.

As in prior quarters, I will speak to revenue growth before currency. Reported revenues are also highlighted on each slide. In addition, for consistency and comparability with our previously reported results, I'm going to be discussing today only results on an ongoing basis, which exclude all of our disposals announced to date including the recently announced Healthcare business.

For the consolidated businesses, revenues in the second quarter up 4% versus the prior year, 3% of that benefit coming from acquisitions. Adjusted EBITDA was up 26%, and the underlying operating profit was up 17% in the quarter.

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Adjusted EBITDA growth and underlying operating profit across both divisions were due to flowthrough from higher revenues, integration savings, timing benefits in Markets, and the benefits of currency. The underlying operating profit margin expanded 140 basis points.

Now moving on to the Professional division, as we had previously announced, the divestiture of the Healthcare unit results in a change within the Professional division. The intellectual property business has been moved from the Legal segment and combined with our science business into a single operating unit named IP & Science. We will now be reporting results within Professional for Legal, Tax & Accounting, and IP & Science.

And within Legal we will focus on three segments, which are shown here on this slide. US Law Firm Solutions, which capture the results for businesses that sell into law firms, such as Westlaw, FindLaw, and Elite.

The second is Corporate, Government, Academic, and Risk & Compliance, which serve the general counsel market, key government customers, and law schools. And the GRC unit that services customers in a rapidly changing regulatory environment throughout the world.

Lastly is our Global Businesses, which include our Legal businesses in some of the fastest growing markets across the world.

Now as you can see from this chart, growth has accelerated as Professional Markets recover and we realized the benefits of the investments we made over the past two years. The second quarter marked the highest growth rate for Professional division since the third quarter of 2008.

Revenue growth trends have been strong and have been driven by three primary factors. First, growth from the launch of new product platforms such as WestlawNext and the ONESOURCE global tax workstation. We've never had a more advanced set of products delivered to our customers.

Second, the Legal services markets continued to improve, but at a slower pace than we would like to see. Legal demand is up, especially at small firms and in the corporate general counsel's office. Demand for client development services continues to grow, and law firms are now investing in their financial and practice management systems to improve efficiencies.

We continue to see good acceptance of WestlawNext, which is offsetting downward pressure in the core legal research market, especially among large law firms. So our products are targeted at the right markets and we are capturing that growth.

Third, acquisitions and global expansion have contributed to an acceleration of growth. Last year the Professional division entered Brazil, through the acquisition of Revista dos Tribunais. And this year we launched Revista Online, the first online legal research service in Brazil, a market with over 600,000 attorneys.

We also made several additional acquisitions in the Legal & Tax Accounting space. The acquisitions of Complinet and World-Check allow us to further expand our presence in the rapidly growing Governance, Risk & Compliance market, where we will soon have a $200 million business. So overall we expect these trends will continue through the second half of this year.

Now, as noted on that previous slide, the Professional division's recorded 8% revenue growth in the quarter, of which half was organic and half was acquisitions. This has been driven by solid performance from each of the three business units.

EBITDA increased 11% compared to the prior year, and the corresponding margin was up 35%, up 10 basis points. Operating profit was up 10% compared to the prior year. And the margin was flat at 26.3%, but this also reflects absorbing 140 basis points of margin dilution from the acquisitions that I mentioned.

Now I'll discuss the results of the segments within Professional. Legal's second-quarter revenues were up 9%, 3% on an organic basis, with the balance coming from acquisitions.

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Law firm solutions revenue, which includes Business of Law, print, and core legal research, grew 2%, 1% organic, driven by FindLaw and Elite which were up a combined 12%, partly offset by a 2% decline in revenues from US law firms. Corporate, Government & Academic and Risk & Compliance grew 16%, of which 5% was organic.

Now, our Global businesses were up 19%, 5% organic, with strong growth in Latin America and Canada. Revista Online continues to do very well, with sales just starting to ramp up. We already have over 100 customers and over 1,500 active users.

EBITDA increased 9% for the division compared to the prior year. The corresponding margin was 37.2%, down 50 basis points.

Operating profit increased 7% from revenue flowthrough and savings from efficiency initiatives. The margins declined 90 basis points to 28%, due to acquisition dilution and product mix.

Tax & Accounting had a very strong quarter from the top line to the bottom line. Revenues in the quarter grew 10%, of which 7% was organic. This was driven by the Professional tax business related to electronic filing of tax returns, strong growth in income tax provisions, and indirect tax products and Checkpoint. Tax & Accounting continues to show strong EBITDA growth, up 29%, the fourth consecutive quarter of double-digit growth. Higher revenues and effective cost management led the increase.

Operating profit increased 43%. The associated margin was up 430 basis points to 19.8%, benefiting from revenue growth, efficiency initiatives, and the fall-off of amortization software associated with acquired businesses over the past three years. This business is tracking exactly to what we told you it would be doing a year ago.

Now, our newly formed IP & Science unit is the most global business in Professional, with over 30% of its $800 million of revenues and 70% of its employees outside North America.

IP & Science has strong relationship with the world's leading corporations, universities, law firms, and governments. We serve over 5,000 academic research institutions. In the corporate market we have over 1,800 pharma and biotech customers; 12,000 patent and trademark customers; and serve over 10,000 law firms.

We operate an attractive business model, with 95% of revenues being electronic software services; 70% of this is recurring. The business is also highly profitable, with a 33% EBITDA margin and a 27% operating margin -- profit margin, as was recorded in 2010.

IP & Science is a large global market that is growing, particularly in the RDEs. The number of researchers grew 25% since 2002, while new patent filings grew at an average rate of 5% globally over the past five years.

We believe there is significant opportunities to accelerate growth through geographic expansion, cross-sell opportunities, expansion into adjacent markets, and in general putting a commercial skin on what has heretofore been a largely academic business with very strong products and services. And we are excited about the prospects for this unit.

Now, turning to the financial results for IP & Science, revenues grew 4% in the quarter, half of which was organic. Growth was driven by Scientific & Scholarly Research revenues, which were up 5%, led by the Web of Knowledge subscriptions and the Life Sciences business, which were up 11% due to strong demand for biology and disease analytic products. IP solutions was up 2%, driven by growth in patents and services.

Now, EBITDA increased 1% compared to the prior period, and the margin was 33.6% which was down 190 basis points. Likewise, operating profit was up only 2%, and the corresponding margin declined to 27%.

The decline in both EBITDA and operating margins was primarily due to product investments related to the launch of the Web of Knowledge 5.0; educational costs to expand our important Chinese patent database; and technology costs related to the new pharma product which will be launched this quarter.

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Now, before I turn to the Markets division results, let me just spend a moment on the Professional Legal strategy in Latin America, a region that we believe has significant potential as professional markets develop in line with their economies and where we have made several acquisitions over the past 18 months. This is a region where our revenues in 2009 were less than $35 million; and by the end of this year we expect they will exceed $130 million.

Professional division has been focusing on growing our footprint in Latin America. The relative economic strength of Brazil and the rest of Latin America contrasts with the low economic growth in developed economies.

These countries are quite attractive, given that they have a large and growing professional class; the professional markets themselves are already developed; there is a low level of spend per professional as compared to US and European Markets; and these professionals bill at similar rates as these more developed markets. The firms have money to spend on new electronic products and services and these markets are predominantly print-based.

So we've been capitalizing on this opportunity with the acquisition last year of the largest legal publisher in Brazil, as I noted, Revista dos Tribunais. And last month we acquired Mastersaf, one of the leading tax and accounting firms, also in Brazil. We will soon integrate Mastersaf's tax and accounting content with Revista's tax-related content, and we'll launch a new robust Tax & Accounting service on our global ONESOURCE platform.

So we believe we have the opportunity to quickly develop high-end online solutions by leveraging our content, technology, and infrastructure across the region, which will lead to a much larger and faster growing set of businesses.

Now I'd like to turn to the Markets division. In the second quarter, Markets division revenues grew 1% compared to a 3% decline in the prior year. Excluding recoveries, revenues grew 2%.

Growth was driven by a 1% increase in recurring revenues, which account for about 77% of the division's revenues. Transactions and outright revenues grew 7% and 19% respectively, more than offsetting a 6% decline in recoveries.

EBITDA was up 25%, and the margin increased almost 400 basis points from the prior period to 28.1%. The segment's operating profits in the quarter grew 24%, and the margin was up 280 basis points from the prior period to 20.5%. There were benefits from currency and expense timing during the quarter, and believe this is the high-water mark for both EBITDA and operating profit margins for the year for the division.

Now I'll return to the results for the individual segments. Sales & Trading revenues were up 1%, driven by the growth at Tradeweb related to the Company's increased ownership in the business and Tradeweb's core organic growth of 7%. Revenue growth was partly offset by a 10% decline in recoveries. Excluding recoveries, Sales & Trading revenues were up 4%.

The Commodities & Energy segment was up 5%, primarily due to the acquisition of Point Carbon, as the Treasury business was flat while Exchange Traded Instruments declined 7%. Planned shutdowns of low-margin products accounted for about half of this decline, and the continued decline in recoveries accounted for about most of the balance.

Now, Eikon sales are now at 28,000 desktops. This is up 45% from the first quarter's 19,000. The 25,000 migrations represent about 15% of our premium desktops.

I should point out that the length of time from purchase to activation varies, and today we have approximately 6,000 active users. New sales can be up and running in as few as 10 days and as we process the order, install the product, and train the end-user. For large customers the timetable can be several months, as we coordinate communication lines and installation plans with the client's rollout schedules, train the end-users, build compliance rules, and transfer the data and models. We are continuing to work on streamlining this process.

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Investment & Advisory revenues declined 2%, with Corporates, Investment Banking, and Wealth Management revenues all up. However Investment revenues declined 8%. The decline was driven by the US business, with the European business flat and the Asian business returning to consistent sales growth.

Enterprise continued to perform very well, growing 10% in the quarter, which is all organic, driven by continued strong customer demand for its innovative data distribution platform. Eikon now has 12 hosting centers around the world. Real-time solutions grew 9%, and enterprise content was up 20% to continued strong demand for both real-time data feeds and pricing and reference data.

Finally, Media's revenues declined by 1% in the quarter.

Now, moving on to the consolidated results, underlying profit in the second quarter was $669 million, as noted on this chart. After several adjustments, which are reflected on this slide, the net result is $429 million of adjusted earnings or $0.51 per diluted share. This is an increase of $0.10 per share versus a year ago. The increase was largely attributable to the higher underlying operating profit and lower integration costs.

Currency accounted for about $0.03 of this increase. A complete reconciliation from net income to adjusted earnings is available in the press release issued this morning.

Now, turning to free cash flow, year to date we reported free cash flow as $573 million. Underlying free cash flow, which removes $140 million of integration-related cash spending, is $713 million.

Reported free cash flow declined by $64 million versus the prior year, primarily due to unfavorable working capital, which is timing-related as we have discussed in the fourth-quarter earnings call. For the full year, we expect to generate strong levels of free cash flow.

Let me also mention, while not included in our free cash flow, we are also working closely to complete the disposals we previously announced. They are on track to close by the end of this year. We expect the sales we announced this year to generate net after-tax proceeds in excess of $2 billion.

As we move through the year we will continue to consider the best use of proceeds, including reinvesting in our business and possible share repurchases. Let me remind you that we have in place a 15 million share normal course issuer bid facility that we renewed in May of this year, and it is fully available.

As Tom mentioned earlier, we have affirmed our outlook for our expected performance this year, before any currency impact. Year-to-date, our revenues are up 4%. For the full year we continue to expect revenues to be in the mid-single-digit range.

Year-to-date adjusted EBITDA margin was 25.5%, and we're on track to achieve a 300-basis-point-plus increase over from last year's margin.

Our year-to-date underlying operating margin was 19.1%. Again, we believe we're on track to achieve a 100-basis-point-plus increase from 2010's operating margins. We continue to expect a strong EBITDA growth this year will contribute to the 20% to 25% growth in reported free cash flow.

So just to wrap, as we look at the second half of the year we're focused on executing the action plan that Tom discussed, accelerating revenue growth in the Markets division and across the Company, and driving efficiencies across the entire organization. Now let me turn it back over to Frank for Q&A.

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Frank Golden - *Thomson Reuters Corporation - SVP IR*

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Drew McReynolds, RBC.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thanks very much. Just focusing in, Tom, on obviously the Markets' performance, 0% organic revenue growth versus 1% last quarter. Great detail in terms of the plan going forward.

Just wondering if you could comment somewhat on -- do we take a couple of steps back before moving forward with respect to organic revenue growth? Or are you looking at bumping along with at some point acceleration in 2012? Thank you very much.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Sure. I think there are three factors at work here. So the first one is that whenever you do this level of transformation, there is some period of time where people are trying to get their sea legs. So we expect and have factored into our plans some level of disruption.

That is mitigated also in part by a reenergy on the new team to do a whole bunch of things and take the business forward. So that's factor one.

Factor two is obviously the overall health of the financial services markets. We are certainly heading the ship into a bit more of the way of headwinds given the cost-cutting posture certainly on the sell-side.

So three, when I put it all together, what it looks like to me is it may take us a quarter or so to get the thing really revving again. But I would expect by the fourth quarter that you would see a pickup in organic revenue, absent a Greece default, the US decides it's not going to deal with the debt ceiling, etc.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thank you.

Operator

Suzanne Stein, Morgan Stanley.

Suzanne Stein - *Morgan Stanley - Analyst*

Thanks for taking my question. Can you just talk a little more about your time frame for turning around the Markets business?

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And Tom, I just want to make sure that I understood that this is not an interim step for you as far as running Markets. Is that meant to be a permanent change?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Well, you know, permanent is a long time, right? I think I am the ninth -- was the ninth Chief Executive in 160 years at Reuters before. But yes.

This is -- earlier in the year, we didn't talk a huge amount about it, but Jim Smith flattened out the organizational structure in the businesses that comprise the Professional unit, took additional direct reports. And as you can see in the results, not only didn't miss a beat but accelerated performance and really unleashed the creativity and capabilities of some very strong talents in the Professional division.

So I had planned in any case -- probably not until next year -- to mirror that across the entire Company, in part because some of the opportunities we have require us to work more across different units. Right? When I saw, and Bob and I looked at the growth trajectory in Markets, and saw that we had hit an air pocket there for a variety of reasons, I basically accelerated the plan.

So it's permanently the way we're going to run, more as an integrated operating company and less as sort of two monolithic divisions. And in terms of your first question about the time frame, I've got a 30-, a 90- and a one-year-plus plan.

There are things we've already got done, including obviously the reorganization, getting people in the top team. There's a 30-day plan around the sales execution, the real transmission between the business, the product groups, and sales that we're quite excited about. There's a 90-day plan which is more around repositioning the product strategy, making greater use of our incredible resources in enterprise, etc.

And then there's a longer term plan, right? The one-year-plus, which is more about the development plan forward for the two platforms and continuing that strategy. So that's -- I am triaging it into short, medium, and long term; and we've got good plans for each.

Suzanne Stein - *Morgan Stanley - Analyst*

If I could just follow-up, what are your expectations for Eikon adoption for the rest of the year? Can you update us on your plans for pricing of Eikon going forward?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Right now we're not making any change in the pricing of Eikon. I think we have that right. By the way, I think the two-platform strategy is dead on. In fact, so good that we've organized the firm to be as simple and straightforward as the platforms it takes to market.

In terms of adoption, Eikon will continue to sell. It's met a really good customer reaction, so I think you'll see a moderate continuation of the same pattern.

We are taking a look at the development road map from here. We may reprioritize some development over others. So I would look for a continuation of the trend that Bob mentioned, more sales and more installations. But I'll be back probably around the third quarter with more to say about how Eikon fits into our entire strategy.

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Suzanne Stein - *Morgan Stanley - Analyst*

Great. Thank you.

Operator

Vince Valentini, TD Securities.

Vince Valentini - *TD Newcrest - Analyst*

Thanks very much. Two questions on the cost side. When you took the $39 million charge in Q1, I think you indicated there could be some spillover and a little bit more of that in Q2. I'm wondering if you can clarify if that was buried in the Professional division margins this quarter.

And on the Markets side, good detail on the FX impact to margins in the quarter in your release. But these other one-time -- or I don't know if they're one-time or just timing benefits you talked about within Markets. Can you quantify those at all and talk about what they are? Thanks.

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

Well, first of all, in terms of the one-off impacts, let me talk about the -- what we had last quarter, Vince, was a charge for restructuring. And the bulk of that was really in Markets; it wasn't in Professional.

In the quarter we have about another $7 million or $8 million of that reflected in there. We didn't discuss it, so that kind of goes the other way.

In terms of some of these benefits, they are just -- you know, you accrue certain things throughout the year and as you -- certain costs like compensation, benefits, and things. And as the year progresses you see that the costs are changing, so you modify them. And in the quarter we had some benefit relative to that.

Those are the biggest items. There isn't anything more to that.

I think that the savings that you're seeing and the performance in the margin of Markets really has to do with the cost savings that have occurred and the implementation of the integration. So those are real.

Vince Valentini - *TD Newcrest - Analyst*

But the timing benefits bother me. Can you give us any sense? Is it closer to $10 million or closer to $50 million?

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

I'd say it was about $20 million or $25 million I think was the number.

Vince Valentini - *TD Newcrest - Analyst*

Great. Thanks.

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Operator

Colin Tennant, Nomura.

Colin Tennant - *Nomura Securities - Analyst*

Morning, everybody. I had a question again turning back to Markets. Tom, you mentioned that one of the issues that you encountered was the customer experience. I wondered if you could expand a little on that.

Were you talking about the service they were getting from sales force structure? Or is that a product issue?

And just following on from that, as this transformation of the organization takes place, what sort of KPI should we be looking for, in terms of -- in order to track how it's actually progressing?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Good questions, Colin. In my view, it's very difficult to tease apart -- and probably should be -- product from service, because they're intended to be deeply integrated. But I do believe that the complexity in the Markets organization, in particular post the last year's transformation of the sales force, resulted in a fair amount of client disruption, changing established account relationships, and didn't put our best foot forward in terms of service.

So the product itself, certainly in terms of Eikon the data we have show people really like the product. They find it easier to use. They can find our data.

We are beginning to be able to harvest rich usage data from the product itself, rather than separately always with SurveyMonkeys. That will lead to an enhanced customer experience. So I wasn't referencing anything more than just I know we can do better both with the product as-is today and as the product evolves.

In terms of KPIs, the challenging thing is to me the most relevant issue will be going forward, what is our relative share of wallet, whatever that wallet will be? I think we can do a lot to enhance the competitiveness, the differentiation, and the go-to-market around not just Eikon but the entire product line in the Markets division.

Colin Tennant - *Nomura Securities - Analyst*

Okay, thanks very much.

Operator

Paul Steep. Scotia Capital.

Paul Steep - *Scotia Capital - Analyst*

Great. Thanks. Tom, maybe you could talk a little bit just about the development plan in Eikon and the timing there, in terms of major new functionality to address, for example, I&A which seems to have moved around.

First, the timing. The second part of that -- is there any additional investment that we're going to have to make to get there?

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Then I guess the final one that's popped out of all the earlier questions really is -- is there any new restructuring charges related to the realignments or the reorganizations that have taken place or are taking place?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay, I'll let Bob discuss the cost side on that. There are certainly savings coming both from the number, the seniority, and the follow-on on the changes in Markets from the consolidation of the two business units.

In terms of the Eikon development path and extra effort, we are not adding to the development budgets because actually we think they are full as is. We are looking to reprioritize or change what we're spending on and when.

Now, in terms of the specifics of the road map, there is a significant release coming out sometime late third quarter on Eikon. There is additional content functionality, and some of the underlying capabilities that will support an Investment Management product.

But as I said already at the first quarter and in a couple of public appearances and conferences since, I don't expect and therefore you should not expect to have a all-singing and all-dancing Investment Management release until well into 2012.

You will see increasing amounts of content and functionality. Eikon is a good product today, getting better and better. But for the complete differentiation of an IM product, it's a ways off still.

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

Paul, in terms of -- I think Tom answered about the additional investment. We don't think we need to make any more than we're currently anticipating in the business.

In terms of the charges, any reorganization obviously has charges to it. On the greater scheme of things they wouldn't be significant.

We're still putting it together, but my guess would be in the range of $25 million to $50 million, and we intend to include them in our operations. So we'll be more clear about that when we get to the third quarter and we have a better understanding.

But relative to the things we've done in the past, it's not material. This is more about realigning and streamlining than it is about huge costs. We will see some savings obviously, but that was not the primary driver in making these changes.

Paul Steep - *Scotia Capital - Analyst*

Thanks, guys.

Operator

Thomas Singlehurst, Citigroup.

Thomas Singlehurst - *Citigroup - Analyst*

Thank you very much. Good morning, Tom; good morning, Bob; good morning, Frank. I wanted to almost go back to the beginning, and I apologize (inaudible) been asked a couple of times. But you mentioned right at the beginning that you'd seen

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a bit of an air pocket in terms of growth, which now turns out to have been flat 2Q relative to plus-1 in the first quarter. You could infer there'd be a negative 3Q followed by a return to (inaudible) in Q4 on the actions.

I'm just trying to balance what is either -- essentially what appears to be quite a significant change in strategy and management with what is ultimately a relatively small change in the business dynamics. Just trying to work out whether absent this change there would have been a much, much worse revenue profile or whether you're just coming in with a really big change just because (multiple speakers).

Tom Glocer - *Thomson Reuters Corporation - CEO*

Good question. I understand the question, Tom. And it's one that not only as a management team we have talked about but as a Board we obviously gave considerable attention to. It's the one of -- when do you pull the trigger on something? How long do you wait?

It did not pass our attention that the actual performance in Markets, the improvement you see on the EBITDA line, on the margin lines, are very good. My view of the world is when you come to a conclusion about that something needs to be done, go fast and do it completely. Don't drag it out in various steps.

So could we have waited longer? Sure.

Would it have created a terrible financial hole? I don't think so. But once I was really clear that I thought higher performance lay from making changes, it didn't seem right to just sit with the existing plan.

Others would say -- Tom, could you have moved 90 days earlier? Weren't these trends apparent? We balance all of those factors. And I think the bias was towards early and complete action; but one could quibble with three months on either side I suppose.

Thomas Singlehurst - *Citigroup - Analyst*

That's very clear. Thank you.

Operator

Brian Karimzad, Goldman Sachs.

Brian Karimzad - *Goldman Sachs - Analyst*

Good morning. On the product side here, I know that's a favorite place for you, Tom, to think about. But this is not apples-to-oranges to compare a consumer-based product versus something for professionals. But it is something we're seeing increasingly over time, which is the consumer-based products are becoming more powerful and much easier to use than they were in the past.

And Eikon certainly is a major improvement over the products you had before. But we'll take as an example with Google Finance, it's much easier to do basic charting functions, real-time pricing. Or perhaps more importantly, I can pull up on my iPhone and get real-time quotes for my portfolio without any logins, without any entering codes or anything like that.

Now there's a lot of great new functionality in Eikon. But I'm wondering, how flexible are you with that in bringing the ease-of-use up another level from where you have it today? And how quickly can you get there?

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Tom Glocer - *Thomson Reuters Corporation - CEO*

Well it's amusing -- or I'd say ironic that you mention Google Finance, which does have some very nice capabilities. Because actually the person who is now whose 100% in charge of Eikon development, Philip Brittan, who has joined the firm recently, his last job actually was running Google Finance. So he understands both the form factor and the premium that exists for making it simple and attractive at the front end, and putting the complexity back into the sophistication of essentially the algorithms that allow for simple search, simple interface, etc.

You also raise, or inherent in your comment, is another very good question we think about a lot. Which is, you can get a free quote in real-time as a consumer on a variety of devices; so why doesn't everybody just trade the markets off of their iPhone in Google Finance? Obviously you know the answer to that.

But the day you can do complete depth of book, when on your iPhone you can look at not only the last price off the integrated tape system, but you can look at the BATS, TRIAX, and internalization pool in your own firm, when you can do transaction cost analysis, when you can do a much deeper set of functionality and you can do it in very low latency -- I'd love to trade all day against somebody who's on the other side of an iPhone just getting a real-time quote.

So you're right; there is a growing level of sophistication and quality in consumer-land. But you don't have much further to go than the Goldman trading floor to see how the professional world continues to create a level of increased differentiation and execution above that. And our job is to stay right in lockstep with, in this case, your equity desk.

Brian Karimzad - *Goldman Sachs - Analyst*

Fair enough, and just to follow on that, I guess a little bit. One of the great strengths of Bloomberg obviously is the all-in-one package they have and the sophistication that provides, which also comes at an all-in-one price, which if you step back for a second actually may be a bit of a weakness. Because in a situation like that it's inherent that you're effectively having lighter users subsidize the cost and expense for the heavier users who are using all the features.

To what extent do you have any intelligence or telemetry based on your usage that there may be folks who are relatively light users of Bloomberg that could be an opportunity to -- I don't want to say pick off, but at least migrate, to the extent that you have something that you can offer at a lower price?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Well, we don't have any particular telemetry there, but we do have the very direct human feedback. There is a large reservoir of users.

First of all Bloomberg is an excellent organization. It's an excellent product. And there's plenty of room; I don't mind a market at all where there's one excellent competitor at a premium price, or even a couple of good competitors. It's good for customers and drives us to ever-greater levels of excellence.

I think there is an opportunity, not only vis-a-vis Bloomberg but others, to win share. The way in which we will do that is not only just a desktop-versus-desktop fight, terminal-by-terminal, but bringing the whole range of capabilities of this organization including trading platforms, including the Enterprise offer.

So we didn't talk about it because I'm focused mostly on the reorganization, but deep in the Markets' numbers we have some very good success on Eikon and also 3000 Xtra, in embedding Tradeweb fixed income capabilities. Really the first time we've begun to see the traction I talked about as possible some years ago.

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So I'm confident in a strategy that isn't only just terminal-versus-terminal, but where we line up with the full strength of the organization, now made more easy to tap through the reorg. You'll see enhanced sales performance. You'll see a higher quality offer.

Brian Karimzad - *Goldman Sachs - Analyst*

All right, thank you.

Operator

Sara Gubins, Bank of America Merrill Lynch.

Sara Gubins - *BofA Merrill Lynch - Analyst*

Thank you. Could you talk a bit more about the sales structure changes that you're making in the Markets segment? Then separately, if you could discuss expectations for margins in the Legal segment in the second half of the year.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay, I'm going to again give Bob the dry margin one; but he can help me on the sales side too. There are really three things we're doing.

One is the people, the talent. We put one of our most talented, aggressive managers in place to run the sales organization.

Two is the simplification of the structure itself and its relationship to the product and business groups. So I'm not going to bore you with a lot of detail, but Markets ran with four divisions, three of them in finance; and there were five segments in the sales force, which gave you call it a 15 box grid. I think we can run a much simpler structure, and that's what we're putting in place.

So one is people; two is organization and the number of hand-offs; and three really is the work on the product line itself and the go-to-market strategy which I was just talking to Brian about a bit.

Which is -- how do we bring what used to be reserved for our biggest accounts, the sort of all-in Enterprise agreement, how do we in effect productize that and bring that to the rest of the offer? So that we're going in more than just lining up itty-bitty against every competitor.

Now, Bob you have got the Legal margin question.

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

Yes. I think that what we should see over the second half of the year as it tracks to next year -- or last year rather, should be a fairly consistent performance what we've seen in the first half. Meaning that you'll see some comparative margin erosion, which is primarily related to the impact of acquisitions' dilutions.

So I think if you look at the second half of this year, look at that and look at the comparison to where we are this year, year-to-date versus last year, it's probably a pretty good guide right now. That's primarily what I would say would be the perspective should be longer term.

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Sara Gubins - *BofA Merrill Lynch - Analyst*

Is it reasonable to think as we look into next year that, once those acquisitions run off, you should be able to get margin expansion in the Legal segment?

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

There's no doubt that over time the margin will improve in Legal. Will they ever get back to where they were at the high-water mark, which was about 33% in 2008? We've said we don't think so.

I don't think they have to, because we're seeing -- as long as we continue to accelerate growth and drive the profitability of the business, you have to remember that, and overall remember, we're not -- we're measuring Legal of course. And in Legal we've had this shift in core legal research and what's gone on there in terms of declining, or rather slowdown in growth. That's why we have all these other, Jim and his team, all these other tremendous growth initiatives.

So when you think about the performance of Legal, you have to think about it in comparison to the performance of Professional in the whole. And as we've talked about, we've just seen the Tax & Accounting business will continue to see significant margin accretion. We have a very good performance in IP & Science.

So across-the-board, we would expect that, even though Legal on a comparative basis is unfavorable versus the prior year, that Professional as a whole will be fairly close to being flat year to year. And that includes covering the acquisitions that they've made in Legal and other segments.

So that's the way we look at the business. You have to understand that the core Legal business has a higher incremental margin. Our growth is coming from very, very good products and margins that most other people would kill for, but not up to that same level.

So we're going through a bit of a transition. And as we move to different sweet spots for growth and like I said, we think Professional will be flat this year. And we think that there's scope for improvement in Professional margin in the years ahead.

Sara Gubins - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

Phil Huang, UBS.

Phil Huang - *UBS - Analyst*

Thanks, good morning guys. I just want to quickly go back to your earlier comment on Wall Street layoffs. Tom, with these layoffs back in the headlines, wanted to get your view on the impact to your business again.

Specifically do you expect to see the same magnitude of impact to your Markets business that we had in 2009 and 2010? It seems like the Markets implying that; I'm wondering if we're missing anything.

Then just quickly on the Legal side, we see the industry recover and litigation activities continue to accelerate. But you guys mentioned that the improvement from your business is slower than expected.

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So was wondering if you'd clarify; maybe provide some additional color on why the industry's recovery isn't translating to a stronger organic revenue growth for Legal. Is it because of competitive pressure, particularly amongst the larger law firms? Thanks.

Tom Glocer - *Thomson Reuters Corporation - CEO*

Bob and I will split between us on it. Let me start with the Markets question.

2009-2010 was a near-death experience for the markets in general and an actual death experience for obviously several very large firms. I think we came through that well. That the focus that we had, by having two separate large divisions, allowed us to focus on an integration, take a lot of cost out of the business, all of that for the good.

Going forward, there are headwinds. Obviously within UBS itself you know more than the rest of us. But I would characterize that as retrenching a bit off of an expansion that got ahead and expected -- wasn't foreseeing US debt issues and downgrade, wasn't foreseeing how long it's taking to play out the European sovereign credit crisis.

So it will likely result in a reduction in headcount. But as you see in the results of our Enterprise and our Trading Markets, those are growing strongly. So that trend of replacing human beings with machines has always been favorable to our Enterprise business, and I expect that to continue.

But yes; I do think the headcount-related growth is going to be dampened. We'll just have to see how that plays out through the rest of the year, what it looks like when people come back to their desks in September, in particular in Europe.

On the Legal question, I'll pass it over to Bob for specifics. But I think you have to look at the overall strategy that Jim Smith and Bob and I have focused on there. Which is, not to just milk one part of a business, but to actively invest and seek growth; and then -- and this is what I think Jim deserves a huge amount of credit for, as Bob just mentioned in his last answer -- absorb the dilution that comes from the amortization of these acquisitions by achieving incremental efficiencies in the business.

That is really walking and chewing gum at the same time. So in Legal, the situation is they are finding areas of growth to grow at what looks at -- I did a quick read across from competitors who have reported 3-times-plus the growth rate of the other established players in that market. Bob?

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

Right. As we think about the Legal marketplace more broadly, there has been what we perceive as a fundamental shift in the relationship between law firms and their clients. In particular that has resulted in significant reduction, particularly among large law firms, of what I'd call their pricing power.

So as a consequence, they are very careful on how they spend. Core legal research is a cost like any other, and they manage that very carefully. So for our business and for our competitors as well, where we have seen declines has not been in the core. Our core subscriptions to Westlaw continue to grow, albeit very slowly, but that's off the power of WestlawNext.

It is in ancillary spending that they have really cut back tremendously and continue to do so. That would be additional volume, additional searches beyond what their particular contract says.

In that approach, as Tom mentioned, what we have done, what Jim and his team have done, really focused on -- where has that power shifted to? It shifted to the corporate general counsel. Acquisitions like Serengeti and other things that we're doing really now recognize that this is where the growth opportunities are.

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So the Legal marketplace is still a vibrant market. It's the power and the purchasing power and dynamics of it have shifted a bit, and we've shifted our business footprint accordingly and focus.

So for us, core legal research is an important fundamental part of the business. But it is not a significant growth factor going forward, because we have identified and made investments in other opportunities which will deliver for us similar kind of growth and, over the longer term for the Professional group as a whole, similar kind of margins.

So it's what we're expected to do, right? To manage the shifts in dynamics in our markets by making the right kind of investments appropriately.

So that's where we stand today. I think that the performance that you see in the quarter is reflective of a longer term trend that you will see, as we go to other growth sources within what is still a very large and robust market and seek out those opportunities to grow.

Phil Huang - *UBS - Analyst*

Got it. That's very helpful, guys. Thanks very much.

Operator

Tim Casey, BMO.

Tim Casey - *BMO Capital Markets - Analyst*

Thanks. Two questions. One, on the Markets group, Tom, you alluded to the fact that the work that Jim Smith has done in Professional is one of the templates you're following, if I can put it that way. But one of the things that's happened there is, as you've alluded to all call, is that there have been some strategic acquisitions that are driving that.

So can you talk about acquisitions related to this reorg? Are you setting us up for potential acquisitions in Markets?

And the second question relates to divestitures and the buyback. Can you give us a little more clarity, Bob, on timing of when you think you'll close these divestitures? If you were to pursue a buyback, are you able to execute on that before you get the cash in?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Okay, let me hit the first one and make the transition to Bob. I'm really honestly not trying to set you or anyone else up with any change in the acquisition agenda.

Professional has done a very good job of using all three levers that I think any business should -- organic development, so look at Westlaw, look at ONESOURCE, and Tax & Accounting; partnering; as well as acquisition. Markets itself obviously did an enormous acquisition if you consider the Reuters one itself, and has made some smaller capability acquisitions. A very good acquisition of a business in the carbon area, Point Carbon last year.

So I'm not signaling that we're going to go and fix Markets with acquisition. The fix in Markets really is an organic set of fixes, organizational talent, and the way we work.

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However, we certainly are open to and we look at opportunities to partner and to acquire in Markets. And I wouldn't hesitate to do that if we saw the sort of attractive fold-in acquisitions that we've been able to do in Legal.

Bob mentioned the Serengeti acquisition. Pangea3 also the legal process outsourcing acquisition helps reposition us more quickly towards the general counsel than you probably could get to if you were doing just purely an organic build. But there's organic build there as well.

I'll turn it over to Bob re the timing of the proceeds. But let me just say about buyback in general, we always look as a matter of capital discipline at what is the hurdle rate we think we can achieve in an organic investment, in an acquisition. And we compare that with what would an investment in buying back our own shares be?

I naturally would feel that way, I suppose, but I feel very good about our business and we have capacity. We're just not going to signal exactly when you're going to see us where in the market. Bob, do you want to elaborate on that?

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

Sure. First of all, Tim, to answer your question, we would expect to complete all these divestitures by the end of this year, sometime in the fourth quarter. You also know, Tim, that our capital strategy is an integral part of how we run the business. So we have built the capability and capacity in the business to drive any actions that we need.

So these are long-term divestitures we're making. Doesn't impact our ability to enter the market. We have a strong capacity today. We have lines of credit. We have every capability, and we are generating significant cash.

So that will not -- we are not determining whether we do a buyback based upon whether we have the cash from these disposals. They are not linked. They are more determined based upon, as Tom said, our opportunities internally and how we view the value of our stock vis-a-vis our own internal perceptions of the value. So we can act any time we want.

Tim Casey - *BMO Capital Markets - Analyst*

Thank you.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Operator, we would like to take one final call.

Operator

Claudio Aspesi, Bernstein.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Good morning. One question going back to Legal. Reed-Elsevier this morning effectively seemed to concede that WestlawNext is gaining market share or driving market share gains for your business. But the implication of how they formulated this concession was that fundamentally it was driven by significant marketing and product investment; and that that could be reversed once their new products are rolled out. I would like to know what steps are you taking, if any, to make sure that you don't have to cede back market share once the new Lexus tools are rolled out as well.

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Tom Glocer - *Thomson Reuters Corporation - CEO*

Good question, Claudio. Well it's interesting that they are now -- I didn't obviously hear their call, and I hadn't seen the information other than just the most snapshot revenue numbers, which look something like minus 1 to me pre-FX.

We are continuing to invest behind and enhance WestlawNext, continuing the migration itself. I think you can take as a given two years ago when we could have just kept on milking the old Westlaw, and when obviously the world and our results even in Legal were going backwards, we poured the oil on the fire. Now with a healthier environment and a significant first-mover advantage, something like half of our user base already moved over onto WestlawNext, we're not going to stop that at all.

We've got very good plans in place to continue to invest behind it. So I think customers should have a choice. It won't go -- the market won't go 100% to us; but we expect to get a disproportionately fair share.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Okay. Can I ask a quick follow-up question? The other issue that's going to come up in the next years is clearly flat pricing. You mentioned the relatively weaker position of law firms. Is flat pricing a source of concern for you potentially?

Tom Glocer - *Thomson Reuters Corporation - CEO*

Well, I think if you look at the margins that our competitors have announced, I think some of that has got to be what action they've taken on pricing to stay on desktops. We have a pretty sophisticated commercial model in our Legal business which looks at each firm's actual usage and the value that we deliver, and have always been able to take advantage of the premium capabilities and our leading position to get some pricing power there.

So I don't worry deeply about that. But as Bob and I were talking about earlier, we don't look at our Legal business and the growth of our Legal business as solely one of research desktops in big law firms. We, if you will, stepped back and asked ourselves the question -- how can we more comprehensively serve the needs of the entire Legal community as they change? And where should we position ourselves?

The shift to a greater focus in corporates, the extension into more workflow tools, the Serengeti desktop, we have other things coming in that area which I think will enable us to continue to find growth in the Legal market and to lead the Legal market.

Claudio Aspesi - *Sanford C. Bernstein - Analyst*

Thank you.

Frank Golden - *Thomson Reuters Corporation - SVP IR*

Okay, that will conclude our call. We thank you for joining us for the second-quarter review, and we look forward to speaking to you again over the next couple of weeks.

Operator

Thank you. Ladies and gentlemen, that does conclude your conference call for today. Thank you for your participation and for using AT&T executive teleconference service. You may now disconnect.

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