

# Second Quarter Report

Period Ended

June 30, 2017

Management's Discussion and Analysis and  
Unaudited Consolidated Financial Statements



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# Management's Discussion and Analysis

*This management's discussion and analysis is designed to provide you with a narrative explanation through the eyes of our management of our financial condition and results of operations. We recommend that you read this in conjunction with our consolidated interim financial statements for the three and six months ended June 30, 2017, our 2016 annual consolidated financial statements and our 2016 annual management's discussion and analysis. You can find those documents in the Investor Relations section of our website, [www.thomsonreuters.com](http://www.thomsonreuters.com), the Canadian Securities Administrators' SEDAR website, [www.sedar.com](http://www.sedar.com), or in the EDGAR section of the U.S. Securities and Exchange Commission's website, [www.sec.gov](http://www.sec.gov).*

*This management's discussion and analysis contains forward-looking statements, which are subject to risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements. Forward-looking statements include, but are not limited to, our 2017 outlook and our expectations related to general economic conditions and market trends and their anticipated effects on our business segments. For additional information related to forward-looking statements and material risks associated with them, please see the "Outlook" and "Additional Information – Cautionary Note Concerning Factors That May Affect Future Results" sections of this management's discussion and analysis. This management's discussion and analysis is dated as of July 31, 2017.*

We have organized our management's discussion and analysis in the following key sections:

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Unless otherwise indicated or the context otherwise requires, references in this discussion to "we," "our," "us" and "Thomson Reuters" are to Thomson Reuters Corporation and our subsidiaries.

## Basis of presentation

We prepare our consolidated financial statements in U.S. dollars in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). In this management's discussion and analysis, we discuss our results from continuing operations on both an IFRS and non-IFRS basis. Both bases exclude the results of our former Intellectual Property & Science business, which was reported as a discontinued operation through the date of its sale in October 2016, and include the results of acquired businesses from the date of purchase.

## Use of non-IFRS financial measures

We use non-IFRS measures as supplemental indicators of our operating performance and financial position as well as for internal planning purposes and our 2017 business outlook. We believe non-IFRS financial measures provide more insight into our performance. Non-IFRS measures do not have standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies, and should not be viewed as alternatives to measures of financial performance calculated in accordance with IFRS.

Our non-IFRS financial measures include:

- Adjusted EBITDA and the related margin;
- Adjusted EBITDA less capital expenditures and the related margin;
- Adjusted earnings and adjusted earnings per share (EPS);
- Net debt; and
- Free cash flow.

We also report changes in our revenues, operating expenses, adjusted EBITDA and related margin, and adjusted EPS *before the impact of foreign currency or at "constant currency"*. These measures remove distortion from the effects of foreign currency movements in order to provide better comparability of our business trends from period to period.

See Appendix A of this management's discussion and analysis for a description of our non-IFRS financial measures, including an explanation of why we believe they are useful measures of our performance, including our ability to generate cash flow. Refer to Appendix B and the "Results of Operations-Continuing Operations" and "Liquidity and Capital Resources" sections of this management's discussion and analysis for reconciliations of our non-IFRS financial measures to the most directly comparable IFRS measures.

### Glossary of key terms

We use the following terms in this management's discussion and analysis.

Term	Definition
bp	Basis points – one basis point is equal to 1/100 <sup>th</sup> of 1%; "100 bp" is equivalent to 1%
Constant currency	A measure derived by applying the same foreign currency exchange rates to the current and equivalent prior-year period
n/a	Not applicable
n/m	Not meaningful
Net sales	New sales less cancellations
Organic or organically	Our existing businesses
\$ and US\$	U.S. dollars

### Executive Summary

#### ***Our company***

We are a leading source of news and information for professional markets. Our customers rely on us to deliver the intelligence, technology and expertise they need to find trusted answers. We have operated in more than 100 countries for more than 100 years.

We live at a time when the amount of data is overwhelming, the regulatory environment is complex, markets move at breakneck speed and connectivity is expanding around the world. Our customers count on the accuracy of our information, the reliability of our systems and the relevance of our insights to help them navigate the changing worlds of commerce and regulation. We believe our workflow solutions make our customers more productive, by streamlining how they operate. Reuters is renowned for the integrity of its news. The principles of freedom from bias and access to information govern everything that we do.

We derive the majority of our revenues from selling solutions to our customers, primarily electronically and on a subscription basis. Many of our customers utilize our solutions as part of their workflows. We believe this is a significant competitive advantage as it has led to strong customer retention. Over the years, our business model has proven to be capital efficient and cash flow generative, and it has enabled us to maintain leading and scalable positions in our chosen market segments.

We are organized in three business units supported by a corporate center:



**Financial & Risk**

A provider of critical news, information and analytics, enabling transactions and connecting communities of trading, investment, financial and corporate professionals. Financial & Risk also provides regulatory and operational risk management solutions.



**Legal**

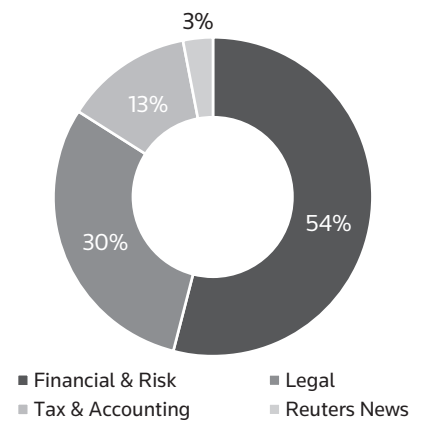
A provider of critical online and print information, decision tools, software and services that support legal, investigation, business and government professionals around the world.



**Tax & Accounting**

A provider of integrated tax compliance and accounting information, software and services for professionals in accounting firms, corporations, law firms and government.

**Second-Quarter 2017 Revenues**



We also operate:

- Reuters, a leading provider of real-time, high-impact, multimedia news and information services to newspapers, television and cable networks, radio stations and websites around the globe.
- A Global Growth Organization (GGO) that works across our business units to combine our global capabilities and to expand our local presence and development in countries and regions where we believe the greatest growth opportunities exist. GGO supports our businesses in: Latin America, China, India, the Middle East, Africa, the Association of Southeast Asian Nations, North Asia, Russia and countries comprising the Commonwealth of Independent States and Turkey. We include the results of GGO within our business units.
- An Enterprise Technology & Operations group that drives the transformation of our company into a more integrated enterprise by unifying infrastructure across our organization, including technology platforms, data centers, real estate, products and services.

**Seasonality**

On a consolidated basis, our revenues and operating profit do not tend to be significantly impacted by seasonality as we record a large portion of our revenues ratably over a contract term and our costs are generally incurred evenly throughout the year. However, our performance from quarter to consecutive quarter can be impacted by transactions revenues as well as by the release of certain print-based offerings, which tend to be concentrated at the end of the year. As a consequence, the results of certain of our segments can be impacted by seasonality to a greater extent than our consolidated results.

## Key Financial Highlights

Below are financial highlights from our second-quarter 2017 results.

(millions of U.S. dollars, except per share amounts and margins)	Three months ended June 30,			
	2017	2016	Total	Constant Currency
<b>IFRS Financial Measures</b>				
Revenues	2,782	2,769	-	
Operating profit	399	401	-	
Diluted EPS (includes discontinued operations)	\$ 0.27	\$0.45	(40%)	
Cash flow from operations (includes discontinued operations)	834	770	8%	
<b>Non-IFRS Financial Measures<sup>(1)</sup></b>				
Revenues	2,782	2,769	-	2%
Adjusted EBITDA	838	757	11%	11%
Adjusted EBITDA margin	30.1%	27.3%	280bp	230bp
Adjusted EPS	\$0.60	\$0.47	28%	28%
Free cash flow (includes discontinued operations)	580	525	10%	

(1) Refer to Appendix A of this management's discussion and analysis for additional information on non-IFRS financial measures.

In the second quarter of 2017, we demonstrated continued progress on our key financial priorities as follows:

### Accelerate Organic Revenue Growth

Revenues increased slightly, despite the unfavorable impact of foreign currency. In constant currency, revenues increased 2%, comprised of 1% organic growth and a 1% contribution from acquisitions. Each of our business segments contributed to organic growth, as we continued to invest in higher growth businesses and improve customer experience.

### Continue to Drive Productivity Gains

We continued to control our operating expenses, reflecting our simplification initiatives. While our operating profit remained unchanged due to unfavorable fair value adjustments associated with foreign currency derivatives embedded in certain customer contracts, our adjusted EBITDA and the related margin increased 11% and 280bp, respectively, due to higher revenues and simplification initiatives, which resulted in lower expenses.

### Deliver on Our Financial Objectives

We generated strong cash flow from operations and free cash flow, returning over \$500 million to shareholders through share repurchases and dividends. Despite the positive business performance, diluted EPS declined significantly due to unfavorable fair value adjustments on embedded derivatives, non-cash foreign currency fluctuations on intercompany loans and the loss of earnings from the Intellectual Property & Science business following its sale in October 2016. However, adjusted EPS increased 28% driven by higher adjusted EBITDA.

We provide a detailed discussion of our financial performance in the "Results of Operations" section of this management's discussion and analysis.

### **2017 Outlook:**

We originally communicated our 2017 full-year business outlook in February 2017. Based on our first-half 2017 performance, we recently raised our 2017 full-year adjusted EPS outlook from \$2.35 to a range of \$2.40 to \$2.45. We also increased the range of our 2017 full-year adjusted EBITDA margin outlook by 50bp from a range of 28.8% to 29.8% to a range of 29.3% to 30.3%. In addition, we reaffirmed our outlook for revenue growth and free cash flow. For 2017, we currently expect:

- Low single digit revenue growth;
- Adjusted EBITDA margin between 29.3% and 30.3%;
- Adjusted EPS between \$2.40 and \$2.45; and
- Free cash flow between \$0.9 billion and \$1.2 billion.

Our 2017 outlook assumes constant currency rates relative to 2016 and does not factor in the impact of any acquisitions or divestitures that may occur during the year.

For additional information regarding the material assumptions and material risks associated with our 2017 Outlook, refer to the "Outlook" section of this management's discussion and analysis. The information in this section is forward-looking and should also be read in conjunction with the part of the "Additional Information" section of this management's discussion and analysis entitled "Cautionary Note Concerning Factors That May Affect Future Results".

## Results of Operations – Continuing Operations

### Consolidated results

(millions of U.S. dollars, except per share amounts and margins)	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
			Total	Constant Currency			Total	Constant Currency
<b>IFRS Financial Measures</b>								
Revenues	2,782	2,769	-		5,597	5,562	1%	
Operating profit	399	401	-		843	711	19%	
Diluted EPS from continuing operations	\$0.26	\$0.39	(33%)		\$0.67	\$0.65	3%	
<b>Non-IFRS Financial Measures<sup>(1)</sup></b>								
Revenues	2,782	2,769	-	2%	5,597	5,562	1%	2%
Adjusted EBITDA	838	757	11%	11%	1,714	1,505	14%	14%
Adjusted EBITDA margin	30.1%	27.3%	280bp	230bp	30.6%	27.1%	350bp	310bp
Adjusted EBITDA less capital expenditures	597	545	10%		1,260	1,060	19%	
Adjusted EBITDA less capital expenditures margin	21.5%	19.7%	180bp		22.5%	19.1%	340bp	
Adjusted EPS	\$0.60	\$0.47	28%	28%	\$1.23	\$0.93	32%	32%

(1) See Appendix B of this management's discussion and analysis for a reconciliation of earnings from continuing operations to adjusted EBITDA and adjusted EBITDA less capital expenditures.

### Foreign currency effects

With respect to the significant foreign currencies that we transact in, the U.S. dollar strengthened against the British pound sterling, the Euro, the Canadian dollar and the Japanese yen in the second quarter and six-month periods of 2017 compared to the same periods in 2016. Given our currency mix of revenues and expenses around the world, these fluctuations had a negative impact on our revenues, no impact on adjusted EBITDA, and a positive impact on our adjusted EBITDA margin in both periods.

### Revenues

Revenues increased slightly in the second quarter and 1% in the six-month period, despite an unfavorable impact from foreign currency. In both periods, revenues increased 2% in constant currency, comprised of 1% organic growth and a 1% contribution from acquisitions. Our organic growth reflected increases in recurring revenues across all our business units.

GGO revenues comprised approximately 8% of our 2017 revenues in both periods. On a constant currency basis, GGO revenues were essentially unchanged in the second quarter and decreased 1% in the six-month period.

### Operating profit, adjusted EBITDA and adjusted EBITDA less capital expenditures

Operating profit was essentially unchanged in the second quarter, but increased in the six-month period. Both periods included the benefits of higher revenues and lower operating expenses, which reflected the continuing simplification of our business. However, each period was negatively impacted by fair value adjustments associated with foreign currency derivatives embedded in certain customer contracts, which significantly impacted the second-quarter results.

Adjusted EBITDA and the related margin increased in both periods in total and in constant currency. The increases were driven by higher revenues and lower operating expenses.

Adjusted EBITDA less capital expenditures and the related margin increased in both periods due to higher adjusted EBITDA, which more than offset higher capital expenditures. We expect to increase investments to improve customer experience during the second half of the year, which we believe will likely lead to slightly lower adjusted EBITDA margins during that period, and slightly higher capital expenditures for the full year, compared to 2016.

## Operating expenses

(millions of U.S. dollars)	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
			Total	Constant Currency			Total	Constant Currency
<b>Operating expenses</b>	<b>1,997</b>	1,991	-	(1%)	<b>4,001</b>	4,100	(2%)	(3%)
<b>Remove fair value adjustments<sup>(1)</sup></b>	<b>(53)</b>	21			<b>(118)</b>	(43)		
<b>Operating expenses, excluding fair value adjustments</b>	<b>1,944</b>	2,012	(3%)	(1%)	<b>3,883</b>	4,057	(4%)	(2%)

(1) Fair value adjustments primarily represent mark-to-market impacts on embedded derivatives. In 2016, fair value adjustments also included the mark-to-market impacts on certain share-based awards. Please refer to the "Changes in Accounting Policies" section of this management's discussion and analysis for additional information on our adoption of IFRS 2 amendments.

Operating expenses in the second quarter were essentially unchanged, as lower expenses from the simplification of our business were offset by the negative impact of fair value adjustments associated with foreign currency derivatives embedded in certain customer contracts. Lower expenses included benefits from severance actions in the fourth quarter of 2016. Excluding the fair value adjustments, operating expenses decreased in total and on a constant currency basis in both periods.

## Depreciation and amortization

(millions of U.S. dollars)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Depreciation</b>	<b>77</b>	80	(4%)	<b>149</b>	161	(7%)
<b>Amortization of computer software</b>	<b>168</b>	172	(2%)	<b>348</b>	341	2%
<b>Subtotal</b>	<b>245</b>	252	(3%)	<b>497</b>	502	(1%)
<b>Amortization of other identifiable intangible assets</b>	<b>120</b>	132	(9%)	<b>239</b>	260	(8%)

- Depreciation and amortization of computer software on a combined basis decreased in both periods, as expense related to new capital spending was more than offset by fully expensed assets acquired or developed in previous years, as well as the impact of foreign currency.
- Amortization of other identifiable intangible assets decreased in both periods as amortization of newly-acquired assets was more than offset by fully amortized identifiable intangible assets acquired in previous years, as well as the impact of foreign currency.

## Net interest expense

(millions of U.S. dollars)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Net interest expense</b>	<b>95</b>	103	(8%)	<b>188</b>	196	(4%)

Net interest expense decreased in both periods primarily due to lower interest costs on our net pension obligations following a \$500 million contribution to our U.S. defined benefit pension plan in January 2017. As substantially all of our long-term debt obligations paid interest at fixed rates (after swaps), the net interest expense on our term debt was essentially unchanged.

## Other finance costs (income)

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Other finance costs (income)</b>	<b>91</b>	(9)	<b>118</b>	25

Other finance costs (income) included gains or losses related to changes in foreign exchange contracts and the impact of fluctuations of foreign currency exchange rates on certain intercompany funding arrangements.

**Tax expense (benefit)**

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Tax expense (benefit)</b>	<b>5</b>	<b>2</b>	<b>14</b>	<b>(24)</b>

The tax expense (benefit) in each period reflected the mix of taxing jurisdictions in which pre-tax profits and losses were recognized. Because the geographical mix of pre-tax profits and losses in interim periods may be different from that for the full year, tax expense or benefit in interim periods is not necessarily indicative of tax expense for the full year.

Additionally, the comparability of our tax expense (benefit) was impacted by various transactions and accounting adjustments during each period. The following table sets forth certain components within income tax expense (benefit) that impact comparability from period to period, including tax expense (benefit) associated with items that are removed from adjusted earnings:

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Tax expense (benefit)</b>				
<b>Tax items impacting comparability:</b>				
Corporate tax rates <sup>(1)</sup>	1	2	1	2
Other tax adjustments <sup>(2)</sup>	1	11	1	4
Subtotal	2	13	2	6
<b>Tax related to:</b>				
Fair value adjustments	(1)	(3)	(16)	(23)
Amortization of other identifiable intangible assets	(28)	(34)	(64)	(66)
Other items	(13)	2	(9)	(3)
Subtotal	(42)	(35)	(89)	(92)
<b>Total</b>	<b>(40)</b>	<b>(22)</b>	<b>(87)</b>	<b>(86)</b>

(1) Relates to the net changes in deferred tax liabilities due to changes in U.S. state apportionment factors and changes in corporate tax rates that were substantively enacted in certain jurisdictions.

(2) Relates primarily to changes in the recognition of deferred tax assets in various jurisdictions due to earlier acquisitions, assumptions regarding future profitability, and adjustments for indefinite-lived assets and liabilities that are not expected to reverse.

Because the items described above impact the comparability of our tax expense (benefit) for each period, we remove them from our calculation of adjusted earnings, along with the pre-tax items to which they relate.

The computation of our adjusted tax expense is set forth below:

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Tax expense (benefit)</b>	<b>5</b>	<b>2</b>	<b>14</b>	<b>(24)</b>
Remove: Items from above impacting comparability	40	22	87	86
Other adjustment:				
Interim period effective tax rate normalization <sup>(1)</sup>	3	8	2	13
<b>Total tax expense on adjusted earnings</b>	<b>48</b>	<b>32</b>	<b>103</b>	<b>75</b>

(1) Adjustment to reflect income taxes based on estimated full-year effective tax rate. Earnings or losses for interim periods under IFRS generally reflect income taxes based on the estimated effective tax rates of each of the jurisdictions in which we operate. The non-IFRS adjustment reallocates estimated full-year income taxes between interim periods, but has no effect on full-year income taxes.



**Earnings and diluted EPS from continuing operations**

(millions of U.S. dollars, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Earnings from continuing operations</b>	<b>201</b>	304	(34%)	<b>518</b>	514	1%
<b>Diluted EPS from continuing operations</b>	<b>\$0.26</b>	\$0.39	(33%)	<b>\$0.67</b>	\$0.65	3%

Earnings from continuing operations and the related per share amount decreased in the second quarter due to the negative impact of foreign currency related fair value adjustments on operating profit and financing costs, which more than offset the benefits of higher revenues and lower operating expenses. In the six-month period, higher operating profit more than offset higher financing costs and higher tax expense. Additionally, diluted EPS in both periods benefited from lower outstanding common shares due to share repurchases.

**Adjusted earnings and adjusted EPS**

(millions of U.S. dollars, except per share amounts and share data)	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
			Total	Constant Currency			Total	Constant Currency
<b>Earnings attributable to common shareholders</b>	<b>192</b>	337	(43%)		<b>489</b>	599	(18%)	
<b>Adjustments to remove:</b>								
Fair value adjustments	<b>53</b>	(21)			<b>118</b>	43		
Amortization of other identifiable intangible assets	<b>120</b>	132			<b>239</b>	260		
Other operating losses (gains), net	<b>21</b>	(7)			<b>17</b>	(11)		
Other finance costs (income)	<b>91</b>	(9)			<b>118</b>	25		
Share of post-tax losses in equity method investments	<b>7</b>	1			<b>5</b>	-		
Tax on above items <sup>(1)</sup>	<b>(42)</b>	(35)			<b>(89)</b>	(92)		
Tax items impacting comparability <sup>(1)</sup>	<b>2</b>	13			<b>2</b>	6		
Earnings from discontinued operations, net of tax	<b>(5)</b>	(46)			<b>(2)</b>	(108)		
<b>Interim period effective tax rate normalization<sup>(1)</sup></b>	<b>(3)</b>	(8)			<b>(2)</b>	(13)		
<b>Dividends declared on preference shares</b>	<b>-</b>	-			<b>(1)</b>	(1)		
<b>Adjusted earnings</b>	<b>436</b>	357	22%		<b>894</b>	708	26%	
<b>Adjusted EPS</b>	<b>\$0.60</b>	\$0.47	28%	28%	<b>\$1.23</b>	\$0.93	32%	32%
<b>Diluted weighted-average common shares (millions)</b>	<b>722.5</b>	753.4			<b>725.4</b>	757.8		

(1) See the "Tax expense (benefit)" section above for additional information.

Adjusted earnings and the related per share amount increased in both periods primarily due to higher adjusted EBITDA. Additionally, adjusted EPS in both periods benefited from lower outstanding common shares due to share repurchases (see the "Liquidity and Capital Resources – Share Repurchases" section of this management's discussion and analysis for additional information).

As disclosed in our 2016 annual report, effective for periods beginning with the third quarter of 2016, we redefined adjusted earnings and adjusted EPS in relation to certain tax computations to better align these definitions with current market practices and to reflect guidance issued in May 2016 by the U.S. Securities and Exchange Commission. To facilitate a comparison to our redefined adjusted earnings and adjusted EPS measures, we restated the prior-year computations for both of these measures in this management's discussion and analysis. Under the redefined measures, our adjusted earnings and adjusted EPS are \$17 million and \$0.03 lower, respectively, for the second quarter and \$33 million and \$0.05 lower, respectively, for the six-month period than previously reported in each prior-year period. These changes had no impact on revenues, adjusted EBITDA or free cash flow.

**Segment results**

The following is a discussion of our three reportable segments for the three and six months ended June 30, 2017: Financial & Risk, Legal and Tax & Accounting. We also report "Corporate & Other", which includes expenses for corporate functions and the results of the Reuters News business. We discuss the results of our former Intellectual Property & Science business within the "Results of Operations – Results of Discontinued Operations" section of this management's discussion and analysis.

In 2017, management changed the profitability measure that it uses to assess the performance of its reportable segments from segment operating profit, which it no longer uses, to adjusted EBITDA. These profitability measures are the same, except that adjusted EBITDA excludes depreciation of fixed assets and amortization of computer software. Management uses a number of measures to assess the performance of its segments internally. Adjusted EBITDA is reported externally, as it represents the internal profitability measure most closely aligned with the measurement of the consolidated income statement.

We present segment revenue growth at both actual foreign exchange rates and in constant currency. We assess revenue performance for each reportable segment, as well as the businesses within each segment, before the impact of currency (or at "constant currency").

## Financial & Risk

(millions of U.S. dollars, except margins)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Revenues</b>	<b>1,517</b>	1,524	-	<b>3,019</b>	3,033	-
<i>Revenue change at constant currency</i>			2%			1%
<b>Adjusted EBITDA</b>	<b>477</b>	443	8%	<b>940</b>	880	7%
<b>Adjusted EBITDA margin</b>	<b>31.4%</b>	29.1%	230bp	<b>31.1%</b>	29.0%	210bp

In the second quarter, revenues increased 2% in constant currency, with organic revenue growth and contributions from acquisitions each contributing 1%. Organic revenue growth reflected an annual price increase and higher transactions revenues, which more than offset a decline in recoveries revenues and commercial pricing adjustments related to the migration of the remaining foreign exchange and buy-side customers onto new products on Financial & Risk's unified platform. In the six-month period, revenues increased 1% in constant currency due to acquisitions, as organic revenues were essentially unchanged. Excluding the decline in recoveries revenues and the commercial pricing adjustments, Financial & Risk's organic revenue growth was about 2% in each period.

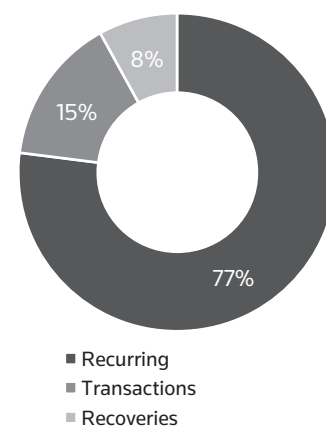
By geographic area, Financial & Risk's revenues in both periods increased 3% in the Americas, 1% in Europe, Middle East and Africa (EMEA), and were slightly higher in Asia Pacific.

Net sales were positive overall in both periods. In the second quarter, net sales were positive in the Americas and Asia Pacific, while EMEA was flat. In the six-month period, net sales were positive in EMEA and Asia Pacific. In the Americas, net sales were negative solely due to the migration of legacy asset management products to Eikon, which is largely completed.

Results by type in constant currency were as follows:

- **Recurring** revenues increased 1% in the second quarter and 2% in the six-month period. The increases in both periods were primarily due to the benefit of the 2017 annual price increase and positive net sales, partly offset by the commercial pricing adjustments on remaining legacy foreign exchange products. Elektron Data Platform and Risk revenues grew 8% collectively while desktop revenues declined 5%;
- **Transactions** revenues increased 8% in the second quarter and 6% in the six-month period. Increases in both periods were primarily due to organic growth in Tradeweb and the BETA brokerage processing business, as well as contributions from acquisitions, partly offset by lower foreign exchange trading revenues; and
- **Recoveries** revenues, which Financial & Risk collects from customers and largely passes through to a third-party provider, such as stock exchange fees, decreased 5% in the second quarter and 7% in the six-month period. The decline in these low-margin recoveries revenues partially reflected the continued transition of a small number of third-party information providers to direct billing arrangements with their customers. We do not expect recoveries to have a significant impact on Financial & Risk's revenue growth in the second half of the year.

Second-Quarter 2017 Revenues by Type



Adjusted EBITDA and the related margin increased in both periods primarily due to the impact of higher recurring and transaction revenues, as well as lower expenses, all on a constant currency basis. The lower expenses were driven by initiatives to simplify Financial & Risk's business, which included benefits from severance actions in the fourth quarter of 2016. Foreign currency benefited adjusted EBITDA margin by 50bp and 40bp in the second quarter and six-month period, respectively, compared to the prior-year periods.

## Legal

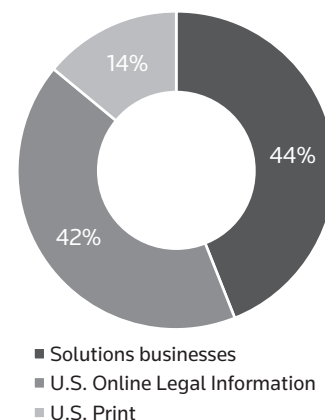
(millions of U.S. dollars, except margins)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Revenues</b>	<b>842</b>	846	-	<b>1,666</b>	1,668	-
<i>Revenue change at constant currency</i>			1%			1%
<b>Adjusted EBITDA</b>	<b>320</b>	310	3%	<b>627</b>	608	3%
<b>Adjusted EBITDA margin</b>	<b>38.0%</b>	36.6%	140bp	<b>37.6%</b>	36.5%	110bp

Revenues increased 1% in constant currency in the second quarter as 4% growth in recurring revenues (76% of the Legal segment in the quarter) was partly offset by an 8% decline in transactions revenues (10% of the Legal segment in the quarter) and an 8% decline in U.S. Print revenues (14% of the Legal segment in the quarter). For the six-month period, revenue performance was the same, except that U.S. Print revenues declined 6% over that period. Excluding U.S. Print, Legal's revenues increased 2% in both the second quarter and six-month period.

Results by line of business in constant currency were as follows:

- **Solutions businesses** revenues include non-U.S. legal information and global software and services businesses. In both periods, Solutions businesses revenues increased 2%, as 5% growth in recurring revenues (approximately 80% of the Solutions business), was partly offset by a 9% decline in transactions revenues. Revenue growth was led by U.K. Practical Law, FindLaw, Investigative & Public Records and Legal Tracker. However, revenues in Latin America were lower. Legal expects that transactions revenues will be similarly weak in the third quarter, but should begin to improve toward the end of the year;
- **U.S. Online Legal Information** revenues increased 3% and 2% in the second quarter and six-month period, respectively, driven by growth in U.S. Practical Law. Legal expects U.S. Online Legal Information business to grow 2% for the full year; and
- **U.S. Print** revenues decreased 8% and 6% in the second quarter and six-month period, respectively.

Second-Quarter 2017 Revenues  
by Line of Business



Adjusted EBITDA and the related margins increased in both periods due to higher revenues and lower expenses, all in constant currency. The decline in expenses reflected simplification initiatives, including benefits from the severance actions in the fourth quarter of 2016 and cost management efforts. Foreign currency benefited adjusted EBITDA margins by 30bp in the second quarter, but had no impact in the six-month period, compared to the prior-year periods.

## Tax & Accounting

(millions of U.S. dollars, except margins)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Revenues</b>	<b>350</b>	324	8%	<b>767</b>	713	8%
<i>Revenue change at constant currency</i>			8%			7%
<b>Adjusted EBITDA</b>	<b>103</b>	82	26%	<b>244</b>	196	24%
<b>Adjusted EBITDA margin</b>	<b>29.4%</b>	25.3%	410bp	<b>31.8%</b>	27.5%	430bp

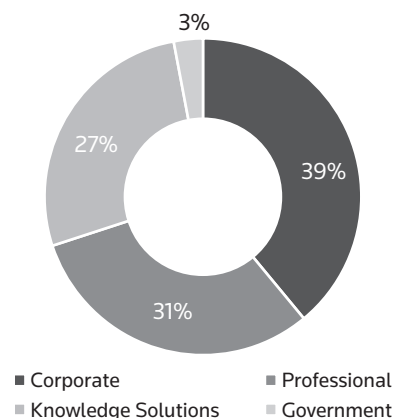
Revenues increased 8% in constant currency in the second quarter, driven by a 4% increase in recurring revenues (84% of the Tax & Accounting segment in the quarter) and a 36% increase in transactions revenues (16% of the Tax & Accounting segment in the quarter). The increase in transactions revenues benefited from a favorable year over year comparison, as the Government business reported lower revenues in the prior-year period due to delays of go-live dates on two significant projects.

Revenues increased 7% in constant currency in the six-month period, driven by a 5% increase in recurring revenues and a 16% increase in transactions revenues.

Results by line of business in constant currency were as follows:

- **Corporate** includes revenues from a suite of global and local tax compliance, workflow and data management software and services. Corporate revenues increased 12% and 9% in the second quarter and six-month period, respectively. The increases in both periods were primarily due to growth in ONESOURCE software and services;
- **Professional** includes revenues from tax, accounting, audit, payroll, document management, client portals and practice management applications and services. Professional revenues increased 7% and 10% in the second quarter and six-month period, respectively, primarily due to growth in CS Professional Suite solutions for accounting firms and higher revenues in Latin America;
- **Knowledge Solutions** includes revenues from information, research, workflow tools and certified professional education. Knowledge Solutions revenues decreased 2% in the second quarter and decreased 1% in the six-month period; and
- **Government**, which represents only 3% of Tax & Accounting's revenues, includes integrated property tax management and land registry solutions. Government revenues increased significantly in both periods as prior-year period revenues were lower due to delays of go-live dates on two significant projects.

**Second-Quarter 2017 Revenues  
by Line of Business**



Adjusted EBITDA and the related margin increased in both periods primarily due to the impact of higher revenues. Expenses were slightly higher in both periods, as benefits from simplification initiatives, including from the severance actions in the fourth quarter of 2016, and lower expenses in the Government business were more than offset by higher allocations of technology expenses. Foreign currency positively impacted adjusted EBITDA margin by 20bp in the second quarter, but negatively impacted adjusted EBITDA margin by 10bp in the six-month period, compared to the prior-year periods.

Tax & Accounting is a seasonal business with a significant percentage of its adjusted EBITDA historically generated in the fourth quarter. Small movements in the timing of revenues and expenses can impact the quarterly margin. Full-year margin is more reflective of the segment's performance.

#### Corporate & Other

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Revenues – Reuters News</b>	<b>74</b>	<b>79</b>	<b>148</b>	<b>154</b>
<b>Reuters News (adjusted EBITDA)</b>	<b>9</b>	<b>8</b>	<b>22</b>	<b>12</b>
<b>Core corporate expenses</b>	<b>(71)</b>	<b>(86)</b>	<b>(119)</b>	<b>(191)</b>
<b>Total</b>	<b>(62)</b>	<b>(78)</b>	<b>(97)</b>	<b>(179)</b>

Revenues from Reuters News decreased in both periods primarily due to the impact of foreign currency, lower news agency and custom content revenues. Reuters News results reflected the impact of lower expenses, which included a favorable impact from foreign currency.

The decrease in core corporate expenses in both periods reflected the elimination of certain overhead costs in connection with the sale of our former Intellectual Property & Science business, and the allocation of additional costs, primarily technology, to the Tax & Accounting segment.

Refer to the "Outlook" section of this management's discussion and analysis for further information regarding our expectations for core corporate expenses.

## Results of Discontinued Operations

In October 2016, we sold our Intellectual Property & Science business, which was reported as discontinued operations. The results of discontinued operations were as follows:

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Earnings from discontinued operations, net of tax</b>	<b>5</b>	<b>46</b>	<b>2</b>	<b>108</b>

The 2017 periods include residual income and expense items that were borne by our company following the closing of the Intellectual Property & Science sale, which included refinement of earlier estimates related to the sale.

## Liquidity and Capital Resources

Our principal sources of liquidity are cash on hand, cash provided by our operations, our \$2.0 billion commercial paper programs and our \$2.4 billion credit facility. From time to time, we also issue debt securities. Our principal uses of cash are for debt repayments, debt servicing costs, dividend payments, capital expenditures, share repurchases and acquisitions. Additionally, in the first quarter of 2017, we contributed \$500 million to our U.S. defined benefit pension plan. We believe that our existing sources of liquidity will be sufficient to fund our expected cash requirements in the normal course of business for the next 12 months.

### Cash flow

#### Summary of consolidated statement of cash flow

(millions of U.S. dollars)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	\$ Change	2017	2016	\$ Change
<b>Net cash provided by operating activities</b>	<b>834</b>	<b>770</b>	<b>64</b>	<b>466</b>	<b>1,228</b>	<b>(762)</b>
<b>Net cash used in investing activities</b>	<b>(220)</b>	<b>(291)</b>	<b>71</b>	<b>(595)</b>	<b>(560)</b>	<b>(35)</b>
<b>Net cash used in financing activities</b>	<b>(651)</b>	<b>(657)</b>	<b>6</b>	<b>(1,477)</b>	<b>(905)</b>	<b>(572)</b>
<b>Decrease in cash and bank overdrafts</b>	<b>(37)</b>	<b>(178)</b>	<b>141</b>	<b>(1,606)</b>	<b>(237)</b>	<b>(1,369)</b>
<b>Translation adjustments</b>	<b>3</b>	<b>(5)</b>	<b>8</b>	<b>5</b>	<b>(1)</b>	<b>6</b>
<b>Cash and bank overdrafts at beginning of period</b>	<b>800</b>	<b>867</b>	<b>(67)</b>	<b>2,367</b>	<b>922</b>	<b>1,445</b>
<b>Cash and bank overdrafts at end of period</b>	<b>766</b>	<b>684</b>	<b>82</b>	<b>766</b>	<b>684</b>	<b>82</b>

**Operating activities.** Net cash provided by operating activities increased in the second quarter, despite the loss of cash flow from our Intellectual Property & Science business, which was sold in October 2016. The increase was largely due to higher operating profit before the impact of non-cash items, particularly fair value adjustments. Net cash used in operating activities decreased in the six-month period primarily due to the \$500 million contribution to pre-fund our U.S. pension plan in January 2017, \$116 million of payments related to 2016 severance charges, and the loss of approximately \$243 million of cash flows from our Intellectual Property & Science business following its sale.

**Investing activities.** The decrease in net cash used in investing activities in the second quarter primarily reflected lower acquisition spending. The increase in net cash used in investing activities in the six-month period reflected higher acquisition spending by our Financial & Risk business, including the purchase of REDI, a provider of a cross-asset trade execution management system for financial professionals and two smaller businesses, Clariant and Avox, which expanded the segment's risk management footprint.

**Financing activities.** Net cash used in financing activities in the second quarter decreased slightly as higher share repurchases were more than offset by lower repayments of commercial paper and dividend payments. Despite lower share repurchases, net cash used in financing activities increased in the six-month period due to higher repayments of debt. We returned \$0.5 billion (2016 – \$0.5 billion) and \$1.1 billion (2016 – \$1.2 billion) to our common shareholders through dividends and share repurchases in the second quarter and six-month period, respectively.

**Cash and bank overdrafts.** During 2017, we utilized a portion of the proceeds from the sale of Intellectual Property & Science to pay down debt and make a contribution to our U.S. pension plan. As such, cash and cash equivalents declined from \$2.4 billion at December 31, 2016 to \$0.8 billion at June 30, 2017. The balance in cash and bank overdrafts was \$766 million at June 30, 2017 compared to \$684 million at June 30, 2016.

Additional information about our debt, dividends and share repurchases is as follows:

- **Commercial paper programs.** Issuances under our \$2.0 billion commercial paper programs reached a peak of \$360 million during the six-month period of 2017, of which \$150 million was outstanding at June 30, 2017.
- **Credit facility.** There were no borrowings under our \$2.4 billion credit facility during the six-month period of 2017.
- **Long-term debt.** We have capacity to issue up to \$2.5 billion principal amount of debt securities under our debt shelf prospectus, which expires in April 2018. The following table provides information regarding notes that we issued and repaid in the six months ended June 30, 2017 and 2016:

MONTH/YEAR	TRANSACTION	PRINCIPAL AMOUNT (IN MILLIONS)
<b>Notes issued</b>		
May 2016	3.35% Notes, due 2026	US\$500
<b>Notes repaid</b>		
February 2017	1.30% Notes, due 2017	US\$550
May 2016	0.875% Notes, due 2016	US\$500

The February 2017 notes were repaid principally from cash on hand, which included a portion of the proceeds from the sale of the Intellectual Property & Science business. We used the net proceeds of our May 2016 debt issuance to repay the notes which matured that same month.

- **Credit ratings.** Our credit ratings have not changed since December 31, 2016. The table below reflects the credit ratings that we have received from rating agencies in respect of our outstanding securities as of the date of this management's discussion and analysis.

	Moody's	Standard & Poor's	DBRS Limited	Fitch
<b>Long-term debt</b>	Baa2	BBB+	BBB (high)	BBB+
<b>Commercial paper</b>	P-2	A-2	R-2 (high)	F2
<b>Trend/Outlook</b>	Stable	Stable	Stable	Stable

These credit ratings are not recommendations to purchase, hold, or sell securities and do not address the market price or suitability of a specific security for a particular investor. We cannot assure you that our credit ratings will not be lowered in the future.

- **Dividends.** Dividends on our common shares are declared in U.S. dollars. In our consolidated statement of cash flow, dividends paid on common shares are shown net of amounts reinvested in our company under our dividend reinvestment plan. Details of dividends declared per share and dividends paid on common shares are as follows:

	Three months ended June 30,		Six months ended June 30,	
(millions of U.S. dollars, except per share amounts)	2017	2016	2017	2016
<b>Dividends declared per share</b>	<b>\$0.345</b>	<b>\$0.34</b>	<b>\$0.69</b>	<b>\$0.68</b>
<b>Dividends declared</b>	<b>249</b>	<b>256</b>	<b>500</b>	<b>514</b>
<b>Dividends reinvested</b>	<b>(8)</b>	<b>(8)</b>	<b>(17)</b>	<b>(17)</b>
<b>Dividends paid</b>	<b>241</b>	<b>248</b>	<b>483</b>	<b>497</b>

- **Share repurchases.** We may buy back shares (and subsequently cancel them) from time to time as part of our capital strategy. In February 2017, we announced that we plan to repurchase up to an additional \$1.0 billion of our common shares. As of June 30, 2017, we repurchased 13.5 million common shares for a cost of \$578 million under this buyback program.

Under our normal course issuer bid (NCIB), which we renewed in the second quarter, we may repurchase up to 36 million common shares between May 30, 2017 and May 29, 2018 in open market transactions on the Toronto Stock Exchange (TSX), the New York Stock Exchange (NYSE) and/or other exchanges and alternative trading systems, if eligible, or by such other means as may be permitted by the TSX and/or NYSE or under applicable law, including private agreement purchases if we receive an issuer bid exemption order from applicable securities regulatory authorities in Canada for such purchases. In the six months ended June 30, 2017, we privately repurchased 6.0 million common shares (2016 –3.0 million common shares) at a discount to the then-prevailing market price.

Details of share repurchases were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Share repurchases (millions of U.S. dollars)	294	258	578	690
Shares repurchased (millions)	6.7	6.3	13.5	18.0
Share repurchases – average price per share	\$43.73	\$40.51	\$42.70	\$38.23

Decisions regarding any future repurchases will depend on factors, such as market conditions, share price and other opportunities to invest capital for growth. We may elect to suspend or discontinue our share repurchases at any time, in accordance with applicable laws.

#### Free cash flow

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net cash provided by operating activities	834	770	466	1,228
Capital expenditures, less proceeds from disposals	(241)	(212)	(454)	(445)
Capital expenditures from discontinued operations	-	(14)	-	(25)
Other investing activities	9	1	15	20
Dividends paid on preference shares	-	-	(1)	(1)
Dividends paid to non-controlling interests	(22)	(20)	(31)	(29)
Free cash flow	580	525	(5)	748

The increase in free cash flow in the second quarter was primarily due to higher cash from operating activities. The decrease in the six-month period reflected lower cash from operating activities, which included the \$500 million pension contribution in January 2017. We expect to generate full-year 2017 free cash flow between \$0.9 billion and \$1.2 billion.

#### Financial position

Our total assets were \$26.5 billion at June 30, 2017, a decrease of \$1.3 billion from December 31, 2016. The decrease was primarily due to the \$500 million contribution to our U.S. pension plan and the repayment of \$550 million principal amount of notes upon their maturity with cash on hand at December 31, 2016.

At June 30, 2017, the carrying amounts of our total current liabilities exceeded the carrying amounts of our total current assets principally because current liabilities include deferred revenue, which arises from the sale of subscription based products and services that many customers pay for in advance. The cash received from these advance payments is used to currently fund the operating, investing and financing activities of our business. However, for accounting purposes, these advance payments must be deferred and recognized over the term of the subscription. As such, we typically reflect a negative working capital position in our consolidated statement of financial position. In the ordinary course of business, deferred revenue does not represent a cash obligation, but rather an obligation to perform services or deliver products. Therefore, we believe that the negative working capital position at June 30, 2017 was not indicative of a liquidity issue, but rather an outcome of the required accounting for our business model.

#### Net debt<sup>(1)</sup>

(millions of U.S. dollars)	June 30,	December 31,
	2017	2016
Current indebtedness	718	1,111
Long-term indebtedness	6,326	6,278
Total debt	7,044	7,389
Swaps	295	327
Total debt after swaps	7,339	7,716
Remove fair value adjustments for hedges <sup>(2)</sup>	11	23
Total debt after currency hedging arrangements	7,350	7,739
Remove transaction costs and discounts included in the carrying value of debt	61	65
Less: cash and cash equivalents <sup>(3)</sup>	(771)	(2,368)
Net debt	6,640	5,436

(1) Net debt is a non-IFRS financial measure, which we define in Appendix A of this management's discussion and analysis.

(2) Represents the interest-related fair value component of hedging instruments that are removed to reflect net cash outflow upon maturity.

(3) Includes cash and cash equivalents of \$126 million and \$112 million at June 30, 2017 and December 31, 2016, respectively, held in subsidiaries, which have regulatory restrictions, contractual restrictions or operate in countries where exchange controls and other legal restrictions apply and are therefore not available for general use by our company.

The maturity dates for our debt are well balanced with no significant concentration in any one year. Our next scheduled term debt maturity occurs in September 2017. At June 30, 2017, the average maturity of our term debt was approximately eight years at an average interest rate (after swaps) of less than 5%.

#### **Off-balance sheet arrangements, commitments and contractual obligations**

For a summary of our other off-balance sheet arrangements, commitments and contractual obligations, please see our 2016 annual management's discussion and analysis. There were no material changes to these arrangements, commitments and contractual obligations during the six months ended June 30, 2017.

#### **Contingencies**

##### ***Lawsuits and legal claims***

We are engaged in various legal proceedings, claims, audits and investigations that have arisen in the ordinary course of business. These matters include, but are not limited to, employment matters, commercial matters, defamation claims and intellectual property infringement claims. The outcome of all of the matters against us is subject to future resolution, including the uncertainties of litigation. Based on information currently known to us and after consultation with outside legal counsel, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on our financial condition taken as a whole.

##### ***Uncertain tax positions***

We are subject to taxation in numerous jurisdictions and we are routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of our positions and propose adjustments or changes to our tax filings.

As a result, we maintain provisions for uncertain tax positions that we believe appropriately reflect our risk. These provisions are made using our best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. We review the adequacy of these provisions at the end of each reporting period and adjust them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from our provisions. However, based on currently enacted legislation, information currently known to us and after consultation with outside tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on our financial condition taken as a whole.

In June 2016, certain of our U.S. subsidiaries received a statutory notice of deficiency from the Internal Revenue Service (IRS) for the 2010 and 2011 tax years. In the notice, the IRS claims that the taxable income of these subsidiaries should be increased by an amount that creates an aggregate potential additional income tax liability of approximately \$250 million for the period, including interest. The IRS claim relates to our intercompany transfer pricing practices. We plan to pursue all available administrative and judicial remedies necessary to resolve the matter. To that end, we filed a petition in U.S. Tax Court in September 2016. Management believes that we will prevail in this dispute.

For additional information, please see the "Risk Factors" section of our 2016 annual report, which contains further information on risks related to tax matters.

#### **Outlook**

*The information in this section is forward-looking and should be read in conjunction with the part of the "Additional Information" section below entitled "Cautionary Note Concerning Factors That May Affect Future Results".*

We originally communicated our 2017 full-year business outlook in February 2017. Based on our first-half 2017 performance, we recently raised our 2017 full-year adjusted EPS outlook from \$2.35 to a range of \$2.40 to \$2.45. We also increased the range of our 2017 full-year adjusted EBITDA margin outlook by 50bp from a range of 28.8% to 29.8% to a range of 29.3% to 30.3%. We reaffirmed our outlook for revenue growth and free cash flow. Our current outlook:

- Assumes constant currency rates relative to 2016; and
- Does not factor in the impact of acquisitions or divestitures that may occur during the year.



The following table sets forth our current 2017 financial outlook, the material assumptions related to our financial outlook and the material risks that may cause actual performance to differ materially from our expectations.

<b>Revenues expected to grow low single digits</b>	
<b>Material assumptions</b>	<b>Material risks</b>
<ul style="list-style-type: none"> <li>• Gross domestic product (GDP) growth in most of the countries where we operate</li> <li>• Continued demand for products and services that help customers navigate changing geopolitical, economic and regulatory environments</li> <li>• An increase in demand for information and workflow solutions</li> <li>• The successful execution of sales initiatives, ongoing product release programs and our globalization strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Global economic uncertainty due to factors including continued regulatory reform around the world, changes in the political environment and the U.K.'s plan to leave the European Union may limit business opportunities for our customers, lowering their demand for our products and services</li> <li>• Demand for our products and services could be reduced by changes in customer buying patterns, or our inability to execute on key product or customer support initiatives</li> <li>• Pressure on certain customers, in developed markets in particular, may constrain the number of professionals employed</li> <li>• Competitive pricing actions could impact our revenues</li> <li>• Our sales and product initiatives may be insufficient to retain customers or generate new sales</li> </ul>
<b>Adjusted EBITDA margin expected to be between 29.3% and 30.3%</b>	
<b>Material assumptions</b>	<b>Material risks</b>
<ul style="list-style-type: none"> <li>• Revenues expected to grow at low single digits</li> <li>• Business mix continues to shift to higher-growth, but lower margin offerings</li> <li>• Execution of transformation and efficiency initiatives</li> <li>• Continue to invest in growth markets and customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Same as the risks above related to the revenue outlook</li> <li>• Revenues from higher margin businesses may be lower than expected; conversely, revenues from low-margin businesses could be higher than expected</li> <li>• The costs of required investments, including those in growth markets, exceed expectations or actual returns are below expectations</li> <li>• Acquisition and disposal activity may dilute margins</li> <li>• Efficiency initiatives may cost more than expected, be delayed or may not produce the expected level of savings</li> </ul>
<b>Adjusted EPS expected to be between \$2.40 and \$2.45</b>	
<b>Material assumptions</b>	<b>Material risks</b>
<ul style="list-style-type: none"> <li>• Adjusted EBITDA margin expected to be between 29.3% and 30.3%</li> <li>• Depreciation and software amortization expense expected to be between \$1.0 billion and \$1.05 billion, a slight increase to the bottom part of this range, which was originally communicated as \$950 million in February 2017</li> <li>• Interest expense expected to be between \$400 and \$425 million</li> <li>• Effective tax rate expected to be between 10% and 13%</li> <li>• Completion of \$1.0 billion share buyback program announced in February 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Same as the risks above related to the revenue outlook and adjusted EBITDA margin outlook</li> <li>• Capital expenditures may be higher than currently expected, resulting in higher in-period depreciation and amortization</li> <li>• Obsolescence of technology may require accelerated amortization or impairment of certain assets</li> <li>• Higher than expected debt levels or an increase in rates could result in higher interest expense</li> <li>• Material changes in current tax laws or treaties to which we are subject could adversely impact our income tax expense</li> <li>• Higher common shares outstanding due to lower than expected share repurchases</li> </ul>
<b>Free Cash Flow is expected to be between \$0.9 billion and \$1.2 billion</b>	
<b>Material assumptions</b>	<b>Material risks</b>
<ul style="list-style-type: none"> <li>• Revenues expected to grow at low single digits</li> <li>• Expected cash payments in 2017 relating to the fourth-quarter 2016 severance charges, the \$500 million contribution to our U.S. defined benefit pension plan made in January 2017, and the loss of free cash flow following the sale of Intellectual Property &amp; Science</li> <li>• Adjusted EBITDA margin expected to be between 29.3% and 30.3%</li> <li>• Capital expenditures expected to be approximately 9.0% of revenues, a slight increase from 8.5% of revenues, as originally communicated in February 2017</li> </ul>	<ul style="list-style-type: none"> <li>• Same as the risks above related to the revenue outlook and adjusted EBITDA margin outlook</li> <li>• A weaker macroeconomic environment could negatively impact working capital performance</li> <li>• Capital expenditures may be higher than currently expected resulting in higher cash outflows</li> <li>• The timing and amount of tax payments to governments may differ from our expectations</li> </ul>

Additionally, we expect full-year 2017 core corporate costs including depreciation and amortization of computer software to be approximately \$280 million. This reflects cost reductions to realign the corporate center with the size of our business after the sale of Intellectual Property & Science, as well as \$40 million to \$50 million of higher overhead allocations, primarily technology, to our segments. We expect that the higher allocations will have a negative impact on the full-year 2017 adjusted EBITDA margin of Tax & Accounting, our smallest segment, while the impacts on our Financial & Risk and Legal segments for the full year are expected to be minimal.

Our Outlook contains various non-IFRS financial measures. For Outlook purposes only, we are unable to reconcile these non-IFRS measures to the most comparable IFRS measures because we cannot predict, with reasonable certainty, the 2017 impact of changes in foreign exchange rates which impact (i) the translation of our results reported at average foreign currency rates for the year, (ii) fair value adjustments associated with foreign currency derivatives embedded in certain customer contracts and (iii) other finance income or expense related to foreign exchange contracts and intercompany financing arrangements. Additionally, we cannot reasonably predict the occurrence or amount of other operating gains and losses, which generally arise from business transactions we do not anticipate.

## **Related Party Transactions**

As of July 31, 2017, Woodbridge beneficially owned approximately 63% of our shares.

There were no new significant related party transactions during the six months ended June 30, 2017. Please refer to the "Related Party Transactions" section of our 2016 annual management's discussion and analysis, which is contained in our 2016 annual report, as well as note 29 of our 2016 annual consolidated financial statements for information regarding related party transactions.

## **Subsequent Events**

There were no material events occurring after June 30, 2017 through the date of this management's discussion and analysis.

## **Changes in Accounting Policies**

Effective January 1, 2017, we prospectively adopted the amendments of IFRS 2, *Classification and Measurement of Share-based Payment Transactions*. Please refer to the "Changes in Accounting Policies" section of our 2016 annual management's discussion and analysis, which is contained in our 2016 annual report, as well as note 1 of our consolidated interim financial statements for the three and six months ended June 30, 2017.

## **Critical Accounting Estimates and Judgments**

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Please refer to the "Critical Accounting Estimates and Judgments" section of our 2016 annual management's discussion and analysis, which is contained in our 2016 annual report, for additional information. Since the date of our 2016 annual management's discussion and analysis, there have not been any significant changes to our critical accounting estimates and judgments.

## **Additional Information**

### ***Disclosure controls and procedures***

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

**Internal control over financial reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

We are engaged in the following long-term efficiency initiatives which impact our financial reporting:

- We are enhancing our order-to-cash (OTC) applications and related workflow processes in phases over multiple years. Key elements of the OTC solutions are order management, billing, cash management and collections functionality. We expect to reduce the number of applications and to streamline processes across our organization through this initiative.
- We are automating manual processes and updating workflows associated with intercompany revenue and cost allocation.

As we are implementing these initiatives in phases over an extended period, the nature and extent of activity will vary by quarter. In certain quarters, we may have limited or no activity.

As these initiatives could result in material changes to our internal control over financial reporting depending on the nature and volume of work completed, we will continue to modify the design and documentation of the related internal control processes and procedures, as necessary. Except as described above, there was no change in our internal control over financial reporting during the last fiscal quarter of 2017 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Share capital**

As of July 31, 2017, we had outstanding 714,704,381 common shares, 6,000,000 Series II preference shares, 9,768,648 stock options and a total of 6,058,388 time-based restricted share units and performance restricted share units. We have also issued a Thomson Reuters Founders Share which enables Thomson Reuters Founders Share Company to exercise extraordinary voting power to safeguard the Thomson Reuters Trust Principles.

**Public securities filings and regulatory announcements**

You may access other information about our company, including our 2016 annual report (which contains information required in an annual information form) and our other disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities through SEDAR at [www.sedar.com](http://www.sedar.com) and in the United States with the SEC at [www.sec.gov](http://www.sec.gov).

**Cautionary note concerning factors that may affect future results**

*Certain statements in this management's discussion and analysis are forward-looking, including, but not limited to, statements about our 2017 expectations in the "Executive Summary" and "Outlook" sections, statements regarding Thomson Reuters consolidated adjusted EBITDA margin and capital expenditures, recoveries revenues in our Financial & Risk segment, statements about transactions and U.S. online legal information revenues in our Legal segment, and our view regarding the resolution of a tax matter with the IRS. The words "expect", "target" and "will" and similar expressions identify forward-looking statements. These forward-looking statements are based on certain assumptions and reflect our company's current expectations. As a result, forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Certain factors that could cause actual results or events to differ materially from current expectations are discussed in the "Outlook" section above. Additional factors are discussed in the "Risk Factors" section of our 2016 annual report and in materials that we from time to time file with, or furnish to, the Canadian securities regulatory authorities and the U.S. Securities and Exchange Commission. There is no assurance that any forward-looking statement will materialize. Our Outlook is provided for the purpose of providing information about current expectations for 2017. This information may not be appropriate for other purposes. You are cautioned not to place undue reliance on forward-looking statements, which reflect our expectations only as of the date of this management's discussion and analysis. Except as may be required by applicable law, we disclaim any obligation to update or revise any forward-looking statements.*

## Appendix A

### Non-IFRS Financial Measures

We use non-IFRS financial measures as supplemental indicators of our operating performance and financial position. Additionally, we use non-IFRS measures as performance metrics as the basis for management incentive programs. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. Except for free cash flow, all our non-IFRS measures exclude the results of our Intellectual Property & Science business, which was reported as a discontinued operation through the closing date of the sale.

The following table sets forth our non-IFRS financial measures, including an explanation of why we believe they are useful measures of our performance. Reconciliations for the most directly comparable IFRS measure are reflected in our management's discussion and analysis.

How We Define It	Why We Use It and Why It Is Useful to Investors	Most Directly Comparable IFRS Measure/Reconciliation
<b>Adjusted EBITDA and the related margin</b>		
<p>Adjusted EBITDA represents earnings from continuing operations before tax expense or benefit, net interest expense, other finance costs or income, depreciation, amortization of software and other identifiable intangible assets, our share of post-tax earnings or losses in equity method investments, other operating gains and losses, certain asset impairment charges, fair value adjustments and corporate related items.</p> <p>The related margin is expressed as a percentage of revenues.</p>	<p>Provides a consistent basis to evaluate operating profitability and performance trends by excluding items that we do not consider to be controllable activities for this purpose.</p> <p>Represents a measure commonly reported and widely used by investors as a valuation metric. Additionally, this measure is used to assess our ability to incur and service debt.</p>	Earnings from continuing operations
<b>Adjusted EBITDA less capital expenditures and the related margin</b>		
<p>Adjusted EBITDA less capital expenditures, less proceeds from disposals. The related margin is expressed as a percentage of revenues.</p>	<p>Provides a basis for evaluating the operating profitability and capital intensity of a business in a single measure. This measure captures investments regardless of whether they are expensed or capitalized.</p>	Earnings from continuing operations
<b>Adjusted earnings and adjusted EPS</b>		
<p>Earnings attributable to common shareholders and per share:</p> <ul style="list-style-type: none"> <li>excluding the post-tax impacts of fair value adjustments, amortization of other identifiable intangible assets, other operating gains and losses, certain asset impairment charges, other net finance costs or income, our share of post-tax earnings or losses in equity method investments, discontinued operations and other items affecting comparability. We calculate the post-tax amount of each item excluded from adjusted earnings based on the specific tax rules and tax rates associated with the nature and jurisdiction of each item.</li> <li>We also deduct dividends declared on preference shares.</li> </ul> <p>Adjusted EPS is calculated using diluted weighted-average shares.</p>	<p>Provides a more comparable basis to analyze earnings and is also a measure commonly used by shareholders to measure our performance.</p>	Earnings attributable to common shareholders and diluted earnings per share

How We Define It	Why We Use It and Why It Is Useful to Investors	Most Directly Comparable IFRS Measure/Reconciliation
<b>Adjusted earnings and adjusted EPS (continued)</b>		
<p>In interim periods, we also adjust our reported earnings and earnings per share to reflect a normalized effective tax rate. Specifically, the normalized effective rate is computed as the estimated full-year effective tax rate applied to pre-tax adjusted earnings of the interim period. The reported effective tax rate is based on separate annual effective income tax rates for each taxing jurisdiction that are applied to each interim period's pre-tax income.</p>	<p>Because the geographical mix of pre-tax profits and losses in interim periods may be different from that for the full-year, our effective tax rate computed in accordance with IFRS may be more volatile by quarter. Therefore, we believe that using the expected full-year effective tax rate provides more comparability among interim periods. The adjustment to normalize the effective tax rate reallocates estimated full-year income taxes between interim periods, but has no effect on full year tax expense or on cash taxes paid.</p>	
<b>Net debt</b>		
<p>Total indebtedness, including the associated fair value of hedging instruments, but excluding the associated unamortized transaction costs and premiums or discounts and the interest-related fair value component of hedging instruments, less cash and cash equivalents.</p>	<p>Provides a commonly used measure of a company's leverage.</p> <p>Given that we hedge some of our debt to reduce risk, we include hedging instruments as we believe it provides a better measure of the total obligation associated with our outstanding debt. However, because we intend to hold our debt and related hedges to maturity, we do not consider the interest components of the associated fair value of hedges in our measurements. We reduce gross indebtedness by cash and cash equivalents.</p>	<p>Total debt (current indebtedness plus long-term indebtedness)</p>
<b>Free cash flow (includes free cash flow from continuing and discontinued operations)</b>		
<p>Net cash provided by operating activities, and other investing activities, less capital expenditures, dividends paid on our preference shares, and dividends paid to non-controlling interests.</p>	<p>Helps assess our ability, over the long term, to create value for our shareholders as it represents cash available to repay debt, pay common dividends and fund share repurchases and new acquisitions.</p>	<p>Net cash provided by operating activities</p>
<b>Changes before the impact of foreign currency or at "constant currency"</b>		
<p>Applicable measures where changes are reported before the impact of foreign currency or at "constant currency"</p> <p>IFRS Measures:</p> <ul style="list-style-type: none"> <li>• Revenues</li> <li>• Operating expenses</li> </ul> <p>Non-IFRS Measures:</p> <ul style="list-style-type: none"> <li>• Adjusted EBITDA and Adjusted EBITDA margin</li> <li>• Adjusted EPS</li> </ul>	<p>Provides better comparability of business trends from period to period.</p> <p>Our reporting currency is the U.S. dollar. However, we conduct a significant amount of our activities in currencies other than the U.S. dollar. We measure our performance before the impact of foreign currency (or at "constant currency"), which means that we apply the same foreign currency exchange rates for the current and equivalent prior period. To calculate the foreign currency impact between periods, we convert the current and equivalent prior period's local currency results using the same foreign currency exchange rate.</p>	<p>For each non-IFRS measure, refer to the definitions above for most directly comparable IFRS measure.</p>

## Appendix B

This appendix provides reconciliations that are not presented elsewhere in this management's discussion and analysis for certain non-IFRS measures to the most directly comparable IFRS measure for the three and six months ended June 30, 2017 and 2016.

### *Reconciliation of earnings from continuing operations to adjusted EBITDA and adjusted EBITDA less capital expenditures*

(millions of U.S. dollars, except margins)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	Change	2017	2016	Change
<b>Earnings from continuing operations</b>	<b>201</b>	<b>304</b>	<b>(34%)</b>	<b>518</b>	<b>514</b>	<b>1%</b>
<b>Adjustments to remove:</b>						
Tax expense (benefit)	5	2		14	(24)	
Other finance costs (income)	91	(9)		118	25	
Net interest expense	95	103		188	196	
Amortization of other identifiable intangible assets	120	132		239	260	
Amortization of computer software	168	172		348	341	
Depreciation	77	80		149	161	
<b>EBITDA</b>	<b>757</b>	<b>784</b>		<b>1,574</b>	<b>1,473</b>	
<b>Adjustments to remove:</b>						
Share of post-tax losses in equity method investments	7	1		5	-	
Other operating losses (gains), net	21	(7)		17	(11)	
Fair value adjustments	53	(21)		118	43	
<b>Adjusted EBITDA</b>	<b>838</b>	<b>757</b>	<b>11%</b>	<b>1,714</b>	<b>1,505</b>	<b>14%</b>
Deduct: Capital expenditures, less proceeds from disposals	(241)	(212)		(454)	(445)	
<b>Adjusted EBITDA less capital expenditures</b>	<b>597</b>	<b>545</b>	<b>10%</b>	<b>1,260</b>	<b>1,060</b>	<b>19%</b>
<b>Adjusted EBITDA margin</b>	<b>30.1%</b>	<b>27.3%</b>	<b>280bp</b>	<b>30.6%</b>	<b>27.1%</b>	<b>350bp</b>
<b>Adjusted EBITDA less capital expenditures margin</b>	<b>21.5%</b>	<b>19.7%</b>	<b>180bp</b>	<b>22.5%</b>	<b>19.1%</b>	<b>340bp</b>

**Reconciliation of changes in segment and consolidated revenues, adjusted EBITDA and the related margin, and consolidated operating expenses and adjusted EPS, excluding the effects of foreign currency**

(millions of U.S. dollars)	Three months ended June 30,				
	2017	2016	Change		
			Total	Foreign Currency	Constant Currency
<b>Revenues</b>					
Financial & Risk	1,517	1,524	-	(2%)	2%
Legal	842	846	-	(1%)	1%
Tax & Accounting	350	324	8%	-	8%
Corporate & Other (Reuters News)	74	79	(6%)	(1%)	(5%)
Eliminations	(1)	(4)			
<b>Consolidated revenues</b>	<b>2,782</b>	<b>2,769</b>	<b>-</b>	<b>(2%)</b>	<b>2%</b>

(millions of U.S. dollars, except margins)	Three months ended June 30,				
	2017	2016	Change		
			Total	Foreign Currency	Constant Currency
<b>Adjusted EBITDA</b>					
Financial & Risk	477	443	8%	-	8%
Legal	320	310	3%	(1%)	4%
Tax & Accounting	103	82	26%	2%	24%
Corporate & Other (includes Reuters News)	(62)	(78)	n/a	n/a	n/a
<b>Consolidated adjusted EBITDA</b>	<b>838</b>	<b>757</b>	<b>11%</b>	<b>-</b>	<b>11%</b>
<b>Adjusted EBITDA Margin</b>					
Financial & Risk	31.4%	29.1%	230bp	50bp	180bp
Legal	38.0%	36.6%	140bp	30bp	110bp
Tax & Accounting	29.4%	25.3%	410bp	20bp	390bp
Corporate & Other (includes Reuters News)	n/a	n/a	n/a	n/a	n/a
<b>Consolidated adjusted EBITDA margin</b>	<b>30.1%</b>	<b>27.3%</b>	<b>280bp</b>	<b>50bp</b>	<b>230bp</b>

(millions of U.S. dollars, except per share amounts)	Three months ended June 30,				
	2017	2016	Change		
			Total	Foreign Currency	Constant Currency
Consolidated operating expenses	1,997	1,991	-	1%	(1%)
Consolidated adjusted EPS	\$0.60	\$0.47	28%	-	28%

**Reconciliation of changes in segment and consolidated revenues, adjusted EBITDA and the related margin, and consolidated operating expenses and adjusted EPS, excluding the effects of foreign currency (continued)**

(millions of U.S. dollars)	Six months ended June 30,				
	2017	2016	Total	Change Foreign Currency	Constant Currency
<b>Revenues</b>					
Financial & Risk	3,019	3,033	-	(1%)	1%
Legal	1,666	1,668	-	(1%)	1%
Tax & Accounting	767	713	8%	1%	7%
Corporate & Other (Reuters News)	148	154	(4%)	(2%)	(2%)
Eliminations	(3)	(6)			
<b>Consolidated revenues</b>	<b>5,597</b>	<b>5,562</b>	<b>1%</b>	<b>(1%)</b>	<b>2%</b>

(millions of U.S. dollars, except margins)	Six months ended June 30,				
	2017	2016	Total	Change Foreign Currency	Constant Currency
<b>Adjusted EBITDA</b>					
Financial & Risk	940	880	7%	-	7%
Legal	627	608	3%	(1%)	4%
Tax & Accounting	244	196	24%	-	24%
Corporate & Other (includes Reuters News)	(97)	(179)	n/a	n/a	n/a
<b>Consolidated adjusted EBITDA</b>	<b>1,714</b>	<b>1,505</b>	<b>14%</b>	<b>-</b>	<b>14%</b>

(millions of U.S. dollars, except margins)	Six months ended June 30,				
	2017	2016	Total	Change Foreign Currency	Constant Currency
<b>Adjusted EBITDA Margin</b>					
Financial & Risk	31.1%	29.0%	210bp	40bp	170bp
Legal	37.6%	36.5%	110bp	-	110bp
Tax & Accounting	31.8%	27.5%	430bp	(10)bp	440bp
Corporate & Other (includes Reuters News)	n/a	n/a	n/a	n/a	n/a
<b>Consolidated adjusted EBITDA margin</b>	<b>30.6%</b>	<b>27.1%</b>	<b>350bp</b>	<b>40bp</b>	<b>310bp</b>

(millions of U.S. dollars, except per share amounts)	Six months ended June 30,				
	2017	2016	Total	Change Foreign Currency	Constant Currency
Consolidated operating expenses	4,001	4,100	(2%)	1%	(3%)
Consolidated adjusted EPS	\$1.23	\$0.93	32%	-	32%

## Appendix C

### Supplemental Information

#### Depreciation and amortization of computer software by segment

(millions of U.S. dollars)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Financial & Risk	140	146	287	288
Legal	61	63	123	123
Tax & Accounting	32	27	64	58
Corporate & Other (includes Reuters News)	12	16	23	33
<b>Total</b>	<b>245</b>	<b>252</b>	<b>497</b>	<b>502</b>



## Appendix D

### Quarterly information (unaudited)

The following table presents a summary of our consolidated operating results for the eight most recent quarters.

	Quarter ended March 31,		Quarter ended June 30,		Quarter ended September 30,		Quarter ended December 31,	
(millions of U.S. dollars, except per share amounts)	2017	2016	2017	2016	2016	2015	2016	2015
Revenues	2,815	2,793	2,782	2,769	2,744	2,747	2,860	2,887
Operating profit	444	310	399	401	385	386	294	433
Earnings from continuing operations	317	210	201	304	268	263	274	358
(Loss) earnings from discontinued operations, net of tax	(3)	62	5	46	18	30	1,967	59
<b>Net earnings</b>	<b>314</b>	<b>272</b>	<b>206</b>	<b>350</b>	<b>286</b>	<b>293</b>	<b>2,241</b>	<b>417</b>
<b>Earnings attributable to common shareholders</b>	<b>297</b>	<b>262</b>	<b>192</b>	<b>337</b>	<b>273</b>	<b>280</b>	<b>2,226</b>	<b>408</b>
<b>Basic earnings per share</b>								
From continuing operations	\$0.41	\$0.26	\$0.26	\$0.39	\$0.34	\$0.32	\$0.35	\$0.45
From discontinued operations	-	0.08	0.01	0.06	0.03	0.04	2.69	0.08
	<b>\$0.41</b>	<b>\$0.34</b>	<b>\$0.27</b>	<b>\$0.45</b>	<b>\$0.37</b>	<b>\$0.36</b>	<b>\$3.04</b>	<b>\$0.53</b>
<b>Diluted earnings per share</b>								
From continuing operations	\$0.41	\$0.26	\$0.26	\$0.39	\$0.34	\$0.32	\$0.35	\$0.45
From discontinued operations	-	0.08	0.01	0.06	0.02	0.04	2.68	0.08
	<b>\$0.41</b>	<b>\$0.34</b>	<b>\$0.27</b>	<b>\$0.45</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$3.03</b>	<b>\$0.53</b>

Our revenues and operating profit on a consolidated basis do not tend to be significantly impacted by seasonality as we record a large portion of our revenues ratably over a contract term and our costs are generally incurred evenly throughout the year. However, our performance from quarter to consecutive quarter can be impacted by transactions revenues as well as by the release of certain print-based offerings, which tend to be concentrated at the end of the year. As a consequence, the results of certain of our segments can be impacted by seasonality to a greater extent than our consolidated results.

**Revenues** — In all periods, revenue performance included the negative impact of foreign currency.

On a constant currency basis, revenues grew by low single digits in each quarter as growth in recurring revenues exceeded declines in recoveries and U.S. print revenues. Additionally, transactions revenues increased in the first two quarters of 2017, but declined in the last two quarters of 2016. Acquisitions contributed to revenue growth in the first and second quarters of 2017, but did not have a meaningful impact on revenue performance over the previous two quarters.

**Operating profit** — The first and second quarters of 2017 included higher revenues and lower operating expenses, which reflected the continuing simplification of our business. In the second quarter of 2017, these benefits were more than offset by unfavorable fair value adjustments associated with foreign currency derivatives embedded in certain customer contracts. In the fourth quarter of 2016, operating profit decreased due to \$212 million of severance charges.

**Net earnings** — In the second quarter of 2017, net earnings decreased due to financing costs, as well as the loss of earnings from discontinued operations following the sale of Intellectual Property & Science in October 2016. In the first quarter of 2017, net earnings increased as higher operating profit more than offset the loss of earnings from discontinued operations. In the fourth quarter of 2016, net earnings increased due to the gain on the sale of Intellectual Property & Science.

**THOMSON REUTERS CORPORATION**  
**CONSOLIDATED INCOME STATEMENT**  
**(unaudited)**

(millions of U.S. dollars, except per share amounts)	Notes	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
<b>CONTINUING OPERATIONS</b>					
Revenues		2,782	2,769	5,597	5,562
Operating expenses	5	(1,997)	(1,991)	(4,001)	(4,100)
Depreciation		(77)	(80)	(149)	(161)
Amortization of computer software		(168)	(172)	(348)	(341)
Amortization of other identifiable intangible assets		(120)	(132)	(239)	(260)
Other operating (losses) gains, net		(21)	7	(17)	11
Operating profit		399	401	843	711
Finance costs, net:					
Net interest expense	6	(95)	(103)	(188)	(196)
Other finance (costs) income	6	(91)	9	(118)	(25)
Income before tax and equity method investments		213	307	537	490
Share of post-tax losses in equity method investments		(7)	(1)	(5)	-
Tax (expense) benefit	7	(5)	(2)	(14)	24
<b>Earnings from continuing operations</b>		<b>201</b>	<b>304</b>	<b>518</b>	<b>514</b>
Earnings from discontinued operations, net of tax	8	5	46	2	108
Net earnings		206	350	520	622
Earnings attributable to:					
Common shareholders		192	337	489	599
Non-controlling interests		14	13	31	23
<b>Earnings per share:</b>	9				
Basic and diluted earnings per share:					
From continuing operations		\$0.26	\$0.39	\$0.67	\$0.65
From discontinued operations		0.01	0.06	-	0.14
Basic and diluted earnings per share		\$0.27	\$0.45	\$0.67	\$0.79

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

**THOMSON REUTERS CORPORATION**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(unaudited)**

(millions of U.S. dollars)	Notes	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
Net earnings		206	350	520	622
Other comprehensive income (loss):					
Items that have been or may be subsequently reclassified to net earnings:					
Cash flow hedges adjustments to net earnings	6	(37)	6	(44)	(90)
Cash flow hedges adjustments to equity		22	(20)	31	58
Foreign currency translation adjustments to equity		251	(220)	384	(99)
		236	(234)	371	(131)
Item that will not be reclassified to net earnings:					
Remeasurement on defined benefit pension plans		16	(129)	20	(224)
Related tax (expense) benefit on remeasurement on defined benefit pension plans		(6)	32	(11)	70
		10	(97)	9	(154)
Other comprehensive income (loss)		246	(331)	380	(285)
Total comprehensive income		452	19	900	337
Comprehensive income (loss) for the period attributable to:					
Common shareholders:					
Continuing operations		433	(26)	867	230
Discontinued operations		5	32	2	84
Non-controlling interests		14	13	31	23
Total comprehensive income		452	19	900	337

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

**THOMSON REUTERS CORPORATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**

		June 30,	December 31,
(millions of U.S. dollars)	Notes	2017	2016
Cash and cash equivalents	10	771	2,368
Trade and other receivables		1,545	1,392
Other financial assets	10	86	188
Prepaid expenses and other current assets		735	686
<b>Current assets</b>		<b>3,137</b>	<b>4,634</b>
Computer hardware and other property, net		877	961
Computer software, net		1,404	1,394
Other identifiable intangible assets, net		5,539	5,655
Goodwill		14,856	14,485
Other financial assets	10	84	135
Other non-current assets	11	565	537
Deferred tax		55	51
<b>Total assets</b>		<b>26,517</b>	<b>27,852</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Current indebtedness	10	718	1,111
Payables, accruals and provisions	12	2,027	2,448
Deferred revenue		1,023	901
Other financial liabilities	10	195	102
<b>Current liabilities</b>		<b>3,963</b>	<b>4,562</b>
Long-term indebtedness	10	6,326	6,278
Provisions and other non-current liabilities	13	1,687	2,258
Other financial liabilities	10	315	340
Deferred tax		1,093	1,158
<b>Total liabilities</b>		<b>13,384</b>	<b>14,596</b>
<b>Equity</b>			
Capital	14	9,571	9,589
Retained earnings		6,990	7,477
Accumulated other comprehensive loss		(3,922)	(4,293)
<b>Total shareholders' equity</b>		<b>12,639</b>	<b>12,773</b>
Non-controlling interests		494	483
<b>Total equity</b>		<b>13,133</b>	<b>13,256</b>
<b>Total liabilities and equity</b>		<b>26,517</b>	<b>27,852</b>
Contingencies (note 17)			

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

**THOMSON REUTERS CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**(unaudited)**

(millions of U.S. dollars)	Notes	Three months ended June 30,		Six months ended June 30,	
		2017	2016	2017	2016
<b>Cash provided by (used in):</b>					
<b>OPERATING ACTIVITIES</b>					
Earnings from continuing operations		201	304	518	514
Adjustments for:					
Depreciation		77	80	149	161
Amortization of computer software		168	172	348	341
Amortization of other identifiable intangible assets		120	132	239	260
Net gains on disposals of businesses and investments		—	(1)	—	(2)
Deferred tax		(52)	(26)	(73)	(84)
Other	15	274	47	437	225
Pension contributions		—	—	(500)	—
Changes in working capital and other items	15	54	(10)	(603)	(381)
Operating cash flows from continuing operations		842	698	515	1,034
Operating cash flows from discontinued operations		(8)	72	(49)	194
Net cash provided by operating activities		834	770	466	1,228
<b>INVESTING ACTIVITIES</b>					
Acquisitions, net of cash acquired	16	(5)	(65)	(183)	(111)
(Payments for) proceeds from disposals of businesses and investments		—	(1)	10	1
Capital expenditures, less proceeds from disposals		(241)	(212)	(454)	(445)
Other investing activities		9	1	15	20
Investing cash flows from continuing operations		(237)	(277)	(612)	(535)
Investing cash flows from discontinued operations		17	(14)	17	(25)
Net cash used in investing activities		(220)	(291)	(595)	(560)
<b>FINANCING ACTIVITIES</b>					
Proceeds from debt	10	—	498	—	498
Repayments of debt	10	—	(500)	(550)	(503)
Net (repayments) borrowings under short-term loan facilities	10	(105)	(138)	150	304
Repurchases of common shares	14	(294)	(258)	(578)	(690)
Dividends paid on preference shares		—	—	(1)	(1)
Dividends paid on common shares	14	(241)	(248)	(483)	(497)
Dividends paid to non-controlling interests		(22)	(20)	(31)	(29)
Other financing activities		11	9	16	13
Net cash used in financing activities		(651)	(657)	(1,477)	(905)
Decrease in cash and bank overdrafts		(37)	(178)	(1,606)	(237)
Translation adjustments		3	(5)	5	(1)
Cash and bank overdrafts at beginning of period		800	867	2,367	922
Cash and bank overdrafts at end of period		766	684	766	684
Cash and bank overdrafts at end of period comprised of:					
Cash and cash equivalents		771	686	771	686
Bank overdrafts		(5)	(2)	(5)	(2)
		766	684	766	684
Supplemental cash flow information is provided in note 15.					
Interest paid		(96)	(93)	(165)	(165)
Income taxes received (paid)	15	6	(48)	(56)	(98)

Interest paid is reflected as an operating cash flow and is net of debt-related hedges.

Income taxes paid and received are reflected as either operating or investing cash flows depending on the nature of the underlying transaction.

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

**THOMSON REUTERS CORPORATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(unaudited)

(millions of U.S. dollars)	Stated share capital	Contributed surplus	Total capital	Retained earnings	Unrecognized gain (loss) on cash flow hedges	Foreign currency translation adjustments	Total accumulated other comprehensive loss ("AOCL")	Shareholders' equity	Non-controlling interests	Total equity
Balance, December 31, 2016	9,393	196	9,589	7,477	32	(4,325)	(4,293)	12,773	483	13,256
Impact of IFRS 2 amendments (note 1)	-	152	152	-	-	-	-	152	-	152
Balance after IFRS 2 amendments	9,393	348	9,741	7,477	32	(4,325)	(4,293)	12,925	483	13,408
Net earnings	-	-	-	489	-	-	-	489	31	520
Other comprehensive income (loss)	-	-	-	9	(13)	384	371	380	-	380
Total comprehensive income (loss)	-	-	-	498	(13)	384	371	869	31	900
Change in ownership interest of subsidiary	-	-	-	13	-	-	-	13	11	24
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(31)	(31)
Dividends declared on preference shares	-	-	-	(1)	-	-	-	(1)	-	(1)
Dividends declared on common shares	-	-	-	(500)	-	-	-	(500)	-	(500)
Shares issued under Dividend Reinvestment Plan ("DRIP")	17	-	17	-	-	-	-	17	-	17
Repurchases of common shares	(177)	-	(177)	(414)	-	-	-	(591)	-	(591)
Pre-defined share repurchase plan	(32)	-	(32)	(83)	-	-	-	(115)	-	(115)
Stock compensation plans	126	(104)	22	-	-	-	-	22	-	22
Balance, June 30, 2017	9,327	244	9,571	6,990	19	(3,941)	(3,922)	12,639	494	13,133

(millions of U.S. dollars)	Stated share capital	Contributed surplus	Total capital	Retained earnings	Unrecognized gain (loss) on cash flow hedges	Foreign currency translation adjustments	AOCL	Shareholders' equity	Non-controlling interests	Total equity
Balance, December 31, 2015	9,686	166	9,852	6,458	36	(3,733)	(3,697)	12,613	487	13,100
Net earnings	-	-	-	599	-	-	-	599	23	622
Other comprehensive loss	-	-	-	(154)	(32)	(99)	(131)	(285)	-	(285)
Total comprehensive income (loss)	-	-	-	445	(32)	(99)	(131)	314	23	337
Change in ownership interest of subsidiary	-	-	-	5	-	-	-	5	1	6
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(29)	(29)
Dividends declared on preference shares	-	-	-	(1)	-	-	-	(1)	-	(1)
Dividends declared on common shares	-	-	-	(514)	-	-	-	(514)	-	(514)
Shares issued under DRIP	17	-	17	-	-	-	-	17	-	17
Repurchases of common shares	(176)	-	(176)	(359)	-	-	-	(535)	-	(535)
Pre-defined share repurchase plan	(44)	-	(44)	(96)	-	-	-	(140)	-	(140)
Stock compensation plans	73	(1)	72	-	-	-	-	72	-	72
Balance, June 30, 2016	9,556	165	9,721	5,938	4	(3,832)	(3,828)	11,831	482	12,313

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

## Thomson Reuters Corporation

### Notes to Consolidated Financial Statements (unaudited)

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

#### **Note 1: Business Description and Basis of Preparation**

##### **General business description**

Thomson Reuters Corporation (the "Company" or "Thomson Reuters") is an Ontario, Canada corporation with common shares listed on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE") and Series II preference shares listed on the TSX. The Company is a major source of news and information for professional markets, operating in more than 100 countries.

##### **Basis of preparation**

The unaudited consolidated interim financial statements ("interim financial statements") were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2016, except as described below. The interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements have been set out in note 2 of the Company's consolidated financial statements for the year ended December 31, 2016. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016, which are included in the Company's 2016 annual report.

The accompanying interim financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

References to "\$" are to U.S. dollars and references to "C\$" are to Canadian dollars.

##### **Changes in accounting policy**

Effective January 1, 2017, the Company prospectively adopted the amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions*. The amendments clarified the accounting for (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- Upon adoption on January 1, 2017, the Company reclassified \$152 million of withholding tax obligations for share-based payments from liabilities to equity.
- The Company is no longer applying mark-to-market accounting on share-based payment transactions with a net settlement feature for withholding tax obligations. The impact was not material to the consolidated income statement and had no impact on the consolidated statement of cash flow for the three and six months ended June 30, 2017.

**Note 2: Recent Accounting Pronouncements**

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are effective for accounting periods beginning on or after January 1, 2017. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

**Pronouncements effective for annual periods beginning January 1, 2018:**

<b>IFRS 15</b>	<i>Revenue from Contracts with Customers</i>	<p>IFRS 15 is the culmination of a joint project between the IASB and the Financial Accounting Standards Board, the accounting standard setter in the U.S., to create a single revenue standard. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard moves away from a revenue recognition model based on an earnings process to an approach that is based on transfer of control of a good or service to a customer. Additionally, the new standard requires disclosures as to the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. IFRS 15 shall be applied retrospectively to each period presented or retrospectively as a cumulative-effect adjustment as of the date of adoption.</p> <p>Based on a preliminary assessment, the Company expects that the standard will not have a material impact on revenues. The Company derives the majority of its revenues from selling electronic content and services on a subscription basis. As a result, the majority of its revenue will continue to be recognized ratably over the term of the subscription under IFRS 15. However, under the new standard, the Company will recognize revenue for certain term licenses of intellectual property at the time control is transferred to the customer, rather than over the license term, and will reflect certain contingent payouts as a reduction of revenue, rather than as expense.</p> <p>The Company is still assessing the impact of IFRS 15 on its operating expenses. Management expects that a larger portion of its commission expenses for sales employees will be deferred, and that a substantial portion of these deferrals will be subject to a longer amortization life under IFRS 15. In 2016, commission expenses were \$300 million.</p> <p>As the Company will continue to evaluate all the potential impacts of the guidance through the adoption date, it considers its current assessment subject to change. Additionally, management is currently identifying applicable changes to its business processes and controls to support recognition and disclosure under the new standard. The Company will provide more information as it becomes available during the year.</p>
<b>IFRS 9</b>	<i>Financial Instruments</i>	<p>IFRS 9 replaces IAS 39 – <i>Financial Instruments: Recognition and Measurement</i>. The new standard addresses classification and measurement, impairment and hedge accounting, and expands financial instrument related disclosures.</p> <p><i>Classification and measurement</i> The new standard requires the classification of financial assets based on business model and cash flow characteristics measured at either (a) amortized cost; (b) fair value through profit or loss; or (c) fair value through other comprehensive income or loss. For financial liabilities, the standard retains most of the IAS 39 requirements, but where the fair value option is taken, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income or loss rather than the income statement.</p> <p><i>Impairment</i> Under the forward looking impairment model, expected credit losses are recognized as soon as a financial asset is originated or purchased, rather than waiting for a trigger event to record a loss.</p> <p><i>Hedge accounting</i> The new standard more closely aligns hedge accounting with an entity's risk management activities. Specifically, the new standard (a) no longer requires the use of a specific quantitative threshold to determine if the hedging relationship is highly effective in order to qualify for hedge accounting; (b) removes restrictions that prevented some economically rational hedging strategies from qualifying for hedge accounting; and (c) allows purchased options, forwards and non-derivative financial instruments to be hedging instruments in applicable circumstances.</p> <p>IFRS 9 shall be applied retrospectively to each period presented, subject to the various transition provisions within IFRS 9. The Company does not expect a material impact from the adoption of this standard on its consolidated results, cash flow and financial position. The Company is assessing the impact on its disclosures.</p>



<b>IFRIC 22</b>	<i>Foreign Currency Transactions and Advance Consideration</i>	IFRIC 22 clarifies the exchange rate to be used upon recognition of an asset, liability, expense or income in situations when a related advanced payment is disbursed or received. The Company is assessing the impact of IFRIC 22 on its consolidated financial statements.
<b>Pronouncements effective for annual periods beginning January 1, 2019:</b>		
<b>IFRS 16</b>	<i>Leases</i>	IFRS 16 introduces a single accounting model for leases. The standard requires a lessee to recognize right-of-use assets and lease liabilities on the statement of financial position for almost all leases having a term of more than 12 months. The Company is assessing the impact of the new standard on its consolidated financial statements.
<b>IFRIC 23</b>	<i>Uncertainty over Income Tax Treatments</i>	IFRIC 23 adds to the requirements of IAS 12, Income Taxes, by specifying how to reflect the effects of uncertainty in the accounting for income taxes. An uncertainty arises when it is unclear how a tax law applies to a particular transaction, or whether a taxation authority will accept a company's tax treatment. The Company is assessing the impact of IFRIC 23 on its consolidated financial statements.

### **Note 3: Segment Information**

The Company is organized as three reportable segments reflecting how the businesses are managed: Financial & Risk, Legal and Tax & Accounting. The accounting policies applied by the segments are the same as those applied by the Company. Results from the Reuters News business are excluded from reportable segments as they do not qualify as a component of the Company's three reportable segments, nor as a separate reportable segment. The reportable segments offer products and services to target markets as described below.

#### **Financial & Risk**

The Financial & Risk segment is a provider of critical news, information and analytics, enabling transactions and connecting communities of trading, investment, financial and corporate professionals. Financial & Risk also provides regulatory and operational risk management solutions.

#### **Legal**

The Legal segment is a provider of critical online and print information, decision tools, software and services that support legal, investigation, business and government professionals around the world.

#### **Tax & Accounting**

The Tax & Accounting segment is a provider of integrated tax compliance and accounting information, software and services for professionals in accounting firms, corporations, law firms and government.

The Company also reports "Corporate & Other", which includes expenses for corporate functions and the results of the Reuters News business. Neither Corporate & Other nor the Reuters News business qualify as a component of another reportable segment nor as a separate reportable segment.

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
<b>Revenues</b>				
Financial & Risk	1,517	1,524	3,019	3,033
Legal	842	846	1,666	1,668
Tax & Accounting	350	324	767	713
Corporate & Other (Reuters News)	74	79	148	154
Eliminations	(1)	(4)	(3)	(6)
Consolidated revenues	2,782	2,769	5,597	5,562
<b>Adjusted EBITDA</b>				
Financial & Risk	477	443	940	880
Legal	320	310	627	608
Tax & Accounting	103	82	244	196
Corporate & Other (includes Reuters News)	(62)	(78)	(97)	(179)
Adjusted EBITDA	838	757	1,714	1,505
Fair value adjustments (see note 5)	(53)	21	(118)	(43)
Depreciation	(77)	(80)	(149)	(161)
Amortization of computer software	(168)	(172)	(348)	(341)
Amortization of other identifiable intangible assets	(120)	(132)	(239)	(260)
Other operating (losses) gains, net	(21)	7	(17)	11
Consolidated operating profit	399	401	843	711
Net interest expense	(95)	(103)	(188)	(196)
Other finance (costs) income	(91)	9	(118)	(25)
Share of post-tax losses in equity method investments	(7)	(1)	(5)	-
Tax (expense) benefit	(5)	(2)	(14)	24
Earnings from continuing operations	201	304	518	514

In accordance with IFRS 8, *Operating Segments*, the Company discloses certain information about its reportable segments based upon measures used by management in assessing the performance of those reportable segments. These measures are defined below and may not be comparable to similar measures of other companies.

In 2017, management changed the profitability measure that it uses to assess the performance of its reportable segments from segment operating profit, which it no longer uses, to adjusted EBITDA. These profitability measures are the same, except that adjusted EBITDA excludes depreciation of fixed assets and amortization of computer software. Management uses a number of measures to assess the performance of its segments internally. Adjusted EBITDA is reported externally, as it represents the internal profitability measure most closely aligned with the measurement of the consolidated income statement.

#### *Adjusted EBITDA*

- Adjusted EBITDA represents earnings from continuing operations before tax expense or benefit, net interest expense, other finance costs or income, depreciation, amortization of software and other identifiable intangible assets, the Company's share of post-tax earnings or losses in equity method investments, other operating gains and losses, certain asset impairment charges, fair value adjustments and corporate related items.
- The Company does not consider these excluded items to be controllable operating activities for purposes of assessing the current performance of the reportable segments.
- Each segment includes an allocation of costs for centralized support services such as technology, editorial, real estate and certain global transaction processing functions that are based on usage or other applicable measures.

**Note 4: Seasonality**

The Company's revenues and operating profit on a consolidated basis do not tend to be significantly impacted by seasonality as it records a large portion of its revenues ratably over a contract term and its costs are generally incurred evenly throughout the year. However, the Company's performance from quarter to consecutive quarter can be impacted by transactions revenues as well as by the release of certain print-based offerings, which tend to be concentrated at the end of the year. As a consequence, the results of certain of the Company's segments can be impacted by seasonality to a greater extent than its consolidated results.

**Note 5: Operating Expenses**

The components of operating expenses include the following:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Salaries, commissions and allowances	982	1,024	1,964	2,063
Share-based payments	21	23	45	51
Post-employment benefits	62	59	124	125
Total staff costs	1,065	1,106	2,133	2,239
Goods and services <sup>(1)</sup>	487	499	991	1,009
Data	210	215	408	424
Telecommunications	88	101	178	202
Real estate	94	91	173	183
Fair value adjustments <sup>(2)</sup>	53	(21)	118	43
Total operating expenses	1,997	1,991	4,001	4,100

(1) Goods and services include professional fees, consulting and outsourcing services, contractors, selling and marketing, and other general and administrative costs.

(2) Fair value adjustments primarily represent mark-to-market impacts on embedded derivatives. In 2016, fair value adjustments also included the mark-to-market impacts on certain share-based awards. Refer to note 1 regarding the adoption of IFRS 2 amendments in 2017.

**Note 6: Finance Costs, Net**

The components of finance costs, net, include interest expense (income) and other finance costs (income) as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest expense:				
Debt	81	85	162	168
Derivative financial instruments - hedging activities	2	2	4	3
Other, net	5	4	10	2
Fair value (gains) losses on financial instruments:				
Cash flow hedges, transfer from equity	(37)	6	(44)	(90)
Net foreign exchange losses (gains) on debt	37	(6)	44	90
Net interest expense - debt and other	88	91	176	173
Net interest expense - pension and other post-employment benefit plans	8	13	16	26
Interest income	(1)	(1)	(4)	(3)
Net interest expense	95	103	188	196

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net losses (gains) due to changes in foreign currency exchange rates	73	(20)	93	(16)
Net losses on derivative instruments	18	11	25	41
Other finance costs (income)	91	(9)	118	25

**Net losses (gains) due to changes in foreign currency exchange rates**

Net losses (gains) due to changes in foreign currency exchange rates were principally comprised of amounts related to certain intercompany funding arrangements.

**Net losses on derivative instruments**

Net losses on derivative instruments were principally comprised of amounts relating to foreign exchange contracts.

**Note 7: Taxation**

Tax expense (benefit) was \$5 million and \$2 million for the three months ended June 30, 2017 and 2016, respectively, and \$14 million and \$(24) million for the six months ended June 30, 2017 and 2016, respectively. The tax expense (benefit) in each period reflected the mix of taxing jurisdictions in which pre-tax profits and losses were recognized. Because the geographical mix of pre-tax profits and losses in interim periods may be different from that for the full year, tax expense or benefit in interim periods is not necessarily indicative of tax expense for the full year.

**Note 8: Discontinued Operations**

Discontinued operations includes the results of the Company's former Intellectual Property & Science business, which was sold in October 2016. The 2017 period includes residual expenses that were borne by the Company following the closing of the Intellectual Property & Science sale, as well as the refinement of earlier estimates related to the sale.

Earnings from discontinued operations are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenues	-	239	-	471
Expenses	(1)	(163)	(5)	(345)
(Loss) earnings from discontinued operations before income tax	(1)	76	(5)	126
Tax (expense) benefit on earnings from discontinued operations <sup>(1)</sup>	-	(30)	1	(18)
(Loss) earnings from discontinued operations after income tax	(1)	46	(4)	108
Gain on sale of discontinued operations	6	-	6	-
Earnings from discontinued operations, net of tax	5	46	2	108

(1) Includes a \$(3) million and \$16 million tax (expense) benefit in the three and six months ended June 30, 2016, respectively, that reflected changes in the Company's estimate of the net deferred tax asset it expected to realize in connection with the sale of its Intellectual Property & Science business.

**Note 9: Earnings Per Share**

Basic earnings per share was calculated by dividing earnings attributable to common shareholders less dividends declared on preference shares by the sum of the weighted-average number of common shares outstanding and vested deferred share units ("DSUs") outstanding during the period. DSUs represent common shares that certain employees have elected to receive in the future upon vesting of share-based compensation awards or in lieu of cash compensation.

Diluted earnings per share was calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and time-based restricted share units ("TRSUs").

Earnings used in determining consolidated earnings per share and earnings per share from continuing operations are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Earnings attributable to common shareholders	192	337	489	599
Less: Dividends declared on preference shares	-	-	(1)	(1)
Earnings used in consolidated earnings per share	192	337	488	598
Less: Earnings from discontinued operations, net of tax	(5)	(46)	(2)	(108)
Earnings used in earnings per share from continuing operations	187	291	486	490

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Weighted-average number of common shares outstanding	720,301,646	750,957,952	723,395,550	755,534,541
Weighted-average number of vested DSUs	708,311	640,809	692,636	628,726
Basic	721,009,957	751,598,761	724,088,186	756,163,267
Effect of stock options and TRSUs	1,494,152	1,751,456	1,321,292	1,632,177
Diluted	722,504,109	753,350,217	725,409,478	757,795,444

### Note 10: Financial Instruments

#### Financial assets and liabilities

Financial assets and liabilities in the consolidated statement of financial position were as follows:

June 30, 2017	Assets/ (Liabilities) at Fair					Total
	Cash, Trade and Other Receivables	Value through Earnings	Derivatives Used for Hedging	Available for Sale	Other Financial Liabilities	
Cash and cash equivalents	771	-	-	-	-	771
Trade and other receivables	1,545	-	-	-	-	1,545
Other financial assets - current	42	44	-	-	-	86
Other financial assets - non-current	53	4	-	27	-	84
Current indebtedness	-	-	-	-	(718)	(718)
Trade payables (see note 12)	-	-	-	-	(255)	(255)
Accruals (see note 12)	-	-	-	-	(1,241)	(1,241)
Other financial liabilities - current <sup>(1)</sup>	-	(37)	-	-	(158)	(195)
Long-term indebtedness	-	-	-	-	(6,326)	(6,326)
Other financial liabilities - non current	-	(19)	(295)	-	(1)	(315)
Total	2,411	(8)	(295)	27	(8,699)	(6,564)

(1) Includes a commitment to repurchase up to \$115 million of shares related to the Company's pre-defined plan with its broker to repurchase the Company's shares during its internal trading blackout period. See note 14.

December 31, 2016	Assets/ (Liabilities) at Fair					Total
	Cash, Trade and Other Receivables	Value through Earnings	Derivatives Used for Hedging	Available for Sale	Other Financial Liabilities	
Cash and cash equivalents	2,368	-	-	-	-	2,368
Trade and other receivables	1,392	-	-	-	-	1,392
Other financial assets - current	67	121	-	-	-	188
Other financial assets - non-current	53	47	-	35	-	135
Current indebtedness	-	-	-	-	(1,111)	(1,111)
Trade payables (see note 12)	-	-	-	-	(311)	(311)
Accruals (see note 12)	-	-	-	-	(1,517)	(1,517)
Other financial liabilities - current	-	(34)	-	-	(68)	(102)
Long-term indebtedness	-	-	-	-	(6,278)	(6,278)
Other financial liabilities - non current	-	(12)	(327)	-	(1)	(340)
<b>Total</b>	<b>3,880</b>	<b>122</b>	<b>(327)</b>	<b>35</b>	<b>(9,286)</b>	<b>(5,576)</b>

#### Cash and cash equivalents

Of total cash and cash equivalents, \$126 million and \$112 million at June 30, 2017 and December 31, 2016, respectively, were held in subsidiaries which have regulatory restrictions, contractual restrictions or operate in countries where exchange controls and other legal restrictions apply and were therefore not available for general use by the Company.

#### Debt-related activity

The following table provides information regarding notes that the Company issued and repaid in the six months ended June 30, 2017 and 2016:

MONTH/YEAR	TRANSACTION	PRINCIPAL AMOUNT (IN MILLIONS)
<b>Notes issued</b>		
May 2016	3.35% Notes, due 2026	US\$500
<b>Notes repaid</b>		
February 2017	1.30% Notes, due 2017	US\$550
May 2016	0.875% Notes, due 2016	US\$500

The February 2017 notes were repaid principally from cash on hand, which included a portion of the proceeds from the sale of the Intellectual Property & Science business. The Company used the net proceeds of its May 2016 debt issuance to repay the notes which matured that same month.

Under its commercial paper programs, the Company may issue up to \$2.0 billion of notes. At June 30, 2017, current indebtedness included \$150 million of outstanding commercial paper within the consolidated statement of financial position.

The Company has a \$2.4 billion credit facility agreement which matures in November 2021. The facility may be utilized to provide liquidity for general corporate purposes (including support for its commercial paper programs). There were no borrowings under the credit facility during the six months ended June 30, 2017.

#### Fair Value

The fair values of cash, trade and other receivables, trade payables and accruals approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long-term debt and related derivative instruments is set forth below.

#### Debt and Related Derivative Instruments

##### Carrying Amounts

Amounts recorded in the consolidated statement of financial position are referred to as "carrying amounts". The carrying amounts of primary debt are reflected in "Long-term indebtedness" and "Current indebtedness" and the carrying amounts of derivative instruments are included in "Other financial assets" and "Other financial liabilities", both current and non-current in the consolidated statement of financial position, as appropriate.

*Fair Value*

The fair value of debt is estimated based on either quoted market prices for similar issues or current rates offered to the Company for debt of the same maturity. The fair value of interest rate swaps are estimated based upon discounted cash flows using applicable current market rates and taking into account non-performance risk.

The following is a summary of debt and related derivative instruments that hedge the cash flows of the debt:

	Carrying Amount		Fair Value	
	Primary Debt Instruments	Derivative Instruments Liability	Primary Debt Instruments	Derivative Instruments Liability
<b>June 30, 2017</b>				
Bank and other	15	-	18	-
Commercial paper	150	-	150	-
C\$500, 3.369% Notes, due 2019	384	88	395	88
C\$750, 4.35% Notes, due 2020	575	150	617	150
C\$550, 3.309% Notes, due 2021	422	57	440	57
\$550, 1.65% Notes, due 2017	550	-	550	-
\$1,000, 6.50% Notes, due 2018	999	-	1,047	-
\$500, 4.70% Notes, due 2019	499	-	526	-
\$350, 3.95% Notes, due 2021	348	-	365	-
\$600, 4.30% Notes, due 2023	595	-	637	-
\$450, 3.85% Notes, due 2024	446	-	467	-
\$500, 3.35% Notes, due 2026	495	-	499	-
\$350, 4.50% Notes, due 2043	341	-	351	-
\$350, 5.65% Notes, due 2043	341	-	406	-
\$400, 5.50% Debentures, due 2035	394	-	445	-
\$500, 5.85% Debentures, due 2040	490	-	585	-
<b>Total</b>	<b>7,044</b>	<b>295</b>	<b>7,498</b>	<b>295</b>
Current portion	718	-		
Long-term portion	6,326	295		

	Carrying Amount		Fair Value	
	Primary Debt Instruments	Derivative Instruments Liability	Primary Debt Instruments	Derivative Instruments Liability
<b>December 31, 2016</b>				
Bank and other	9	-	13	-
C\$500, 3.369% Notes, due 2019	372	99	386	99
C\$750, 4.35% Notes, due 2020	557	163	601	163
C\$550, 3.309% Notes, due 2021	408	65	426	65
\$550, 1.30% Notes, due 2017	549	-	550	-
\$550, 1.65% Notes, due 2017	549	-	550	-
\$1,000, 6.50% Notes, due 2018	998	-	1,067	-
\$500, 4.70% Notes, due 2019	499	-	528	-
\$350, 3.95% Notes, due 2021	348	-	361	-
\$600, 4.30% Notes, due 2023	595	-	625	-
\$450, 3.85% Notes, due 2024	446	-	454	-
\$500, 3.35% Notes, due 2026	494	-	481	-
\$350, 4.50% Notes, due 2043	341	-	325	-
\$350, 5.65% Notes, due 2043	341	-	378	-
\$400, 5.50% Debentures, due 2035	394	-	424	-
\$500, 5.85% Debentures, due 2040	489	-	544	-
<b>Total</b>	<b>7,389</b>	<b>327</b>	<b>7,713</b>	<b>327</b>
Current portion	1,111	-		
Long-term portion	6,278	327		

## Fair value estimation

The following fair value measurement hierarchy is used for financial instruments that are measured in the consolidated statement of financial position at fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The levels used to determine fair value measurements for those instruments carried at fair value in the consolidated statement of financial position are as follows:

June 30, 2017				Total
	Level 1	Level 2	Level 3	Balance
<b>Assets</b>				
Embedded derivatives <sup>(1)</sup>	-	42	-	42
Forward exchange contracts <sup>(2)</sup>	-	6	-	6
Financial assets at fair value through earnings	-	48	-	48
Available for sale investments <sup>(3)</sup>	6	21	-	27
<b>Total assets</b>	<b>6</b>	<b>69</b>	<b>-</b>	<b>75</b>
<b>Liabilities</b>				
Embedded derivatives <sup>(1)</sup>	-	(40)	-	(40)
Forward exchange contracts <sup>(2)</sup>	-	(15)	-	(15)
Contingent consideration <sup>(4)</sup>	-	-	(1)	(1)
Financial liabilities at fair value through earnings	-	(55)	(1)	(56)
Derivatives used for hedging <sup>(5)</sup>	-	(295)	-	(295)
<b>Total liabilities</b>	<b>-</b>	<b>(350)</b>	<b>(1)</b>	<b>(351)</b>
<b>December 31, 2016</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Embedded derivatives <sup>(1)</sup>	-	140	-	140
Forward exchange contracts <sup>(2)</sup>	-	28	-	28
Financial assets at fair value through earnings	-	168	-	168
Available for sale investments <sup>(3)</sup>	7	28	-	35
<b>Total assets</b>	<b>7</b>	<b>196</b>	<b>-</b>	<b>203</b>
<b>Liabilities</b>				
Embedded derivatives <sup>(1)</sup>	-	(24)	-	(24)
Forward exchange contracts <sup>(2)</sup>	-	(20)	-	(20)
Contingent consideration <sup>(4)</sup>	-	-	(2)	(2)
Financial liabilities at fair value through earnings	-	(44)	(2)	(46)
Derivatives used for hedging <sup>(5)</sup>	-	(327)	-	(327)
<b>Total liabilities</b>	<b>-</b>	<b>(371)</b>	<b>(2)</b>	<b>(373)</b>

(1) Largely related to U.S. dollar pricing of customer agreements by subsidiaries outside of the U.S.

(2) Used to manage foreign exchange risk on cash flows excluding indebtedness.

(3) Investments in entities over which the Company does not have control, joint control or significant influence.

(4) Obligations to pay additional consideration for prior acquisitions, based upon performance measures contractually agreed at the time of purchase.

(5) Comprised of fixed-to-fixed cross-currency swaps on indebtedness.

The Company recognizes transfers into and out of the fair value measurement hierarchy levels at the end of the reporting period in which the event or change in circumstances that caused the transfer occurred. There were no transfers between hierarchy levels for the six months ended June 30, 2017.



## Valuation Techniques

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments;
- the fair value of cross-currency interest rate swaps and forward foreign exchange contracts is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- the fair value of contingent consideration is calculated based on estimates of future revenue performance.

### Note 11: Other Non-Current Assets

	June 30, 2017	December 31, 2016
Net defined benefit plan surpluses	22	18
Cash surrender value of life insurance policies	296	288
Equity method investments	172	163
Other non-current assets	75	68
<b>Total other non-current assets</b>	<b>565</b>	<b>537</b>

### Note 12: Payables, Accruals and Provisions

	June 30, 2017	December 31, 2016
Trade payables	255	311
Accruals	1,241	1,517
Provisions	178	273
Other current liabilities	353	347
<b>Total payables, accruals and provisions</b>	<b>2,027</b>	<b>2,448</b>

### Note 13: Provisions and Other Non-Current Liabilities

	June 30, 2017	December 31, 2016
Net defined benefit plan obligations <sup>(1)</sup>	947	1,417
Deferred compensation and employee incentives	152	235
Provisions	113	140
Uncertain tax positions	316	298
Other non-current liabilities	159	168
<b>Total provisions and other non-current liabilities</b>	<b>1,687</b>	<b>2,258</b>

(1) In 2017, the Company contributed \$500 million to its Thomson Reuters Group Pension Plan.

### Note 14: Capital

#### Share repurchases

The Company may buy back shares (and subsequently cancel them) from time to time as part of its capital strategy. In May 2017, the Company renewed its normal course issuer bid ("NCIB") for an additional 12 months. Under the renewed NCIB, the Company may repurchase up to 36 million common shares between May 30, 2017 and May 29, 2018 in open market transactions on the TSX, the NYSE and/or other exchanges and alternative trading systems, if eligible, or by such other means as may be permitted by the TSX and/or NYSE or under applicable law, including private agreement purchases if the Company receives an issuer bid exemption order from applicable securities regulatory authorities in Canada for such purchases. In the six months ended June 30, 2017, the Company privately repurchased 6.0 million common shares (2016 - 3.0 million common shares) at a discount to the then-prevailing market price.

Details of share repurchases were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Share repurchases (millions of U.S. dollars)	294	258	578	690
Shares repurchased (millions)	6.7	6.3	13.5	18.0
Share repurchases - average price per share	\$43.73	\$40.51	\$42.70	\$38.23

Decisions regarding any future repurchases will depend on factors such as market conditions, share price, and other opportunities to invest capital for growth. The Company may elect to suspend or discontinue its share repurchases at any time, in accordance with applicable laws. From time to time when the Company does not possess material nonpublic information about itself or its securities, it may enter into a pre-defined plan with its broker to allow for the repurchase of shares at times when the Company ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with the Company's broker will be adopted in accordance with applicable Canadian securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended. The Company entered into such a plan with its broker on June 30, 2017. As a result, the Company recorded a \$115 million liability in "Other financial liabilities" within current liabilities at June 30, 2017 with a corresponding amount recorded in equity in the consolidated statement of financial position.

#### Dividends

Dividends on common shares are declared in U.S. dollars. In the consolidated statement of cash flow, dividends paid on common shares are shown net of amounts reinvested in the Company under its dividend reinvestment plan. Details of dividends declared per share and dividends paid on common shares are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Dividends declared per common share	\$0.345	\$0.34	\$0.69	\$0.68
Dividends declared	249	256	500	514
Dividends reinvested	(8)	(8)	(17)	(17)
Dividends paid	241	248	483	497

#### Note 15: Supplemental Cash Flow Information

Details of "Other" in the consolidated statement of cash flow are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Non-cash employee benefit charges	63	74	127	150
Fair value adjustments	53	(21)	118	43
Net losses (gains) on foreign exchange and derivative financial instruments	93	(11)	120	21
Other	65	5	72	11
	274	47	437	225

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Trade and other receivables	47	(25)	(110)	(13)
Prepaid expenses and other current assets	3	(28)	(38)	(60)
Other financial assets	9	4	37	31
Payables, accruals and provisions	(39)	88	(440)	(192)
Deferred revenue	25	5	53	(3)
Other financial liabilities	(4)	(14)	(45)	(42)
Income taxes	38	(15)	(1)	(35)
Other <sup>(1)</sup>	(25)	(25)	(59)	(67)
	54	(10)	(603)	(381)

(1) Includes \$(16) million (2016 - \$(18) million) and \$(47) million (2016 - \$(51) million) related to employee benefit plans for the three and six months ended June 30, 2017 and 2016, respectively.

Details of income taxes received (paid) are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Operating activities – continuing operations	(11)	(41)	(73)	(89)
Operating activities – discontinued operations	-	(7)	-	(9)
Investing activities – discontinued operations	17	-	17	-
Total income taxes received (paid)	6	(48)	(56)	(98)

#### Note 16: Acquisitions

Acquisitions primarily comprise the purchase of businesses that are integrated into existing operations to broaden the Company's range of offerings to customers as well as its presence in global markets.

#### Acquisition activity

The number of acquisitions completed, and the related total consideration, were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Number of transactions				
Businesses acquired	-	2	3	4
Investments in businesses	1	1	1	2
	1	3	4	6

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Total consideration				
Businesses acquired	-	65	213	110
Less: Cash acquired	-	-	(7)	-
Businesses acquired, net of cash	-	65	206	110
Investments in businesses	5	-	5	1
	5	65	211	111
Consideration comprised of:				
Cash consideration	5	65	183	111
Non-cash consideration <sup>(1)</sup>	-	-	28	-
	5	65	211	111

(1) Represents future services that the Company will provide to the seller, which was recorded in "Deferred revenue" within the consolidated statement of financial position.

The following provides a brief description of a certain acquisition completed during the six months ended June 30, 2017:

Date	Company	Acquiring Segment	Description
January 2017	REDI	Financial & Risk	A provider of a cross-asset trade execution management system for financial professionals.

#### Purchase price allocation

Each business combination has been accounted for using the acquisition method. The results of acquired businesses are included in the consolidated financial statements from the dates of acquisition. Purchase price allocations related to certain acquisitions may be subject to adjustment pending completion of final valuations.

The details of net assets acquired were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017 <sup>(1)</sup>	2016 <sup>(1)</sup>	2017	2016
Cash and cash equivalents	-	-	7	-
Trade receivables	-	9	9	11
Prepaid expenses and other current assets	-	2	5	3
Current assets	-	11	21	14
Computer hardware and other property	-	-	6	-
Computer software	-	8	25	20
Other identifiable intangible assets	(1)	27	72	35
Deferred tax	-	-	15	-
Total assets	(1)	46	139	69
Current indebtedness	-	-	(1)	-
Payables and accruals	(2)	(2)	(25)	(4)
Deferred revenue	(1)	(9)	(5)	(10)
Current liabilities	(3)	(11)	(31)	(14)
Deferred tax	-	(2)	-	(2)
Total liabilities	(3)	(13)	(31)	(16)
Net assets acquired	(4)	33	108	53
Goodwill	4	32	105	57
Total	-	65	213	110

(1) The three months ended June 30, 2017 and 2016 include valuation adjustments for acquisitions that closed in the first quarter of the year.

The excess of the purchase price over the net tangible and identifiable intangible assets acquired and assumed liabilities was recorded as goodwill and reflects synergies and the value of the acquired workforce. The majority of goodwill for acquisitions completed in 2017 and 2016 is not expected to be deductible for tax purposes.

Acquisition transactions were completed by acquiring all equity interests or the net assets of the acquired business.

#### Other

The revenues and operating profit of acquired businesses since the date of acquisition were not material to the Company's results of operations.

#### Note 17: Contingencies

##### Lawsuits and legal claims

The Company is engaged in various legal proceedings, claims, audits and investigations that have arisen in the ordinary course of business. These matters include, but are not limited to, employment matters, commercial matters, defamation claims and intellectual property infringement claims. The outcome of all of the matters against the Company is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial condition taken as a whole.

##### Uncertain tax positions

The Company is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Company's positions and propose adjustments or changes to its tax filings.

As a result, the Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Company's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Company's provisions. However, based on currently enacted legislation, information currently known by the Company and after consultation with outside tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Company's financial condition taken as a whole.

In June 2016, certain U.S. subsidiaries received a statutory notice of deficiency from the Internal Revenue Service (IRS) for the 2010 and 2011 tax years. In the notice, the IRS claims that the taxable income of these subsidiaries should be increased by an amount that creates an aggregate potential additional income tax liability of approximately \$250 million for the period, including interest. The IRS claim relates to the Company's intercompany transfer pricing practices. The Company plans to pursue all available administrative and judicial remedies necessary to resolve the matter. To that end, the Company filed a petition in U.S. Tax Court in September 2016. Management believes the Company will prevail in this dispute.

**Note 18: Related Party Transactions**

As of June 30, 2017, Woodbridge beneficially owned approximately 63% of the Company's shares.

There were no new significant related party transactions during the six months ended June 30, 2017. Refer to "Related party transactions" disclosed in note 29 of the Company's consolidated financial statements for the year ended December 31, 2016, which are included in the Company's 2016 annual report, for information regarding related party transactions.

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