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Management announced 1Q12 adjusted EPS of $0.44.

THOMSON REUTERS

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. Welcome to the Thomson Reuters first-quarter 2012 earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and answer session and instructions will be given at that time. (Operator Instructions). As a reminder, this conference is being recorded.

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

Frank Golden - *Thomson Reuters Corporation - SVP of IR*

Good morning and thank you for joining us as we report first-quarter 2012 results. We will begin today with our CEO, Jim Smith, followed by Stephane Bello, our CFO. Following (technical difficulty) presentation, we will open the call for questions. Please limit yourselves to one question each so we can get to as many as possible.

Throughout today's presentation, keep in mind that when we compare performance period-on-period, we look at revenue growth rates before currency as we believe this provides the best basis to measure the underlying performance of the business. In addition, today's results are presented on an ongoing basis and exclude disposals announced to date, including our Healthcare business.

Before we begin, let me point out that on our website today you will find a small change to the Financial & Risk's restated financials we provided to you on April 1. Neither the total Company annual revenues nor total Company quarterly figures have changed, nor have the Q1 growth rates for any of the business units changed. The changes relate solely to the allocation of revenues among the four Financial & Risk business units based on the new structure we announced on January 1 of this year.

Today's presentation contains forward-looking statements. Actual results may differ materially due to a number of risks and uncertainties discussed in reports and filings that we provide to regulatory agencies. You can access these documents on our website or by contacting our investor relations department.

It is my pleasure to now introduce the CEO of Thomson Reuters, Jim Smith.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

Thank you, Frank, and thanks to those of you on the call for joining us. Today we will review the first-quarter results and update you on the progress we are making toward the priorities I outlined during our year-end earnings call in February. I will then turn it over to Stephane, who will provide you with further details on the results for the quarter.

I would characterize the first quarter's results as on track and consistent with our full-year expectations. In short, so far so good.

Total revenues are up 4% as the Legal, Tax & Accounting, and IP & Science units all did a bit better than expected. Overall, Financial & Risk grew modestly in what continues to be a very choppy environment particularly in Europe. EBITDA increased 15% with healthy margin improvement. Operating profit rose 2%. Adjusted earnings per share in the quarter were $0.44 compared to $0.37 in Q1 2011, a 19% increase.

Last week we announced an agreement to sell our Healthcare business for $1.25 billion in cash. We expect to realize net after-tax proceeds of about $1 billion. The sale is not subject to financing conditions and we expect the deal to close late Q2 or early Q3.

We expect to use the proceeds for tactical acquisitions, organic investments, and for share buyback on an opportunistic basis. Lastly but importantly, we are reaffirming our full-year 2012 outlook.

Now let me return to our results by business segment. This slide reflects the new organization structure I outlined last quarter. Financial & Risk revenues rose 1% and now include the Governance Risk & Compliance business. Good growth in marketplaces and GRC were offset by weakness in the trading and investor segments.

Revenues by geography saw Europe, Middle East and Africa rise 2%. The Americas were up 1% and Asia was flat due to softness in Japan.

Overall, Finance & Risk net sales performance in Q1 was slightly better than Q4. But it was still negative. A modest improvement in the Americas was largely offset by a difficult environment in Europe. As we have previously stated, we do not expect net sales to turn positive until the end of the year and therefore it is important to look at the momentum and run rate trends as we exit 2012.

We are targeting a gradual improvement in net sales over the course of the year, driven by service improvements, new product rollouts, including Eikon.

Tax & Accounting had a terrific quarter, with revenues up 31%, 9% organically. Growth was strong across the businesses. IP & Science revenues grew 4%. Legal had a good start to the year across the board with revenues up 3%, 2% organic in what appears to be a slightly better Legal market environment.

We are particularly encouraged by the sales performance in our Legal and Tax & Accounting units, which were slightly ahead of our expectations.

We also have a good story to tell about our fast developing global growth businesses, which represent about $800 million in revenue and grew 18% in the first quarter, 7% organically. Those numbers are included within each of the four business segments.

In summary, our businesses performed largely as expected during the first quarter. Tax & Accounting and IP & Science continued to perform well and were particularly encouraged by the sequential improvement in organic revenue growth in our Legal segment, which was 2% in Q1 versus 1% in Q4 2011.

Each of these businesses has a clear and compelling growth strategy against which we are executing and our progress should continue to be reflected by good growth and profitability this year.

Financial & Risk is now executing against a more focused strategy as we work to deliver better products and improve the customer experience.

We have begun the task of simplifying our product offerings and we have launched several new products including Datastream Pro, a new offering for investment managers which consolidates 12 legacy desktop products and incorporates best in class macroeconomic content of the data stream. The Accelus Compliance Manager and GRC, a new electron hosting center in Sao Paulo, Brazil, and specific versions of Eikon that are tailored to the Commodities & Energy sector and to the wealth management market in Asia and EMEA.

At the end of March, we had over 16,000 Eikon desktops, up 30% from December. In addition to those already mentioned, we continue to add IKON desktops particularly in segments where its best fit for purpose, such as Commodities & Energy, foreign exchange, and fixed income. And we are making solid progress in building out tools and features that will make Eikon even better in the future.

On the customer experience side in Financial & Risk, there's a lot of work being done to improve our service. We have undertaken a number of tactical initiatives to improve responsiveness especially to the top 1000 accounts and in select areas like Investment Management; we are increasing our level of expert support. We are making steady progress and I will have more to share with you on this throughout the balance of the year.

Now despite this progress, F&R is still dealing with tepid global economic recovery and uncertainty in Europe. [RDEs] are growing but that growth has slowed while the US has been showing modest improvement. Against that external environment, it's important for us to stay focused on the things in our control and that we continue to improve our ability to execute.

Let me conclude by saying that since I last reported to you on February 9, there has been no change in the big picture. My key priorities remain unchanged and we are making good progress against them. Our new management team is gelling well. We have the right combination of ambition, urgency, and pragmatism to get the job done. The vast majority of our businesses are performing well.

Our work in Financial & Risk is far from done but we are making headway. As I said a few minutes ago, we are on track.

Now let me turn it over to Stephane.

Stephane Bello - *Thomson Reuters Corporation - CFO*

Thank you, Jim. Before reviewing the first-quarter results, I want to discuss our new organization structure and highlight two particular changes.

First, we reorganized the business around our customers rather than products. Now when we go to market in Financial & Risk, we are going out to serve traders and investors, not to sell desktops or feeds. Similarly, our US law firm segment includes both our core Legal research platform, WestlawNext, as well as software and services offerings such as Elite in large law firms or FindLaw for small and solo law firms. This new market approach is better aligned with what our customers expect from us, a more integrated approach to deliver all the capabilities and assets we have.

The second change I would like to remind you of is that we moved our Governance Risk and Compliance unit, which was part of Legal, to Financial & Risk. The intersection of regulation and finance is one of our fastest growing opportunities. Our strong market position in financial services combined with our deep regulatory content, our unique franchise strength that we can leverage to expand our position in this growing market.

There is also an opportunity to integrate our Risk & Compliance capabilities into our financial services products and we expect that this will further improve growth across the Financial & Risk business.

Looking at the organization through this lens, you can see that all of our market segments grew last year but for Investors, with the strongest growth coming from our Tax & Accounting, IP & Science, and Legal businesses. And as Jim mentioned earlier, we are now focused on improving the growth profile of our Financial & Risk business.

With that, let me turn to some of the details of our first-quarter results. Throughout today's presentation, I will speak to revenue growth before currency. Reported revenues are also highlighted on each slide.

In aggregate, our first-quarter revenues were up 4%, with acquisitions contributing 3%. Adjusted EBITDA was at 15% and the related margin expanded to 260 basis points, reflecting the elimination of integration expenses and the flow-through from higher revenues.

As you may recall, our first-quarter results last year included $40 million of reorganization costs which impacted primarily the legacy markets division. This year we incurred approximately $30 million of reorganization costs representing the tail-end of the actions we announced in connection with our Q4 results. As Jim and I stated on our year-end call, we are no longer carving out those severance costs separately from our results, but we want to provide you with the visibility on these expenses when we incur them.

So the year-over-year EBITDA performance is relatively comparable as the reorganization costs were roughly similar in each period. The major difference is the conclusion of the integration program at the end of last year.

Underlying operating profit rose 2% and the underlying operating profit margin decreased 30 basis points to 17.1%, reflecting higher depreciation and amortization expense from new product launches. Finally, foreign-exchange had no impact on either revenues or operating margin in the quarter.

Now turning to the first-quarter results for our Legal segment, conditions in the US legal market improved modestly in the first quarter. Overall demand for Legal services was up slightly after being down in the fourth quarter. In particular, demand for litigation services, which is the largest segment in the market, was up from the fourth quarter.

Legal's revenue were up 3%, 2% on an organic basis, and as Jim mentioned earlier, this represents a modest sequential increase from Q4 2011 when the organic growth rate was 1%.

If you break down the first-quarter growth rate by revenue type, subscription revenues were up 4%; transactions revenues were up 7%; while US print revenues were down 3%.

Now looking at the performance of our three subsegments in the Legal business, US law from solutions is the largest subsegment representing about 55% of the total. Revenues for US Lawfirm solutions grew 2% in the quarter. This was driven by a 12% increase in business of law, while research related revenues were flat versus the prior-year period.

In Corporate, Government and academic, which is about 25% of the Legal business, revenues grew 4% or organic, driven primarily by the performance of our Legal process outsourcing business.

Finally, revenues in our Global Legal segment, which is 20% of the total, were up 7%, out of which 4% was organic. This was once again driven by strong growth in Latin America. As a reminder, our Global Legal segment includes both our more mature businesses outside of the US such as the UK, Canada, Australia, and New Zealand, as well as businesses in fast-growing geographies such as Latin America and Asia.

Now turning to the profitability performance in our Legal business, EBITDA increased 5% and the corresponding margin was up 60 basis points, helped by a favorable year-over-year comparison. Operating profit increased 5% and the margin rose 50 basis points.

Tax & Accounting had another terrific quarter. Revenues grew 31% out of which 9% was organic. This was driven by acquisitions and strong performance across the business, in particular software sales to professional accounting firms and revenues derived from our ONESOURCE platform.

This strong organic revenue growth performance reflects a healthy US accounting market as hiring is picking up at accounting firms, as well as good adoption of some of our new products. In particular, we are very pleased with the success of the ONESOURCE corporate tax platform, which was built over the last few years both organically and through acquisitions. It is a great example of how we have developed a truly unique and integrated solution to better serve our customers, in this case Corporate Tax department, by successfully integrating a number of small to midsized acquisitions.

This approach temporarily depressed operating margins, but it is now generating significant profit and value. And in fact, in the quarter EBITDA grew 50%, the seventh consecutive quarter of double-digit EBITDA growth and operating profit increased 58% with the related margin up 380 basis points to 21.9%.

Now please remember that Tax & Accounting is a seasonal business with a significant proportion of its operating profit traditionally generated in the fourth quarter. Also I would like to point out that we believe that the first quarter is likely to be the high watermark for organic revenue growth as well as margin improvement this year. We do expect growth in the next three quarters to remain strong but probably not as strong as this quarter.

Now over in IP & Science, revenues were 4%, of which 3% was organic. Growth was driven by a 7% increase in IP solutions and a 4% increase in scientific and scholarly research. Life sciences revenues declined 1%, due entirely to the timing of renewals and a difficult comparison from Q1 2011.

Again, let me remind you that quarterly revenue growth for IP & Science can be uneven due to the impact of large sales in the scientific and scholarly research business, namely Web of Knowledge and Web of Science.

EBITDA increased 9% with the margin expanding 160 basis points to 34.4% and operating profit was up 6% with the margin expanding 40 basis points to 26.3%.

Financial & Risk revenues were up 1% with 2% contribution from acquisitions. So organic revenue growth was down 1% this quarter. Recurring revenues, which represent about 76% of F&R's revenues, grew 1% due to acquisitions and the benefit of a price increase. Excluding acquisitions, recurring revenues were down 1%, reflecting the negative net sales performance of the last several quarters.

Transaction revenues, which represent 11% of the total, were up 4% due to higher fixed income volumes at Tradeweb. Recovery revenues also 11% of the total, grew 2% as a result of a price increase on third-party exchange fees.

And finally, Outright revenues, which is 2% of the total and are essentially one-time software sales grew 9%, driven by GRC.

EBITDA declined by 1% and the margin was down 50 basis points. Excluding currency, EBITDA actually increased 1% and the margin was unchanged from the prior year.

Operating profit declined 8% and the margin declined 140 basis points to 16.7% due to higher depreciation and amortization from the new product investments. Excluding currency, operating profit declined 4% and the margin declined 100 basis points.

Now I will briefly review the results for the individual segments within Financial & Risk. Trading revenues declined 2%. Growth in commodities and energy and foreign exchange was offset by desktop cancellations in Exchange Traded Instruments and Fixed Income.

Investors revenue declined 3%. Within that business unit, enterprise content revenues increased 16% while wealth management revenues declined 3% and investment management revenues declined 10%.

Now while this represented a decline in investment management revenues from the fourth quarter, it is important to note that we saw a sequential improvement in net sales in the investment management segment from Q4 to Q1 thanks to a marked improvement in the Americas. However, market conditions in Europe remain challenging. Revenues in corporate were at 1% and investment banking revenues were flat.

Turning to Marketplaces, their revenues increased 10%, driven by acquisitions and by Tradeweb, which grew 11% organically. Finally, GRC revenues increased 16% organically. There has been a strong interest in our new Accelus Compliance Manager product, which we just launched during the quarter.

Let me now turn back to our consolidated results. Our first-quarter adjusted EPS was $0.44 per share, which represented an increase of $0.07 versus the year ago period. The $0.07 increase was attributable primarily to lower integration expenses, which accounted for about $0.06 of the increase, and to higher underlying EBITDA, which accounted for about $0.04. These increases were partially offset by higher depreciation and amortization of $0.03.

Finally, interest and taxes had no impact in aggregate on the year-over-year increase in EPS as the increase in interest expense was offset by a slightly lower tax rate in the quarter. Now our interest expense in Q1 was higher than in the prior period due to an accural of interest related to tax liabilities. So for the full year, we remain comfortable with our guidance of $400 million to $425 million for interest expense as the higher accrual we took in Q1 should be offset by higher interest income we expect to receive on the proceeds from the Healthcare disposal.

Turning to free cash flow, the first quarter is usually our weakest quarter from a cash generation perspective and this year was no exception. It is not at all reflective of what we expect for the full-year performance. Nevertheless, we are encouraged by the $54 million improvement in reported free cash flow.

More importantly, free cash flow from ongoing businesses, which excludes cash flow from businesses which have either been sold or put up for sale over the last 12 months, was up $100 million better than a year ago. Half of the improvement is from lower integration spending, with the balance coming from an improvement in EBITDA.

As I discussed last quarter, we have placed an increased focus on free cash flow across the organization and to emphasize this, we have made a slide with important modifications to the performance metrics we use in our annual bonus plan for managers. 45% of the bonus payout is now based on cash OI rather than operating profit. And we define cash OI simply as current year EBITDA minus current year CapEx.

We believe that this change will drive an even greater focus on our capital allocation process going forward.

The other two components of our management incentive plan remain unchanged. 45% is based on revenue growth with the remaining 10% based on total free cash flow improvement.

Let me now briefly discuss our capital position, because I think it is important to reinforce our commitment to a strong balance sheet and disciplined investment process. Overall, we ended up the first quarter with $6.8 billion in net debt and a net debt to EBITDA ratio of 1.8.

Having a strong balance sheet and a sound capital structure is of paramount importance to us. It gives us the flexibility to execute our business strategy and the ability to generate a consistent and attractive return of capital to our shareholders.

As Jim indicated earlier, last week we signed a definitive agreement to sell our Healthcare business to Veritas for a total purchase price of $1.25 billion. We expect this transaction to close by the end of the second quarter or early in the third quarter and to generate about $1 billion in after-tax proceeds, bringing the total net proceeds from disposals completed this year to $1.3 billion.

Now we will not let this cash burn a hole in our pocket. However, we do see a number of very attractive opportunities to reinvest a majority of these proceeds across the key growth areas we have in our portfolio. These opportunities would primarily be in the form of small to midsized acquisitions which we will consider over the next 12 to 18 months and which would help us support our goal to improve the organic revenue growth trajectory across our business.

This is essentially what we did across the legacy professional division between 2009 and 2011. Over this period of time, we spent over $2 billion in capital across the various professional businesses. In aggregate, this capital redeployment strategy delivered solid results as demonstrated by the fact that the professional businesses grew both revenues and EBITDA by 9% in 2011 while maintaining pretax ROIC in the mid teens.

So in summary, we will seek to redeploy the proceeds of our recent disposals in the highest areas of growth across our business and we will continue to focus on driving long-term value creation for our shareholders within the parameters of a strong capital structure.

As always, we will also consider returning cash to shareholders by way of share buybacks. And let me remind you that we have repurchased just under 12 million shares under our existing NCIB program and that therefore you should expect us to see broad approval to renew this program in May, as we do every year.

This brings us to our 2012 outlook, which we reaffirmed today. For the full year, we continue to expect revenues to grow low single digits. We also expect our EBITDA margin to range between 27% and 28% and our underlying operating profit margin to range between 18% and 19%.

Let me point out that we expect a more pronounced improvement in margins in the fourth quarter due to easier comparisons resulting from the elimination of reorganization costs and integration expenses which we incurred in the fourth quarter last year.

Our reported free cash flow is expected to be up 5% to 10% while free cash flow from ongoing businesses is expected to increase between 15% and 20%.

As Jim has said, we have just embarked on a multi-quarter journey to transform this business and after one quarter, we are on track. We understand the challenges ahead but we remain confident that we can meet them.

Now, let me turn it back over to Frank.

Frank Golden - *Thomson Reuters Corporation - SVP of IR*

Thanks very much, Stephane and Jim. And now we would like to open it up for questions. So if we could have the first question, please?

QUESTIONS AND ANSWERS

Operator

Suzie Stein, Morgan Stanley.

Suzie Stein - *Morgan Stanley - Analyst*

Can you just talk about the tone of conversations on contract renewals in your market data business? And are you having to negotiate more on price during this time? I guess can you just distinguish between the tone on the buy side and the sell side? Thank you.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

Yes, I would say it's a tone that you would expect in an industry that's going across -- going through the kind of change that it is going through. So I think everybody is concerned about cost reduction. Everybody is concerned about total cost of ownership. Everybody is concerned about the depths of relationships that they have with various vendors.

I don't find it so much to be the kind of brutal price competition that you might expect as I find it more particularly on the largest customers to be more about how you can talk about the breadth of the partnership and what we can do in a holistic fashion. So it is certainly -- every single contract is certainly a difficult negotiation these days, but particularly on the sell side. But in some ways, it kind of depends upon where you sit.

The negotiations in Europe are a little bit different than the negotiations in the US are a little bit -- different than the negotiations in Asia because the prospects look a lot different. The negotiations on the sell side are a bit different from the negotiations on the buy side, where a lot of this disruption is creating opportunity.

So you are correct in assuming that each of the negotiations is difficult. But if I have a comfort in it, it has been the amount of time we spent with customers over the first four months of this year and how pleasantly surprised I have been about the depth of the relationship that we have with those customers and how we have been able to engage in a broad discussion with them, not just a product versus product and product price feature set for feature set. But rather how we could provide solutions across the range of their needs.

Remember, we are in a particularly unique position where we are rather agnostic as to whether or not they place the value on desktops or feeds or other types of solutions, because we have a broad array of solutions to sell. That has been the type of engagements we have been engaging in, particularly with our largest customers.

Suzie Stein - *Morgan Stanley - Analyst*

Great, thank you.

Operator

Drew McReynolds, RBC Capital Markets.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thanks very much. Good morning. Maybe, Jim, if you can just talk a little bit more about the firming up of organic growth within Legal. Specifically could you address pricing, whether that has improved or whether you expect it to improve going forward?

Just a follow-up here as you look at WestlawNext and the 65% penetration, is there any change in either kind of organic revenue growth or margin dynamic as you kind of migrate the remaining 35% of that base? Thank you.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

No, look, obviously Legal was a pleasant surprise to see the strength. As we said, it's a bit ahead of our expectations. It was driven primarily on the back of our software and solution sales and those were surprisingly strong in the quarter, but also within the quarter actually our legal research services were surprisingly strong in the quarter.

I would not want to jump in and conclude any trends from one quarter's performance. This was a relatively light quarter as is the next one for contract renewals or large contract renewals. I would say that we have had some success with efforts recently to add more transparency into our pricing and to explain exactly why we charge what we charge to our largest customers and to prove the volume of our premium price position.

So I don't -- we haven't noticed any change in the dynamic. We just had a surprisingly productive first quarter. I hope that holds -- we hope it's a trend.

Drew McReynolds - *RBC Capital Markets - Analyst*

Thank you.

Operator

Vince Valentini, TD Securities.

Vince Valentini - *TD Securities - Analyst*

Thanks very much. I am wondering about your acquisition strategy and trying to find the growth factors in the Financial & Risk segment. Would you say that you're still at sort of the discovery stage of that or have you sort of formed a pretty good idea of where you want to go and you've got a bunch of targets identified so that by the time you get the Healthcare proceeds, you'll be ready to deploy that money right away? Or are these things perhaps going to take longer to gestate?

Jim Smith - *Thomson Reuters Corporation - President and CEO*

You know, it's really difficult to predict the exact timing on acquisitions, because we don't control that. It would be safe to say that in each area in our Financial & Risk business, we are pursuing a growth vector and we have come up with a strategy and said here is what we need to do to grow. How do we grow? What do we need to build? What do we need to buy? How would we know we could win in that sector?

And within that strategy, within each sector, we would have a list of potential acquisition targets identified and we would be working that list. The timing will be completely and utterly dependent upon when you have a seller who is willing to buy and on how the discussions progress and how promising indeed upon further investigation the synergies will actually be between the target and what we would acquire.

So we are still working that path. That said, we do have an attractive list particularly in the areas that are our higher growth areas that we are working all the time, but that's just what we do.

As far as timing goes, one can never predict. Sometimes these things come to fruition very quickly. Sometimes they take much longer, but we are actively working the pipeline as we do and have done certainly on the professional side for a long time. That's just the playbook we have run before and we are running it again.

Stephane Bello - *Thomson Reuters Corporation - CFO*

I would just add to that, we said that the pipeline is not obviously just on the F&R side. It's pretty robust on the ex-professional businesses too.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

That's a very good point, Stephane, and as we look across it, we see a number of opportunities within the growth vectors that we have already identified.

I think just to add some color to that, what you can expect is that if we deploy proceeds from this sale to an acquisition, they will be in places that won't surprise you. They will be in identified growth vectors or they will be in the strongest areas of our Financial & Risk business.

Vince Valentini - *TD Securities - Analyst*

Okay, thanks.

Operator

Tim Casey, BMO.

Tim Casey - *BMO Capital Markets - Analyst*

As you look through the year, can you talk to us a little bit about how you expect the quarters to fall out? You have had an encouraging start to the year and I think you are set up for an easier comp for the fourth quarter, but what are your expectations as we go through the year? And maybe a little more color on your comment about net sales improving through the year as well. Thanks.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

I will leave that one to Stephane.

Stephane Bello - *Thomson Reuters Corporation - CFO*

Sure. Obviously we provide our guidance for the full year and since we don't really go into too much detail with regard to the quarterly growth rates and margins, but let me just remind you of a few items which will impact the quality phasing of our performance.

If you look at revenue growth first, we have said that we expect to grow low single digits for the full year and the first quarter was obviously higher than that at 4% primarily due to the impact of the acquisitions that we did last year. Now obviously the impact of last year's acquisitions on the overall revenue growth rate will diminish over the course of the year, which you need to factor in as you look at our performance over the remaining quarters.

From a margin perspective, if you look back at last year, you will know that the margins both at the EBITDA and the OI level were actually much higher in the second and third quarter than was the case in the first and fourth quarter. This was due entirely to timing factors. For instance, we incurred some large severance costs in Q1 and an even larger cost in Q4 where there were some positive timing impact in the two middle quarters, Q1, Q2 and Q3.

This year I would say we would expect a more steady improvement in margins when we look at things sequentially over the course of the year with, as you just pointed out, the largest improvement likely to take place in the fourth quarter.

Now in terms of the net sales trajectory and I assume that you refer primarily to the F&R business here, as Jim mentioned, we have seen a sequential improvement in net sales for F&R from Q4 to Q1. They were still negative, which is absolutely what we expected, and as we mentioned, we do expect them to only turn positive towards the end of the year, which is going to be really the outcome of the upgrades we are making to Eikon over the course of the year and also to new product introductions as we go through the year.

Obviously the exact trend of the net sales improvement would also depend on the evolution of the environment in which we play and we will watch that very closely. As Jim said, during the first quarter we did see an improvement in the Americas, but that was essentially masked by a very, very tough environment in Europe. So we continue to monitor that very closely but that is essentially the trend we are expecting. Hopefully that answers your question.

Tim Casey - *BMO Capital Markets - Analyst*

Thank you.

Operator

William Bird, Lazard.

William Bird - *Lazard - Analyst*

Good morning. Has the cost transparency project identified any new cost save opportunities? And just as a follow-on, can you talk about just how we should think about the buyback for the next couple of quarters? Thank you.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

Stephane, I think that's in your wheelhouse.

Stephane Bello - *Thomson Reuters Corporation - CFO*

Let me speak a little bit about this cost transparency project we talked about in the fourth quarter. Let me first say that we are making solid progress. You remember in the prior earnings call I mentioned that we only had 25% of F&R's expense base which was directly under the control of the businesses and 75% of the expense base which was managed centrally.

As I mentioned at the time, our ultimate goal is to really reverse this ratio and to end up with about 80% of the expense base either directly under the control of the businesses or managed centrally, but with a very clear line of sight back to the businesses on how they can manage and reduce these expenses.

Now at the end of the first quarter, we had about 40% of the expense base that was directly under the control of the businesses with another 20% in what we refer internally as the controllable expense bucket and what we mean by that is essentially that the businesses do not manage these expense directly but that they have the levers to influence them.

To give you one example of what would fall into that bucket, I would refer to real estate, which is obviously an activity that we manage centrally but the cost is allocated back to the business based on the actual amount of [spend] they use and the business can control that by managing their headcount or managing the amount of space that they give to their employee.

So at the end of the first quarter, we essentially moved from 25% of the expenses base being directly controlled by the businesses to close to 60% being either directly or indirectly controlled. I would say we really got to the low hanging fruits first so the remaining 20% also will take us another several few months to sort out, but we're starting to drive more accountability by having this greater transparency.

You are going to see the result of that greater accountability really happen over the next few quarters because we just -- managers of the business are really just starting to get their hands around their cost bases and so they are really going through areas of opportunities to identify savings opportunities.

Your other question related to the buyback program, and as I mentioned, we will continue to look at buying back shares opportunistically over the course of the year. We bought back a fair bit of shares under the existing NCIB program. We bought 12 million of the 15 million authorization that we had. And so as we do as a normal course of business, we will essentially ask authorization from our Board to renew that program most likely at the upcoming May meeting.

William Bird - *Lazard - Analyst*

Thank you.

Operator

Phillip Huang, UBS.

Phillip Huang - *UBS - Analyst*

Good morning, thanks for taking my question. I wanted to ask maybe the other side to Vince's question earlier. As you apply the playbook that you've used for the former professional division to the F&R unit, do you see any challenges of at all on using the same strategy for the Financial & Risk unit? Like for example, do you see the unit as being perhaps a little bit more integrated interdependent between each of the businesses which would make it a little bit more difficult in exiting or selling certain businesses in order to turn these higher units back to growth?

I guess to the extent that you can answer, what are some of the areas that you think may be less core to the Company's overall strategy in the long-term?

Jim Smith - *Thomson Reuters Corporation - President and CEO*

It's way too soon to talk about what units wouldn't be core to the Company strategy and I think you are right in identifying that those businesses are more tightly integrated than some of our other businesses have been. However, it's just way too soon to make a call as to -- as to what the differences would be.

I don't think there is a material difference to coming up with a growth plan that starts by identifying a set of customers, looking at those customer needs, figuring out what tools and services that they need, how they need to connect with their customers and what they need to be successful, and then figuring out what we have got and what we need to add.

I think that is frankly a tried-and-true strategy that we have deployed time and again across multiple business units and I think that to the extent we find interdependencies that are really, really strong, we can build on those and they should make us stronger.

To the extent that a business is not benefiting from being part of us and that business unit is lagging, I think that we have always been able to find ways to redeploy capital in one form or another, whether that is a divestment or whether that is some form of partnership or whether that is some form of change in the profile of what we invest. We have lots of different kinds of businesses within our portfolio. We have those that we go aggressively for growth and invest behind pretty voraciously and we have others that we manage for cash flow and profitability for a period of time.

So we are just pretty judicious in the allocation process and -- but while it might be a bit different because there are more shared fundamental data and that sort of stuff between the various units, to the extent we can really tie them together on common platforms, they will be core going forward. To the extent we find that they do indeed sit alone on their own and the growth opportunities aren't what they are in other growth vectors that we have, we would still look to divest if we came to the conclusion that we could not win in a particular space.

Then the strategy for us has all been about identifying a customer set, identifying those markets, identifying what we need to win and then going hard at those places where we know we can win and getting out of places where we can't.

Phillip Huang - *UBS - Analyst*

Got it, thanks very much.

Operator

Adam Shine, National Bank.

Adam Shine - *National Bank Financial - Analyst*

Thanks a lot. Jim, a question on Eikon. I think you were very clear on the last call back in February that, look, there was going to be a reformulation maybe of the strategy with respect to Eikon. We saw a modest 1000 increase in the desktop sequentially.

So I guess the question to you is are you sort of pushing back from the sales effort on Eikon? Or I guess the flip side of that, has there continued to be a degree of resistance in the market such that we should be focusing really on greater traction on Eikon maybe later in the year, let alone early next year, not necessarily focus on the next couple of quarters?

Jim Smith - *Thomson Reuters Corporation - President and CEO*

Remember we have an eight-quarter plan for Eikon for rolling it out in various sectors and in fact you should not take that. The truth of the matter is, we are getting more and more positive reception to Eikon in the market with each passing week almost. The features and functionalities have been improved significantly over the past several months. We're getting good reviews and feedback on the places where it is fit for purpose.

And remember, what we have done is to say let's take a sector-specific focus to Eikon. Let's roll it out first, so we haven't pulled back from Eikon. What we have done is focused the sales effort behind those places where we know we are likely to have the greatest chances of success. Those are going very, very well.

And we are also focusing on the stuff that is underneath the covers on the platform aspects of Eikon. As opposed to Eikon being the be-all end-all product for us in our Financial & Risk business, as we said, we reloaded capital resources and sales resources behind other new product launches to keep -- to get revenue going again and keep revenue flowing while we are getting Eikon fit for purpose across the sectors where we think it is most attractive.

That said, the platform effort for Eikon as a platform to support our desktop products is making very, very solid headway. I think we are all encouraged about where we will be on that later in the year.

That said, it is an eight-quarter implementation plan on Eikon. There are some sectors of the business that we will not get to until next year on that plan. I would love to say we can get to them sooner, but we are certainly not going to promise something that we can't deliver and we are sticking to our plan. We are working our plan and the platform aspects of Eikon have never looked better.

Adam Shine - *National Bank Financial - Analyst*

That's a lot for that, Jim.

Operator

Paul Sullivan, Barclays.

Paul Sullivan - *Barclays Capital - Analyst*

Yes, good morning. Just a follow-up on the financials, on the financial business. Do you think that the first quarter will mark the bottom in trading and investors from an organic perspective? Or does the phasing of net sales mean in those two areas we will likely see it sort of get a little bit worse before it starts to get better? And then just following on from that, the 140 bps of margin contraction year-on-year in financial, do you think that's as bad as it gets?

Stephane Bello - *Thomson Reuters Corporation - CFO*

It's Stephane. On your question regarding the growth trend in investor and traders in the first quarter, I would remind you that essentially we had very negative net sales in the second half of last year and essentially the full impact of these negative net sales has not yet flowed through. You're going to see it essentially for the ensuing 12 months.

So I would be essentially expecting that you are still going to see weakness in the growth rate of these segments and we're going to see improvement once we get to a better let's say -- a picture which we have started to see in Q1, as we just mentioned.

In terms of the margin progression for F&R, I think you are going to see probably fairly steady margins over the course of the year for F&R.

Paul Sullivan - *Barclays Capital - Analyst*

Okay, very clear. Thank you.

Operator

Doug Arthur, Evercore.

Doug Arthur - *Evercore - Analyst*

I'm just wondering if you can drill a little deeper into the trading unit growth or lack of growth -- the decrease of 2% in the quarter. Commodities & Energy, foreign exchange were strong. You had cancellations in ETFs and fixed incomes. Can you sort of flesh out how that might look in the next couple of quarters? Thanks.

Stephane Bello - *Thomson Reuters Corporation - CFO*

No, I don't think we want to go into that level of detail, frankly. This is getting very, very granular.

Doug Arthur - *Evercore - Analyst*

Well, the desktop cancellations in ETFs, is that a trend that is accelerating or do you think that's going to level out?

Stephane Bello - *Thomson Reuters Corporation - CFO*

I think what you are going to see is essentially probably an improvement in the areas where we are -- where Eikon is fit for purpose, as Jim said, so areas like foreign exchange, or Commodities & Energy are really showing improvements. Fixed income is probably the next area that's fit for purpose. So I think that the progression of net sales across all the F&R business is really going to follow the progression of how we -- of how Eikon becomes ready and fit for purpose in each of these segments.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

If I might just add then and I am just going to add a qualitative comment to this, not a quantitative one, because I agree completely with Stephane that just to make quarter-by-quarter predictions on the trend and give that level of guidance is something that we just don't want to get into.

I will say qualitatively that I look at the sales pipeline and I look at the sales closed and the sales reports every single day in a graphic chart form and at the beginning of the year, there was a heck of a lot more red and a couple of little green poking into the greens with a red being bads and the greens being good. And today, we are, as Stephane pointed, starting to see more and more the categories kind of tick over to the green.

And at some point, that's also part of the playbook which is just focus behind the places where it can be strong and where it can win, drive those and hopefully some of the big reds start to slow down. That is when we will hit the tipping point. But we are seeing improvement, but it's moving category by category, where we not surprisingly, where we have a winning hand in terms of content and features.

Doug Arthur - *Evercore - Analyst*

Okay, great. Thank you.

Operator

Matthew Walker, Nomura.

Matthew Walker - *Nomura - Analyst*

Thanks, good afternoon. Just two questions please. First is on -- have you seen any impact at all of the foray from Bloomberg into the legal market? And are they starting to play in the same space or you are just not seeing them at all?

The second question is really actually on the data feed market. Could you just maybe tell us what's going on in the data feed market and whether you think you are -- what kind of growth rates you are seeing in that market and whether you think you are gaining share or losing share against other providers?

Jim Smith - *Thomson Reuters Corporation - President and CEO*

Well, let me start. Do we see Bloomberg in the legal market? Sure we see Bloomberg in the legal market. Their presence is certainly increasing. The marketing is increasing. They are out there more. I think they issued a press release in the first quarter. Their first major contract they signed a deal at DLA Piper. So they are in DLA Piper now and interestingly that did not displace any Westlaw use and they did not affect our contract in any way.

So we are seeing a higher profile of Bloomberg. Today it is not a major factor in changing the competitive dynamic. For us, you can look at I think there are enough third-party reports out there and surveys of law librarians and users as to where that might be attractive or who is most threatened by that. We're not seeing a material impact right now.

That said, we take them very, very seriously. The acquisition of BNA certainly strengthened their regulatory content and we are taking the appropriate responsive steps to that to make sure that we remain far and away the premium provider of that kind of content.

So it is another wrinkle to the competitive dynamic, but not one that is having a major impact at this time. We are mindful of its potential to do so in the future and are reacting appropriately. I think it is healthy to be paranoid about all competitors.

And on the second question was at onto the data feed business, we are continuing to see strong growth in the data feed business and not seeing any material changes in the competitive dynamics there. I wouldn't want to get into detailed speculation about market share but that has been a strong business for us in the past and it continued to be a strong business in the first quarter.

Frank Golden - *Thomson Reuters Corporation - SVP of IR*

Operator, we would like to take one final question please.

Operator

Sami Kassab, Exane.

Sami Kassab - *Exane BNP Paribas - Analyst*

Good morning, gentlemen. Thanks for taking my question. It is Sami at Exane BNP Paribas. I think you mentioned that the new sales in Legal were also a bit ahead of your expectations. So should we therefore assume that Legal organic revenue growth is more likely to accelerate rather than decelerate in the remaining quarters?

And maybe in the same vein of thinking, do you see print revenues within the Legal division improving or do you expect a decline to accelerate from the minus 3% in Q1? Thank you, Jim.

Stephane Bello - *Thomson Reuters Corporation - CFO*

I will take that question. As you mentioned, we were encouraged by the new sales performance in the Legal business in the first quarter and also encouraged to see the organic revenue growth improve slightly sequentially. As Jim said, however, a quarter does not make a trend, so we want to remain quite prudent in projecting what is going to happen going forward. It takes time to start turning around the organic growth revenue rate of a business.

We are cautiously optimistic that Q4 last year may have been the trough but we really want to see another quarter or two before making that claim, very frankly.

In terms of print revenues in the Legal business, the print revenues -- US print were down about 3% in the first quarter and we would expect this kind of decline in the print business going forward under normal market conditions. The attrition level tends to increase at the trough of the downturn in the legal market and then to return to a more normal level which I would call low single-digit decreases otherwise and that's really what we're seeing right now.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you very much, Stephane.

Jim Smith - *Thomson Reuters Corporation - President and CEO*

That will conclude our call and I would like to thank you all for joining us this morning.

Operator

Ladies and gentlemen, this conference will be available for replay after 10.30 a.m. today running through May 8, 2012 at midnight. You may access the AT&T Executive playback service at any time by dialing 800-475-6701 and entering the access code of 243743. International participants may dial 1-320-365-3844.

That does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference Services. You may now disconnect.