TORONTO DOMINION BANK
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The information in this pricing supplement is not complete and may be changed. This pricing supplement is not an offer to sell nor does it seek an offer to buy these Notes in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated August 31, 2018.

Pricing Supplement dated August , 2018 to the

Product Prospectus Supplement MLN-EI-1 dated July 8, 2016 and

Prospectus Dated June 30, 2016

The Toronto-Dominion Bank

$[n]

Leveraged Barrier Notes Linked to the Least Performing of the Shares of the iShares® MSCI EAFE ETF and the Shares of the iShares® MSCI Emerging Markets ETF Due March 2, 2022

The Toronto-Dominion Bank ("TD" or "we") is offering the Leveraged Barrier Notes (the "Notes") linked to the least performing of the shares of the iShares® MSCI EAFE ETF and the shares of the iShares® MSCI Emerging Markets ETF (each, a "Reference Asset" and together, the "Reference Assets").

The Notes provide at least 222% leveraged participation (to be determined on the Pricing Date) in the positive return of the Least Performing Reference Asset if the price of each Reference Asset increases from its Initial Price to its Final Price. The "Least Performing Reference Asset" is the Reference Asset with the lowest percentage change from its Initial Price to its Final Price. The Percentage Change for each Reference Asset is the quotient, expressed as a percentage, of (i) its Final Price *minus* its Initial Price *divided* by (ii) its Initial Price. Investors will receive their Principal Amount at maturity if the Final Price of each Reference Asset is below its Initial Price by up to 30%. If the Final Price of any Reference Asset is below its Initial Price by more than 30%, investors will lose will lose 1% of the Principal Amount of the Notes for each 1% that the Final Price of the Least Performing Reference Asset is less than its Initial Price, and may lose their entire Principal Amount. ***In this scenario, investors will suffer a loss on their initial investment that is proportionate to the "Least Performing Percentage Change", which is the Percentage Change of the Least Performing Reference Asset over the term of the Notes. Specifically, investors will lose 1% of the Principal Amount of the Notes for each 1% that the Final Price of the Least Performing Reference Asset is less than its Initial Price, and may lose the entire Principal Amount. Any payments on the Notes are subject to our credit risk.***

Investors are exposed to the market risk of each Reference Asset and any decline in the price of one Reference Asset will not be offset or mitigated by a lesser decline or potential increase in the price of any other Reference Asset. The Payment at Maturity will be greater than the Principal Amount only if the Percentage Change of each Reference Asset is greater than zero. The Notes do not guarantee the return of the Principal Amount and investors may lose up to 100% of their investment in the Notes if the Final Price of any Reference Asset is less than its Initial Price by more than 30%. Any payments on the Notes are subject to our credit risk.

The Notes are unsecured and are not savings accounts or insured deposits of a bank. The Notes are not insured or guaranteed by the Canada Deposit Insurance Corporation, the U.S. Federal Deposit Insurance Corporation or any other governmental agency or instrumentality of Canada or the United States. The Notes will not be listed or displayed on any securities exchange or any electronic communications network.

The Notes have complex features and investing in the Notes involves a number of risks. See "Additional Risk Factors" beginning on page P-6 of this pricing supplement, "Additional Risk Factors Specific to the Notes" beginning on page PS-5 of the product prospectus supplement MLN-ES-ETF dated July 8, 2016 (the "product prospectus supplement") and "Risk Factors" on page 1 of the prospectus dated June 30, 2016 (the "prospectus").

Neither the Securities and Exchange Commission (the "SEC") nor any state securities commission has approved or disapproved of these Notes or determined that this pricing supplement, the product prospectus supplement or the prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We will deliver the Notes in book-entry only form through the facilities of The Depository Trust Company on or about September 6, 2018 against payment in immediately available funds.

The estimated value of your Notes at the time the terms of your Notes are set on the Pricing Date is expected to be between $950.00 and $980.00 per Note, as discussed further under "Additional Risk Factors — Estimated Value" beginning on page P-7 and "Additional Information Regarding the Estimated Value of the Notes" on page P-33 of this pricing supplement. The estimated value is expected to be less than the public offering price of the Notes.

	Public Offering Price[1]	Underwriting Discount[2]	Proceeds to TD
Per Note	$1,000.00	$5.00	$995.00
Total	$	$	$

The public offering price, underwriting discount and proceeds to TD listed above relate to the Notes we issue initially. We may decide to sell additional Notes after the date of the final pricing supplement, at public offering prices and with underwriting discounts and proceeds to TD that differ from the amounts set forth above. The return (whether positive or negative) on your investment in the Notes will depend in part on the public offering price you pay for such Notes.

1 Certain dealers who purchase the Notes for sale to certain fee-based advisory accounts may forego some or all of their selling concessions, fees or commissions. The public offering price for investors purchasing the Notes in these accounts may be as low as $995.00 (99.50%) per $1,000.00 Principal Amount of the Notes.

2 TD Securities (USA) LLC ("TDS") will receive a commission of $5.00 (0.50%) per $1,000.00 principal amount of the Notes and may use all or a portion of that commission to allow selling concessions to other dealers in connection with the distribution of the Notes, or will offer the Notes directly to investors. TDS may resell the Notes to other securities dealers at the Principal Amount less a concession not in excess of $5.00 per Note. The other dealers may forgo, in their sole discretion, some or all of their selling concessions. TD will reimburse TDS for certain expenses in connection with its role in the offer and sale of the Notes, and TD will pay TDS a fee in connection with its role in the offer and sale of the Notes. See "Supplemental Plan of Distribution (Conflicts of Interest)" on page P-32 of this pricing supplement.

Summary

The information in this "Summary" section is qualified by the more detailed information set forth in this pricing supplement, the product prospectus supplement and the prospectus.

Issuer:	TD
Issue:	Senior Debt Securities
Type of Note:	Leveraged Barrier Notes
Term:	Approximately 3.5 years
Reference Assets:	The shares of the iShares® MSCI EAFE ETF (Bloomberg Ticker: EFA, the "EFA Fund") and the shares of the iShares® MSCI Emerging Markets ETF (Bloomberg Ticker: EEM, the "EEM Fund")
Target Indices:	With respect to EFA Fund, The MSCI EAFE® Index With respect to EEM Fund, The MSCI® Emerging Markets Index
CUSIP / ISIN:	89114QQR2 / US89114QQR29
Agent:	TDS
Currency:	U.S. Dollars
Minimum Investment:	$1,000 and minimum denominations of $1,000 in excess thereof
Principal Amount:	$1,000 per Note
Pricing Date:	Expected to be August 31, 2018
Issue Date:	Expected to be September 6, 2018, which is three Business Days following the Pricing Date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), trades in the secondary market generally are required to settle in two Business Days ("T+2"), unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes in the secondary market on any date prior to two Business Days before delivery of the Notes will be required, by virtue of the fact that each Note initially will settle in three Business Days ("T+3"), to specify alternative settlement arrangements to prevent a failed settlement of the secondary market trade.
Final Valuation Date:	Expected to be February 28, 2022, subject to postponement for market disruption events and other disruptions, as described in the product prospectus supplement. If such day is not a Trading Day, the Final Valuation Date will be the next succeeding Trading Day.
Maturity Date:	Expected to be March 2, 2022 (scheduled to be 2 Business Days following the Valuation Date), subject to postponement for market disruption events and other disruptions, as described in the product prospectus supplement. If such day is not a Business Day, the Maturity Date will be the next succeeding Business Day.
Payment at Maturity:	If, on the Final Valuation Date, the Percentage Change of each Reference Asset is **positive**, then the investor will receive an amount per $1,000 Principal Amount of the Notes equal to: Principal Amount + (Principal Amount x Least Performing Percentage Change x Leverage Factor) If, on the Final Valuation Date, the Least Performing Percentage Change is less than or equal to 0%, but not by more than -30% (that is, the Least Performing Percentage Change is between 0%

and -30%), then the investor will receive:

$1,000 per $1,000 Principal Amount of the Note.

If, on the Final Valuation Date, the Least Performing Percentage Change is **negative** by more than -30% (that is, the Least Performing Percentage Change is between -30% and -100%), then the investor will receive less than $1,000 per $1,000 Principal Amount of the Notes, calculated using the following formula:

$1,000 + $1,000 x Least Performing Percentage Change

If the Final Price of the Least Performing Reference Asset is less than its Barrier Value, the investor will lose 1% of the Principal Amount of the Notes for each 1% that the Final Price of the Least Performing Reference Asset is less than its Initial Price and may lose all of their investment. Any payments on the Notes are subject to our credit risk.

All amounts used in or resulting from any calculation relating to the Notes, including the Payment at Maturity, will be rounded upward or downward as appropriate, to the nearest cent.

Percentage Change:	For each Reference Asset, the Percentage Change is the quotient, expressed as a percentage, of the following formula: $\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}}$
Initial Price:	With respect to the EFA Fund, $[n]. With respect to the EEM Fund, $[n]. In each case equal to its Closing Price on the Pricing Date, as determined by the Calculation Agent and subject to adjustment as described herein and under "General Terms of the Notes— Anti-Dilution Adjustments" in the product prospectus supplement.
Closing Price:	For each Reference Asset, the Closing Price will be the closing sale price or last reported sale price (or, in the case of NASDAQ, the official closing price) for that Reference Asset on a per-share or other unit basis, on any Trading Day for that Reference Asset or, if such Reference Asset is not quoted on any national securities exchange on that day, on any other market system or quotation system that is the primary market for the trading of such Reference Asset.
Final Price:	For each Reference Asset, its Closing Price on the Final Valuation Date. If the originally scheduled Final Valuation Date is not a Trading Day with respect to a Reference Asset or a Market Disruption Event with respect to a Reference Asset occurs or is continuing on that day, the Closing Price for such Reference Asset will be its Closing Price on the first Trading Day for such Reference Asset following the originally scheduled Final Valuation Date on which the Calculation Agent determines that a Market Disruption Event does not occur or is not continuing with regard to such Reference Asset. If a Market Disruption Event with respect to a Reference Asset occurs or is continuing on each Trading Day to and including the tenth Trading Day following the originally scheduled Final Valuation Date, the Closing Price for such Reference Asset will be determined (or, if not determinable, estimated by the Calculation Agent in a manner which is considered commercially reasonable under the circumstances) by the Calculation Agent on that tenth Trading Day, regardless of the occurrence or continuation of a Market Disruption Event with regard to such Reference Asset on that day. For the

avoidance of doubt, if the originally scheduled Final Valuation Date is a Trading Day and no Market Disruption Event exists on that day with respect to a Reference Asset, the determination of that Reference Asset's Closing Price will be made on the originally scheduled Final Valuation Date, irrespective of the non-Trading Day status or the existence of a Market Disruption Event with respect to any other Reference Asset. For the definition of a market disruption event, see "General Terms of the Notes—Market Disruption Events" in the accompanying product prospectus supplement. If the Final Valuation Date is postponed due to a Market Disruption Event or non-Trading Day for a Reference Asset, the Maturity Date will be postponed to the third Business Day after the postponed Final Valuation Date.

Barrier Value: With respect to the EFA Fund, $[n] (70.00% of its Initial Price, to be determined on the Pricing Date).

With respect to the EEM Fund, $[n] (70.00% of its Initial Price, to be determined on the Pricing

	Date).
Least Performing Reference Asset:	The Reference Asset with the lowest Percentage Change as compared to the Percentage Change of any other Reference Asset.
Least Performing Percentage Change:	The Percentage Change of the Least Performing Reference Asset.
Leverage Factor:	At least 222% (to be determined on the Pricing Date)
Monitoring Period:	Final Valuation Date Monitoring
Trading Day:	A day on which the principal trading market(s) for each Reference Asset is open for trading, as determined by the Calculation Agent.
Business Day:	Any day that is a Monday, Tuesday, Wednesday, Thursday or Friday that is neither a legal holiday nor a day on which banking institutions are authorized or required by law to close in New York City or Toronto.
U.S. Tax Treatment:	By purchasing a Note, each holder agrees, in the absence of a statutory or regulatory change or an administrative determination or judicial ruling to the contrary, to characterize the Notes, for U.S. federal income tax purposes, as pre-paid derivative contracts with respect to the Reference Assets. Based on certain factual representations received from us, our special U.S. tax counsel, Cadwalader, Wickersham & Taft LLP, is of the opinion that it would be reasonable to treat the Notes in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Notes, it is possible that your Notes could alternatively be treated for tax purposes as a single contingent payment debt instrument, or pursuant to some other characterization, including possible treatment as a "constructive ownership transaction" under Section 1260 of the Code (described below), such that the timing and character of your income from the Notes could differ materially and adversely from the treatment described above, as discussed further under "Supplemental Discussion of U.S. Federal Income Tax Consequences" and in the product prospectus supplement under "Supplemental Discussion of U.S. Federal Income Tax Consequences".
Canadian Tax Treatment:	Please see the discussion in the product prospectus supplement under "Supplemental Discussion of Canadian Tax Consequences," which applies to the Notes.
Calculation Agent:	TD
Listing:	The Notes will not be listed or displayed on any securities exchange or any electronic communications network.
Clearance and Settlement:	DTC global (including through its indirect participants Euroclear and Clearstream, Luxembourg as described under "Forms of the Debt Securities" and "Book-Entry Procedures and Settlement" in the prospectus).

The Pricing Date, the Issue Date, and all other dates listed above are subject to change. These dates will be set forth in the final pricing supplement that will be made available in connection with sales of the Notes.

Additional Terms of Your Notes

You should read this pricing supplement together with the prospectus, as supplemented by the product prospectus supplement (MLN-ES-ETF (the "product prospectus supplement"), relating to our Senior Debt Securities, of which these Notes are a part. Capitalized terms used but not defined in this pricing supplement will have the meanings given to them in the product prospectus supplement. In the event of any conflict the following hierarchy will govern: first, this pricing supplement; second, the product prospectus supplement; and last, the prospectus. ***The Notes vary from the terms described in the product prospectus supplement in several important ways. You should read this pricing supplement carefully.***

This pricing supplement, together with the documents listed below, contains the terms of the Notes and supersedes all prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Additional Risk Factors" beginning on page P-6 of this pricing supplement, "Additional Risk Factors Specific to the Notes" beginning on page PS-5 in the product prospectus supplement and "Risk Factors" on page 1 of the prospectus, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes. You may access these documents on the SEC website at www.sec.gov as follows (or if that address has changed, by reviewing our filings for the relevant date on the SEC website):

§ Prospectus dated June 30, 2016: https://www.sec.gov/Archives/edgar/data/947263/000119312516638441/d162493d424b3.htm

§ Product Prospectus Supplement MLN-ES-ETF dated July 8, 2016: https://www.sec.gov/Archives/edgar/data/947263/000089109216016045/e70441_424b2.htm

Our Central Index Key, or CIK, on the SEC website is 0000947263. As used in this pricing supplement, the "Bank," "we," "us," or "our" refers to The Toronto-Dominion Bank and its subsidiaries. Alternatively, The Toronto-Dominion Bank, the Agent or any dealer participating in this offering will arrange to send you the product prospectus supplement and the prospectus if you so request by calling 1-855-303-3234.

We reserve the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. In the event of any changes to the terms of the Notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

Additional Risk Factors

The Notes involve risks not associated with an investment in conventional debt securities. This section describes the most significant risks relating to the terms of the Notes. For additional information as to these and other risks, please see "Additional Risk Factors Specific to the Notes" in the product prospectus supplement and the prospectus.

You should carefully consider whether the Notes are suited to your particular circumstances before you decide to purchase them. Accordingly, prospective investors should consult their investment, legal, tax, accounting and other advisors as to the risks entailed by an investment in the Notes and the suitability of the Notes in light of their particular circumstances.

Your Investment in the Notes May Result in a Loss.

The Notes do not guarantee the return of the Principal Amount and investors may lose up to their entire investment in the Notes if there is a decline in the price of any Reference Asset by more than 30% from the Pricing Date to the Final Valuation Date. Specifically, if the Final Price of the Least Performing Reference Asset is less than its Initial Price by more than 30%, investors will lose 1% of the Principal Amount of the Notes for each 1% that the Final Price of the Least Performing Reference Asset is less than its Initial Price, and may lose the entire Principal Amount.

The Notes Do Not Pay Interest and Your Return May Be Lower than the Return on a Conventional Debt Security of Comparable Maturity.

There will be no periodic interest payments on the Notes as there would be on a conventional fixed-rate or floating-rate debt security having a comparable maturity. The return that you will receive on the Notes, which could be negative, may be less than the return you could earn on other investments. Even if your return is positive, your return may be less than the return you would earn if you bought a conventional senior interest bearing debt security of TD.

Investors Are Subject to TD's Credit Risk, and TD's Credit Ratings and Credit Spreads May Adversely Affect the Market Value of the Notes.

Although the return on the Notes will be based on the performance of the Least Performing Reference Asset, the payment of any amount due on the Notes is subject to TD's credit risk. The Notes are TD's senior unsecured debt obligations. Investors are dependent on TD's ability to pay all amounts due on the Notes and, therefore, investors are subject to the credit risk of TD and to changes in the market's view of TD's creditworthiness. Any decrease in TD's credit ratings or increase in the credit spreads charged by the market for taking TD's credit risk is likely to adversely affect the market value of the Notes. If TD becomes unable to meet its financial obligations as they become due, investors may not receive any amounts due under the terms of the Notes.

Investors Are Exposed to the Market Risk of Each Reference Asset.

Your return on the Notes is not linked to a basket consisting of the Reference Assets. Rather, it will be contingent upon the performance of each Reference Asset. Unlike an instrument with a return linked to a basket of indices, common stocks, exchange-traded funds ("ETFs") or other underlying securities, in which risk is mitigated and diversified among all of the components of the basket, you will be exposed equally to the risks related to each Reference Asset. Poor performance by any Reference Asset over the term of the Notes will negatively affect your return and will not be offset or mitigated by a positive performance by any other Reference Asset. For instance, you will receive a negative percentage return equal to the Least Performing Percentage Change if the Final Price of any Reference Asset is less than its Barrier Value on the Final Valuation Date, even if the Percentage Change of another

Reference Asset is positive or has not declined as much. Accordingly, you are subject to the market risk of each Reference Asset and may lose a significant portion or all of your Principal Amount if the Final Price of any Reference Asset is less than its Barrier Value. Therefore, your investment is subject to the market risk of each Reference Asset.

Because the Notes are Linked to the Least Performing Reference Asset, You Are Exposed to a Greater Risk of Losing a Significant Portion or All of Your Initial Investment at Maturity than if the Notes Were Linked to a Single Reference Asset.

The risk that you will lose a significant portion or all of your initial investment in the Notes is greater if you invest in the Notes than the risk of investing in substantially similar securities that are linked to the performance of only one Reference Asset. With more Reference Assets, it is more likely that the Final Price of any Reference Asset will be less than its Barrier Value on the Final Valuation Date than if the Notes were linked to a single Reference Asset.

In addition, the lower the correlation between the performance of a pair of Reference Assets, the more likely it is that one of the Reference Assets will decline in price to a Final Price that is less than its Barrier Value on the Final Valuation Date. Although the correlation of the Reference Assets' performance may change over the term of the Notes, the economic terms of the Notes, including the Barrier Value and Leverage Factor, are determined, in part, based on the correlation of the Reference Assets' performance calculated using our internal models at the time when the terms of the Notes are finalized. All things being equal, a higher Leverage Factor and lower Barrier Values are generally associated with lower correlation of the Reference Assets. Therefore, if the performance of a pair of Reference Assets is not correlated to each other or is negatively correlated, the risk that the Final Price of any Reference Asset is less than its Barrier Value on the Final Valuation Date is even greater despite a lower Barrier Value. Therefore, it is more likely that you will lose a significant portion or all of your initial investment at maturity.

The Agent Discount, Offering Expenses and Certain Hedging Costs Are Likely to Adversely Affect Secondary Market Prices.

Assuming no changes in market conditions or any other relevant factors, the price, if any, at which you may be able to sell the Notes will likely be lower than the public offering price. The public offering price includes, and any price quoted to you is likely to exclude, any underwriting discount paid in connection with the initial distribution, offering expenses as well as the cost of hedging our obligations under the Notes. In addition, any such price is also likely to reflect dealer discounts, mark-ups and other transaction costs, such as a discount to account for costs associated with establishing or unwinding any related hedge transaction.

There May Not Be an Active Trading Market for the Notes — Sales in the Secondary Market May Result in Significant Losses.

There may be little or no secondary market for the Notes. The Notes will not be listed or displayed on any securities exchange or electronic communications network. The Agent or another of our affiliates may make a market for the Notes; however, they are not required to do so and may stop any market-making activities at any time. Even if a secondary market for the Notes develops, it may not provide significant liquidity or trade at prices advantageous to you. We expect that transaction costs in any secondary market would be high. As a result, the difference between bid and ask prices for your Notes in any secondary market could be substantial.

If you sell your Notes before the Maturity Date, you may have to do so at a substantial discount from the Principal Amount irrespective of the then-current price of the Least Performing Reference Asset, and as a result, you may suffer substantial losses.

If the Price of any Reference Asset Changes, the Market Value of Your Notes May Not Change in the Same Manner.

Your Notes may trade quite differently from the performance of any of the Reference Assets. Any payments on the Notes will be based solely on the Final Price of the Least Performing Reference Asset on the Final Valuation Date. Changes in the price of any Reference Asset may not result in a comparable change in the market value of your Notes. Even if the Closing Price of each Reference Asset remains equal to or greater than its Barrier Value or increases greater than its Initial Price during the life of the Notes, the market value of your Notes may not increase by the same amount and could decline.

You Will Have No Rights to Receive Any Shares of Any Reference Asset or Any Reference Asset Constituent held by Any Reference Asset, and You Will Not Be Entitled to Dividends or Other Distributions by Any Reference Asset.

The Notes are our debt securities. They are not equity instruments, shares of stock, or securities of any other issuer. Investing in the Notes will not make you a holder of shares of any Reference Asset or any investment in the stocks and other assets comprising the Reference Asset (the “Reference Asset Constituents”). You will not have any voting rights, any rights to receive dividends or other distributions, any rights against the investment advisor of a Reference Asset (each an “Investment Advisor”) or any other rights with respect to a Reference Asset or any of its Reference Asset Constituents. As a result, the return on your Notes may not reflect the return you would realize if you actually owned shares of the Reference Assets or its Reference Asset Constituents and received the dividends paid or other distributions made in connection with them. Your Notes will be paid in cash and you have no right to receive delivery of shares of any Reference Asset or any of its Reference Asset Constituents.

There Are Market Risks Associated with each Reference Asset.

The price of each Reference Asset can rise or fall sharply due to factors specific to such Reference Asset, the Reference Asset Constituents and their issuers (the “Reference Asset Constituent Issuers”), such as stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock and commodity market volatility and levels, interest rates and economic and political conditions. You, as an investor in the Notes, should make your own investigation into the Reference Assets for your Notes. For additional information, see "Information Regarding the Reference Assets" in this pricing supplement.

Estimated Value

The Estimated Value of Your Notes Is Expected To Be Lower Than the Public Offering Price of Your Notes.

The estimated value of your Notes on the Pricing Date is expected to be lower, and may be significantly lower, than the public offering price of your Notes. The difference between the public offering price of your Notes and the estimated value of the Notes reflects costs and expected profits associated with selling and structuring the Notes, as well as hedging our obligations under the Notes. Because hedging our obligations entails risks and may be influenced by market forces beyond our control, this hedging may result in a profit that is more or less than expected, or a loss.

The Estimated Value of Your Notes Is Based on Our Internal Funding Rate.

The estimated value of your Notes on the Pricing Date is determined by reference to our internal funding rate. The internal funding rate used in the determination of the estimated value of the Notes generally represents a discount from the credit spreads for our conventional fixed-rate debt securities and the borrowing rate we would pay for our conventional fixed-rate debt securities. This discount is based on, among other things, our view of the funding value of the Notes as well as the higher issuance, operational and ongoing liability management costs of the Notes in comparison to those costs for our conventional fixed-rate debt, as well as estimated financing costs of any hedge positions, taking into account regulatory and internal requirements. If the interest rate implied by the credit spreads for our conventional fixed-rate debt securities, or the borrowing rate we would pay for our conventional fixed-rate debt securities were to be used, we would expect the economic terms of the Notes to be more favorable to you. Additionally, assuming all other economic terms are held constant, the use of an internal funding rate for the Notes is expected to increase the estimated value of the Notes at any time.

The Estimated Value of the Notes Is Based on Our Internal Pricing Models, Which May Prove to Be Inaccurate and May Be Different from the Pricing Models of Other Financial Institutions.

The estimated value of your Notes on the Pricing Date is based on our internal pricing models. Our pricing models take into account a number of variables, such as our internal funding rate on the Pricing Date, and are based on a number of subjective assumptions, which are not evaluated or verified on an independent basis and may or may not materialize. Further, our pricing models may be different from other financial institutions' pricing models and the methodologies used by us to estimate the value of the Notes may not be consistent with those of other financial institutions that may be purchasers or sellers of Notes in the secondary market. As a result, the secondary market price of your Notes may be materially lower than the estimated value of the Notes determined by reference to our internal pricing models. In addition, market conditions and other relevant factors in the future may change, and any assumptions may prove to be incorrect.

The Estimated Value of Your Notes Is Not a Prediction of the Prices at Which You May Sell Your Notes in the Secondary Market, If Any, and Such Secondary Market Prices, If Any, Will Likely be Lower Than the Public Offering Price of Your Notes and May Be Lower Than the Estimated Value of Your Notes.

The estimated value of the Notes will not be a prediction of the prices at which the Agent, other affiliates of ours or third parties may be willing to purchase the Notes from you in secondary market transactions (if they are willing to purchase, which they are not obligated to do). The price at which you may be able to sell your Notes in the secondary market at any time, if any, will be influenced by many factors that cannot be predicted, such as market conditions, and any bid and ask spread for similar sized trades, and may be substantially less than the estimated value of the Notes. Further, as secondary market prices of your Notes take into account the levels at which our debt securities trade in the secondary market, and do not take into account our various costs and expected profits associated with selling and structuring the Notes, as well as hedging our obligations under the Notes, secondary market prices of your Notes will likely be lower than the public offering price of your Notes. As a result, the price at which the Agent, other affiliates of ours or third parties may be willing to purchase the Notes from you in secondary market transactions, if any, will likely be lower than the price you paid for your Notes, and any sale prior to the Maturity Date could result in a substantial loss to you.

The Temporary Price at Which the Agent May Initially Buy the Notes in the Secondary Market May Not Be Indicative of Future Prices of Your Notes.

Assuming that all relevant factors remain constant after the Pricing Date, the price at which the Agent may initially buy or sell the Notes in the secondary market (if the Agent makes a market in the Notes, which it is not obligated to do) may exceed the estimated value of the Notes on the Pricing Date, as well as the secondary market value of the Notes, for a temporary period after the Issue Date of the Notes, as discussed further under "Additional Information Regarding the Estimated Value of the Notes." The price at which the Agent may initially buy or sell the Notes in the secondary market may not be indicative of future prices of your Notes.

There Are Potential Conflicts of Interest Between You and the Calculation Agent.

The Calculation Agent will, among other things, determine the Payment at Maturity on the Notes. We will serve as the Calculation Agent but may appoint a different Calculation Agent after the Issue Date without notice to you. The Calculation Agent will exercise its judgment when performing its functions and may take into consideration our ability to unwind any related hedges. Since this discretion by the Calculation Agent may affect payments on the Notes, the Calculation Agent may have a conflict of interest if it needs to make any such decision. For example, the Calculation Agent may have to determine whether a Market Disruption Event affecting a Reference Asset has occurred, and may make certain adjustments to a Reference Asset, its Initial Price or other terms of the Notes if such an event occurred. Any such determination may, in turn, depend on the Calculation Agent's judgment whether the event has materially interfered with our ability or the ability of one of our affiliates to unwind our hedge positions. Since this determination by the Calculation Agent will affect the payment on the Notes, the Calculation Agent may have a conflict of interest if it needs to make a determination of this kind. For additional information as to the Calculation Agent's role, see "General Terms of the Notes—Role of Calculation Agent" in the product prospectus supplement.

There Are Liquidity and Management Risks Associated with an ETF.

Although shares of each Reference Asset are listed for trading on a securities exchange and a number of similar products have been traded on various exchanges for varying periods of time, there is no assurance that an active trading market will continue for such shares or that there will be liquidity in that trading market.

An ETF is subject to management risk, which is the risk that the Investment Advisor's (as defined under Information Regarding the Reference Assets) investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results, as discussed further in the following risk factor.

Each Reference Asset and its Target Index Is Different and the Performance of Each Reference Asset May Not Correlate With the Performance of its Target Index.

The performance of a Reference Asset may not exactly replicate the performance of its Target Index because such Reference Asset will reflect transaction costs and fees that are not included in the calculation of its Target Index. It is also possible that a Reference Asset may not fully replicate or may in certain circumstances diverge significantly from the performance of its Target Index due to the temporary unavailability of certain securities in the secondary market, the performance of any derivative instruments contained in such Reference Asset, differences in trading hours between such Reference Asset and its Target Index or due to other circumstances. In addition, because the shares of the Reference Assets are traded on a securities exchange and are subject to market supply and investor demand, the price of a share of a Reference Asset may differ from the net asset value per share of such Reference Asset.

The Value of the Reference Asset May Not Completely Track the Value of the Reference Asset Constituents in Which Such ETF Invests.

Although the trading characteristics and valuations of the Reference Asset will usually mirror the characteristics and valuations of its Reference Asset Constituents, its value may not completely track the value of its Reference Asset Constituents. The value of the Reference Asset will reflect transaction costs and fees that its Reference Asset Constituents do not have. In addition, although the Reference Asset may be currently listed for trading on an exchange, there is no assurance that an active trading market will continue for the Reference Asset or that there will be liquidity in the trading market.

The Reference Assets Utilize A Passive Indexing Investment Approach.

The Reference Assets are not managed according to traditional methods of “active” investment management, which involve the buying and selling of securities based on economic, financial and market analysis and investment judgment. Instead, each Reference Asset, utilizes a “passive” or indexing investment approach, attempts to approximate the investment performance of its Target Index by investing in a portfolio of stocks that generally replicate such index. Therefore, unless a specific stock is removed from its Target Index, a Reference Asset generally will not sell a stock because the stock’s issuer was in financial trouble. In addition, each Reference Asset is subject to the risk that the investment strategy of its Investment Advisor may not produce the intended results.

The Notes Are Subject to Currency Exchange Rate Risk.

The Reference Asset Constituents of each Reference Asset are traded and quoted in non-U.S. currencies on non-U.S. markets. The prices of its Reference Asset Constituents are converted into U.S. dollars for purposes of calculating the price of each Reference Asset. As a result, holders of the Notes will be exposed to currency exchange rate risk with respect to each of the currencies represented by the Reference Asset Constituents of each Reference Asset. The values of the currencies of the Reference Asset Constituents may be subject to a high degree of fluctuation due to changes in interest rates, the effects of monetary policies issued by the U.S., non-U.S. governments, central banks or supranational entities, the imposition of currency controls or other national or global political or economic developments. The price of each Reference Asset will depend on the extent to which the relevant non-U.S. currencies strengthen or weaken against the U.S. dollar and the relative weight of each of its non-U.S. Reference Asset Constituent. If, taking into account such weighting, the U.S. dollar strengthens against the relevant non-U.S. currencies, the value of the applicable Reference Asset Constituent, and therefore the price of the Reference Asset, will be adversely affected and the value of the Notes may decrease.

It has been reported that the U.K. Financial Conduct Authority and regulators from other countries are in the process of investigating the potential manipulation of published currency exchange rates. If such manipulation has occurred or is continuing, certain published exchange rates may have been, or may be in the future, artificially lower (or higher) than they would otherwise have been. Any such manipulation could have an adverse impact on any payments on, and the value of, your Notes and the trading market for your Notes. In addition, we cannot predict whether any changes or reforms affecting the determination or publication of exchange rates or the supervision of currency trading will be implemented in connection with these investigations. Any such changes or reforms could also adversely impact the market value of, and amount payable if any on the Notes.

An Investment in the Notes Is Subject to Risks Associated with Non-U.S. Securities Markets.

Because non-U.S. companies or non-U.S. equity securities held by each Reference Asset are publicly traded in the applicable non-U.S. countries and trade in currencies other than U.S. dollars, investments in the Notes involve particular risks. For example, the non-U.S. securities markets may be more volatile and have less liquidity than the U.S. securities markets, and market developments may affect these markets differently from the U.S. or other securities markets. Direct or indirect government intervention to stabilize the securities markets outside the U.S., as well as cross-shareholdings in certain companies, may affect trading prices and trading volumes in those markets. Also, the public availability of information concerning the non-U.S. issuers may vary depending on their home jurisdiction and the reporting requirements imposed by their respective regulators. In addition, the non-U.S. issuers may be subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

Securities prices outside the U.S. are subject to political, economic, financial, military and social factors that apply in non-U.S. countries. These factors, which could negatively affect non-U.S. securities markets, include the possibility of changes in a non-U.S. government's economic and fiscal policies, the possible imposition of, or changes in, currency exchange laws or other laws or restrictions applicable to non-U.S. companies or investments in non-U.S. equity securities, the possibility of fluctuations in the rate of exchange between currencies and the possibility of outbreaks of hostility or political instability or adverse public health developments. Moreover, non-U.S. economies may differ favorably or unfavorably from the U.S. economy in important respects such as growth of gross national product, rate of inflation, trade surpluses, capital reinvestment, resources and self-sufficiency.

Investment in the Notes Is Subject to Risks Associated with Emerging Securities Markets.

The value of your Notes is linked, in part, to the shares of the EEM Fund, which holds stocks traded in the equity markets of emerging market countries. Investments linked to the value of emerging equity securities involve particular risks. Any emerging securities market may be less liquid, more volatile and affected by global or domestic market developments in a different way than are the U.S. securities market or other emerging securities markets. Both government intervention in an emerging securities market, either directly or indirectly, and cross-shareholdings in foreign companies, may affect trading prices and volumes in that market. Also, there is generally less publicly available information about foreign companies than about those U.S. companies that are subject to the reporting requirements of the SEC. Further, foreign companies are likely subject to accounting, auditing and financial reporting standards and requirements that differ from those applicable to U.S. reporting companies.

The prices of securities in an emerging country are subject to political, economic, financial and social factors that are unique to such foreign country's geographical region. These factors include: recent changes, or the possibility of future changes, in the applicable foreign government's economic and fiscal policies; the possible implementation of, or changes in, currency exchange laws or other laws or restrictions applicable to foreign companies or investments in emerging equity securities; fluctuations, or the possibility of fluctuations, in currency exchange rates; and the possibility of outbreaks of hostility, political instability, natural disaster or adverse public health developments. The United Kingdom has voted to leave the European Union (popularly known as "Brexit"). The effect of Brexit is uncertain, and Brexit has and may continue to contribute to volatility in the prices of securities of companies located in Europe and currency exchange rates, including the valuation of the euro and British pound in particular. Any one of these factors, or the combination of more than one of these or other factors, could negatively affect such emerging securities market and the prices of securities therein. Further, geographical regions may react to global factors in different ways, which may cause the prices of securities in an emerging securities market to fluctuate in a way that differs from those of securities in the U.S. securities market or other emerging securities markets. Foreign economies may also differ from the U.S. economy in important respects, including growth of gross national product, rate of inflation, capital reinvestment, resources and self-sufficiency, which may have a positive or negative effect on emerging securities prices.

The countries whose markets are represented by the EEM Fund include Brazil, Chile, China, Colombia, the Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Qatar, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey and the United Arab Emirates.

Countries with emerging markets may have relatively unstable governments, may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and may have less protection of property rights than more developed countries. The economies of countries with emerging markets may be based on only a few industries, may be highly vulnerable to changes in local or global trade conditions, and may suffer from extreme and volatile debt burdens or inflation rates. Local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times.

If the Price of any Reference Asset Changes, the Market Value of Your Notes May Not Change in the Same Manner.

Your Notes may trade quite differently from the performance of any of the Reference Assets. Changes in the price of any Reference Asset may not result in a comparable change in the market value of your Notes. Even if the value of each Reference Asset increases above its Initial Price during the life of the Notes, the market value of your Notes may not increase by the same amount and could decline.

We Have No Affiliation with Any Index Sponsor or Any Investment Advisor and Will Not Be Responsible for Any Actions Taken by Any Index Sponsor or Any Investment Advisor.

No sponsor of a Target Index (“each an “Index Sponsor”) or Investment Advisor is an affiliate of ours or will be involved in the offering of the Notes in any way. Consequently, we have no control over their actions, including any actions of the type that would require the Calculation Agent to adjust any amounts payable on the Notes. The Index Sponsors and the Investment Advisors have no obligation of any sort with respect to the Notes. Thus, the Index Sponsors and the Investment Advisors have no obligation to take your interests into consideration for any reason, including in taking any actions that might affect the value of the applicable Reference Asset or the Notes. None of our proceeds from the issuance of the Notes will be delivered to any Index Sponsor or any Investment Advisor.

Changes that Affect the Target Index of a Reference Asset Will Affect the Market Value of the Notes and the Amount You Will Receive at Maturity.

Each Reference Asset is an ETF that seeks to provide investment results that, before fees and expenses, correspond generally to the price and yield performance of its Target Index. The policies of each Index Sponsor concerning the calculation of its Target Index, additions, deletions or substitutions of the components of a Target Index and the manner in which changes affecting those components, such as stock dividends, reorganizations or mergers, may be reflected in a Target Index and, therefore, could affect the market value of, and the amounts payable on, the Notes. The amounts payable on the Notes and their market value could also be affected if an Index Sponsor changes these policies, for example, by changing the manner in which it calculates its Target Index. Additional risks that relate to a Target index of an ETF include those discussed in the product prospectus supplement, which you should review before investing in the Notes.

Adjustments to the Reference Asset Could Adversely Affect the Notes.

The Investment Advisors are responsible for calculating and maintaining their Reference Asset. An Investment Advisor can add, delete or substitute the Reference Asset Constituents for its Reference Asset. An Investment Advisor may make other methodological changes to its Reference Asset that could change the price of such Reference Asset at any time. If one or more of these events occurs, the calculation of the amount payable at maturity may be adjusted to reflect such event or events. Consequently, any of these actions could adversely affect the amount payable at maturity and/or the market value of the Notes.

Trading and Business Activities by the Bank or its Affiliates May Adversely Affect the Market Value of the Notes.

We and our affiliates may hedge our obligations under the Notes by purchasing securities, futures, options or other derivative instruments with returns linked or related to changes in the price of a Reference Asset or prices of one or more of its Reference Asset Constituents, and we or they may adjust these hedges by, among other things, purchasing or selling securities, futures, options or other derivative instruments at any time. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the market value of the Notes declines. We or one or more of our affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to the performance of a Reference Asset or one or more of its Reference Asset Constituents.

These trading activities may present a conflict between the holders’ interest in the Notes and the interests we and our affiliates will have in our or their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for our or their customers’ accounts and in accounts under our or their management. These trading activities could be adverse to the interests of the holders of the Notes.

We, the Agent and our other affiliates may, at present or in the future, engage in business with one or more Reference Asset Constituent Issuers, including making loans to or providing advisory services to those companies. These services could include investment banking and merger and acquisition advisory services. These business activities may present a conflict between our, the Agent’s and our affiliates’ obligations, and your interests as a holder of the Notes. Moreover, we, the Agent or our other affiliates may have published, and in the future expect to publish, research reports with respect to the Reference Assets or one or more Reference Asset Constituents. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities by us, the Agent or one or more of our other affiliates or the Agents or their affiliates may affect the price of a Reference Asset or one or more Reference Asset Constituents and, therefore, the market value of the Notes and any payments on the Notes.

You Will Have Limited Anti-Dilution Protection.

The Calculation Agent will adjust the Initial Price of a Reference Asset for stock splits, reverse stock splits, stock dividends, extraordinary dividends and other events that affect such Reference Asset, but only in the situations we describe in “General Terms of the Notes—Anti-Dilution Adjustments” below. The Calculation Agent will not be required to make an adjustment for every event that may affect a Reference Asset. Those events or other actions by its Investment Advisor or a third party may nevertheless adversely affect the price of a Reference Asset, and adversely affect the value of your Notes.

Significant Aspects of the Tax Treatment of the Notes Are Uncertain.

The U.S. tax treatment of the Notes is uncertain. Please read carefully the section entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” in the product prospectus supplement, and the section entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” below. You should consult your tax advisor about your tax situation.

For a more complete discussion of the Canadian federal income tax consequences of investing in the Notes, please see the discussion in the product prospectus supplement under “Supplemental Discussion of Canadian Tax Consequences.” If you are not a Non-resident Holder (as that term is defined in the prospectus) for Canadian federal income tax purposes or if you acquire the Notes in the secondary market, you should consult your tax advisors as to the consequences of acquiring, holding and disposing of the Notes and receiving the payments that might be due under the Notes.

Anti-Dilution Adjustments

The section “General Terms of the Notes—Anti-Dilution Adjustments—Transferable Rights and Warrants” in the product prospectus supplement is replaced in its entirety with the following:

Transferable Rights and Warrants

If a Reference Asset Constituent Issuer issues transferable rights or warrants to all holders of such Reference Asset to subscribe for or purchase such Reference Asset at an exercise price per share that is less than the Closing Price of such Reference Asset on the Trading Day before the ex-dividend date for such issuance, then the Calculation Agent may adjust its Initial Price and/or Final Price, as applicable, of such Reference Asset, or any other terms of the Notes as the Calculation Agent determines appropriate with reference to any adjustment(s) to options contracts on such Reference Asset in respect of such issuance of transferable rights or warrants made by the Options Clearing Corporation, or any other equity derivatives clearing organization or exchange to account for the economic effect of such issuance.

Hypothetical Returns

The examples and table set out below are included for illustration purposes only and are hypothetical examples only: amounts below may have been rounded for ease of analysis. The **hypothetical** Percentage Changes of the Reference Asset used to illustrate the calculation of the Payment at Maturity (rounded to two decimal places) are not estimates or forecasts of the Initial Prices, the Final Prices or the prices of the Reference Assets on any other Trading Day. All examples assume a Leverage Factor of 222%, a Barrier Value of each Reference Asset equal to 70% of its Initial Price, that a holder purchased Notes with an aggregate Principal Amount of $1,000 and that no Market Disruption Event occurs on the Valuation Date. The actual Leverage Factor will be determined on the Pricing Date.

Example 1 — Calculation of the Payment at Maturity where the Least Performing Percentage Change is positive.

Least Performing Percentage Change:	5.00%
	= $1,000.00 + ($1,000.00 x 5.00% x 222.00%)
Payment at Maturity:	= $1,000.00 + $111.00
	= $1,111.00.

On a $1,000.00 investment, a 5.00% Percentage Change in the Least Performing Reference Asset results in a Payment at Maturity of $1,111.00, a 11.10% return on the Notes.

Example 2 — Calculation of the Payment at Maturity where the Percentage Change of each Reference Asset is zero.

Percentage Change of each Reference Asset:	0.00%
Payment at Maturity:	At maturity, if the Percentage Change of each Reference Asset is zero, then the Payment at Maturity will equal the Principal Amount.

On a $1,000.00 investment, a 0.00% Percentage Change of each Reference Asset results in a Payment at Maturity of $1,000.00, a 0.00% return on the Notes

Example 3 — Calculation of the Payment at Maturity where the Least Performing Percentage Change is negative but not by more than -30%.

Least Performing Percentage Change:	-5.00%
Payment at Maturity:	At maturity, if the Least Performing Percentage Change is negative BUT not by more than -30%, then the Payment at Maturity will equal the Principal Amount.

On a $1,000.00 investment, a -5.00% Percentage Change in the Least Performing Reference Asset results in a Payment at Maturity of $1,000.00, a 0.00% return on the Notes.

Example 4 — Calculation of the Payment at Maturity where the Least Performing Percentage Change is negative by more than -30%.

Least Performing Percentage Change:	-35.00%
Payment at Maturity:	= $1,000.00 + ($1,000.00 x -35.00%) = $1,000.00 - $350.00 = $650.00

On a $1,000.00 investment, a -35.00% Percentage Change in the Least Performing Reference Asset results in a Payment at Maturity of $650.00, a -35.00% return on the Notes. **If the Final Price of the Least Performing Reference Asset is less than its Barrier Value, the investor will lose 1% of the Principal Amount of the Notes for each 1% that the Final Price of the Least Performing Reference Asset is less than its Initial Price and may lose all of their investment. Any payments on the Notes are subject to our credit risk.**

The following table shows the return profile for the Notes on the Maturity Date, assuming that the investor purchased the Notes with an aggregate Principal Amount of $1,000 and held the Notes until the Maturity Date. The returns and losses illustrated in the following table are not estimates or forecasts of the Percentage Change of the Least Performing Reference Asset or the return or loss on the Notes. Neither TD nor the Agent is predicting or guaranteeing any gain or particular return on the Notes.

Hypothetical Least Performing Percentage Change	**Hypothetical Payment at Maturity ($)**	**Hypothetical Return on Notes (%)**
40.00%	$1,888.00	88.80%
30.00%	$1,666.00	66.60%
20.00%	$1,444.00	44.40%
15.00%	$1,333.00	33.30%
10.00%	$1,222.00	22.20%
5.00%	$1,111.00	11.10%
3.00%	$1,066.60	6.66%
2.00%	$1,044.40	4.44%
1.00%	$1,022.20	2.22%
0.00%	$1,000.00	0.00%
-2.00%	$1,000.00	0.00%
-4.00%	$1,000.00	0.00%
-6.00%	$1,000.00	0.00%
-8.00%	$1,000.00	0.00%
-10.00%	$1,000.00	0.00%
-20.00%		

		72,572		
Goodwill		571,016		634,176
Intangible assets, net		208,466		236,767
Other assets		15,649		21,764
Total Assets	$	1,572,874	$	1,715,976
Liabilities				
Accounts payable and accrued liabilities, including discretionary compensation	$	266,321	$	381,784
Income taxes payable and deferred		146		3,462
Total current liabilities		266,467		385,246
Revolving credit facility		105,000		
Accrued retirement benefits		206,759		209,168
Deferred rent and accrued lease losses		28,271		29,239
Deferred income taxes and other long term tax liabilities		12,600		13,430
Other noncurrent liabilities		83,046		94,498
Total Liabilities		702,143		731,581
Commitments and contingencies				
Stockholders Equity				
Preferred Stock - No par value:				
1,000,000 shares authorized; none issued and outstanding				

Class A Common Stock - $.01 par value:				
99,000,000 shares authorized; 43,813,451 and 43,813,451 issued and 42,610,373 and 43,578,268 outstanding		438		438
Additional paid-in capital		453,501		456,681
Treasury stock, at cost - 1,203,078 and 235,183 shares		(66,270)		(13,222)
Retained earnings		506,926		474,961
Accumulated other comprehensive (loss)/income		(23,864)		65,537
Total Stockholders Equity		870,731		984,395
Total Liabilities and Stockholders Equity	$	1,572,874	$	1,715,976

See accompanying notes to the

condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Condensed Consolidated Statements of Cash Flows

(Thousands of U.S. Dollars)

(Unaudited)

	Three months ended September 30, 2008	2007
Cash flows used in operating activities:		
Net income	$ 35,160	$ 34,444
Adjustments to reconcile net income to net cash from operating activities:		
Provision for doubtful receivables from clients	3,615	4,124
Depreciation	14,827	13,554
Amortization of intangible assets	4,037	3,780
Provision for (benefit from) deferred income taxes	(7,946)	1,698
Income from affiliates	(1,695)	(925)
Other, net	1,663	
Changes in operating assets and liabilities (net of business acquisitions)		
Receivables from clients	1,492	(20,836)
Other current assets	(7,503)	(35,099)
Other assets	2,162	(793)
Accounts payable and accrued liabilities	(100,646)	(44,969)
Income taxes payable and deferred	(3,190)	1,256
Accrued retirement benefits	(2,409)	2,341
Deferred rent and accrued lease losses	(968)	(1,441)
Other noncurrent liabilities	(12,328)	(5,872)
Cash flows used in operating activities:	(73,729)	(48,738)
Cash flows used in investing activities:		
Business acquisitions and contingent consideration payments	(538)	(130,517)
Purchases of fixed assets	(10,013)	(6,105)
Capitalized software costs	(5,594)	(6,619)
Investment in affiliates		(1,914)
Distributions from affiliates	144	
Contingent proceeds from divestitures	(19)	88
Cash flows used in investing activities:	(16,020)	(145,067)
Cash flows from financing activities		
Borrowings (repayments) under Credit Facility	105,000	36,400
Dividends paid	(3,195)	(3,186)
Repurchases of common stock	(73,613)	(14,114)
Issuances of common stock and excess tax benefit	1,535	3,612
Cash flows from financing activities	29,727	22,712
Effect of exchange rates on cash	2,865	(2,525)
Decrease in cash and cash equivalents	(57,157)	(173,618)
Cash and cash equivalents at beginning of period	124,632	248,186

Cash and cash equivalents at end of period	$	67,475	$	74,568
Supplemental disclosures:				
Cash paid for interest	$	395	$	1,743
Cash paid for income taxes, net of refunds	$	14,251	$	27,300

See accompanying notes to the

condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Condensed Consolidated Statement of Changes in Stockholders Equity

(Thousands of U.S. Dollars, Except Share Data)

(Unaudited)

	Class A Common Stock Outstanding (number of shares, in thousands)		Class A Common Stock		Additional Paid-in Capital		Treasury Stock, at Cost		Retained Earnings		Accumulated Other Comprehensive Income/(Loss)		Total
Balance at June 30, 2008	43,578	$	438	$	456,681	$	(13,222)	$	474,961	$	65,537	$	984,395
Comprehensive loss:													
Net income									35,160				35,160
Foreign currency translation adjustment, net of tax											(89,401)		(89,401)
Total comprehensive loss													(54,241)
Cash dividends declared									(3,195)				(3,195)
Repurchases of common stock	(1,341)						(73,613)						(73,613)
Issuances of common stock and excess tax benefit	373				(3,180)		20,565						17,385
Balance at September 30, 2008	42,610	$	438	$	453,501	$	(66,270)	$	506,926	$	(23,864)	$	870,731

See accompanying notes to the

condensed consolidated financial statements

Table of Contents

WATSON WYATT WORLDWIDE, INC.

Notes to the Condensed Consolidated Financial Statements

(Tabular amounts are in thousands, except per share data)

(Unaudited)

Note 1 Basis of Presentation.

The accompanying unaudited quarterly condensed consolidated financial statements of Watson Wyatt Worldwide, Inc. and our subsidiaries (collectively referred to as we, Watson Wyatt, Watson Wyatt Worldwide or the company) are presented in accordance with the rules and regulations of the Securities and Exchange Commission (SEC) for quarterly reports on Form 10-Q and therefore do not include all of the information and footnotes required by U.S. generally accepted accounting principles. In the opinion of management, these condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for a fair presentation of the condensed consolidated financial statements and results for the interim periods. All intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements should be read together with the audited consolidated financial statements and notes thereto contained in the company s Annual Report on Form 10-K for the fiscal year ended June 30, 2008, which is filed with the SEC and may be accessed via EDGAR on the SEC s web site at www.sec.gov. The year-end balance sheet data was derived from audited financial statements.

Our fiscal year 2009 began July 1, 2008 and ends June 30, 2009.

The results of operations for the three months ended September 30, 2008 are not necessarily indicative of the results that can be expected for the entire fiscal year ending June 30, 2009. The results reflect certain estimates and assumptions made by management including estimated bonuses and anticipated tax liabilities that affect the amounts reported in the condensed consolidated financial statements and related notes. Certain prior year amounts have been reclassified to conform to the current year s presentation.

Note 2 Business Acquisitions.

The company s acquisition strategy identifies potential acquisitions that strengthen our geographic delivery of services to clients or enhance practices in various parts of the world. Acquisition candidates are evaluated on their cultural consistency with Watson Wyatt values within the company s strategy. When those conditions are met, the company values potential acquisitions so as to be accretive to earnings.

Assets acquired and liabilities assumed as a result of our acquisitions are recorded at their respective fair values as of the business combination date. The determination of estimated fair value requires management to make significant estimates and assumptions.

Acquisitions that we have completed include the following:

Dr. Dr. Heissmann GmbH

On July 20, 2007, the company acquired the outstanding stock of Dr. Dr. Heissmann GmbH (Heissmann) for approximately $136 million (99 million) in cash plus approximately $1.4 million in transaction costs. Heissmann was an actuarial, benefits, and human resources consulting firm based in Germany with subsidiaries in Ireland, Netherlands, Austria, and France. As of July 20, 2007, Heissmann employed approximately 360 associates. Annual revenue, including subsidiaries, was approximately $70 million (52 million) for their fiscal year ended March 31, 2007. The financial results of Heissmann have been consolidated into the company s financial statements upon the date of acquisition.

Table of Contents

WisdomNet

On July 2, 2007, the company acquired the net assets of WisdomNet for $6.9 million in cash and stock, including the payoff of $0.5 million of debt. WisdomNet was a Denver-based talent management software and consulting firm that was founded in 2001. WisdomNet offered a proprietary line of business software products, including an end-to-end solution for managing organizations talent management processes. The acquisition of WisdomNet strengthens our existing talent management business and provides strategic software that will be used to service our clients on an ongoing basis. As of the date of the acquisition, WisdomNet employed 15 associates. The company recorded $2.6 million of goodwill associated with this acquisition.

Marcu & Asociados S.A.

On June 16, 2008, the company acquired the outstanding stock of Marcu & Asociados S.A. (Marcu) for $2.8 million in cash. Marcu is a human resource, risk and financial management consulting firm based in Buenos Aires, Argentina. As of the date of acquisition, Marcu employed 37 associates and had annual revenues of approximately $2.5 million. The financial results of Marcu are included in the company s consolidated financial statements effective July 1, 2008. The company recorded $1.6 million of goodwill associated with this acquisition.

Watson Wyatt Netherlands

On February 1, 2007, Watson Wyatt B.V., an indirect wholly-owned subsidiary of the company, acquired the net assets of Watson Wyatt Netherlands (WWN), its long-time alliance partner in the Netherlands. The financial results of WWN have been consolidated into the company s financial statements since February 1, 2007.

The contingencies associated with the payment of an additional 218,089 Class A shares were met and the contingent shares were issued to the former partners of WWN on June 27, 2008.

Watson Wyatt LLP

On July 31, 2005, the company acquired substantially all of the assets and assumed most liabilities of Watson Wyatt LLP (WWLLP) (the WWLLP business combination), a leading United Kingdom-based actuarial, benefits and human resources consulting partnership. The financial results of WWLLP have been consolidated into the company s financial statements since August 1, 2005.

In addition to the initial purchase price, the terms of the purchase agreement called for an additional 1,950,000 shares to be paid to the former partners of WWLLP, contingent upon the achievement by the acquired business of certain agreed-upon financial performance goals. The agreed-upon financial performance goals were met at the end of fiscal year 2007 and the contingent shares were issued to the former partners of

WWLLP on April 15, 2008 for payment of $94.2 million.

Note 3 Segment Information.

We have five reportable operating segments or practice areas as follows:

(1) Benefits Group

(2) Human Capital Group

(3) Technology and Administration Solutions Group

(4) Investment Consulting Group

(5) Insurance & Financial Services Group

Table of Contents

Management evaluates the performance of its segments and allocates resources to them based on net operating income on a pre-bonus, pre-tax basis.

The table below presents specified information about reported segments as of and for the three months ended September 30, 2008:

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance & Financial Services Group	Total
Revenue (net of reimbursable expenses)	$ 237,900	$ 49,514	$ 47,910	$ 42,107	$ 27,807	$ 405,238
Net operating income	63,209	6,833	12,860	12,519	834	96,255
Receivables	243,394	45,170	20,681	29,827	27,355	366,427

The table below presents specified information about reported segments as of and for the three months ended September 30, 2007:

	Benefits Group	Human Capital Group	Technology and Administration Solutions Group	Investment Consulting Group	Insurance & Financial Services Group	Total
Revenue (net of reimbursable expenses)	$ 226,569	$ 42,714	$ 40,477	$ 39,944	$ 28,001	$ 377,705
Net operating income	57,050	5,587	8,379	14,121	1,450	86,587
Receivables	258,383	43,384	19,886	30,405	27,282	379,340

Information about interest income and tax expense is not presented as a segment expense because such items are not considered a responsibility of the segments operating management.

Table of Contents

Reconciliations of the information reported by segment to the historical consolidated amounts follow for the three month periods ended September 30, 2008 and 2007:

	Three Months Ended September 30 2008		2007	
Revenue:				
Total segment revenue	$	405,238	$	377,705
Reimbursable expenses and other not included in total segment revenue		9,242		12,559
All other segments		11,646		11,423
Consolidated fees	$	426,126	$	401,687
Net Operating Income:				
Total segment net operating income	$	96,255	$	86,587
Income from affiliates		1,695		925
Differences in allocation methods (1)		(2,960)		(465)
Discretionary compensation		(42,258)		(41,390)
All other segments		3,288		3,440
Other, net		(2,698)		2,736
Consolidated pretax income	$	53,322	$	51,833
Receivables:				
Total segment receivables - billed and unbilled (2)	$	366,427	$	379,340
All other segments		7,985		8,214
Net valuation differences		(13,762)		(15,550)
Total billed and unbilled receivables		360,650		372,004
Assets not reported by segment (3)		1,212,224		1,339,867
Consolidated assets	$	1,572,874	$	1,711,871

(1) General and administrative, pension, and medical costs are allocated to our segments based on budgeted expenses determined at the beginning of the fiscal year as management believes that these costs are largely uncontrollable to the segment. To the extent that the actual expense base upon which allocations are made differs from the forecast/budget amount, a reconciling item will be created between internally allocated expenses and the actual expense that we report for U.S. GAAP purposes.

(2) Total segment receivables, which reflects the receivable balances used by management to make business decisions, are included for management reporting purposes net of deferred revenues   cash collections and invoices generated in excess of revenue recognized in the segment revenues.

(3) Assets not reported by segment for management reporting purposes include goodwill and intangible assets of $779.5 million and $854.9 million, respectively.

Table of Contents

Note 4 Share-based Compensation.

The company has four share-based compensation plans, which are described below. These compensation plans include the 2001 Employee Stock Purchase Plan, 2001 Deferred Stock Unit Plan for Selected Employees, Amended Compensation Plan for Outside Directors and the 2000 Long-Term Incentive Plan. All four plans have been approved by stockholders.

2001 Deferred Stock Unit Plan for Selected Employees

Deferred Stock Units - The 2001 Deferred Stock Unit Plan for Selected Employees is intended to provide selected associates of the company with additional incentives by permitting the company to grant them an equity interest in the company in the form of restricted stock units, in lieu of a portion of their annual fiscal year end bonus. Shares under this plan are awarded during the first quarter of each fiscal year. During the first quarter of fiscal year 2009, 295,775 shares of common stock were awarded at an average market price of $53.92 for a total fair value of $15.9 million. During the first quarter of fiscal year 2008, 349,118 shares of common stock were awarded at an average market price of $47.63 for a total fair value of $16.6 million.

SBI Program - The Performance Share Bonus Incentive Program (the SBI Program), as approved by the company s Board of Directors pursuant to the company s 2001 Deferred Stock Unit Plan for Selected Employees, is a long-term stock bonus arrangement for senior executives of the company and its affiliates. The SBI program is designed to strengthen incentives and align behaviors to grow the business in a way that is consistent with the strategic goals of the company.

Incentives under the SBI Program are provided through grants of deferred stock units pursuant to the company s 2001 Deferred Stock Unit Plan for Selected Employees. Grants of deferred stock units are based on either salary or on the value of the cash portion of the eligible participant s fiscal year-end bonus target and a multiplier, which is then converted into a target number of deferred stock units based upon the company s stock price as of the quarter end prior to grant. Depending on the plan, participants may vest between zero and 170% of the target number of deferred stock units or between zero and 100% based on the extent to which financial and strategic performance metrics are achieved over a three fiscal year period. The financial and strategic performance metrics are established at the beginning of each performance period. For the performance periods covering fiscal year 2007 through 2009 and 2008 through 2010, the vesting criteria are based upon growth specific metrics such as earnings per share, NOI and revenue. During the first quarter of fiscal year 2009, 44,061 shares were awarded to certain senior executive officers under the SBI 2006 plan, which represented vesting at 170% of the target number of deferred stock units.

Approximately $0.8 million of compensation expense was recorded relative to this plan during the first quarter of fiscal year 2009 compared to $0.3 million in the first quarter of fiscal year 2008.

Amended Compensation Plan for Outside Directors

In November 2001, the Board of Directors approved the Amended Compensation Plan for Outside Directors (the Outside Director s Plan) which provides for the cash and stock compensation of outside Directors. Under the Outside Director s Plan, outside Directors are initially paid in shares of the company s common stock, or in a combination of cash and shares, quarterly, at the completed quarter-end share price (which approximates fair value), for services provided during the preceding quarter. The total number of shares reserved for issuance under the Outside Director s Plan is 150,000.

Approximately $0.3 million of compensation expense was recorded relative to this plan during the first quarter of fiscal year 2009 compared to $0.1 million in the first quarter of fiscal year 2008.

Table of Contents

2001 Employee Stock Purchase Plan

The 2001 Employee Stock Purchase Plan (the Stock Purchase Plan) enables employees to purchase shares of the company s stock at a discount. The Stock Purchase Plan is a non-compensatory plan under FAS 123(R). As a result, no compensation expense was recognized during the first three months of fiscal years 2009 or 2008.

2000 Long-Term Incentive Plan

The company issued non-qualified stock options under the 2000 Long-Term Incentive Plan (the Stock Option Plan) in conjunction with its initial public offering in fiscal year 2001. No options have been granted under the stock option plan since March 2002 and the company does not currently intend to issue further stock options under the Stock Option Plan.

Note 5 Retirement Benefits.

Defined Benefit Plans

We sponsor both qualified and non-qualified, non-contributory defined benefit pension plans in North America and the U.K. that account for approximately 85% of our pension liability. Under our plans in North America, benefits are based on the number of years of service and the associate s compensation during the five highest paid consecutive years of service. Beginning January 2008, we made changes to our plan in the U.K. related to years of service used in calculating benefits for associates. Benefits earned prior to January 2008 are based on the number of years of service and the associate s compensation during the three years before leaving the plan and benefits earned after January 2008 are based on the number of years of service and the associate s average compensation during the associate s term of service since that date. The non-qualified plan in North America provides for pension benefits that would be covered under the qualified plan but are limited by the Internal Revenue Code. The non-qualified plan has no assets and therefore is an unfunded arrangement, the liability for which is reflected in the balance sheet. The U.K. does not have a non-qualified plan. The measurement date for all plans is June 30.

Components of Net Periodic Benefit Cost for Defined Benefit Pension Plans

The following table sets forth the components of net periodic benefit cost for the company s defined benefit pension plans for North America and the U.K. for the three month periods ended September 30, 2008 and 2007:

	North America September 30		U.K. September 30	
	2008	2007	2008	2007
Service Cost	$ 7,160	$ 7,366	$ 1,851	$ 2,733
Interest Cost	12,066	11,122	6,200	5,274
Expected return on plan assets	(12,826)	(13,783)	(6,314)	(5,923)
Amortization of transition obligation/(asset)		(16)		
Amortization of net unrecognized loss/(gain)	1,867	1,386	(100)	(721)
Amortization of prior service (credit)/cost	(565)	(635)	13	4
Net periodic benefit cost	$ 7,702	$ 5,440	$ 1,650	$ 1,367

Table of Contents

The fiscal year 2009 net periodic benefit cost is based, in part, on the following rate assumptions as of June 30, 2008 for the North America and U.K. plans:

	North America	U.K.
Discount rate	7.00%	6.50%
Expected long-term rate of return on assets	8.75%	6.46%
Rate of increase in compensation levels	4.09%	5.65%

The company made $300,000 in contributions to the North America plans during the first quarter of fiscal year 2009 and anticipates making $16.0 million in contributions over the remainder of the fiscal year.

The company made $3.8 million in contributions to the U.K. plans during the first quarter of fiscal year 2009 and anticipates making $13.0 million in contributions over the remainder of the fiscal year.

Defined Contribution Plans

In the U.S., we sponsor a savings plan that provides benefits to substantially all U.S. associates. The company matches employee contributions at a rate of 50% of the first 6% up to $60,000 of associates eligible compensation. The company will also make an annual profit sharing contribution to the plan in an amount that is dependant upon the company s financial performance during the fiscal year.

The U.K. pension plan has a money purchase section to which the company makes core contributions plus additional contributions matching those of the participating employees up to a maximum rate. Contribution rates are dependant upon the age of the participant and on whether or not they arise from salary sacrifice arrangements through which an individual has taken a reduction in salary and the company has paid an equivalent amount as pension contributions. Core contributions amount to 2-6% of pensionable salary with additional matching contributions of a further 2-6%.

Health Care Benefits

In the U.S., we sponsor a contributory health care plan that provides hospitalization, medical and dental benefits to substantially all U.S. associates. We accrue a liability for estimated incurred but unreported claims based on projected use of the plan as well as prior plan history.

Postretirement Benefits

We provide certain health care and life insurance benefits for retired associates. The principal plans cover associates in the U.S. and Canada who have met certain eligibility requirements. Our principal post-retirement benefit plans are unfunded. We accrue a liability for these benefits.

Table of Contents

Components of Net Periodic Benefit Cost for Other Postretirement Plans

The following table sets forth the components of net periodic benefit cost for the company s post-retirement plans for the three months ended September 30, 2008 and 2007:

	Three Months Ended September 30 2008		2007	
Service cost	$	329	$	400
Interest cost		724		709
Expected return on plan assets				
Amortization of transition obligation				
Amortization of unrecognized net gain		(201)		(78)
Amortization of prior service credit		(166)		(166)
Net periodic benefit cost	$	686	$	865

Employer contributions

The company made contributions in the form of premiums and medical claim payments to its healthcare and post-retirement plans of $950,000 and $700,000 in the three months ended September 30, 2008 and 2007, respectively. We plan to make additional payments estimated to total $4.1 million through the end of June 30, 2009.

Note 6 Goodwill & Intangible Assets.

The components of goodwill and intangible assets are outlined below for the three months ended September 30, 2008:

	Benefits Group	Technology and Administration Solutions Group	Human Capital Group	Investment Consulting Group	Insurance & Financial Services Group	All Other Segments	Total
Balance as of June 30, 2008	$ 397,721	$ 61,709	$ 35,056	$ 61,977	$ 76,499	$ 1,214	$ 634,176
Goodwill acquired and contingent payments made during the period			337		72		409
Translation adjustment	(39,404)	(6,162)	(3,498)	(6,477)	(8,028)		(63,569)
Balance as of September 30, 2008	$ 358,317	$ 55,547	$ 31,895	$ 55,500	$ 68,543	$ 1,214	$ 571,016

Table of Contents

The following table reflects changes in the net carrying amount of the components of intangible assets for the three months ended September 30, 2008:

	Trademark & trade name	Customer related intangible	Core/developed technology	Non-compete agreements	Total
Balance as of June 30, 2008	$ 121,885	$ 101,592	$ 12,604	$ 686	$ 236,767
Intangible assets acquired during the period		125			125
Amortization expense	(58)	(2,526)	(1,308)	(145)	(4,037)
Translation adjustment	(13,081)	(10,372)	(897)	(39)	(24,389)
Balance as of September 30, 2008	$ 108,746	$ 88,819	$ 10,399	$ 502	$ 208,466

The following table reflects the carrying value of intangible assets at September 30, 2008 and June 30, 2008:

	September 30, 2008		June 30, 2008	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Intangible assets:				
Trademark & trade name	$ 109,008	$ 262	$ 122,089	$ 204
Customer related intangibles	112,560	23,741	122,807	21,215
Core/developed technology	24,068	13,669	24,965	12,361
Non-compete agreements	1,277	775	1,316	630
Total intangible assets	$ 246,913	$ 38,447	$ 271,177	$ 34,410

A component of the change in the gross carrying amount of intangible assets reflects translation adjustments between June 30, 2008 and September 30, 2008. These intangible assets are denominated in the currencies of our subsidiaries outside the United States, and are translated into our reporting currency, the U.S. dollar, based on exchange rates at the balance sheet date.

Table of Contents

The weighted average remaining life of amortizable intangible assets at September 30, 2008, was 8.9 years. Future estimated amortization expense is as follows:

Fiscal year ending June 30:		**Amount**
2009	$	10,925
2010		13,878
2011		10,587
2012		10,299
2013		9,218
Thereafter		44,461
Total	$	99,368

Note 7   Earnings Per Share.

Basic earnings per share is calculated on the basis of the weighted average number of common shares outstanding during the three months ended September 30, 2008 and 2007. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding, plus the dilutive effect of outstanding stock options and employee stock purchase plan shares using the treasury stock method over the same measurement period and contingent shares associated with our acquisitions. The components of basic and diluted earnings per share are as follows:

	Three Months Ended September 30			
		2008		**2007**
Net income	$	35,160	$	34,444
Weighted average outstanding shares of common stock		42,935		42,288
Dilutive effect of employee stock options, employee stock purchase plan shares, and contingent shares		150		2,608
Common stock and stock equivalents		43,085		44,896
Earnings per share:				
Net income-Basic	$	0.82	$	0.81
Net income-Diluted	$	0.82	$	0.77

Table of Contents

Note 8 Investment in Affiliates.

The company has an equity investment in Professional Consultants Insurance Company, Inc. (PCIC). As defined by FASB Interpretation No. 46R, Consolidation of Variable Interest Entities, PCIC is a variable interest entity. Based on the legal, financial and operating structure of PCIC, the company has concluded that it is not the primary beneficiary of PCIC. Accordingly, the company does not consolidate the results of PCIC into its consolidated financial statements.

PCIC was organized in 1987 as a captive insurance company under the laws of the State of Vermont. PCIC provides professional liability insurance on a claims-made basis to three actuarial and management consulting firms, all of which participate in the program as both policyholders and stockholders.

Capital contributions to PCIC are required when approved by a majority of its stockholders. In July 2007, the Shareholders of PCIC approved a requirement for an additional capital contribution. As a result, the company contributed an additional $1.9 million of capital to PCIC and increased the amount of the letter of credit provided to PCIC by $2.6 million in lieu of a higher cash capital contribution. From the time PCIC was organized through September 30, 2008, we have provided capital contributions to PCIC through cash contributions totaling $7.3 million and through issuance of letters of credit totaling $10.6 million. Our ownership interest in PCIC as of September 30, 2008 and 2007 was 36.43 percent.

Management believes that the company s maximum financial statement exposure regarding its investment in PCIC as of September 30, 2008 is limited to the carrying value of the company s investment in PCIC of $8.5 million, combined with letters of credit totaling $10.6 million, for a total maximum exposure of $19.1 million.

The company acquired a 20 percent investment in Fifth Quadrant Actuaries & Consultants (Pty) Ltd (Fifth Quadrant) in June 2008. Fifth Quadrant is an independent South African firm of actuaries and employee benefits consultants established in 1998. Its core business is to provide independent, high quality advice to institutional clients, which include retirement funds, medical schemes, charitable trusts and corporate and public sector clients. The company has a $3.7 million investment in Fifth Quadrant as of September 30, 2008.

The company opened a partnership with the Knowledge and Human Development Authority in Dubai in January 2008. The partnership is aimed at supporting public and private sector organizations across the Gulf in their pursuit for reaching international standards of excellence in human capital strategies and programs. As of September 30, 2008, the company has a $1.8 million investment in Dubai.

The company applies the equity method of accounting for all of its investment in affiliates.

Note 9 Comprehensive (Loss)/Income.

Comprehensive income includes net income and changes in the cumulative translation adjustment gain or loss. For the three months ended September 30, 2008, comprehensive loss totaled $54.2 million, compared with comprehensive income of $55.3 million for the three months ended September 30, 2007.

Note 10 Restricted Shares.

In conjunction with our WWLLP business combination on July 31, 2005, we issued 9,090,571 Class A common shares, 4,749,797 of which were subject to contractual transfer restrictions. Transfer restrictions expired on 2,339,761 of these shares on July 31, 2006 and expired on the remaining 2,410,036 shares on July 31, 2007. The contingencies associated with the payment of an additional 1,950,000 Class A shares were met and the contingent shares were issued to the former partners of WWLLP on April 15, 2008.

Table of Contents

In conjunction with our acquisition of WWN on February 1, 2007, we issued 252,285 Class A common shares which were subject to contractual transfer restrictions. Transfer restrictions on 50% of these shares expired on February 1, 2008. Transfer restrictions on the remaining shares will expire on February 1, 2009. The contingencies associated with the payment of an additional 218,089 Class A shares were met and the contingent shares were issued to the former partners of WWN on June 27, 2008. Sale of these shares, are also subject to contractual transfer restrictions that will expire on 50% of these shares on each of the first and second anniversaries of issuance of the shares.

Note 11 Commitments and Contingent Liabilities.

The company historically has provided guarantees on an infrequent basis to third parties in the ordinary course of business. The guarantees described below are currently in effect and could require the company to make payments to third parties under certain circumstances.

Letters of Credit. At September 30, 2008, the company has letters of credit totaling $10.6 million under our existing credit facility to guarantee payment to beneficiaries in the event that the company fails to meet its financial obligations to these beneficiaries. These letters of credit will remain outstanding as long as we retain an ownership share of our affiliated captive insurance company, PCIC.

The company has also provided a $5.0 million Australian dollar-denominated letter of credit (US $4.0 million) to an Australian governmental agency as required by local regulations. The estimated fair market value of these letters of credit is immaterial because they have never been used, and the company believes that probability of future usage is remote.

Indemnification Agreements. The company has various agreements that provide that it may be obligated to indemnify the other party with respect to certain matters. Generally, these indemnification clauses are included in contracts arising in the normal course of business and in connection with the purchase and sale of certain businesses. Although it is not possible to predict the maximum potential amount of future payments under these indemnification agreements due to the conditional nature of the company s obligations and the unique facts of each particular agreement, the company does not believe that any potential liability that might arise from such indemnity provisions is probable or material. There are no provisions for recourse to third parties, nor are any assets held by any third parties that any guarantor can liquidate to recover amounts paid under such indemnities.

Legal Proceedings: From time to time, we are a party to various lawsuits, arbitrations or mediations that arise in the ordinary course of business. The matters reported on below involve the most significant pending or potential claims against us. We also have received subpoenas and requests for information in connection with government investigations.

We carry substantial professional liability insurance with a self-insured retention of $1 million per occurrence, which provides coverage for professional liability claims including the cost of defending such claims. We reserve for contingent liabilities based on Statement of Financial

Accounting Standards No. 5, Accounting for Contingencies (FAS 5) when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. Management believes, based on currently available information including the existence of professional liability insurance, that the results of all pending claims against the company will not have a material adverse effect on the results of operations, financial position, or statement of cash flows but litigation is subject to many factors which are difficult to predict so there can be no assurance that in the event of a material unfavorable result in one or more of such matters, we will not incur material costs.

Table of Contents

Watson Wyatt v. SBC Holdings, Inc. (Stroh Brewery Company): On July 23, 2004, we received a demand letter from Stroh s counsel alleging that errors in valuations for 2001 and subsequent years understated the liabilities of its pension plan and overstated the company s net worth. As a result, Stroh claimed it did not annuitize its defined benefit plan and redeemed its stock at an inflated price. On April 15, 2005, Watson Wyatt filed a petition in federal court to compel arbitration of the matter. Subsequently, Stroh filed an answer and counterclaim, alleging damages in excess of $46 million. In January 2008, the Sixth Circuit Court of Appeals held that the entire claim is subject to arbitration. Stroh has filed a demand for arbitration on April 16, 2008 and Watson Wyatt filed a response. We anticipate arbitration hearings to be held in 2009.

Government Subpoenas and Investigations: We also have received subpoenas and requests for information in connection with the following government investigation:

Department of Labor Investigation: On November 17, 2006, Watson Wyatt Investment Consulting Inc. (WWIC) received a subpoena from the United States Department of Labor (DOL) in connection with its investigation into the compensation of consultants and other investment advisers. WWIC has responded to the subpoena and continues to cooperate with the DOL.

Note 12 Recent Accounting Pronouncements.

In September 2006, the Financial Accounting Standards Board (FASB) published Statement of Financial Accounting Standards No.157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The company adopted FAS 157 on July 1, 2008 and determined that the adoption of FAS 157 does not have a material impact on its consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FAS 109), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FAS 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The company adopted this standard on July 1, 2007.

In February 2007, the FASB published Statement of Financial Accounting Standards No.159, The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115 (FAS 159). FAS 159 allows entities to choose to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item s fair value in subsequent reporting periods must be recognized in current earnings. FAS 159 is effective for fiscal years beginning after November 15, 2007, provided the entity also elects to apply the provisions of FAS 157, Fair Value Measurements . The company adopted FAS 159 on July 1, 2008 and did not choose to elect the fair value option.

17

Table of Contents

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (FAS 141(R)) which is a revision of FAS 141, Business Combinations . FAS 141(R) changes the application of the acquisition method in a number of significant aspects. Acquisition costs will generally be expensed as incurred; noncontrolling interests will be valued at fair value at the acquisition date; restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; contingent consideration will be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value will be recognized in earnings until settled, and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. We will be required to comply with the provisions of FAS 141(R) for acquisitions that occur on or after July 1, 2009. The Statement would apply prospectively to any future business combinations and therefore the impact would be determined when a business combination occurs.

In December 2007, the FASB issued Statement of Financial Accounting Standards No.160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No.51 (FAS 160). This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with earlier adoption prohibited. This statement requires the recognition of a noncontrolling interest (minority interest) as equity in the consolidated financial statements and separate from the parent s equity. The amount of net income attributable to the noncontrolling interest will be included in consolidated net income. It also amends certain of ARB No. 51 s consolidation procedures for consistency with the requirements of FAS 141(R). This statement also includes expanded disclosure requirements regarding the interests of the parent and its noncontrolling interest. The company is currently evaluating the effects, if any, that FAS 160 may have on its financial statements.

In April 2008, the FASB issued FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of recognized intangible assets under Statement of Financial Accounting Standards No.142, Goodwill and Other Intangible Assets. FSP 142-3 is effective on a prospective basis to all intangible assets acquired and for disclosures on all intangible assets recognized on or after the beginning of the first annual period subsequent to December 15, 2008. Early adoption is prohibited. The effects of FSP 142-3 will depend on future acquisitions of intangible assets.

Note 13 Income Taxes.

At September 30, 2008, the gross liability for income taxes associated with uncertain tax positions, determined in accordance with FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FAS 109), was $10.2 million. This liability can be reduced by $1.9 million of offsetting deferred tax benefits associated with foreign tax credits and the federal tax benefit of state income taxes. The net difference of $8.3 million, if recognized, would have an $8.0 million favorable impact on the company s effective tax rate and would increase other comprehensive income by $0.3 million.

Interest and penalties related to income tax liabilities are included in income tax expense. At September 30, 2008 the company had accrued interest of $1.8 million and penalties of $0.3 million, totaling $2.1 million.

During the three months ended September 30, 2008, the gross tax liability for uncertain tax positions decreased by $1.1 million during the year. Of the total decrease, $0.9 million related to a deferred tax item which did not impact the company s effective tax rate and the remaining $0.2 million resulted in a tax benefit in the current period.

Table of Contents

The company believes it is reasonably possible that there will be a $2.1 million decrease in the gross tax liability for uncertain tax positions within the next 12 months based upon potential settlements and the expiration of statutes of limitations in various tax jurisdictions.

The company and its subsidiaries conduct business globally and are subject to income tax in the US and in many states and foreign jurisdictions. The company is currently under examination in several tax jurisdictions. A summary of the tax years that remain subject to examination in the company s major tax jurisdictions are:

	Open Tax Years (fiscal year ending)
United States - Federal	2005 and forward
United States Various States	2003 and forward
Canada - Federal	2004 and forward
Germany	2003 and forward
United Kingdom	2005 and forward

Table of Contents

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Executive Overview

General

Watson Wyatt is a global consulting firm focusing on providing human capital and financial consulting services. We provide services in five principal practice areas: Benefits, Technology and Administration Solutions, Human Capital Consulting, Investment Consulting, and Insurance and Financial Services, operating from 106 offices in 32 countries throughout North America, Europe, Asia-Pacific and Latin America. The company employed approximately 7,670 and 7,510 associates as of September 30, 2008 and June 30, 2008 respectively, in the following practice areas:

	September 30, 2008	June 30, 2008
Benefits Group	3,340	3,290
Technology and Administration Solutions Group	875	850
Human Capital Group	930	900
Investment Consulting Group	555	500
Insurance & Financial Services Group	415	420
Other (incl. Communication)	455	450
Business Services (incl. Corporate and field support)	1,100	1,100
Total	7,670	7,510

We help our clients enhance business performance by improving their ability to attract, retain, and motivate qualified employees. We focus on delivering consulting services that help our clients anticipate, identify and capitalize on emerging opportunities in human capital management. We also provide independent financial advice regarding all aspects of life assurance and general insurance, as well as investment advice to assist our clients in developing disciplined and efficient investment strategies to meet their investment goals. Our target market clients include those companies in the *FORTUNE* 1000, Pension & Investments (P&I) 1000, FTSE 100, and equivalent organizations in markets around the world. As leading economies worldwide become more services-oriented, human capital and financial management has become increasingly important to companies and other organizations. The heightened competition for skilled employees, unprecedented changes in workforce demographics, regulatory changes related to compensation and retiree benefits and rising employee-related costs have increased the importance of effective human capital management. Insurance and investment decisions become increasingly complex and important in the face of changing economies and dynamic financial markets. We help our clients address these issues by combining our expertise in human capital and financial management with consulting and technology, to improve the design and implementation of various human resources and financial programs, including compensation, retirement, health care, insurance and investment plans.

The human resources consulting industry, although highly fragmented, is highly competitive and is comprised of major human capital consulting firms, specialist firms, consulting arms of accounting firms and information technology consulting firms.

Table of Contents

In the short term, our revenues are driven by many factors including the continuing regulatory compliance requirements of our clients, the general state of the global economy and the resulting level of discretionary spending, the ability of our consultants to attract new clients or provide additional services to existing clients, and the impact of new regulations in the legal and accounting fields that most recently increased demand for our executive compensation and benefits practices. In the long term, we expect that the company s financial results will depend in large part upon how well we succeed in deepening our existing client relationships through thought leadership and focus on cross-practice solutions, actively pursuing new clients in our target markets, cross selling and strategic acquisitions. We believe that the highly fragmented industry in which we operate represents tremendous growth opportunities for us, because we offer a unique business combination of benefits and human capital consulting as well as strategic technology solutions.

Principal Services

We design, develop and implement human resource and risk management strategies and programs through the following closely-interrelated practice areas:

Benefits Group - The Benefits Group, accounting for 56 percent of our total first quarter fiscal year 2009 revenues, is the foundation of our business. Retirement, the core of our Benefits Group business, lags reduction in discretionary spending compared to our other segments, mainly due to the recurring nature of client relationships. Our corporate client retention rate within our target market has remained very high. Revenue for our retirement practice is seasonal, with the second and third quarters of each fiscal year being the busier periods. Major revenue growth drivers in this practice include changes in regulations, leverage from other practices, increased global demand and increased market share. Services provided through the Benefits Group include the following:

- Design and management of benefit programs
- Actuarial services including development of funding and risk management strategies
- Expatriate and international human resource strategies
- Mergers and acquisitions
- Strategic workforce planning
- Compliance and governance

Human Capital Group - The Human Capital Group (HCG), accounting for 12 percent of our total first quarter fiscal year 2009 revenues, generally encompasses short-term projects, although the percentage of recurring projects has grown in the U.S. as a result of new regulations in the legal and accounting field. As a result, sensitivity of this segment to cyclical economic fluctuations may diminish. Services provided through HCG include the following:

- Advice concerning compensation plans, including broad-based and executive compensation, stock and other long-term incentive programs
- Strategies to align workforce performance with business objectives
- Organization effectiveness consulting, including talent management
- Strategies for attracting, retaining and motivating employees
- Data Services

Table of Contents

Technology and Administration Solutions Group - The Technology and Administration Solutions Group (TAS), accounting for 11 percent of our total first quarter fiscal year 2009 revenues, provides information technology services to our clients. Revenue for TAS is relatively stable, compared to what it had historically experienced in an economic downturn, because of its long term contracts associated with the administration business. Income in this segment is slightly greater in the first half of the fiscal year because of the timing of the typical enrollment season for benefits. Services provided through the TAS Group include the following:

- Web-based applications for health and welfare, pension and compensation administration
- Administration outsourcing solutions for health and welfare and pension benefits
- Call center strategy, design and tools
- Strategic human resources technology and service delivery consulting
- Targeted online compensation and benefits statements, content management and call center case management solutions
- Integrated talent management suite

Investment Consulting Group - The Investment Consulting Group accounts for 10 percent of our total first quarter fiscal year 2009 revenues. This business, although relationship based, can be affected by an increasingly complex investment landscape as well as by volatility in investment returns, particularly as clients look to us for assistance in managing that volatility. Services provided through our Investment Consulting Group include the following:

- Investment consulting services to pension plans and other institutional funds
- Input on governance and regulatory issues
- Analysis of asset allocation and investment strategies
- Investment structure analysis, selection and evaluation of managers and performance monitoring
- Implementation/fiduciary services for defined benefit and defined contribution investment programs via our Advanced Investment Solutions (AIS) services

Insurance & Financial Services Group - The Insurance & Financial Services Group (I&FS) accounts for 7 percent of our total first quarter fiscal year 2009 revenues. This business is largely a project-based business and therefore could be cyclical. Services provided through I&FS include the following:

- Independent actuarial and strategic advice
- Assessment and advice regarding financial condition and risk management
- Financial modeling software tools for product design and pricing, planning and projections, reporting, valuations and risk management

While we focus our consulting services in the areas described above, management believes that one of our primary strengths is our ability to draw upon consultants from our different practices to deliver integrated services to meet the needs of our clients. This capability includes communication and change management implementation support services.

Financial Statement Overview

Watson Wyatt s fiscal year ends June 30. The financial statements contained in this quarterly report reflect Condensed Consolidated Balance Sheets as of the end of the first quarter of fiscal year 2009 (September 30, 2008) and as of the end of fiscal year 2008 (June 30, 2008), Condensed Consolidated Statements of Operations for the three month periods ended September 30, 2008 and 2007, Condensed Consolidated Statements of Cash Flows for the three month periods ended September 30, 2008 and 2007 and a Condensed Consolidated Statement of Changes in Stockholders Equity for the three month period ended September 30, 2008.

Table of Contents

We derive substantially all of our revenue from fees for consulting services, which generally are billed based on time and materials or on a fixed-fee basis. Clients are typically invoiced on a monthly basis with revenue generally recognized as services are performed. No single client accounted for more than 2 percent of our consolidated revenue for any of the most recent three fiscal years.

For the quarter ended September 30, 2008 and fiscal years ended June 30, 2008 and 2007, the company s top six markets based on percentage of consolidated revenue were as follows:

	Fiscal Year		
Geographic Region	**2009**	**2008**	**2007**
United States	43%	41%	44%
United Kingdom	32	32	31
Germany	4	5	1
Canada	4	4	4
Netherlands	3	4	1
Greater China	2	2	2

In delivering consulting services, our principal direct expenses relate to compensation of personnel. Salaries and employee benefits are comprised of wages paid to associates, related taxes, benefit expenses such as pension, medical and insurance costs and fiscal year-end incentive bonuses.

Professional and subcontracted services represent fees paid to external service providers for employment, marketing and other services. For the most recent three fiscal years, approximately 50 to 60 percent of these professional and subcontracted services were directly incurred on behalf of our clients and were reimbursed by them, with such reimbursements being included in revenue. For the first quarter of fiscal year 2009, approximately 50 percent of professional and subcontracted services represent these reimbursable services.

Occupancy, communications and other expenses represent expenses for rent, utilities, supplies and telephone to operate office locations as well as non-client-reimbursed travel by associates, publications and professional development. This line item also includes miscellaneous expenses, including gains and losses on foreign currency transactions.

General and administrative expenses include the operational costs, professional fees and insurance paid by corporate management, general counsel, marketing, human resources, finance, research and technology support.

Table of Contents

Critical Accounting Policies and Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates. The areas that we believe are critical accounting policies include revenue recognition, valuation of billed and unbilled receivables from clients, discretionary compensation, income taxes, pension assumptions, incurred but not reported claims, and goodwill and intangible assets. The critical accounting policies discussed below involves making difficult, subjective or complex accounting estimates that could have a material affect on our financial condition and results of operations. These critical accounting policies require us to make assumptions about matters that are highly uncertain at the time of the estimate or assumption and different estimates that we could have used or changes in the estimate that are reasonably likely to occur may have a material impact on our financial statements and results of operations.

Revenue Recognition

Revenue includes fees primarily generated from consulting services provided. We recognize revenue from these consulting engagements when hours are worked, either on a time-and-materials basis or on a fixed-fee basis, depending on the terms and conditions defined at the inception of an engagement with a client. We have engagement letters with our clients that specify the terms and conditions upon which our engagements are based. These terms and conditions can only be changed upon agreement by both parties. Individual consultants billing rates are principally based on a multiple of salary and compensation costs.

Revenue for fixed-fee arrangements, which span multiple months, is based upon the percentage of completion method. The company typically has three types of fixed-fee arrangements: annual recurring projects, projects of a short duration, and non-recurring system projects. Annual recurring projects and the projects of short duration are typically straightforward and highly predictable in nature. As a result, the project manager and financial staff are able to identify, as the project status is reviewed and bills are prepared monthly, the occasions when cost overruns could lead to the recording of a loss accrual.

Our non-recurring system projects are typically found in our Technology and Administration Solutions Group. They tend to be more complex projects that are longer in duration and subject to more changes in scope as the project progresses than projects undertaken in other segments. We evaluate at least quarterly, and more often as needed, project managers estimates-to-complete to assure that the projects current status is accounted for properly. Our Technology and Administration Solutions Group contracts generally provide that if the client terminates a contract, the company is entitled to payment for services performed through termination.

Revenue recognition for fixed-fee engagements is affected by a number of factors that change the estimated amount of work required to complete the project such as changes in scope, the staffing on the engagement and/or the level of client participation. The periodic engagement evaluations require us to make judgments and estimates regarding the overall profitability and stage of project completion that, in turn, affect how we recognize revenue. The company recognizes a loss on an engagement when estimated revenue to be received for that engagement is less than the total estimated direct and indirect costs associated with the engagement. Losses are recognized in the period in which the loss becomes probable and the amount of the loss is reasonably estimable. The company has experienced certain costs in excess of estimates from time to time. Management believes that it is rare, however, for these excess costs to result in overall project losses.

Table of Contents

The company has developed various software programs and technologies that we provide to clients in connection with consulting services. In most instances, such software is hosted and maintained by the company and ownership of the technology and rights to the related code remain with the company. Software developed to be utilized in providing services to a client, but for which the client does not have the contractual right to take possession, is capitalized in accordance with the AICPA s Statement of Position 98-1 Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Revenue associated with the related contract, together with amortization of the related capitalized software, is recognized over the service period. As a result we do not recognize revenue during the implementation phase of an engagement.

Revenue recognized in excess of billings is recorded as unbilled accounts receivable. Cash collections and invoices generated in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met. Client reimbursable expenses, including those relating to travel, other out-of-pocket expenses and any third-party costs, are included in revenue, and an equivalent amount of reimbursable expenses are included in professional and subcontracted services as a cost of revenue.

Valuation of Billed and Unbilled Receivables from Clients

We maintain allowances for doubtful accounts to reflect estimated losses resulting from our clients failure to pay for our services after the services have been rendered, including allowances when customer disputes may exist. The related provision is recorded as a reduction to revenue. Our allowance policy is based on the aging of our billed and unbilled client receivables and has been developed based on our write-off history. Facts and circumstances such as the average length of time the receivables are past due, general market conditions, current economic trends and our clients ability to pay may cause fluctuations in our valuation of billed and unbilled receivables.

Discretionary Compensation

The company s compensation program includes a discretionary annual bonus that is determined by management and paid once per fiscal year in the form of cash and/or deferred stock units after the company s annual operating results are finalized.

An estimated annual bonus amount is initially developed at the beginning of each fiscal year in conjunction with our budgeting process. Quarterly, estimated annual operating performance is reviewed by the company and the discretionary annual bonus amount is then adjusted, if necessary, by management to reflect changes in the forecast of pre-bonus profitability for the year. In those quarters where the estimated annual bonus level changes, the remaining estimated annual bonus is accrued over the remaining quarters as a constant percentage of estimated future net income. Annual bonus levels may vary from current expectations as a result of changes in the company s forecast of net income and competitive employment market conditions.

Table of Contents

Income Taxes

The company accounts for income taxes in accordance with SFAS No. 109, Accounting for Income Taxes , which prescribes the use of the asset and liability method whereby deferred tax asset or liability account balances are calculated at the balance sheet date using current tax laws and rates in effect. Valuation allowances are established, when necessary, to reduce deferred tax assets when it is more likely than not that a portion or all of a given deferred tax asset will not be realized. In accordance with SFAS No. 109, income tax expense includes (i) deferred tax expense, which generally represents the net change in the deferred tax asset or liability balance during the year plus any change in valuation allowances and (ii) current tax expense, which represents the amount of tax currently payable to or receivable from a taxing authority plus amounts accrued for expected tax contingencies (including both tax and interest). Reserves for income tax-related uncertainties are based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. We adjust these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. Accruals for tax contingencies are provided for in accordance with the requirements of FIN 48.

Pension Assumptions

We sponsor both qualified and non-qualified, non-contributory defined benefit pension plans in North America and the U.K. that cover approximately 85% of our liability. Under our plans in North America, benefits are based on the number of years of service and the associate s compensation during the five highest paid consecutive years of service. Beginning January 2008, we made changes to our plan in the U.K. related to years of service used in calculating benefits for associates. Benefits earned prior to January 2008 are based on the number of years of service and the associate s compensation during the three years before leaving the plan and benefits earned after January 2008 are based on the number of years of service and the associate s average compensation during the associate s term of service since that date. The non-qualified plan, included only in North America, provides for pension benefits that would be covered under the qualified plan but are limited by the Internal Revenue Code. The non-qualified plan has no assets and therefore is an unfunded arrangement. The benefit liability is reflected on the balance sheet. The measurement date for each of the plans is June 30.

Determination of our obligations and annual expense under the plans is based on a number of assumptions that, given the longevity of the plans, are long-term in focus. A change in one or a combination of these assumptions could have a material impact on our pension benefit obligation and related expense. For this reason, management employs a long-term view so that assumptions do not change frequently in response to short-term volatility in the economy. Any difference between actual and assumed results is amortized into our pension expense over the average remaining service period of participating employees. We consider several factors prior to the start of each fiscal year when determining the appropriate annual assumptions, including economic forecasts, relevant benchmarks, historical trends, portfolio composition and peer comparisons.

Table of Contents

North America

The following assumptions were used at the end of the past three fiscal years in the valuation of our North American plans:

	Year Ended June 30		
	2008	2007	2006
Discount rate	7.00%	6.25%	6.25%
Expected long-term rate of return on assets	8.75%	8.75%	8.75%
Rate of increase in compensation levels	4.09%	3.84%	3.84%

The 7.00 percent discount rate assumption used at the end of fiscal year 2008 represents a 75 basis point increase from the 6.25 percent discount rate used at the end of fiscal year 2007 and fiscal year 2006. The company s discount rate assumptions were determined by matching future pension benefit payments with expected future U.S. AA corporate bond yields for the same periods.

The expected long-term rate of return on assets assumption remained at 8.75 percent per annum, unchanged from fiscal years 2007 and 2006. Selection of the return assumption at 8.75 percent per annum was supported by an analysis performed by the company of the weighted average yield expected to be achieved with the anticipated makeup of investments. The investment makeup is heavily weighted towards equities.

The following information illustrates the sensitivity to a change in certain assumptions for the U.S. pension plans:

Change in Assumption	Effect on FY2009 Pre-Tax Pension Expense
25 basis point decrease in discount rate	+$3.3 million
25 basis point increase in discount rate	-$3.1 million
25 basis point decrease in expected return on assets	+$1.4 million
25 basis point increase in expected return on assets	-$1.4 million

The above sensitivities reflect the impact of changing one assumption at a time. It should be noted that economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear. The company s U.S. Other Postretirement Employee Benefits Plan is relatively insensitive to discount rate changes due to the plan provisions that have been established to control costs and as such no sensitivity results are shown in the table above.

United Kingdom

The following assumptions were used in the valuation of our U.K. plan at June 30, 2008, 2007 and 2006:

	Year Ended June 30		
	2008	2007	2006
Discount rate	6.50%	5.80%	5.10%
Expected long-term rate of return on assets	6.46%	5.69%	5.63%
Rate of increase in compensation levels	5.65%	4.95%	4.75%

Table of Contents

The 6.50 percent discount rate assumption used at the end of fiscal year 2008 represents a 70 basis point increase over the rate used at June 30, 2007 and a 140 basis point increase over the discount rate at June 30, 2006. The discount rate is set having regard to yields on European AA corporate bonds at the measurement date and this increase reflects the change in yields between these dates.

The expected long-term rate of return on assets assumption increased to 6.46 percent per annum for fiscal year 2008 from 5.69 percent per annum for fiscal year 2007. The rate of return was supported by an analysis performed by the company of the weighted average return expected to be achieved with the anticipated makeup of investments which is heavily weighted towards bonds.

The following information illustrates the sensitivity to a change in certain assumptions for the U.K. pension plans:

Change in Assumption	**Effect on FY2009 Pre-Tax Pension Expense**
25 basis point decrease in discount rate	+$1.3 million
25 basis point increase in discount rate	-$ 1.2 million
25 basis point decrease in expected return on assets	+$ 0.5 million
25 basis point increase in expected return on assets	-$ 0.5 million

The differences in the discount rate and compensation level assumption used for the North American and U.K. plans above can be attributed to the differing interest rate environments associated with the currencies and economies to which the plans are subject. The differences in the expected return on assets are primarily driven by the respective asset allocation in each plan, coupled with the return expectations for assets in the respective currencies. The North American plans are approximately 60 percent invested in equities, which on average provide a higher return than bonds, which is the favored investment for the U.K. plans.

Incurred But Not Reported Claims

The company uses actuarial assumptions to estimate and record a liability for incurred but not reported (IBNR) professional liability claims. Our estimated IBNR liability is based on long-term trends and averages, and considers a number of factors, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, and legislation and economic decisions, but excludes the effect of claims data for large cases due to the insufficiency of actual experience with such cases. Management does not currently expect significant fluctuations in the IBNR liability, based on the company s historical claims experience. However, our estimated IBNR liability will fluctuate if claims experience changes over time.

Goodwill and Intangible Assets

In applying the purchase method of accounting for our business combinations, amounts assigned to identifiable assets and liabilities acquired have been based on estimated fair values as of the date of the acquisitions, with the remainder recorded as goodwill. Intangible assets are initially valued at fair market value using generally accepted valuation methods appropriate for the type of intangible asset. We evaluate our goodwill for impairment annually and whenever indicators of impairment exist. The evaluation is based upon a comparison of the estimated fair value of the reporting unit to which the goodwill has been assigned to the sum of the carrying value of the net assets for that reporting unit. The fair values used in this evaluation are estimated based upon a multiple of revenue for the reporting unit. This revenue multiple is based on our experience and knowledge of our own and other transactions in the marketplace. Intangible assets with definite lives are amortized over their estimated useful lives and are reviewed for impairment if indicators of impairment arise.

Table of Contents

The evaluation of impairment would be based upon a comparison of the carrying amount of the intangible asset to the estimated future undiscounted net cash flows expected to be generated by the asset. If estimated future undiscounted net cash flows are less than the carrying amount of the asset, the asset would be considered impaired. The impairment expense would be determined by comparing the estimated fair value of the intangible asset to its carrying value, with any shortfall from fair value recognized as an expense in the current period.

Results of Operations

The table below sets forth our historical Condensed Consolidated Statements of Operations data for continuing operations as a percentage of revenue for the periods indicated:

Condensed Consolidated Statements of Operations

	Three months ended September 30			
	2008	2007	2008	2007
Revenue	$ 426,126	$ 401,687	100%	100%
Costs of providing services:				
Salaries and employee benefits	235,879	219,363	55.4	54.6
Professional and subcontracted services	26,315	25,527	6.2	6.4
Occupancy, communications and other	49,997	43,925	11.7	10.9
General and administrative expenses	43,887	44,305	10.3	11.0
Depreciation and amortization	18,864	17,334	4.4	4.3
	374,942	350,454	88.0	87.2
Income from operations	51,184	51,233	12.0	12.8
Income from affiliates	1,695	925	0.4	0.2
Interest income	1,031	1,844	0.2	0.5
Interest expense	(569)	(2,258)	(0.1)	(0.5)
Other non-operating income	(19)	89		
Income from operations before taxes	53,322	51,833	12.5	13.0
Provision for income taxes	18,162	17,389	4.2	4.3
Net Income	$ 35,160	$ 34,444	8.3%	8.6%

Table of Contents

Three Months Ended September 30, 2008 Compared to the Three Months Ended September 30, 2007

Revenue

Revenues for the first quarter of fiscal year 2009 were $426.1 million, an increase of $24.4 million, or 6 percent, from $401.7 million in the first quarter of fiscal year 2008.

The average exchange rate used to translate our revenues earned in British pounds sterling decreased to 1.8885 for the first quarter of fiscal year 2009 from 2.0262 for the first quarter of fiscal year 2008, and the average exchange rate used to translate our revenues earned in Euros increased to 1.5006 for the first quarter of fiscal year 2009 from 1.3775 for the first quarter of fiscal 2008. The net impact of the depreciation of the British pound and the appreciation of the Euro resulted in a $5 million decrease in revenues in the first quarter of fiscal year 2009 as compared to the first quarter of fiscal year 2008. Changes in the value of other foreign currencies relative to the U.S. dollar resulted in a $1 million increase in revenues in the first quarter of fiscal year 2009 as compared to the first quarter of fiscal year 2008. Excluding the changes in foreign currency exchange rates, total company revenues increased 7 percent in the first quarter of fiscal year 2009.

The increases in our segment revenue for the first quarter of fiscal year 2009 as compared to the first quarter of fiscal year 2008 are as follows (constant currency referenced throughout the MD&A is calculated by translating prior year revenues at the current year average exchange rate):

- Benefits increased revenues $11.3 million, or 5 percent, over the first quarter of fiscal year 2008 due to increased demand for our services, particularly in North America. On a constant currency basis, Benefits revenues increased 6 percent over the first quarter of fiscal year 2008.

- Technology and Administration Solutions increased revenues $7.4 million, or 18 percent, over the first quarter of fiscal year 2008 due to increases in both North America and Europe. In both geographic regions, the revenue increase resulted from new clients as well as additional work for some existing clients. In North America, revenue is not recognized during project implementation. The company begins recognizing revenue after projects go into service delivery. At September 30, 2008, the company had 164 projects in on-going service delivery and 59 projects in implementation. At September 30, 2007, the company had 95 projects in on-going service delivery and 72 projects in implementation. On a constant currency basis, Technology and Administration Solutions revenues increased 21 percent over the first quarter of fiscal year 2008.

- Human Capital Group increased revenues $6.8 million, or 16 percent, over the first quarter of fiscal year 2008, primarily due to increased demand in all geographic regions. On a constant currency basis, Human Capital Group revenues increased 15 percent over the first quarter of fiscal year 2008.

- Investment Consulting increased revenues $2.2 million, or 5 percent, over the first quarter of fiscal year 2008, primarily as a result of increased demand for our investment strategy advice. On a constant currency basis, Investment Consulting revenues increased 10 percent over the first quarter of fiscal year 2008.

- Insurance and Financial Services decreased revenues $0.2 million, or 1 percent, over the first quarter of fiscal year 2008. On a constant currency basis, Insurance and Financial Services revenues increased 2 percent over the first quarter of fiscal year 2008.

Table of Contents

***Salaries and Employee Benefits*.**

Salaries and employee benefit expenses for the first quarter of fiscal year 2009 were $235.9 million compared to $219.4 million for the first quarter of fiscal year 2008, an increase of $16.5 million or 8 percent. The increase, including the impact of foreign exchange, is mainly due to salary increases of $10.2 million, increased pension, benefits and bonus expense of $4.1 million. These increases were primarily attributable to a 7 percent increase in headcount since the end of the first quarter of fiscal year 2008. As a percentage of revenue, salaries and employee benefits increased to 55.4 percent from 54.6 percent. On a constant currency basis, salaries and employee benefits increased 11 percent.

***Professional and Subcontracted Services*.**

Professional and subcontracted services expense for the first quarter of fiscal year 2009 were $26.3 million compared to $25.5 million for the first quarter of fiscal year 2008, an increase of $0.8 million or 3 percent. The increase is mainly due to higher reimbursable expenses incurred on behalf of clients. As a percentage of revenue, professional and subcontracted services decreased to 6.2 percent from 6.4 percent. On a constant currency basis, professional and subcontracted services increased 4 percent.

Occupancy, Communications and Other.

Occupancy, communications and other expenses for the first quarter of fiscal year 2009 were $50.0 million compared to $43.9 million for the first quarter of fiscal year 2008, an increase of $6.1 million or 14 percent. The increase is mainly due to general office expenses such as professional development costs, repairs and maintenance, travel and business taxes as well as a $3.1 million foreign exchange loss on interest from intercompany loans. As a percentage of revenue, occupancy, communications and other increased to 11.7 percent from 10.9 percent. On a constant currency basis, occupancy, communications and other increased 17 percent.

General and Administrative Expenses.

General and administrative expenses for the first quarter of fiscal year 2009 were $43.9 million compared to $44.3 million for the first quarter of fiscal year 2008, a decrease of $0.4 million or 1 percent. As a percentage of revenue, general and administrative expenses decreased to 10.3 percent from 11.0 percent. On a constant currency basis, general and administrative expenses increased 2 percent.

Depreciation and Amortization.

Depreciation and amortization for the first quarter of fiscal year 2009 was $18.9 million compared to $17.3 million for the first quarter of fiscal year 2008, an increase of $1.6 million or 9 percent. The increase is primarily attributable to increases in amortization of intangible assets and of internally developed software used to support our Technology and Administration Solutions Group. As a percentage of revenue, depreciation and amortization increased to 4.4 percent from 4.3 percent. On a constant currency basis, depreciation and amortization increased 12 percent.

Income From Affiliates.

Income from affiliates for the first quarter of fiscal year 2009 was $1.7 million compared to $0.9 million for the first quarter of fiscal year 2008, an increase of $0.8 million. These amounts reflect our portion of PCIC s, Fifth Quadrant s and Dubai s operating results for the first quarter of fiscal year 2009 while the first quarter fiscal year 2008 only included PCIC s operating results.

Interest Expense.

Interest expense for the first quarter of fiscal year 2009 was $0.6 million compared to $2.3 million for the first quarter of fiscal year 2008. The decrease in the current period reflects a lower average debt balance.

Table of Contents

Interest Income.

Interest income for the first quarter of fiscal year 2009 was $1.0 million compared to $1.8 million for the first quarter of fiscal year 2008. The decrease is mainly due to a lower average cash balance in the current period compared to the prior period.

Provision for Income Taxes.

Provision for income taxes for the first quarter of fiscal year 2009 was $18.2 million compared to $17.4 million for the first quarter of fiscal year 2008. Our effective tax rate was 34.06 percent for the first quarter of fiscal year 2009 and 33.6 percent for the first three months of fiscal year 2008. The tax rate increase is due primarily to the geographic mix of income. The company has not provided U.S. deferred taxes on cumulative earnings of foreign subsidiaries that have been reinvested indefinitely. We record a tax benefit on foreign net operating loss carryovers and foreign deferred expenses only if it is more likely than not that a benefit will be realized.

Net Income.

Net income for the first quarter of fiscal year 2009 was $35.2 million compared to $34.4 million for the first quarter of fiscal year 2008. As a percentage of revenue, income from continuing operations decreased to 8.3 percent from 8.6 percent.

Earnings Per Share.

Diluted earnings per share, income from continuing operations for the first quarter of fiscal year 2009 was $0.82, compared to $0.77 for the first quarter of fiscal year 2008.

Liquidity and Capital Resources

Our cash and cash equivalents at September 30, 2008 totaled $67.5 million compared to $124.6 million at June 30, 2008. The decrease in cash from June 30, 2008 to September 30, 2008 was principally attributable to payment during the first quarter of fiscal year 2009 of previously accrued discretionary compensation of $166 million, payment of $14.3 million in corporate taxes, $10.0 million in capital expenditures and $3.2 million in dividends during the quarter. These outflows of cash were funded by cash flow from current operations, from existing cash balances and from borrowings under our revolving credit facility. Consistent with the company s liquidity position, management considers various alternative strategic uses of cash reserves including acquisitions, dividends and stock buybacks, or any combination of these options. The company believes that it has sufficient resources to fund operations beyond the next twelve months.

Our non U.S. operations are substantially self-sufficient for their working capital needs. At September 30, 2008, $64.2 million of the total cash balance of $67.5 million was held outside of North America, which we have the ability to utilize, if necessary. There are no significant repatriation restrictions other than local or U.S. taxes associated with repatriation.

Under the terms of the WWLLP Business Combination, we are required under certain circumstances to place funds into an insurance trust designed to satisfy potential litigation settlement related to the former partners of WWLLP. If the assets of the trust are not used by 2017, they will be returned to the company. As of September 30, 2008, we maintained $6.0 million of restricted cash related to this obligation. This restricted cash balance was included in Other Assets on our consolidated balance sheet.

Table of Contents

Cash Used in Operating Activities.

Cash used in operating activities for the first quarter of fiscal year 2009 was $73.7 million compared to cash used in operating activities of $48.7 million for the first quarter of fiscal year 2008. The difference is primarily attributable to payment for discretionary compensation during the quarter.

The allowance for doubtful accounts increased $1.9 million from June 30, 2008 to September 30, 2008. The number of days of accounts receivable and work in process outstanding was 73 at September 30, 2008, compared to 71 at June 30, 2008.

Cash Used in Investing Activities.

Cash used in investing activities for the first quarter of fiscal year 2009 was $16.0 million compared to $145.1 million used in investing activities for the first quarter of fiscal year 2008. The difference can be primarily attributed to acquisition and contingent consideration payments of $130.5 million in the first quarter of fiscal year 2008.

Expenditures of capital funds were $10.0 million for the first quarter of fiscal year 2009. Anticipated commitments of capital funds are estimated at $34.3 million for the remainder of fiscal year 2009. We expect cash from operations to adequately provide for these capital commitments.

Cash From Financing Activities.

Cash from financing activities for the first quarter of fiscal year 2009 was $29.7 million compared to cash from financing activities of $22.7 million for the first quarter of fiscal year 2008. This change is primarily attributable to activity under our credit facility which included net borrowings of $105 million in the first quarter of fiscal year 2009 compared to net borrowings of $36.4 million in the first quarter of fiscal year 2008. Additionally, during the first quarter of fiscal year 2009, the company repurchased $73.6 million of common stock compared to $14.1 million of stock repurchases during the same period in fiscal year 2008.

Off-Balance Sheet Arrangements and Contractual Obligations

	Remaining payments due by fiscal year as of September 30, 2008				
Contractual Cash Obligations (in thousands)	**Total**	**Remaining 2009**	**2010 through 2011**	**2012 through 2013**	**Thereafter**
Lease commitments	$ 334,525	$ 47,685	$ 108,297	$ 81,702	$ 96,841
Revolving Credit Facility	111,751	107,987	3,764		

Total	$	446,276	$	155,672	$	112,061	$	81,702	$	96,841

Operating Leases. We lease office space, furniture and selected computer equipment under operating lease agreements with terms ranging from one to ten years. Management has determined that there is not a large concentration of leases that will expire in any one fiscal year. Consequently, management anticipates that any increase in future rent expense will be mainly market driven.

Table of Contents

Credit Agreement. The company has a credit facility provided by a syndicate of banks in an aggregate principal amount of $300 million. Interest rates associated with this facility vary with LIBOR and/or the Prime Rate and are based on our leverage ratio, as defined by the credit agreement. We are charged a quarterly commitment fee, currently 0.125 percent of the facility, which varies with our financial leverage and is paid on the unused portion of the credit facility. Borrowings under this facility were $105.0 and $141.4 million as of September 30, 2008 and 2007, respectively. Credit under the facility is available upon demand, although the credit facility requires us to observe certain covenants (including requirements relating to our leverage ratio and fixed coverage charge ratio) and is collateralized with a pledge of stock of material subsidiaries. We were in compliance with both covenants under the credit facility as of September 30, 2008. This facility is scheduled to mature on June 30, 2010.

A portion of the revolving facility is used to support a required letter of credit. As a result, $10.6 million of the facility was unavailable for operating needs as of September 30, 2008. We are charged a fee for the outstanding letter of credit that also fluctuates based on our leverage ratio.

The company has also provided a $5.0 million Australian dollar-denominated letter of credit (US $4.0 million) to an Australian governmental agency as required by the local regulations. The estimated fair market value of these letters of credit is immaterial because they have never been used, and the company believes that future usage is remote.

Pension Contributions. Remaining contributions to our various pension plans for fiscal year 2009 are projected to be approximately $29.0 million.

Risk Management

As a part of our overall risk management program, we carry customary commercial insurance policies, including commercial general liability and claims-made professional liability insurance with a self-insured retention of $1 million per claim, which provides coverage for professional liability claims of the company and its subsidiaries, including the cost of defending such claims. Our professional liability insurance coverage beyond our self-insured retention amount is written by an affiliated captive insurance company (PCIC) owned by us and two other professional services firms, and by various commercial insurance carriers.

In formulating its premium structure, PCIC estimates the amount it expects to pay for losses (and loss expenses) for all the members as a whole and then allocates that amount to the member firms based on the individual member s expected losses. PCIC bases premium calculations, which are determined annually based on experience through March of each year, on relative risk of the various lines of business performed by each of the owner companies, past claim experience of each owner company, growth of each of those companies, industry risk profiles in general and the overall insurance markets.

As of July 1, 2008, the captive insurance company carries reinsurance for losses it insures above $25 million. Since losses incurred by PCIC below this level are not covered by reinsurance, but are direct expenses of PCIC, reserve adjustments and actual outcomes of specific claims of any PCIC member firm carry through into Watson Wyatt s financial results as income or loss from affiliates through our 36.43% ownership of PCIC. Thus, from time to time, the impacts of PCIC s reserve development may result in fluctuations in Watson Wyatt s earnings.

Our agreements with PCIC could require additional payments to PCIC in the event that the company decided to exit PCIC and adverse claims significantly exceed prior expectations. If these circumstances were to occur, the company would record a liability at the time it becomes probable and reasonably estimable.

Table of Contents

The company will continue to provide for the self-insured retention where specific estimated losses and loss expenses for known claims in excess of $1 million are considered probable and reasonably estimable. Although the company maintains professional liability insurance coverage, this insurance does not cover claims made after expiration of our current insurance contracts. Generally accepted accounting principles require that we record a liability for incurred but not reported (IBNR) professional liability claims if they are probable and reasonably estimable, and for which we have not yet contracted for insurance coverage. The company uses actuarial assumptions to estimate and record its IBNR liability and has a $37.0 million IBNR liability recorded as of September 30, 2008.

Insurance market conditions for our industry and the company include heightened overall premium cost. In addition, in 2005, PCIC raised the reinsurance attachment point from $15 million to $25 million. Trends toward higher self-insured retentions and constraints on aggregate excess coverage for this class of insurance coverage are anticipated to continue or to recur periodically, and to be reflected in our future annual insurance renewals. As a result, we will continue to assess our ability to secure future insurance coverage and we cannot assure that such coverage will continue to be available indefinitely in the event of specific adverse claims experience, adverse loss trends, market capacity constraints or other factors. In anticipation of the possibility of future reductions in risk transfer from PCIC to re-insurers, as well as the hardening insurance market conditions in recent years, the firms that own PCIC, including the company, have increased PCIC s capital in the past and we will continue to re-assess capital requirements on a regular basis.

In light of increasing worldwide litigation, including litigation against professionals, the company has a policy that all client relationships be documented by engagement letters containing specific risk mitigation clauses that were not included in all historical client agreements. Certain contractual provisions designed to mitigate risk may not be legally practical or enforceable in litigation involving breaches of fiduciary duty or certain other alleged errors or omissions, or in certain jurisdictions. We may incur significant legal expenses in defending against litigation. Nearly 100 percent of the company s U.S. and U.K. corporate clients have signed engagement letters including some if not all of our preferred mitigation clauses, and initiatives to maintain that process in the United States and the United Kingdom and complete it elsewhere are underway.

Table of Contents

Special Note Regarding Forward-looking Statements

This filing contains a number of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to the following: Note 5 - Retirement Benefits; Note 6 Goodwill and Intangible Assets; Note 11 Commitment and Contingent Liabilities; Note 13 Income Taxes; the Executive Overview; Critical Accounting Policies and Estimates; the discussion of our capital expenditures; Off-Balance Sheet Arrangements and Contractual Obligations; Risk Management; and Part II, Item 1 Legal Proceedings . You can identify these statements and other forward-looking statements in this filing by words such as may , will , expect , anticipate , believe , estimate , plan , intend , continue , or similar words, expressions or the negative of such terms or other comparable terminology. You should read these statements carefully because they contain projections of our future results of operations or financial condition, or state other forward-looking information. A number of risks and uncertainties exist which could cause actual results to differ materially from the results reflected in these forward-looking statements. Such factors include but are not limited to:

- our ability to integrate acquired businesses into our own business, processes and systems, and achieve the anticipated results;
- foreign currency exchange and interest rate fluctuations;
- general economic and business conditions that adversely affect us or our clients;
- our continued ability to recruit and retain qualified associates;
- the success of our marketing, client development and sales programs after our acquisitions;
- our ability to maintain client relationships and to attract new clients after our acquisitions;
- declines in demand for our services;
- outcomes of pending or future professional liability cases and the availability and capacity of professional liability insurance to fund the outcome of pending cases or future judgments or settlements;
- our ability to obtain professional liability insurance;
- a significant decrease in the demand for the consulting, actuarial and other services we offer as a result of changing economic conditions or other factors;
- actions by competitors offering human resources consulting services, including public accounting and consulting firms, technology consulting firms and Internet/intranet development firms;
- our ability to achieve cost reductions after our recent acquisitions;
- exposure to liabilities that have not been expressly assumed in our acquisition transactions;
- the level of capital resources required for future acquisitions and business opportunities;

- regulatory developments abroad and domestically that impact our business practice;
- legislative and technological developments that may affect the demand for or costs of our services;

and other factors discussed under Risk Factors in the company s 2008 Annual Report on Form 10-K filed with the SEC on August 15, 2008. These statements are based on assumptions that may not come true. All forward-looking disclosure is speculative by its nature. The company undertakes no obligation to update any of the forward-looking information included in this report, whether as a result of new information, future events, changed expectations or otherwise.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of business. These risks include interest rate risk, foreign currency exchange and translation risk.

Interest Rate Risk

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our portfolio in mainly short term securities that are recorded on the balance sheet at fair value.

Foreign Currency Risk

International net revenues result from transactions by our foreign operations and are typically denominated in the local currency of each country. These operations also incur most of their expenses in the local currency. Accordingly, our foreign operations use the local currency, as their functional currency. Our primary international operations use the British Pound, and to a lesser extent, the Euro. Our international operations are subject to risks typical of international operations, including, but not limited to, differing economic conditions, changes in political climate, differing tax structures, other regulations and restrictions, and foreign exchange rate volatility. Accordingly, our future results could be adversely impacted by changes in these or other factors.

Translation Exposure

Foreign exchange rate fluctuations may adversely impact our consolidated financial position as well as our consolidated results of operations and may adversely impact our financial position as the assets and liabilities of our foreign operations are translated into U.S. dollars in preparing our condensed consolidated balance sheet. Additionally, foreign exchange rate fluctuations may adversely impact our condensed consolidated results of operations as exchange rate fluctuations on transactions denominated in currencies other than our functional currencies result in gains and losses that are reflected in our condensed consolidated statement of income.

The foreign currency and translation exposure risks have been heightened, particularly in the financial services sector, as a result of the current economic crisis.

We consolidate our international subsidiaries by converting them into U.S. dollars in accordance with Statement of Financial Accounting Standards No. 52, Foreign Currency Translation (FAS 52). The results of operations and our financial position will fluctuate when there is a change in foreign currency exchange rates.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of September 30, 2008.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting in the quarter ended September 30, 2008 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Limitations on the Effectiveness of Controls

Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures will necessarily prevent all error and all fraud. However, our management does expect that the control system provides reasonable assurance that its objectives will be met. A control system, no matter how well designed and operated, cannot provide absolute assurance that the control system s objectives will be met. In addition, the design of such internal controls must take into account the costs of designing and maintaining such a control system. Certain inherent limitations exist in control systems to make absolute assurances difficult, including the realities that judgments in decision-making can be faulty, that breakdowns can occur because of a simple error or mistake, and that individuals can circumvent controls. The design of any control system is based in part upon existing business conditions and risk assessments. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in business conditions or deterioration in the degree of compliance with policies or procedures. As a result, they may require change or revision. Because of the inherent limitations in a control system, misstatements due to error or fraud may occur and may not be detected. Nevertheless, the disclosure controls and procedures are designed to provide reasonable assurance of achieving their stated objectives, and the CEO and CFO have concluded that the disclosure controls and procedures are effective at a reasonable assurance level.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we are a party to various lawsuits, arbitrations or mediations that arise in the ordinary course of business. The disclosure called for by Part II, Item 1, regarding our legal proceedings is incorporated by reference herein from Note 11 Commitments and Contingent Liabilities, of the Notes to the Condensed Consolidated Financial Statements in this Form 10-Q for the quarter ending September 30, 2008.

ITEM 1A. RISK FACTORS.

There are no material changes from risk factors as previously disclosed in our 2008 Annual Report on Form 10-K (File No. 001-16159) filed on August 15, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

Table of Contents

Issuer Purchases of Equity Securities

The table below presents specified information about the company s stock repurchases and repurchase plans:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2008 through July 31, 2008	336,603	$ 54.31	336,603	
August 1, 2008 through August 31, 2008	326,344	57.92	326,344	
September 1, 2008 through September 30, 2008	678,264	55.56	678,264	
Total	1,341,211		1,341,211	545,041

On February 11, 2008, the company s Board of Directors approved the repurchase of up to $100 million of the company s Class A Common Stock. The remaining number of shares that may be purchased under this plan is approximately 77,018 shares, estimated by using the market closing price on September 30, 2008 of $49.73 per share.

During the first quarter of fiscal year 2007, the company s Board of Directors approved the repurchase of up to 1,500,000 shares of our Class A Common Stock. The maximum number of shares remaining to be repurchased under this plan is 468,023.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

39

Table of Contents

ITEM 6. EXHIBITS.

21	Subsidiaries of Watson Wyatt Worldwide, Inc. (1)
31.1	Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
31.2	Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Title 18, U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(1)

(1) Filed with this Form 10-Q

Table of Contents

1. Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Watson Wyatt Worldwide, Inc.
(Registrant)

/s/ John J. Haley		November 7, 2008
Name:	John J. Haley	Date
Title:	President and Chief Executive Officer	
/s/ Roger F. Millay		November 7, 2008
Name:	Roger F. Millay	Date
Title:	Vice President and Chief Financial Officer	
/s/ Peter L. Childs		November 7, 2008
Name:	Peter L. Childs	Date
Title:	Controller	