



Third Quarter Report Nine Months Ended September 30, 2007

Management's Discussion and Analysis and
Unaudited Consolidated Financial Statements

THE THOMSON CORPORATION MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis is intended to assist you in understanding and evaluating changes in our financial condition and operations for the three-month and nine-month periods ended September 30, 2007, compared to the same periods in the preceding year. We recommend that you read this discussion and analysis in conjunction with our consolidated financial statements for each of the three-month and nine-month periods ended September 30, 2007 and the year ended December 31, 2006 and the related notes to those financial statements, as well as our management's discussion and analysis for the year ended December 31, 2006. Our financial statements are prepared in accordance with accounting principles generally accepted in Canada, or Canadian GAAP. All dollar amounts in this discussion are in U.S. dollars unless otherwise specified. References in this discussion to "\$" are to U.S. dollars, references to "£" are to British pounds sterling and references to "C\$" are to Canadian dollars. Unless otherwise indicated, references in this discussion to "we," "our" and "us" are to The Thomson Corporation and its subsidiaries. In addition to historical information, this management's discussion and analysis contains forward-looking statements. Readers are cautioned that these forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. These factors include those identified in the sections of this management's discussion and analysis entitled "Risks Relating to the Proposed Reuters Transaction" and "Cautionary Note Concerning Factors That May Affect Future Results" and in the "Risk Factors" section of our annual information form for the year ended December 31, 2006, which is also contained in our annual report on Form 40-F for the year ended December 31, 2006. Statements which relate to potential earnings enhancements in this management's discussion and analysis should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period. This management's discussion and analysis is dated as of October 24, 2007.

OVERVIEW

Our Business and Strategy

We are one of the world's leading information services providers to business and professional customers. Our target customers are knowledge workers whose expertise in particular markets is critical to the success of economies throughout the world. As economies evolve and become more global, we believe that the needs of knowledge workers will continue to grow.

We generate revenues by supplying knowledge workers with business-critical information solutions and services. We make our information more valuable by adding expert analysis, insight and commentary, and couple it with software tools and applications that our customers can use to search, compare, synthesize and communicate the information. To further enhance our customers' workflows, we deliver information and services electronically, integrate our solutions with our customers' own data and tailor the delivery of information to meet specific customer needs. As we integrate critical information with analysis, tools and applications, we place greater focus on the way our customers use our content, rather than simply on selling the content itself, and are moving from just informing our customers to enabling their decisions. As a global company, we are affected by economic and market dynamics, governmental regulations and business conditions for each market and country in which we operate.

Effective January 1, 2007, we realigned our operations into five segments on the basis of the customers they serve:

- Thomson Legal
- Thomson Financial
- Thomson Tax & Accounting
- Thomson Scientific
- Thomson Healthcare

We also report financial results for a "Corporate and Other" reporting category, as well as discontinued operations. The Corporate and Other category principally includes corporate expenses, certain costs associated with our stock-related compensation, costs associated with our THOMSONplus business optimization program, which are discussed in the section of this management's discussion and analysis entitled "THOMSONplus," and costs associated with the proposed Reuters transaction.

Additionally, in the first quarter of 2007, we transferred our broker research operations from Thomson Legal to Thomson Financial. Results for all periods reflect this change.

Proposed Transaction with Reuters Group PLC

Overview. In May 2007, we agreed to acquire Reuters Group PLC (Reuters) and to combine the two companies' businesses through a dual listed company (DLC) structure. The transaction is subject to receipt of required regulatory, shareholder and court approvals and other customary closing conditions. After the proposed transaction closes, the combined business will be called Thomson-Reuters. The parent companies of the combined business will be The Thomson Corporation, an Ontario corporation, which will be renamed Thomson-Reuters Corporation, and Thomson-Reuters PLC, a United Kingdom company. The DLC structure will enable our company and Reuters to combine management and operations as a single economic entity while retaining the two parent companies' separate legal identities, primary listings and, it is intended, their existing index participations. The DLC structure will be accomplished through contractual arrangements between the two parent companies and provisions in each parent company's organizational documents. The boards of the two parent companies will be identical and the combined business will be managed by a single senior executive management team.

Consideration. To effect the proposed transaction, a newly formed United Kingdom company, Thomson-Reuters PLC, will acquire Reuters Group PLC through a scheme of arrangement in which each Reuters share will be entitled to 352.5 pence per share in cash and 0.16 Thomson-Reuters PLC shares. Upon implementation of the transaction, one Thomson-Reuters PLC share will be equivalent to one share of Thomson-Reuters Corporation. Based on the closing Thomson share price and the applicable \$/£ exchange rate on May 14, 2007, which was the day before our company and Reuters announced our agreement, each Reuters share was valued at approximately 691 pence per share. As of October 24, 2007, we estimate that Reuters would have approximately 1.3 billion shares outstanding and on this basis, Reuters shareholders would receive about 209 million Thomson-Reuters PLC shares. For this purpose, we have assumed that all outstanding Reuters in-the-money stock options and other share-based awards granted by Reuters would be converted into Reuters shares prior to the closing. The consideration that is required to be issued to Reuters shareholders will depend on the actual number of Reuters shares outstanding when the transaction closes. To fund the cash consideration, we plan to use proceeds from the sales of the Thomson Learning businesses as well as borrowings under our acquisition credit facility. Based on the exchange rate of \$2.05:£1.00 on October 24, 2007, this funding would be approximately \$9.4 billion. Please see the "Hedging Program for Reuters Consideration" section of this management's discussion regarding our hedging program related to \$/£ currency exchange rate fluctuations. The Thomson Learning sales are discussed in the "Discontinued Operations" section and the acquisition credit facility is discussed in the "Liquidity and Capital Resources" section of this management's discussion and analysis.

Ownership. Based on the current issued share capital of each of our company and Reuters, The Woodbridge Company Limited (Woodbridge) and other companies affiliated with it would own shares representing approximately 53% of the aggregate voting and economic interests of the combined Thomson-Reuters business, other Thomson shareholders would own shares representing approximately 23% and Reuters shareholders would own shares representing approximately 24%. As of October 24, 2007, Woodbridge and other companies affiliated with it beneficially owned approximately 70% of our company's common shares. More information about Woodbridge is provided in the "Related Party Transactions" section of this management's discussion and analysis.

Synergies. The boards of our company and Reuters believe that there is a natural fit and compelling logic in creating a global leader in electronic information services, trading systems and news. We anticipate that the combination will generate annual synergies in excess of \$500 million by the end of the third year after closing from shared technology platforms, distribution, third-party content and corporate services.

Regulatory Review Process. The U.S. Department of Justice, the European Commission and the Canadian Competition Bureau are reviewing the transaction. In addition, our company and Reuters have made filings with antitrust/competition authorities in other jurisdictions around the world. Thomson and Reuters are cooperating with the antitrust/competition authorities. Given the complementary nature of the two companies' businesses and the highly competitive nature of the financial information services industry, we remain confident that our company and Reuters will receive the required antitrust/competition approvals. In October 2007, we announced a regulatory update. See the section entitled "Subsequent Events" for further discussion.

Shareholder approvals. Following completion of the regulatory review process in the United States and European Union, we and Reuters will also submit the proposed transaction to our respective shareholders for approval and will apply for requisite court approvals in Ontario, Canada and England.

Information regarding Reuters. The following information regarding Reuters is derived from reports and other information filed by Reuters with the SEC. We make no representation or warranty as to the accuracy or completeness of reports filed by Reuters with the SEC, information published by Reuters on its website or in any other format, information about Reuters obtained from any other source or the information provided below.

Reuters is incorporated in England and Wales and is listed on the London Stock Exchange and on NASDAQ. Reuters' principal executive office is located at The Reuters Building, South Colonnade, Canary Wharf, London, E14 5EP, England. It is one of the world's largest providers of financial information, trading room software and news. Through its divisions in sales and trading, enterprise, research and asset management and media, Reuters provides a range of products including:

- advanced desktop financial information products, analytics and trading systems designed for use by traders and salespeople;
- information feeds and tools designed for use by machines to help customers automate their businesses;
- in-depth information, analysis and research products designed mainly for use by people making investment decisions; and
- news for use by professional publishers, multimedia websites and mobile information services for use by individual consumers.

Reuters had total assets of £1.920 billion and total liabilities of £1.748 billion as at December 31, 2006. Reuters' 2006 revenue was £2.566 billion.

Risk factors. Certain risks and uncertainties related to the proposed transaction are described in the section of this management's discussion and analysis entitled "Risks Relating to the Proposed Reuters Transaction."

Financial Information

The following table summarizes selected financial information for the three-month and nine-month periods ended September 30, 2007 and 2006, including certain metrics that are non-GAAP financial measures. Please see the section below entitled "Use of Non-GAAP Financial Measures" for definitions of these terms and references to the reconciliations of these measures to the most directly comparable Canadian GAAP measures.

(millions of U.S. dollars, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
<i>Consolidated Statement of Earnings Data:</i>						
Revenues	1,801	1,622	11%	5,278	4,756	11%
Operating profit	312	314	(1%)	893	831	7%
Earnings from continuing operations ⁽¹⁾	315	207	52%	789	610	29%
Discontinued operations, net of tax	2,654	212		2,781	119	
Net earnings ⁽¹⁾	2,969	419		3,570	729	
Basic and diluted earnings per common share from continuing operations ⁽¹⁾	\$ 0.49	\$ 0.32	53%	\$ 1.22	\$ 0.94	30%
Basic earnings per common share ⁽¹⁾	\$ 4.63	\$ 0.65		\$ 5.56	\$ 1.12	
Diluted earnings per common share ⁽¹⁾	\$ 4.61	\$ 0.65		\$ 5.53	\$ 1.12	
<i>Other Data⁽²⁾:</i>						
Adjusted earnings from continuing operations	310	199	56%	709	540	31%
Adjusted earnings per common share from continuing operations	\$ 0.48	\$ 0.31	55%	\$ 1.10	\$ 0.84	31%
Free cash flow	275	461		638	886	

(1) Results are not directly comparable due to certain one-time items. For more information, please see the "Results of Operations" section of this management's discussion and analysis.

(2) These are non-GAAP financial measures. Definitions are provided in the "Use of Non-GAAP Financial Measures" section of this management's discussion and analysis.

Seasonality

Historically, our revenues and operating profits from continuing operations have been proportionately the smallest in the first quarter and the largest in the fourth quarter, as certain product releases are concentrated at the end of the year, particularly in the regulatory and healthcare markets. As costs continue to be incurred more evenly throughout the year, our operating margins have historically increased as the year progresses. For these reasons, the performance of our businesses may not be

comparable quarter to consecutive quarter and should be considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter for the previous year.

USE OF NON-GAAP FINANCIAL MEASURES

In addition to our results reported in accordance with Canadian GAAP, we use non-GAAP financial measures as supplemental indicators of our operating performance and financial position. We use these non-GAAP financial measures internally for comparing actual results from one period to another, as well as for future planning purposes. We have historically reported non-GAAP financial results, as we believe their use provides more insight into our performance. The following discussion defines the measures that we currently use and explains why we believe they are useful measures of our performance, including our ability to generate cash flow:

- *Adjusted earnings and adjusted earnings per common share from continuing operations.* We measure our earnings attributable to common shares and per share amounts to adjust for non-recurring items, discontinued operations and other items affecting comparability, which we refer to as adjusted earnings from continuing operations and adjusted earnings per common share from continuing operations. We use these measures to assist in comparisons from one period to another. Adjusted earnings per common share from continuing operations do not represent actual earnings per share attributable to shareholders.

In interim periods, we adjust our reported earnings and earnings per common share to reflect a normalized effective tax rate. Specifically, the normalized effective rate is computed as the estimated full-year effective tax rate applied to the consolidated pre-tax income of the interim period. The reported effective tax rate is based on separate annual effective income tax rates for each taxing jurisdiction that are applied to each interim period's pre-tax income. Because the seasonality of our businesses impacts our geographical mix of profits in interim periods and therefore distorts the reported effective tax rate, we believe that using the expected full-year effective tax rate provides a more meaningful comparison among interim periods. The adjustment to normalize the effective tax rate reallocates estimated full-year income taxes between interim periods, but has no effect on full year income taxes or on cash taxes paid.

See the reconciliation of this measure to the most directly comparable Canadian GAAP measure in the "Results of Operations" section of this management's discussion and analysis.

- *Net debt.* We measure our net debt, which we define as our total indebtedness, including associated fair value hedging instruments (swaps) on our debt, less cash and cash equivalents. Given that we hedge some of our debt to reduce risk, we include hedging instruments as we believe it provides a better measure of the total obligation associated with our outstanding debt. However, because we intend to hold our debt and related hedges to maturity, we do not consider the associated fair market value of cash flow hedges in our measurements. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt. See the reconciliation of this measure to the most directly comparable Canadian GAAP measure in the "Liquidity and Capital Resources" section of this management's discussion and analysis.
- *Free cash flow.* We evaluate our operating performance based on free cash flow, which we define as net cash provided by operating activities less capital expenditures, other investing activities and dividends paid on our preference shares. We use free cash flow as a performance measure because it represents cash available to repay debt, pay common dividends and fund new acquisitions. See the reconciliation of this measure to the most directly comparable Canadian GAAP measure in the "Liquidity and Capital Resources" section of this management's discussion and analysis.

These and related measures do not have any standardized meaning prescribed by Canadian GAAP and, therefore, are unlikely to be comparable with the calculation of similar measures used by other companies. You should not view these measures as alternatives to net earnings, total debt, cash flow from operations or other measures of financial performance calculated in accordance with GAAP. We encourage you to review the reconciliations of these non-GAAP financial measures to the most directly comparable Canadian GAAP measure within this management's discussion and analysis.

While in accordance with Canadian GAAP, our definition of segment operating profit may not be comparable to that of other companies. We define segment operating profit as operating profit before the amortization of identifiable intangible assets. We use this measure for our segments because we do not consider amortization to be a controllable operating cost for purposes of assessing the current performance of our segments. We also use segment operating profit margin, which we define as segment operating profit as a percentage of revenues.

We report depreciation for each of our segments within the section below entitled "Additional Information."

THOMSONplus Program

THOMSONplus is a series of initiatives, announced in 2006, which will allow us to become a more integrated operating company by leveraging assets and infrastructure across all segments of our business. To accomplish these initiatives, we had previously reported that we expected to incur approximately \$250 million of expenses from inception through 2009 primarily related to technology and restructuring costs and consulting services. Because THOMSONplus is a series of initiatives, we noted that the timing of these costs and savings may shift between different calendar years. While our overall estimates of costs and savings for the program remain unchanged, we now expect to complete the program and reach our savings targets earlier than originally estimated. As a result, we are accelerating spending that was planned for future years into 2007. Currently, we expect to incur expenses of approximately \$130 million in 2007 and \$50 million in 2008. We do not expect to incur expenses in 2009 as was originally reported. In 2006, we incurred \$60 million of expenses consisting primarily of consulting fees and severance. We also incurred \$9 million of expenses associated with businesses that were reclassified to discontinued operations in 2006 related to severance and vacated leased properties.

We incurred \$24 million and \$85 million of expenses associated with THOMSONplus in the three- and nine-month periods ended September 30, 2007, respectively. These expenses primarily related to consulting services. In the nine-month period of 2007, these costs also reflected severance. The consulting costs primarily related to our efforts to deploy SAP as our company-wide ERP system, which will continue throughout 2007 and 2008, as well as efforts to improve our customer service infrastructure. In the nine-month period, severance costs principally related to the elimination of certain finance positions in conjunction with the establishment of centralized service centers and efforts to streamline the operations of Thomson Financial. Because THOMSONplus is a corporate program, expenses associated with it are reported within the Corporate and Other segment.

As a return on this investment, we have generated annualized run-rate savings of approximately \$85 million from the elimination of certain positions and the relocation of others to lower cost locations resulting from our establishment of a facility in Hyderabad, India to perform certain finance functions, as well as from other initiatives that have improved the efficiency of our operations. We expect to reach our targeted savings rate of about \$150 million per year by the middle of 2008. These savings will largely be driven by improved efficiencies and effectiveness of procurement, supply chain management, financial reporting systems, including the implementation of a common ERP system, and platform integration across all of our segments. Our anticipated savings from THOMSONplus are in addition to the previously-discussed synergies that we anticipate arising from the proposed Reuters transaction.

RESULTS OF OPERATIONS

The following discussion compares our results for the three-month and nine-month periods ended September 30, 2007 and 2006 and provides analyses of results from continuing operations and discontinued operations.

Basis of Analysis

Our results from continuing operations include the performance of acquired businesses from the date of their purchase and exclude results from operations classified as discontinued. Results from operations that qualify as discontinued operations have been reclassified to that category for all periods presented. Please see the section below entitled "Discontinued Operations" for a discussion of these operations. In analyzing the results of our operating segments, we measure the performance of existing businesses and the impact of acquired businesses and foreign currency translation.

The following table summarizes our consolidated results for the periods indicated:

(millions of U.S. dollars, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenues	1,801	1,622	11%	5,278	4,756	11%
Operating profit	312	314	(1%)	893	831	7%
<i>Operating profit margin</i>	17.3%	19.4%		16.9%	17.5%	
Net earnings	2,969	419		3,570	729	
Diluted earnings per common share	\$ 4.61	\$ 0.65		\$ 5.53	\$ 1.12	

Revenues. Revenues for each of the three-month and nine-month periods ended September 30, 2007 increased 11% over the comparable prior year period comprised of the following:

	Three Months	Nine Months
• growth from higher revenues of existing businesses	6%	6%
• contributions of newly acquired businesses	3%	4%
• impact from foreign currency translation	2%	1%

For our existing businesses, revenue growth was exhibited in all of our segments in the nine-month period, reflecting customer demand for our integrated solutions, particularly in the legal and tax and accounting markets, and overall growth in these markets. In the third quarter of 2007, revenues from existing businesses increased overall and in all segments except Thomson Healthcare due to the timing of a PDR supplement release. Contributions from acquired businesses were primarily related to Solucient and MercuryMD in our Thomson Healthcare segment, as well as CrossBorder Solutions in our Thomson Tax & Accounting segment.

Operating profit. In the three-month period ended September 30, 2007, operating profit decreased 1% as higher expenses associated with our THOMSONplus program and proposed Reuters transaction, as well as an accrual for an anticipated legal settlement of \$13 million, more than offset the effect of higher revenues. In the nine-month period ended September 30, 2007, operating profit increased 7% primarily due to the increase in revenues. Our operating profit margin decreased in both periods compared to the prior year as higher expenses resulting from costs associated with our proposed transaction with Reuters, the timing of spending related to our THOMSONplus program and an accrual for an anticipated legal settlement more than offset the effects of scale and efficiency initiatives. See the section entitled "THOMSONplus" for a discussion of the program's initiatives and the section entitled "Corporate and Other" for discussion of its associated costs.

Depreciation and amortization. Depreciation expense increased 7% and 8% in the three-month and nine-month periods ended September 30, 2007, respectively, compared to the prior year periods. These increases reflected recent acquisitions and capital expenditures. Amortization expense increased 12% and 6% in the three-month and nine-month periods ended September 30, 2007, respectively, compared to the prior year periods. These increases reflected the amortization of newly acquired assets which more than offset the impact from the completion of amortization for certain intangible assets acquired in previous years.

Net other expense/income. Net other expense in the three-month period ended September 30, 2007 of \$6 million primarily reflected the change in fair value of our sterling call options, which were acquired in the third quarter as part of our hedging program to mitigate exposure to changes in the \$/£ exchange rate resulting from our proposed transaction with Reuters. See the section entitled "Hedging Program for Reuters Consideration" for further discussion. Net other income in the nine-month period ended September 30, 2007 of \$6 million included earnings from, and gains on the sales of, equity investments partially offset by the change in fair value of our sterling call options. For the three-month period ended September 30, 2006, net other expense of \$5 million primarily related to an accrual established for litigation associated with an equity investment. For the nine-month period ended September 30, 2006, net other income of \$36 million primarily related to a gain from the sale of an equity investment.

Net interest income/expense and other financing costs. Results for the three-month and nine-month periods ended September 30, 2007 reflected \$92 million of interest income from the investment of the proceeds from the sale of Thomson Learning's higher education, careers and library reference businesses in money market funds. Excluding this interest income, net interest expense approximated that of the comparable prior year periods.

Income taxes. Income taxes for the three-month and nine-month periods ended September 30, 2007 and 2006 reflected the mix of taxing jurisdictions in which pre-tax profits and losses were recognized. Because the seasonality in our businesses impacts our geographic mix of pre-tax profits and losses in interim periods and, therefore, distorts our reported tax rate, our effective tax rate in interim periods is not indicative of our estimated effective tax rate for the full year. During the first half of 2007, our provision reflected benefits of \$49 million resulting from a change in Australian tax law and the recognition of Canadian tax losses. In the third quarter of 2007, the tax provision reflected \$12 million of additional benefits related to the recognition of Canadian tax losses. The Canadian tax losses were recognized in anticipation of using them against taxable income from the sale of Thomson Learning's Canadian education business (Nelson), which was completed in early July. Income taxes for the three months ended September 30, 2006 included a \$10 million benefit associated with the recognition of Canadian tax losses. Income taxes for the nine months ended September 30, 2006 also reflected approximately \$11 million of one-time tax benefits which were primarily associated with a change in a U.S. state tax law and the release of a valuation allowance against a state tax loss carryforward which had previously not been considered realizable.

Earnings attributable to common shares and earnings per common share. For the three-month and nine-month periods ended September 30, 2007, earnings attributable to common shares increased significantly compared to the prior year periods. Diluted earnings per common share were \$4.61 in the three months ended September 30, 2007 compared to \$0.65 in the prior year period. Diluted earnings per common share were \$5.53 in the nine months ended September 30, 2007 compared to \$1.12 in the prior year period. These significant increases in reported earnings and earnings per common share were primarily the result of the gain on the sale of Thomson Learning's higher education, careers and library reference businesses.

The results for each of these periods are not directly comparable because of the variability in discontinued operations due to the timing of dispositions, as well as certain one-time items. The following table presents a summary of our earnings and our earnings per common share from continuing operations for the periods indicated, after adjusting for items affecting comparability in each year:

(millions of U.S. dollars, except per common share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Earnings attributable to common shares	2,968	418	3,566	725
Adjustments for one-time items:				
Net other expense (income)	6	5	(6)	(36)
Reuters transaction costs	29	—	31	—
Tax on above items	(7)	—	(8)	(1)
Tax benefits	(12)	(10)	(61)	(21)
Interim period effective tax rate normalization	(20)	(2)	(32)	(8)
Discontinued operations	(2,654)	(212)	(2,781)	(119)
Adjusted earnings from continuing operations	310	199	709	540
Adjusted diluted earnings per common share from continuing operations	\$0.48	\$0.31	\$1.10	\$0.84

Our adjusted earnings from continuing operations for the three-month and nine-month periods ended September 30, 2007 increased 56% and 31%, respectively, compared to the prior year period as a result of interest income from the investment of the proceeds from the sale of Thomson Learning's higher education, careers and library reference businesses and higher operating profit stemming from higher revenues, which more than offset costs associated with THOMSONplus and our proposed transaction with Reuters, as well as an accrual for an anticipated legal settlement.

Operating Results by Business Segment

Thomson Legal

(millions of U.S. dollars)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenues	856	769	11%	2,458	2,228	10%
Segment operating profit	274	259	6%	778	693	12%
Segment operating profit margin	32.0%	33.7%		31.7%	31.1%	

Results for Thomson Legal reflected continued demand for our online services in the United States, United Kingdom and other international markets. For both the three-month and nine-month periods ended September 30, 2007, revenues increased 11% and 10%, respectively, compared to the prior year periods comprised of the following:

	Three Months	Nine Months
• growth from higher revenues of existing businesses	8%	7%
• contributions of newly acquired businesses	1%	1%
• impact from foreign currency translation	2%	2%

For the three-month and nine-month periods ended September 30, 2007, growth within Thomson Legal's existing businesses reflected the strong performance of online services, consisting primarily of Westlaw and our international online services, which increased 10% in both periods over the comparable prior year periods. Revenue from sales of software and services increased 13% in both the three-month and nine-month periods as a result of higher new sales of website design and hosting services. Additionally, revenues from print and CD products increased compared to the prior year periods as higher print revenues offset a decline in CD product revenues as customers continued to migrate to Thomson Legal's online offerings. Additionally, print revenues increased due to a shift in the timing of \$5 million of shipments which occurred in the third quarter of 2007 compared to the fourth quarter of 2006. Contributions from acquired businesses reflected the results from Baker Robbins, a provider of technology and information management consulting to law firms and law departments, acquired in January 2007 and LiveNote Technologies, a provider of transcript and evidence management software that brings new functionality to Westlaw Litigator, which is our integrated litigation platform, acquired in September 2006.

Within the North American legal businesses, revenues increased primarily due to higher online and services revenues. Westlaw revenue experienced growth in all of its major market segments: law firm, corporate, government and academic as a result of greater new sales. Revenues from the Westlaw Litigator suite of online products increased in part due to our expansion of content and functionality of the offerings, such as the integration of legal briefs, trial documents and dockets and the introduction of Medical Litigator. Revenues from services increased primarily due to higher sales at FindLaw due to new sales, new product introduction and improved retention rates. Outside of North America, online revenues increased due to higher customer demand for our products and, to a lesser extent, the continued migration of our international customers from CD to online products. International print revenues in both periods increased slightly compared to the prior year periods. Revenues from trademark services increased in both periods due to higher volume.

Results reflected continued investments in localized content and technology for Asian markets, particularly in Japan related to our joint venture with Shin Nippon Hoki, as well as in China. The growth in segment operating profit was primarily a result of the revenue growth described above. For the third quarter of 2007, the decline in the segment operating profit margin compared to the prior year was due to the timing of spending on our Asian investments and an accrual for an anticipated legal settlement of \$13 million. The increase in the segment operating profit margin for the nine-month period reflected the effects of scale in our existing businesses and the continued impact of efficiency initiatives.

Thomson Financial

(millions of U.S. dollars)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenues	544	508	7%	1,611	1,497	8%
Segment operating profit	117	97	21%	319	269	19%
<i>Segment operating profit margin</i>	21.5%	19.1%		19.8%	18.0%	

Results for Thomson Financial reflected underlying market conditions and customer demand for offerings. For both the three-month and nine-month periods ended September 30, 2007, revenues increased 7% and 8%, respectively, compared to the prior year periods comprised of the following:

	Three Months	Nine Months
• growth from higher revenues of existing businesses	5%	4%
• contributions of newly acquired businesses	0%	2%
• impact from foreign currency translation	2%	2%

Revenues from existing businesses increased as a result of new sales as well as higher transaction revenues. Revenues increased primarily in the investment management, corporate services and investment banking markets due to new sales and migrations from legacy offerings, as well as higher revenues from Omgeo and enterprise solutions. In the investment management market, revenues increased from Thomson Quantitative Analytics, StreetEvents and Datafeeds, as well as an increase in Thomson ONE desktop sales. Revenues from Omgeo's straight-through-processing services increased due to continued customer demand. Enterprise solutions revenues increased as a result of higher sales from International Financing Review and real-time commentary. TradeWeb's overall revenues increased slightly due to higher transaction fees from higher volume in the mortgage-backed securities marketplace. Revenue growth from existing businesses was slightly tempered by lower pricing on our indications of interest offering and, in the wealth management sector, the exiting of a low-margin contract and declines in low-margin legacy desktops.

Increases in revenues from existing businesses were experienced in Thomson Financial's three primary geographic regions, the U.S., Europe and Asia. The increases in revenues in Europe and Asia were attributable to greater localized solutions, including Japanese language versions of Thomson ONE Investment Banking and Thomson ONE Investment Management, and higher sales of investor relations communication services.

Results also reflected contributions from eXimius, a workflow solution provider for the private client investment management community that was acquired in February 2007; AFX News, a real-time financial news agency that was acquired in July 2006; and Quantitative Analytics, a provider of financial database integration and analysis solutions that was acquired in March 2006.

Segment operating profit increased primarily due to higher revenues as expenses increased modestly compared to prior periods. The segment operating profit margin increased due to the effects of higher revenues, the impact of completed and ongoing efficiency efforts to relocate certain activities to lower cost locations and a decline in depreciation expense as a result of timing and more efficient capital spending.

Thomson Tax & Accounting

(millions of U.S. dollars)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenues	142	119	19%	457	387	18%
Segment operating profit	26	21	24%	95	73	30%
<i>Segment operating profit margin</i>	18.3%	17.6%		20.8%	18.9%	

Results for Thomson Tax & Accounting reflected continuing customer demand for our online solutions and software products. For the three-month and nine-month periods ended September 30, 2007, revenues increased 19% and 18%, respectively, comprised of the following:

	Three Months	Nine Months
• growth from higher revenues of existing businesses	10%	11%
• contributions of newly acquired businesses	9%	7%
• impact from foreign currency translation	0%	0%

Revenues from Thomson Tax & Accounting's existing businesses increased as a result of higher online, software and services sales as well as improved retention. In the research and guidance sector, Checkpoint online revenue continued to increase significantly as a result of new sales and continued migration of customers from print to online products. Revenues in the professional software and services sector increased due to higher tax transaction revenues and increased sales of product suites derived from additional offerings and increased customer retention. Within the corporate software and services sector, revenues increased primarily as a result of higher sales of income tax and transaction tax products and services. Income tax revenues benefited from sales of additional offerings, such as InSource *FIN 48*, and customer demand.

Results also reflected contributions from the Deloitte Tax LLP Sales & Use Outsourcing business, a provider of sales and use tax compliance services that was acquired in January 2007; CrossBorder Solutions, a tax software provider specializing in international tax compliance areas such as transfer pricing that was acquired in March 2007; and the Employee Benefits Institute of America Inc., a provider of employee benefits research and guidance purchased in June 2007.

Growth in segment operating profit compared to the prior year reflected the increase in revenues. The segment operating profit margin increased due to the effects of scale and the impact of integration and efficiency initiatives.

Historically, the performance for Thomson Tax & Accounting has been seasonal with over 30% of its revenue and over 50% of its operating profit typically recognized in the fourth quarter of the year.

Thomson Scientific

(millions of U.S. dollars)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenues	160	148	8%	471	440	7%
Segment operating profit	41	38	8%	120	105	14%
<i>Segment operating profit margin</i>	25.6%	25.7%		25.5%	23.9%	

Results for Thomson Scientific reflected continuing customer demand for our solutions. For both the three-month and nine-month periods ended September 30, 2007, revenues increased 8% and 7%, respectively, compared to the prior year periods comprised of the following:

	Three Months	Nine Months
• growth from higher revenues of existing businesses	5%	3%
• contributions of newly acquired businesses	1%	2%
• impact from foreign currency translation	2%	2%

Growth in revenues from existing businesses was primarily a result of higher revenues for the Web of Science and ISI Web of Knowledge, as well as increased revenues from corporate information solutions. The Web of Science/ISI Web of Knowledge benefited from an increase in new sales and higher renewal rates. Revenues from corporate information solutions increased due to higher demand for patent management services and data, as well as industry standards information. These increases were partially offset by lower revenues from online hosted content and legacy products. Revenues from pharma information solutions were also affected by the impact of unfavorable changes in foreign currency exchange rates on transactions involving US dollar revenues within our European businesses. Results also reflected contributions from ScholarOne, a provider of subscription-based software for authoring, evaluating and publishing research that was acquired in August 2006.

Growth in segment operating profit compared to the prior year reflected higher revenues and the impact of efficiency initiatives. These initiatives have enabled Thomson Scientific to control costs and improve its segment operating profit margin. Additionally, for the third quarter of 2007, segment operating profit and its related margin were affected by a nonrecurring royalty expense and the timing of certain marketing expenses.

Thomson Healthcare

(millions of U.S. dollars)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenues	102	81	26%	294	216	36%
Segment operating profit	15	10	50%	28	20	40%
<i>Segment operating profit margin</i>	14.7%	12.3%		9.5%	9.3%	

Results for Thomson Healthcare reflected a recent investment in our management decision support offerings and continued customer demand in that sector. For both the three-month and nine-month periods ended September 30, 2007, revenues increased 26% and 36%, respectively, compared to the prior year periods comprised of the following:

	Three Months	Nine Months
• growth from higher revenues of existing businesses	(4%)	1%
• contributions of newly acquired businesses	30%	35%
• impact from foreign currency translation	0%	0%

For the third quarter of 2007, revenues from Thomson Healthcare's existing businesses decreased as a result of the timing of a supplement release for PDR, which occurred in the second quarter in 2007 compared to the third quarter in 2006. For the nine-month period ended September 30, 2007, revenues from existing business increased as continuing demand for management decision support offerings more than offset a decline in PDR project sales. While revenues increased compared to the prior year periods, the impact of new sales for clinical decision support and payer decision support offerings were tempered by the losses of certain customer contracts. Results also reflected contributions from Solucient, a provider of data and advanced analytics to hospitals and health systems acquired in October 2006.

For the third quarter of 2007, segment operating profit and its related margin increased compared to the prior year period due to the increase in revenues. For the nine-month period ended September 30, 2007, segment operating profit increased as the effect of the increase in revenues more than offset an increase in expenses due to product development and integration expenses associated with acquired offerings. The segment operating profit margin for the nine-month period ended September 30, 2007 increased as the effect of scale more than offset the increase in product development and integration expenses.

Historically, the performance for Thomson Healthcare has been seasonal with approximately 40% of the segment's revenues and over 70% of its operating profit generated in the fourth quarter as significant revenues and profits are traditionally derived with the shipment of the PDR.

Corporate and Other

(millions of U.S. dollars)	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Expenses excluding THOMSONplus and Reuters transaction costs	42	39	8%	142	120	18%
THOMSONplus costs	24	13		85	31	
Reuters transaction costs	29	–		31	–	
Total	95	52	83%	258	151	71%

For the three- and nine-month periods ended September 30, 2007, Corporate and Other expenses increased \$43 million and \$107 million, respectively, over the comparable prior year periods. The increases were primarily due to expenses associated with our THOMSONplus program and costs associated with our proposed transaction with Reuters. Further, with the realignment of our operations effective January 1, 2007, we are managing more aspects of our business centrally under the offices of the Vice Chairman, the Chief Technology Officer and the Chief Operating Officer. Corporate costs reflect the expenses associated with these offices. Reuters transaction costs included in our corporate expenses were \$29 million and \$31 million for the three- and nine-month periods ended September 30, 2007, respectively, which primarily consisted of consulting costs for integration planning as well as expenses associated with retention programs. We expect to continue to incur transaction-related costs in future periods.

We incurred \$24 million and \$85 million of expenses associated with THOMSONplus in the three- and nine-month periods ended September 30, 2007, respectively. These expenses primarily related to consulting services. In the nine-month period of 2007, these costs also reflected severance. The consulting costs primarily related to our efforts to deploy SAP as our company-wide ERP system, which will continue throughout 2007 and 2008, as well as efforts to improve our customer service infrastructure. In the nine-month period, severance costs principally related to the elimination of certain finance positions in conjunction with the establishment of centralized service centers and efforts to streamline the operations of Thomson Financial.

Discontinued Operations

As part of our continuing strategy to optimize our portfolio of businesses to ensure that we are investing in parts of our business that offer the greatest opportunities to achieve growth and returns, management decided to actively pursue the sale of the following businesses. These businesses were classified as discontinued operations within the consolidated financial statements for all periods presented. None of these businesses was considered fundamental to our current integrated information offerings.

In April 2007, we approved plans to sell Fakta, our regulatory information business in Sweden. This business was managed within Thomson Legal.

In March 2007, we approved plans within Thomson Healthcare to sell PLM, a provider of drug and therapeutic information in Latin America; the New England Institutional Review Board, an ethical review board that monitors clinical research involving human subjects; and CenterWatch, a provider of clinical research information.

In October 2006, we announced our intention to sell Thomson Learning through three independent processes, each on its own schedule, as follows:

- In May 2007, we agreed to sell Thomson Learning's higher education, careers and library reference businesses to funds advised by Apax Partners and OMERS Capital Partners for approximately \$7.75 billion, subject to customary adjustments. This sale was completed in July 2007. As a result of the sale, we received net proceeds of approximately \$7.6 billion and recognized a post-tax gain of \$2.7 billion.
- In May 2007, we completed the sale of NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC for approximately \$270 million and recorded a post-tax loss of \$14 million.
- In June 2007, we agreed to sell Prometric, a global leader in assessment services, to ETS for \$310 million in cash and a 6% promissory note for \$125 million due in 2014. The principal amount of the note is subject to adjustment based on the continuity of offerings from certain customer contracts. See the section entitled "Subsequent Events" for more information.

In future periods, our net proceeds will be adjusted for the payment of taxes and post-closing adjustments. We recorded impairment charges associated with certain of these businesses of \$14 million in the fourth quarter of 2006. Based on estimates of fair value, as well as current carrying value, at March 31, 2007, these impairment charges were reversed in the first quarter of 2007.

Additionally, in the fourth quarter of 2006 we approved plans within Thomson Legal to sell our business information and news operations, which include our Market Research and NewsEdge businesses. Based on estimates of fair value at March 31, 2007, we recorded impairment charges to identifiable intangible assets of \$3 million before taxes related to these businesses. We completed the sale of the Market Research and NewsEdge businesses in May 2007 and July 2007, respectively.

In June 2006, our board of directors approved plans to sell IOB, a Brazilian regulatory business within Thomson Legal and Thomson Medical Education, a provider of sponsored medical education within Thomson Healthcare. We completed the sale of Thomson Medical Education in April 2007 and IOB in June 2007.

In the first quarter of 2006, we approved plans within Thomson Legal to sell Lawpoint Pty Limited, an Australian provider of print and online regulatory information services; and Law Manager, Inc., a software and services provider. We completed the sale of Law Manager in April 2006 and Lawpoint in June 2006.

Also in the first quarter of 2006, we approved plans within Thomson Learning to sell Peterson's, a college preparatory guide; the North American operations of Thomson Education Direct, a consumer-based distance learning career school; and K.G. Saur, a German publisher of biographical and bibliographical reference titles serving the library and academic communities. Based on estimates of fair market value at March 31, 2006, we recorded impairment charges associated with certain of these businesses related to identifiable intangible assets and goodwill of \$40 million before taxes. We completed the sale of Peterson's in July 2006 and K.G. Saur in August 2006. We completed the sale of our North American operations of Thomson Education Direct in March 2007.

In December 2005, our board of directors approved our plan to dispose of American Health Consultants, a medical newsletter publisher and medical education provider within Thomson Healthcare. We completed the sale in the third quarter of 2006.

We adjust liabilities previously established for businesses that have been sold when actual results differ from estimates used in establishing such liabilities. Adjustments are made in conjunction with the expiration of representations and warranty periods or to reflect the refinement of earlier estimates. In the three and nine months ended September 30, 2007 and 2006, we adjusted disposal liabilities related to previous dispositions.

For more information on discontinued operations, see note 9 to our consolidated financial statements for the period ended September 30, 2007.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

At September 30, 2007, our total assets were \$22,918 million, which represented an increase of 14% over the total of \$20,132 million at December 31, 2006. The increase in assets primarily reflects the receipt of proceeds from the sale of our Thomson Learning's higher education, careers and library reference businesses in excess of their book value.

The following table presents comparative information related to net debt, shareholders' equity and the ratio of net debt to shareholders' equity:

(millions of U.S. dollars)	As at	
	September 30, 2007	December 31, 2006
Short-term indebtedness	3	333
Current portion of long-term debt	403	264
Long-term debt	3,418	3,681
Total debt	3,824	4,278
Swaps	(391)	(257)
Total debt after swaps	3,433	4,021
Remove fair value adjustment of cash flow hedges	26	54
Less: Cash and cash equivalents	(7,455)	(334)
Net debt	(3,996)	3,741
Shareholders' equity	13,584	10,481
Net debt/equity ratio	(0.29:1)	0.36:1

We guarantee certain obligations of our subsidiaries, including borrowings by our subsidiaries under our revolving credit facilities. Under the terms of our syndicated credit agreement and acquisition credit agreement discussed below, we must

maintain a ratio of net debt (as used in the table above) as of the last day of each fiscal quarter to adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization and other modifications described in the agreement) for the last four quarters ended of not more than 4.5:1. As of September 30, 2007, we were in compliance with this covenant.

In July 2007, we repaid C\$250 million of debentures upon their maturity. In October 2007, we completed a debt offering, part of the proceeds of which were to replace funds used in July for the debenture repayment. For more information, please see the "Subsequent Events" section of this management's discussion and analysis.

In January 2006, we repaid \$50 million of privately placed notes upon their maturity.

The following table displays the recent changes in our shareholders' equity:

(millions of U.S. dollars)

Balance at December 31, 2006	10,481
Effect of accounting change for income taxes ⁽¹⁾	(33)
Restated balance as of December 31, 2006	10,448
Earnings attributable to common shares for the nine months ended September 30, 2007	3,566
Additions to paid in capital related to stock compensation plans	39
Common share issuances	73
Repurchases of common shares	(75)
Common share dividends declared	(471)
Net unrealized losses on derivatives that qualify as cash flow hedges ⁽²⁾	(35)
Net realized gains from accumulated other comprehensive income	(127)
Change in unrealized translation adjustment	166
Balance at September 30, 2007	13,584

(1) Effective January 1, 2007, we changed our accounting policy for uncertain income tax positions. The effect of this change was reflected as an adjustment to opening retained earnings. See the section entitled "Accounting Changes" for further discussion.

(2) Effective January 1, 2006, the unrealized gains and losses on certain derivatives that qualify as cash flow hedges are recorded as a component of accumulated other comprehensive income within shareholders' equity in our consolidated balance sheet. See the section entitled "Accounting Changes" for further discussion.

The following table sets forth the ratings that we have received from rating agencies in respect of our outstanding securities as of September 30, 2007:

	Moody's	Standard & Poor's	Dominion Bond Rating Service (DBRS)
Long-term debt	Baa1	A-	A (low)
Commercial paper	—	—	R-1 (low)
Trend/Outlook	Stable	Negative	Negative

In the third quarter of 2007, Moody's downgraded its debt ratings for us by one notch from "A3" to "Baa1," the third-lowest investment grade, citing a significant increase in leverage that will result from our pending acquisition of Reuters. Moody's changed its outlook to "stable," indicating another rating change is not expected over the next 12 to 18 months. Additionally, Standard & Poor's affirmed our existing long-term debt rating and removed us from a negative credit watch.

In the second quarter of 2007, DBRS placed us under review with "negative implications" following the announcement of our intention to combine with Reuters. This revision reflected the uncertainty surrounding this transaction including the prospects for the combined businesses.

You should be aware that a rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. We cannot assure you that our credit ratings will not be lowered in the future or that rating agencies will not issue adverse commentaries regarding our securities.

The maturity dates for our long-term debt are well balanced with no significant concentration in any one year.

Hedging Program for Reuters Consideration

As the funding of the cash consideration required to be paid to Reuters shareholders will fluctuate based on the \$/£ exchange rate, in July 2007 we commenced a hedging program to mitigate exposure to changes in the \$/£ exchange rate. In the third quarter of 2007, we paid approximately \$76 million for the purchase of several sterling call options with a cumulative notional value of £2,300 million and various strike prices approximating \$2.05/£1.00. These options are stated at their fair value in our consolidated balance sheet and changes in their fair value are reflected within our consolidated statement of earnings. The fair value of these options at September 30, 2007 was approximately \$67 million.

Additionally, after completion of the sale of Thomson Learning's higher education, careers and library reference businesses, we invested a portion of the proceeds in sterling-denominated money market funds. As of September 30, 2007, our balance in these funds, which were included in the consolidated balance sheet as cash and cash equivalents, totaled approximately £1.4 billion.

Share Repurchase Program

Since May 2005, we have had in place a share repurchase program which has allowed us to repurchase up to 15 million of our shares in a given 12 month period. We most recently renewed this program in May 2007. Since May 2005, we have repurchased and subsequently cancelled approximately 20 million shares for approximately \$744 million. We have not repurchased any shares under the current program and suspended repurchases in May 2007 as a result of our proposed acquisition of Reuters. The following summarizes our repurchases in 2006 and 2007.

Three-month period ended	Shares Repurchased	Average Price per Share	Number of Shares Available for Repurchase
March 31, 2006	4,570,000	\$36.83	
June 30, 2006	3,110,000	\$39.58	
September 30, 2006	1,710,600	\$39.27	
December 31, 2006	1,289,400	\$41.41	
March 31, 2007	1,305,000	\$41.74	
June 30, 2007	495,000	\$42.68	
September 30, 2007	—	—	15,000,000

Shares that we repurchase are cancelled. We may repurchase shares in open market transactions on the Toronto Stock Exchange or the New York Stock Exchange. Decisions regarding the timing of future repurchases will be based on market conditions, share price and other factors. We may elect to suspend or discontinue the program at any time. From time to time, when we do not possess material nonpublic information about ourselves or our securities, we may enter into a pre-defined plan with our broker to allow for the repurchase of shares at times when we ordinarily would not be active in the market due to our own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with our broker will be adopted in accordance with applicable Canadian securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934.

Cash Flow

Our principal sources of liquidity are cash provided by our operations, borrowings under our revolving bank credit facilities and our commercial paper program and the issuance of public debt. In 2007, the proceeds from our divestitures have also been a large source of liquidity. Our principal uses of cash have been to finance working capital and debt servicing costs, repay debt, and finance dividend payments, capital expenditures and acquisitions. Additionally, as discussed in the section entitled "Share Repurchase Program," we have also used our cash to repurchase outstanding common shares in open market transactions.

Operating activities. For the three months ended September 30, 2007, cash provided by our operating activities was \$427 million compared to \$633 million for the prior year period. The change primarily reflected the composition of businesses in discontinued operations and costs associated with their disposition. Also reflected in this change was approximately \$33 million of cash outlays in 2007 associated with the proposed Reuters transaction. Excluding discontinued operations, cash from operating activities increased compared to the prior year period primarily due to higher interest income. Cash provided by our operating activities in the nine months ended September 30, 2007 was \$1,157 million compared to \$1,329 million in the prior year. This decrease was also attributable to the composition of businesses in discontinued operations and costs associated with their disposition, as well as cash outlays in 2007 of \$35 million associated with the proposed Reuters transaction. Working capital levels in the third quarter and nine months of 2007 increased compared to prior year periods due to the impact of the timing of payments for normal operating expenses. For the nine-month period ended September 30, 2007, cash provided from operating activities also included a payment of \$36 million to settle the *Rodriguez v. West Publishing Corp. and Kaplan Inc.* lawsuit.

Investing activities. For the three-month period ended September 30, 2007, cash provided by our investing activities was \$7,294 million. In the prior year period, cash used in investing activities was \$310 million. For the nine-month period ended September 30, 2007, cash provided by investing activities was \$7,177 million compared to \$717 million used in investing activities for the prior year period. Both periods in 2007 reflected higher proceeds from the sales of discontinued operations and decreased acquisition spending compared to the prior year periods. In future periods, these proceeds will be adjusted for the payment of taxes and post-closing adjustments. Acquisitions in the nine-month period ended September 30, 2007 included Prous Science, a provider of life sciences information solutions, in our Thomson Scientific segment and CrossBorder Solutions in our Thomson Tax & Accounting segment. For the three-month and nine-month periods ended September 30, 2007, capital expenditures increased compared to the prior year periods due to higher spending on, and the timing of, technology initiatives. In the nine-month period of 2007, we had \$22 million in capital expenditures resulting from a data center expansion in Eagan, MN.

Financing activities. For the three months ended September 30, 2007, cash used in our financing activities was \$689 million compared to \$58 million in the prior year period. For the nine months ended September 30, 2007, cash used in our financing activities was \$1,214 million compared to \$530 million in the prior year period. The increased outflow of cash in both periods reflected repayments of borrowings, the purchase of sterling call options (see "Hedging Program for Reuters Consideration" above) and higher dividend payments. These effects were partially offset by a reduction in our repurchases of common shares (see "Share Repurchase Program" above).

The following table sets forth our common share dividend activity:

(millions of U.S. dollars)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Dividends declared	157	141	471	425
Dividends reinvested	(4)	(3)	(12)	(10)
Dividends paid	153	138	459	415

A discussion of other significant financing activities from each year is noted under the section entitled "Financial Position."

Free cash flow. The following table sets forth a calculation of our free cash flow for 2007 and 2006:

(millions of U.S. dollars)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net cash provided by operating activities	427	633	1,157	1,329
Capital expenditures	(143)	(110)	(383)	(270)
Other investing activities	(10)	(11)	(33)	(26)
Dividends paid on preference shares	(1)	(1)	(4)	(4)
Investing activities of discontinued operations	2	(50)	(99)	(143)
Free cash flow	275	461	638	886

Our free cash flow for the three-month and nine-month periods ended September 30, 2007 decreased compared to the prior year periods due to the composition of businesses in discontinued operations and costs associated with their disposition, as well as higher capital expenditures. Our free cash flow was also impacted by spending on costs associated with the Reuters transaction. Results for nine-month period ended September 30, 2007 also reflected a \$36 million payment to settle the *Rodriguez v. West Publishing Corp. and Kaplan Inc.* lawsuit.

Credit facilities and commercial paper program. In August 2007, we entered into a new syndicated credit agreement with a group of banks. This new credit agreement consists of a \$2.5 billion five-year unsecured revolving credit facility. Under the terms of the new agreement, we may request an increase in the amount of the lenders' commitments up to a maximum amount of \$3.0 billion. This new agreement is available to provide liquidity in connection with our commercial paper program and for general corporate purposes of our company and our subsidiaries including, following the closing of our proposed transaction with Reuters, Thomson-Reuters PLC and its subsidiaries. The maturity date of the agreement is August 14, 2012. However, we may request that the maturity date be extended under certain circumstances, as set forth in the agreement, for up to two additional one-year periods. The syndicated credit agreement contains certain customary affirmative and negative covenants, each with customary exceptions. The financial covenant related to this agreement is described in the "Financial Position"

subsection above. In connection with entering into this new agreement, we terminated our existing unsecured revolving bilateral loan agreements that had previously provided an aggregate commitment of \$1.6 billion.

Our credit facilities are structured such that, if our long-term debt rating was downgraded by Moody's or Standard & Poor's, our facility fee and borrowing costs under our existing credit facilities may increase, although availability would be unaffected. Conversely, an upgrade in our ratings may reduce our credit facility fees and borrowing costs.

Additionally, in May 2007, we entered into a £4.8 billion acquisition credit facility. We entered into this facility as a result of requirements of the U.K. Panel on Takeovers and Mergers, which require us and our financial advisors for the transaction to confirm our ability to finance our proposed transaction with Reuters. We may only draw down amounts under this facility to finance the proposed transaction, to refinance any existing debt of Reuters or its subsidiaries after the closing, and to pay fees and expenses that we incur in connection with the proposed transaction and the credit facility. As of September 30, 2007, we had not utilized this facility. In July 2007, we reduced the aggregate lending commitment under the facility to £2.5 billion after receiving proceeds from the sale of Thomson Learning's higher education, careers and library reference assets. In accordance with the terms of the new facility, we are required to hold certain of these sale proceeds in "permitted investments," as defined by the facility, until the closing of the proposed Reuters transaction. These "permitted investments" include, among other investments, money market funds that are rated at least "A—" or better. The facility is structured as a 364-day credit line with subsequent extension/term-out options that would allow our company to extend the final maturity until May 2009.

Debt shelf registration. In September 2005, we filed a shelf prospectus to issue up to \$2 billion of debt securities from time to time. As of September 30, 2007, we had not completed the issuance of any debt securities under this shelf prospectus. See the section entitled "Subsequent Events" for further discussion. We plan to file a new shelf prospectus during November 2007 that will be valid for 25 months from its effective date.

Off-balance sheet arrangements, commitments and contractual obligations. In the third quarter of 2007, the U.S. District Court for the Western District of Pennsylvania adversely decided against us in a patent infringement case related to a business formerly owned by Thomson Financial. We subsequently posted a \$95 million letter of credit in connection with our appeal. The letter of credit represents the amount of the district court's judgment, plus interest. At this time, we believe that the ultimate outcome of this matter will not have a material adverse effect on our financial condition taken as a whole.

For a summary of our other off-balance sheet arrangements, commitments and contractual obligations, please see our management's discussion and analysis for the year ended December 31, 2006. Other than the letter of credit noted above and the proposed acquisition of Reuters, there were no material changes to these arrangements, commitments and obligations during the nine-month period ended September 30, 2007.

We plan to fund the proposed Reuters transaction with proceeds from the sales of our Thomson Learning businesses and borrowings available to us under our acquisition credit facility. We believe that cash from our operations and other available credit facilities will be sufficient to fund our future cash dividends, debt service, projected capital expenditures, acquisitions that we pursue in the normal course of business and share repurchases.

Contingencies

In 2005, we became aware of an inquiry by the Serious Fraud Office in the United Kingdom regarding the refund practices relating to certain duplicate subscription payments made by some of our customers in our Sweet & Maxwell and Gee businesses in the United Kingdom. In August 2007, we were notified by the authorities that they had completed their inquiry and no action would be taken against us.

As previously disclosed, we are a defendant in a lawsuit involving our BAR/BRI business, *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc.*, which was filed in the U.S. District Court for the Southern District of New York. The lawsuit alleges primarily violations of U.S. federal antitrust laws. In the third quarter of 2007, we accrued \$13 million in connection with an agreement in principle to settle the case.

Our company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. Some of these matters are described in our management's discussion and analysis for each of the three month period ended March 31, 2007 and the year ended December 31, 2006. During the three-month period ended September 30, 2007, other than the actions noted above, there have been no material developments to these matters. The outcome of all of the proceedings and claims against our company, including, without limitation, those described in our management's discussion and analysis for each of the three month period ended March 31, 2007 and the year ended December 31, 2006, is subject to future resolution, including the uncertainties of litigation. Based on information currently known by us and after consultation with outside legal counsel, our management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on our financial condition, taken as a whole.

Please see our management's discussion and analysis for the year ended December 31, 2006 for a summary of our tax contingencies and market risks. There were no material changes to these contingencies and risks during the nine-month period ended September 30, 2007.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the sections below entitled "Material Assumptions" and "Cautionary Note Concerning Factors That May Affect Future Results."

The following represents our current business outlook for 2007.

- Revenue growth is expected to be at the high end of the company's long-term target range of 7%-9%, prior to the deployment of the proceeds from the sale of Thomson Learning and excluding the impact of currency translation.
- Operating profit margin is expected to be at or above 2006 levels, despite increasing investments in efficiency initiatives and excluding the impact of costs related to the proposed acquisition of Reuters.
- Cash generated by continuing operations is expected to grow, excluding cash generated through deployment of the Thomson Learning sale proceeds.

The primary change to our 2007 outlook from that communicated in our management's discussion and analysis for the year ended December 31, 2006 is to exclude the expected impact of Reuters-related costs on operating profit margin. Our proposed acquisition of Reuters was announced in May 2007.

Our 2007 outlook constitutes, in accordance with UK regulations, a profit-related forecast and, as required by UK disclosure requirements at this time, the bases and assumptions for the preparation of our revenue and operating profit margin outlook are appended to our earnings news release dated October 25, 2007, along with related letters from our auditors and our financial advisors for the Reuters transaction. Please see the "Additional Information" section of this management's discussion and analysis for information regarding how to access a copy of this earnings news release.

MATERIAL ASSUMPTIONS

Our outlook for the year ending December 31, 2007 as set forth in this management's discussion and analysis was prepared on the basis of the material assumptions below and has been derived from:

- Our unaudited consolidated financial statements for the nine months ended September 30, 2007; and
- Our management forecasts for the three months ending December 31, 2007.

Our outlook uses accounting policies consistent with those used to prepare our financial statements for the year ended December 31, 2006 and for the nine months ended September 30, 2007, which financial statements are prepared in accordance with Canadian GAAP. The outlook has been calculated excluding the impact of currency translation.

The assumptions that are outside of the influence of our management and directors include:

- there will be no change to existing prevailing worldwide macroeconomic conditions through the end of 2007 relative to 2006; and
- there will be no material adverse events which will have a significant impact on our financial results.

The assumptions that our management and directors can influence include:

- a portion of our anticipated 2007 revenue growth will come from tactical acquisitions made during the year;
- the outlook reflects the continuing operations of our business as at September 30, 2007;
- the outlook includes investments associated with our various efficiency initiatives, including THOMSONplus; and
- the outlook excludes costs related to the Reuters transaction.

RELATED PARTY TRANSACTIONS

As of October 24, 2007, Woodbridge and other companies affiliated with it together beneficially owned approximately 70% of our common shares.

From time to time, in the normal course of business, Woodbridge and its affiliates purchase some of our products and service offerings. These transactions are negotiated at arm's length on standard terms, including price, and are not significant to our results of operations or financial condition individually or in the aggregate.

In the normal course of business, a Woodbridge-owned company rents office space from one of our subsidiaries. Additionally, a number of our subsidiaries charge a Woodbridge-owned company fees for various administrative services. In 2006, the total amounts charged to Woodbridge for these rentals and services were approximately \$2 million. In the nine months ended September 30, 2007, these rentals and services totaled approximately \$1 million.

The employees of Jane's Information Group (Jane's), a business that we sold to Woodbridge in April 2001, participated in our pension plans in the United States and United Kingdom, as well as our defined contribution plan in the United States, until June 2007, when Woodbridge sold Jane's to a third party. As a consequence of the sale, Jane's employees have ceased active participation in our plans. During its period of participation, Jane's made proportional contributions to these pension plans as required, and made matching contributions in accordance with the provisions of the defined contribution plan. As part of its original purchase from us, Woodbridge assumed the pension liability associated with the active employees of Jane's.

We purchase property and casualty insurance from third party insurers and retain the first \$500,000 of each and every claim under the programs via our captive insurance subsidiary. Woodbridge is included in these programs and pays us a premium commensurate with its exposures. In 2006, these premiums were about \$50,000, which would approximate the premium charged by a third party insurer for such coverage. In the nine months ended September 30, 2007, these premiums totaled approximately \$36,000.

We have entered into an agreement with Woodbridge under which Woodbridge has agreed to indemnify up to \$100 million of liabilities incurred either by our current and former directors and officers or by our company in providing indemnification to these individuals on substantially the same terms and conditions as would apply under an arm's length, commercial arrangement. A third party administrator will manage any claims under the indemnity. We pay Woodbridge an annual fee of \$750,000, which is less than the premium that we would have paid for commercial insurance.

We have entered into a contract with Hewitt Associates Inc. to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. Mr. Denning, one of our directors and chairman of the board's Human Resources Committee, is also a director of Hewitt. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the board of directors. Under the current contract terms, we expect to pay Hewitt an aggregate of approximately \$165 million over a 10 year period beginning in 2006. In 2006, we paid Hewitt \$16 million for its services. In the nine months ended September 30, 2007, we paid Hewitt approximately \$9 million associated with this agreement.

SUBSEQUENT EVENTS

On October 2, 2007, we completed an offering of \$800 million of 5.70% notes due 2014. Our net proceeds from this offering were approximately \$790 million. We are using these proceeds (i) to repay our \$400 million principal amount of 5.75% notes which will mature in February 2008, (ii) to replace funds used to repay our C\$250 million principal amount of 6.50% notes which matured in July 2007, and (iii) for general corporate purposes. On October 20, 2007, the shelf prospectus under which we completed this offering expired.

On October 5, 2007, we completed the acquisition of Deloitte Tax LLP's Property Tax Services business. The unit will be known as Thomson Property Tax Services and will be included in our Thomson Tax & Accounting segment.

Also on October 5, 2007, we completed the transfer of all liabilities and assets with respect to our Thomson Regional Newspapers Pension Plan (TRN Plan) to a third party. As a result of the transfer, we no longer maintain responsibility for the TRN Plan. A gain of approximately \$33 million will be recognized in the fourth quarter of 2007 related to this transaction.

On October 8, 2007, we announced three developments related to our proposed acquisition of Reuters:

- The European Commission informed our company and Reuters that it will proceed to a Phase 2 review of the proposed transaction in order to give it more time to examine the transaction and its impact on the competitive environment. Our company and Reuters currently anticipate that the Phase 2 review will be completed during the first quarter of 2008.
- Our company and Reuters signed a timing agreement with the U.S. Department of Justice related to its regulatory review of the transaction. Under the timing agreement, the Department of Justice will provide us and Reuters with a decision by January 15, 2008.

- Our company and Reuters signed a technical amendment related to the U.S. regulatory pre-condition described in our joint announcement of May 15, 2007. The purpose of the amendment was to reflect the actual review procedure being conducted by the Department of Justice and the companies' original intent in drafting the U.S. regulatory pre-condition. For technical reasons related to the dual listed company (DLC) structure contemplated for Thomson-Reuters, the transaction is not subject to the filing and waiting period requirements of the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as had been contemplated and reflected in the original wording of the U.S. regulatory pre-condition. As previously disclosed, the Department of Justice has been conducting a review of the transaction similar to a Hart-Scott-Rodino review, as is common for a transaction of this size.

On October 11, 2007, we announced that we had formed a partnership with a consortium of nine global securities dealers to seek to further expand TradeWeb, our electronic trading unit within Thomson Financial. The partnership will utilize TradeWeb's established market position to create a global multi-asset class execution venue for clients. Under the terms of the agreement, the dealers will invest approximately \$180 million to purchase a 15% stake in an entity that includes TradeWeb's established markets, as well as our Autex and order routing businesses, which will be named TradeWeb Markets. Additionally, Thomson and the dealers will fund additional investment in asset class expansion through a new entity, TradeWeb New Markets. Under terms of the agreement, Thomson's contribution to this new entity will be an initial cash investment of \$30 million, with a commitment for an additional \$10 million, and certain assets valued at approximately \$30 million. The consortium will contribute \$60 million, with a commitment for an additional \$40 million, as well as certain contracts valued at approximately \$180 million. We will own 20% of TradeWeb New Markets and the consortium will own 80%. The infrastructure, including the existing TradeWeb platform, and management of TradeWeb Markets will support both companies. TradeWeb New Markets will pay a fee for services provided by TradeWeb Markets. Under terms of the agreement, these two entities will merge upon meeting either certain performance or time-based milestones. The ownership interests of the merged entity will be based upon the fair values of the two entities at the time of merger. Until the entities merge, we will consolidate the results of TradeWeb Markets, reflecting the consortium's share of earnings as a minority interest, and reflect our minority share in TradeWeb New Markets as an equity investment. After the merger, the accounting treatment for our interest will reflect our ultimate ownership stake and degree of control over the entity.

On October 12, 2007, we completed the sale of Prometric to ETS for \$310 million and a 6% promissory note for \$125 million due in 2014. The principal amount of the note is subject to adjustment based on the continuity of offerings from certain customer contracts.

ACCOUNTING CHANGES

Income Taxes

Effective January 1, 2007, we voluntarily adopted a new accounting policy for uncertain income tax positions. As a result of this change in accounting policy, we recorded a non-cash charge of \$33 million to our opening retained earnings as of January 1, 2007 with an offsetting increase to non-current liabilities.

Under our previous policy, we would reserve for tax contingencies if it was probable that an uncertain position would not be upheld. Under our new policy, we evaluate a tax position using a two-step process:

- First, we determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, we presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information.
- Second, a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. If the tax position does not meet the more-likely-than-not recognition threshold, no benefit from the tax position is recorded.

We were not able to retroactively apply this new policy as the data to determine the amounts and probabilities of the possible outcomes of the various tax positions that could be realized upon ultimate settlement was not collected in prior periods. Further, significant judgments are involved in assessing these tax positions and we concluded that it is not possible to estimate the effects of adopting the policy at an earlier date.

Financial Instruments and Comprehensive Income

Effective January 1, 2006, we adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments — Recognition and Measurement* and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provided comprehensive requirements for the recognition and

measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduced a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on our consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated either as a "cash flow hedge," when the hedged item is a future cash flow, or a "fair value hedge," when the hedged item is the fair value of a recognized asset or liability. The effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

In accordance with the provisions of these new standards, we reflected the following adjustments as of January 1, 2006:

- An increase of \$53 million to "Other non-current assets" and "Accumulated other comprehensive income" in the consolidated balance sheet relative to derivative instruments that consisted primarily of interest rate contracts, which convert floating rate debt to fixed rate debt and qualify as cash flow hedges;
- A reclassification of \$5 million from "Other current assets," and \$3 million from "Other current liabilities" to "Accumulated other comprehensive income" in the consolidated balance sheet related primarily to previously deferred gains and losses on settled cash flow hedges; and
- An increase of \$16 million to "Other non-current assets" and "Long-term debt" in the consolidated balance sheet related to derivative instruments and their related hedged items. These derivative instruments consist primarily of interest rate contracts to convert fixed rate debt to floating and qualify as fair value hedges.

The adoption of these new standards had no material impact on our consolidated statement of earnings. The unrealized gains and losses included in "Accumulated other comprehensive income" were recorded net of taxes, which were nil.

Discontinued Operations

In April 2006, the Emerging Issues Committee of the CICA (EIC) issued Abstract 161, *Discontinued Operations* (EIC-161). The abstract addresses the appropriateness of allocating interest expense to a discontinued operation and disallows allocations of general corporate overhead. EIC-161 was effective upon its issuance and did not have an impact on our consolidated financial statements.

Stock-Based Compensation

In July 2006, we adopted EIC Abstract 162, *Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date* (EIC-162), retroactively to January 1, 2006. The abstract clarifies the proper accounting for stock-based awards granted to employees who either are eligible for retirement at the grant date or will be eligible before the end of the vesting period and continue vesting after, or vest upon, retirement. In such cases, the compensation expense associated with the stock-based award will be recognized over the period from the date of grant to the date the employee becomes eligible to retire. EIC-162 did not have an impact on our financial statements.

CRITICAL ACCOUNTING POLICIES

Please refer to the "Critical Accounting Policies" section of our management's discussion and analysis for the year ended December 31, 2006, which is also contained in our annual report on Form 40-F for the year ended December 31, 2006, for information on accounting policies that we consider critical in preparing our consolidated financial statements. Since the date of our annual management's discussion and analysis and Form 40-F, there have not been any significant changes to these policies, nor have there been any new accounting policies that we would consider critical, other than the accounting change for income taxes discussed in the section entitled "Accounting Changes." The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions. Our critical accounting policies are those that we believe are the most important in portraying our financial condition and results, and require the most subjective judgment and estimates on the part of management.

RECENTLY ISSUED ACCOUNTING STANDARDS

In 2006, the CICA announced that it will no longer converge Canadian GAAP with generally accepted accounting principles of the United States (U.S. GAAP). Rather, the CICA will work towards convergence with International Financial Reporting Standards (IFRS) with the expectation that Canadian GAAP will be replaced by IFRS in 2011. As a public company, we are allowed to file our financial statements with the Canadian securities regulatory authorities under either Canadian GAAP or U.S. GAAP. We are also required to file an annual reconciliation of our earnings and shareholders' equity between Canadian GAAP and U.S. GAAP with the U.S. Securities and Exchange Commission (SEC). Our latest quarterly reconciliation is presented in note 19 in our financial statements.

ADDITIONAL INFORMATION

Depreciation by Segment

The following table details depreciation expense by segment for the three-month and nine-month periods ended September 30, 2007 and 2006:

(millions of U.S. dollars)	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Legal	53	47	153	137
Financial	40	45	130	135
Tax & Accounting	4	5	15	17
Scientific	9	6	23	16
Healthcare	6	3	17	11
Corporate and Other	4	2	10	6
Total	116	108	348	322

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

During our second quarter of 2007, we migrated certain of our financial processing systems to SAP software as well as transferred related workflows to shared service centers. This is an initiative within our ongoing THOMSON*plus* program, and we plan to continue implementing such changes throughout other parts of our businesses in the remaining quarter of 2007, as well as 2008. In connection with this SAP implementation and transfer of workflows, we are modifying the design and documentation of our internal control processes and procedures. Except as described above, there have been no other changes in our internal control over financial reporting during 2007 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Share Capital

As of October 24, 2007, we had outstanding 640,833,798 common shares, 6,000,000 Series II preference shares, 490,664 restricted share units and 14,416,844 stock options.

Public Securities Filings

You may access other information about our company, including our annual information form and our other disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities through SEDAR at www.sedar.com and in the United States with the SEC through EDGAR at www.sec.gov.

QUARTERLY INFORMATION (UNAUDITED)

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

(millions of U.S. dollars, except per common share amounts)	Quarter ended March 31,		Quarter ended June 30,		Quarter ended September 30,		Quarter ended December 31,	
	2007	2006	2007	2006	2007	2006	2006	2005
Revenues	1,667	1,505	1,810	1,629	1,801	1,622	1,856	1,713
Operating profit	226	209	355	308	312	314	423	429
Earnings from continuing operations	210	205	264	198	315	207	306	158
Discontinued operations, net of tax	14	(68)	113	(25)	2,654	212	85	92
Net earnings	224	137	377	173	2,969	419	391	250
Dividends declared on preference shares	(1)	(1)	(2)	(2)	(1)	(1)	(1)	(1)
Earnings attributable to common shares	223	136	375	171	2,968	418	390	249
Basic earnings per common share								
From continuing operations	\$ 0.33	\$ 0.31	\$ 0.41	\$ 0.30	\$ 0.49	\$ 0.32	\$ 0.48	\$ 0.24
From discontinued operations	0.02	(0.10)	0.18	(0.03)	4.14	0.33	0.13	0.14
	\$ 0.35	\$ 0.21	\$ 0.59	\$ 0.27	\$ 4.63	\$ 0.65	\$ 0.61	\$ 0.38
Diluted earnings per common share								
From continuing operations	\$ 0.33	\$ 0.31	\$ 0.41	\$ 0.30	\$ 0.49	\$ 0.32	\$ 0.47	\$ 0.24
From discontinued operations	0.02	(0.10)	0.17	(0.04)	4.12	0.33	0.14	0.14
	\$ 0.35	\$ 0.21	\$ 0.58	\$ 0.26	\$ 4.61	\$ 0.65	\$ 0.61	\$ 0.38

In terms of revenues and profits, historically our first quarter has been proportionately the smallest and the fourth quarter our largest, as certain product releases are concentrated at the end of the year, particularly in the regulatory and healthcare markets. Costs have been incurred more evenly throughout the year. As a result, our operating margins have generally increased as the year progresses. In general, our year-over-year performance reflected increased operating profit driven by higher revenues from existing businesses and contributions from acquired businesses.

In the quarter ended December 31, 2005, earnings from continuing operations and net earnings reflected a \$125 million tax charge associated with repatriated profits. In the quarter ended September 30, 2007, results from discontinued operations reflected the sale of Thomson Learning's higher education, careers and library reference businesses.

RISKS RELATING TO THE PROPOSED REUTERS TRANSACTION

There are a number of risks and uncertainties associated with the proposed Reuters transaction, including the following:

- The transaction is subject to various regulatory approvals and the fulfillment of certain conditions, including the approval of our and Reuters' shareholders and court approvals in Ontario, Canada and England, and there can be no assurance that any such approvals will be obtained, that these conditions will be met or waived or that we will be able to successfully consummate the proposed transaction as currently contemplated or at all;
- As a condition to providing required regulatory approvals, governmental authorities may require divestiture of certain of our or Reuters' assets or seek to impose restrictive conditions on the operations of the combined business;
- We may not be able to achieve the anticipated operating synergies, cost savings and other benefits of the transaction; and
- Our company's and Reuters' ability to attract new employees and retain existing employees may be harmed by the uncertainty associated with the transaction.

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

Certain information in this management's discussion and analysis, particularly under the heading "Outlook," are forward-looking statements that are not historical facts but reflect our current expectations regarding future results. These forward-looking statements also include statements about our beliefs and expectations related to anticipated run-rate savings and costs related to THOMSONplus as well as the timing for the program and the delivery of expected synergies arising from the proposed Reuters transaction. There can be no assurance that the proposed Reuters transaction will be consummated or that the anticipated benefits will be realized. The proposed Reuters transaction is subject to various approvals and the fulfillment of certain conditions, and there can be no assurance that any such approvals will be obtained and/or such conditions will be met. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include the ability to achieve the synergies contemplated through the proposed transaction; the failure of Reuters shareholders to approve the proposed transaction; the effect of regulatory conditions, if any, imposed by regulatory authorities; the reaction of Thomson's and Reuters' customers, employees and suppliers to the proposed transaction; the ability to promptly and effectively integrate the businesses of Thomson and Reuters after the transaction closes; and the diversion of management time on proposed transaction-related issues. Some of the factors that could also cause our actual results or events to differ materially from current expectations are: actions of our competitors; failure to fully derive anticipated benefits from our acquisitions or complete dispositions; failures or disruptions of our electronic delivery systems or the Internet; failure to meet the special challenges involved in expansion of our operations outside North America; failure of our significant investments in technology to increase our revenues or decrease our operating costs; failure to develop new products, services, applications and functionalities to meet our customers' needs, attract new customers or expand into new geographic markets; increased accessibility to free or relatively inexpensive information sources; failure to maintain the availability of information obtained through licensing arrangements and changes in the terms of our licensing arrangements; changes in the general economy; failure to recruit and retain high quality management and key employees; increased self-sufficiency of our customers; inadequate protection of our intellectual property rights; actions or potential actions that could be taken by our principal shareholder; failure to realize the anticipated cost savings and operating efficiencies from the THOMSONplus initiative; an increase in our effective income tax rate; and impairment of goodwill and identifiable intangible assets. Additional factors are discussed in our materials filed with the securities regulatory authorities in Canada and the United States from time to time, including our annual information form for the year ended December 31, 2006, which is contained in our annual report on Form 40-F for the year ended December 31, 2006. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

The Thomson Corporation
Consolidated Statement of Earnings
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006 (note 9)	2007	2006 (note 9)
<i>(millions of U.S. dollars, except per common share amounts)</i>				
Revenues	1,801	1,622	5,278	4,756
Cost of sales, selling, marketing, general and administrative expenses	(1,307)	(1,141)	(3,848)	(3,425)
Depreciation	(116)	(108)	(348)	(322)
Amortization	(66)	(59)	(189)	(178)
Operating profit	312	314	893	831
Net other (expense) income (note 7)	(6)	(5)	6	36
Net interest income (expense) and other financing costs	40	(60)	(64)	(168)
Income taxes (note 8)	(31)	(42)	(46)	(89)
Earnings from continuing operations	315	207	789	610
Earnings from discontinued operations, net of tax (note 9)	2,654	212	2,781	119
Net earnings	2,969	419	3,570	729
Dividends declared on preference shares	(1)	(1)	(4)	(4)
Earnings attributable to common shares	2,968	418	3,566	725
Earnings per common share (note 11):				
Basic earnings per common share:				
From continuing operations	0.49	0.32	1.22	0.94
From discontinued operations	4.14	0.33	4.34	0.18
Basic earnings per common share	4.63	0.65	5.56	1.12
Diluted earnings per common share:				
From continuing operations	0.49	0.32	1.22	0.94
From discontinued operations	4.12	0.33	4.31	0.18
Diluted earnings per common share	4.61	0.65	5.53	1.12

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

The Thomson Corporation
Consolidated Balance Sheet
(unaudited)

(millions of U.S. dollars)	September 30, 2007	December 31, 2006 (note 9)
Assets		
Cash and cash equivalents	7,455	334
Accounts receivable, net of allowances	1,327	1,362
Inventories	85	72
Prepaid expenses and other current assets	452	296
Deferred income taxes	152	153
Current assets of discontinued operations (note 9)	92	1,048
Current assets	9,563	3,265
Computer hardware and other property, net	643	625
Computer software, net	694	647
Identifiable intangible assets, net	3,484	3,456
Goodwill	6,804	6,543
Other non-current assets	1,180	1,082
Non-current assets of discontinued operations (note 9)	550	4,514
Total assets	22,918	20,132
Liabilities and shareholders' equity		
Liabilities		
Short-term indebtedness	3	333
Accounts payable and accruals	2,562	1,304
Deferred revenue	949	964
Current portion of long-term debt	403	264
Current liabilities of discontinued operations (note 9)	79	874
Current liabilities	3,996	3,739
Long-term debt	3,418	3,681
Other non-current liabilities	833	785
Deferred income taxes	1,031	997
Non-current liabilities of discontinued operations (note 9)	56	449
Total liabilities	9,334	9,651
Shareholders' equity		
Capital	2,904	2,799
Retained earnings	10,163	7,169
Accumulated other comprehensive income	517	513
Total shareholders' equity	13,584	10,481
Total liabilities and shareholders' equity	22,918	20,132

Contingencies (note 13)

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

The Thomson Corporation
Consolidated Statement of Cash Flow
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
(millions of U.S. dollars)	2007	2006 (note 9)	2007	2006 (note 9)
Cash provided by (used in):				
Operating activities				
Net earnings	2,969	419	3,570	729
Remove income from discontinued operations	(2,654)	(212)	(2,781)	(119)
Add back (deduct) items not involving cash:				
Depreciation	116	108	348	322
Amortization	66	59	189	178
Net gains on disposals of businesses and investments (note 7)	—	—	(8)	(44)
Deferred income taxes	(9)	(26)	(70)	(3)
Other, net	65	56	200	165
Pension contribution	—	(4)	(3)	(9)
Changes in working capital and other items (note 16)	(110)	(33)	(206)	(151)
Cash (used in) provided by operating activities — discontinued operations (note 9)	(16)	266	(82)	261
Net cash provided by operating activities	427	633	1,157	1,329
Investing activities				
Acquisitions, less cash therein (note 14)	(132)	(196)	(315)	(408)
Proceeds from sales of discontinued operations (note 9)	7,577	86	8,050	105
Proceeds from other disposals	—	—	11	60
Capital expenditures, less proceeds from disposals	(143)	(110)	(383)	(270)
Other investing activities	(10)	(11)	(33)	(26)
Capital expenditures of discontinued operations (note 9)	(2)	(47)	(97)	(130)
Acquisitions by discontinued operations (note 9)	—	(29)	(54)	(35)
Other investing activities of discontinued operations (note 9)	4	(3)	(2)	(13)
Net cash provided by (used in) investing activities	7,294	(310)	7,177	(717)
Financing activities				
Repayments of debt	(229)	—	(249)	(73)
Net (repayments) borrowings of short-term loan facilities	(234)	143	(370)	299
Purchase of sterling call options	(76)	—	(76)	—
Repurchase of common shares (note 10)	—	(67)	(75)	(358)
Dividends paid on preference shares	(1)	(1)	(4)	(4)
Dividends paid on common shares	(153)	(138)	(459)	(415)
Other financing activities, net	4	5	19	21
Net cash used in financing activities	(689)	(58)	(1,214)	(530)
Translation adjustments	1	2	1	2
Increase in cash and cash equivalents	7,033	267	7,121	84
Cash and cash equivalents at beginning of period	422	224	334	407
Cash and cash equivalents at end of period	7,455	491	7,455	491

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

The Thomson Corporation
Consolidated Statement of Changes in Shareholders' Equity
(unaudited)

(millions of U.S. dollars)	Stated Share Capital*	Contributed Surplus	Total Capital	Retained Earnings	Accumulated Other Comprehensive Income ("AOCI")	Total Retained Earnings and AOCI	Total
Balance, December 31, 2006	2,642	157	2,799	7,169	513	7,682	10,481
Opening balance adjustment for income tax accounting change (note 5)	—	—	—	(33)	—	(33)	(33)
Restated balance, December 31, 2006	2,642	157	2,799	7,136	513	7,649	10,448
Comprehensive income:							
Net earnings				3,570		3,570	3,570
Unrecognized net loss on cash flow hedges					(35)	(35)	(35)
Foreign currency translation adjustments					166	166	166
Net gain reclassified to income					(127)	(127)	(127)
Comprehensive income				3,570	4	3,574	3,574
Dividends declared on preference shares	—	—	—	(4)	—	(4)	(4)
Dividends declared on common shares	—	—	—	(471)	—	(471)	(471)
Common shares issued under Dividend Reinvestment Plan ("DRIP")	12	—	12	—	—	—	12
Repurchase of common shares (note 10)	(7)	—	(7)	(68)	—	(68)	(75)
Effect of stock compensation plans	61	39	100	—	—	—	100
Balance, September 30, 2007	2,708	196	2,904	10,163	517	10,680	13,584

(millions of U.S. dollars)	Stated Share Capital*	Contributed Surplus	Total Capital	Retained Earnings	AOCI	Total Retained Earnings and AOCI	Total
Balance, December 31, 2005	2,599	127	2,726	6,992	245	7,237	9,963
Opening balance adjustment for net deferred gain on cash flow hedges (note 5)	—	—	—	—	51	51	51
Restated balance, December 31, 2005	2,599	127	2,726	6,992	296	7,288	10,014
Comprehensive income:							
Net earnings				729	—	729	729
Unrecognized net gain on cash flow hedges				—	11	11	11
Foreign currency translation adjustments				—	167	167	167
Net gain reclassified to income				—	(19)	(19)	(19)
Comprehensive income				729	159	888	888
Dividends declared on preference shares	—	—	—	(4)	—	(4)	(4)
Dividends declared on common shares				(425)	—	(425)	(425)
Common shares issued under DRIP	10	—	10	—	—	—	10
Repurchase of common shares (note 10)	(36)	—	(36)	(322)	—	(322)	(358)
Effect of stock compensation plans	37	31	68	—	—	—	68
Balance, September 30, 2006	2,610	158	2,768	6,970	455	7,425	10,193

* Includes both common and preference share capital

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

The Thomson Corporation

Notes to Consolidated Financial Statements (unaudited)

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

Note 1: Consolidated Financial Statements

Principles of Consolidation

The unaudited interim consolidated financial statements of The Thomson Corporation ("Thomson" or the "Company") include all controlled companies and are prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). All intercompany transactions and balances are eliminated on consolidation.

Note 2: Accounting Principles and Methods

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751, *Interim Financial Statements*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian GAAP have been omitted or condensed. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2006, as set out in the Company's 2006 Annual Report.

In the opinion of management, the unaudited interim consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. The consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's financial statements for the year ended December 31, 2006, except as explained in Note 5.

Prior periods have been restated for discontinued operations. Where necessary, certain amounts for 2006 have been reclassified to conform to the current period's presentation.

Note 3: Seasonality

Historically, the Company's revenues and operating profits from continuing operations have been proportionately the smallest in the first quarter and the largest in the fourth quarter, as certain product releases are concentrated at the end of the year, particularly in the regulatory and healthcare markets. As costs continue to be incurred more evenly throughout the year, operating margins have historically increased as the year progresses. For these reasons, the performance of the Company's businesses may not be comparable quarter to consecutive quarter and should be considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter for the previous year.

Note 4: Proposed Transaction with Reuters Group PLC

Overview

In May 2007, Thomson agreed to acquire Reuters Group PLC ("Reuters") and to combine the two companies' businesses through a dual listed company ("DLC") structure. The transaction is subject to receipt of required regulatory, shareholder and court approvals and other customary closing conditions. After the proposed transaction closes, the combined business will be called Thomson-Reuters. The parent companies of the combined business will be called The Thomson Corporation, an Ontario corporation, which will be renamed Thomson-Reuters Corporation, and Thomson-Reuters PLC, a United Kingdom company. The DLC structure will enable Thomson and Reuters to combine management and operations as a single economic entity while retaining the two parent companies' separate legal identities, primary listings and, it is intended, their existing index participations. The DLC structure will be accomplished through contractual arrangements between the two parent companies and provisions in each parent company's organizational documents. The boards of the two parent companies will be identical and the combined business will be managed by a single senior executive management team.

Consideration

To effect the proposed transaction, a newly formed United Kingdom company, Thomson-Reuters PLC, will acquire Reuters Group PLC through a scheme of arrangement in which each Reuters share will be entitled to 352.5 pence per share in cash and 0.16 Thomson-Reuters PLC shares. Upon implementation of the transaction, one Thomson-Reuters PLC share will be equivalent to one share of Thomson-Reuters Corporation. Based on the closing Thomson share price and the applicable \$/£ exchange rate on May 14, 2007, which was the day before the Company and Reuters announced their agreement, each Reuters share was valued at approximately 691 pence per share.

Ownership

Based on the current issued share capital of each of Thomson and Reuters, The Woodbridge Company Limited ("Woodbridge") and other companies affiliated with it would own shares representing approximately 53% of the aggregate voting and economic interests of the combined Thomson-Reuters business, other Thomson shareholders would own shares representing approximately 23% and Reuters shareholders would own shares representing approximately 24%. As of October 24, 2007, Woodbridge and other companies affiliated with it beneficially owned approximately 70% of the Company's common shares.

Regulatory Review Process

The U.S. Department of Justice, the European Commission and the Canadian Competition Bureau are reviewing the transaction. In addition, Thomson and Reuters have made filings with antitrust/competition authorities in other jurisdictions around the world. Thomson and Reuters are cooperating with the antitrust/competition authorities. Given the complementary nature of the two companies' businesses and the highly competitive nature of the financial information services industry, the Company remains confident that it and Reuters will receive the required antitrust/competition approvals. In October 2007, the Company announced a regulatory update. See Note 20 for further discussion.

Shareholder Approvals

Following completion of the regulatory review process in the United States and European Union, Thomson and Reuters will also submit the proposed transaction to their respective shareholders for approval and will apply for requisite court approvals in Ontario, Canada and England.

Note 5: Changes in Accounting Policies

Income Taxes

Effective January 1, 2007, Thomson voluntarily adopted a new accounting policy for uncertain income tax positions. As a result of this change in accounting policy, the Company recorded a non-cash charge of \$33 million to its opening retained earnings as of January 1, 2007 with an offsetting increase to non-current liabilities.

Under its previous policy, the Company would reserve for tax contingencies if it was probable that an uncertain position would not be upheld. Under its new policy, the Company evaluates a tax position using a two-step process:

- First, the Company determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. In evaluating whether a tax position has met the more-likely-than-not recognition threshold, the Company presumes that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information.
- Second, a tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. If the tax position does not meet the more-likely-than-not recognition threshold, no benefit from the tax position is recorded.

The Company believes that this new policy will provide reliable and more relevant information because all tax positions of the Company will be affirmatively evaluated for recognition, derecognition and measurement using a consistent threshold of more-likely-than-not, based on the technical merits of a tax position. In addition, the Company will be providing more information about uncertainty related to income tax assets and liabilities.

The Company was not able to retroactively apply this new policy as the data to determine the amounts and probabilities of the possible outcomes of the various tax positions that could be realized upon ultimate settlement was not collected in prior periods. Further, significant judgments are involved in assessing these tax positions and the Company has concluded that it is not possible to estimate the effects of adopting the policy at an earlier date.

The Company will continue to recognize interest and penalties on underpayment of income taxes as an income tax expense.

Financial Instruments and Comprehensive Income

Effective January 1, 2006, Thomson adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments — Recognition and Measurement* and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections provided comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Handbook Section 1530 also introduced a new component of equity referred to as accumulated other comprehensive income.

Under these new standards, all financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge," when the hedged item is a future cash flow, or a "fair value hedge," when the hedged item is the fair value of a recognized asset or liability. The effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income. For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in earnings. For derivatives that do not qualify as hedging instruments, unrealized gains and losses are reported in earnings.

In accordance with the provisions of these new standards, the Company reflected the following adjustments as of January 1, 2006:

- An increase of \$53 million to "Other non-current assets" and "Accumulated other comprehensive income" in the consolidated balance sheet relative to derivative instruments that consisted primarily of interest rate contracts, which convert floating rate debt to fixed rate debt and qualify as cash flow hedges;
- A reclassification of \$5 million from "Other current assets" and \$3 million from "Other current liabilities" to "Accumulated other comprehensive income" in the consolidated balance sheet related primarily to previously deferred gains and losses on settled cash flow hedges;
- An increase of \$16 million to "Other non-current assets" and "Long-term debt" in the consolidated balance sheet related to derivative instruments and their related hedged items. These derivative instruments consist primarily of interest rate contracts to convert fixed rate debt to floating and qualify as fair value hedges; and
- A presentational reclassification of amounts previously recorded in "Cumulative translation adjustment" to "Accumulated other comprehensive income."

The adoption of these new standards had no material impact on the Company's consolidated statement of earnings. The unrealized gains and losses included in "Accumulated other comprehensive income" were recorded net of taxes, which were nil.

Discontinued Operations

In April 2006, the Emerging Issues Committee of the CICA ("EIC") issued Abstract 161, *Discontinued Operations* ("EIC-161"). The abstract addresses the appropriateness of allocating interest expense to a discontinued operation and disallows allocations of general corporate overhead. EIC-161 was effective upon its issuance and did not have an impact on the Company's consolidated financial statements.

Stock-Based Compensation

In July 2006, the Company adopted EIC Abstract 162, *Stock-Based Compensation for Employees Eligible to Retire Before the Vesting Date* ("EIC-162"), retroactively to January 1, 2006. The abstract clarifies the proper accounting for stock-based awards granted to employees who either are eligible for retirement at the grant date or will be eligible before the end of the vesting period and continue vesting after, or vest upon, retirement. In such cases, the compensation expense associated with the stock-based award will be recognized over the period from the date of grant to the date the employee becomes eligible to retire. EIC-162 did not have an impact on the Company's financial statements.

Note 6: THOMSONplus Program

THOMSONplus is a series of initiatives, announced in 2006, which will allow the Company to become a more integrated operating company by leveraging assets and infrastructure across all segments of its business. To accomplish these initiatives, the Company had previously reported that it expected to incur approximately \$250 million of expenses from inception through 2009 primarily related to technology and restructuring costs and consulting services. Because THOMSONplus is a series of initiatives, it was noted that the timing of these costs and savings may shift between different calendar years. While the Company's overall estimates of costs and savings for the program remain unchanged, it now expects to complete the program and reach its savings targets earlier than originally estimated. As a result, the Company is accelerating spending that was planned for future years into 2007. Currently, it expects to incur expenses of approximately \$130 million in 2007 and \$50 million in 2008. The Company does not expect to incur expenses in 2009 as was originally reported. In 2006, it incurred \$60 million of expenses consisting primarily of consulting fees and severance. The Company also incurred \$9 million of expenses associated with businesses that were reclassified to discontinued operations in 2006 related to severance and vacated leased properties.

The Company incurred \$24 million and \$85 million of expenses associated with THOMSONplus in the three- and nine-month periods ended September 30, 2007, respectively. These expenses primarily related to consulting services. In the nine-month period of 2007, these costs also reflected severance. The consulting costs primarily related to efforts to deploy SAP as its company-wide ERP system, which will continue throughout 2007 and 2008, as well as efforts to improve its customer service infrastructure. In the nine-month period, severance costs principally related to the elimination of certain finance positions in conjunction with the establishment of centralized service centers and efforts to streamline the operations of Thomson Financial. Because THOMSONplus is a corporate program, expenses associated with it are reported within the Corporate and Other segment. Restructuring activities represented approximately \$4 million and \$33 million of the expense for the three- and nine-month periods ended September 30, 2007, respectively. The liabilities associated with these restructuring activities were not material as of September 30, 2007 and December 31, 2006.

Note 7: Net Other (Expense) Income

During the period, net other (expense) income includes:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net gains on disposals of businesses and investments	—	—	8	44
Equity in net earnings of associates	—	—	4	1
Other expense	(6)	(5)	(6)	(9)
Net other (expense) income	(6)	(5)	6	36

Net gains on disposals of businesses and investments

For the nine-month periods ended September 30, 2007 and 2006, net gains on disposals of businesses and investments were comprised primarily of income from, and gains on sales of, equity investments.

Other expense

For the three-month period ended September 30, 2007, other expense includes \$9 million related to changes in the fair value of sterling call options. Such options were acquired in the third quarter as part of the Company's hedging program to mitigate exposure to changes in the \$/£ exchange rate on the cash consideration to be paid on the proposed transaction with Reuters. See Note 15 for further discussion.

Note 8: Income Taxes

As discussed in Note 5, the Company voluntarily adopted a new policy for accounting for uncertain tax positions effective January 1, 2007. As a result of this change, the Company recorded a non-cash charge of \$33 million to its opening retained earnings as of January 1, 2007 with an offsetting increase to non-current liabilities.

Inclusive of the impact of the change in accounting policy, the Company had \$205 million of unrecognized tax benefits as of January 1, 2007. If recognized, approximately \$70 million of these benefits would favorably affect the Company's income tax expense. As of January 1, 2007, the Company had accrued \$26 million for interest and penalties associated with tax positions.

As a global company, Thomson and its subsidiaries are subject to numerous federal, state and provincial income tax jurisdictions. As of September 30, 2007, the tax years subject to examination by major jurisdiction are as follows:

Jurisdiction	Tax Years
Canada — Federal and Ontario Province	1997 to 2006
United States — Federal	2003 to 2006
United Kingdom	2005 and 2006

The Company has multiple years subject to examination in other jurisdictions in which it does business as well.

At September 30, 2007, \$1.3 billion of current income taxes payable was included in accounts payable and accruals primarily related to income taxes owed on the gain on sale of Thomson Learning's higher education, careers and library reference businesses.

Note 9: Discontinued Operations

The following businesses are classified as discontinued operations within the consolidated financial statements for all periods presented. None of the businesses was considered fundamental to the current integrated information offerings of Thomson.

In April 2007, the Company approved plans to sell Fakta, its regulatory information business in Sweden. This business was managed within Thomson Legal.

In March 2007, the Company approved plans within Thomson Healthcare to sell PLM, a provider of drug and therapeutic information in Latin America; the New England Institutional Review Board, an ethical review board that monitors clinical research involving human subjects; and CenterWatch, a provider of clinical research information.

In October 2006, the Company announced its intention to sell Thomson Learning through three independent processes, each on its own schedule, as follows:

- In May 2007, the Company agreed to sell Thomson Learning's higher education, careers and library reference businesses to funds advised by Apax Partners and OMERS Capital Partners for approximately \$7.75 billion, subject to customary

adjustments. This sale was completed in July 2007. As a result of the sale, the Company received net proceeds of approximately \$7.6 billion and recognized a post-tax gain of \$2.7 billion.

- In May 2007, the Company completed the sale of NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC for approximately \$270 million and recorded a post-tax loss of \$14 million.
- In June 2007, the Company agreed to sell Prometric, a global leader in assessment services, to ETS for \$310 million in cash and a 6% promissory note for \$125 million due in 2014. The principal amount of the note is subject to adjustment based on the continuity of offerings from certain customer contracts. See Note 20 for further information.

In future periods, the net proceeds will be adjusted for the payment of taxes and post-closing adjustments. The Company recorded impairment charges associated with certain of these businesses of \$14 million in the fourth quarter of 2006. Based on estimates of fair value, as well as current carrying value, at March 31, 2007, these impairment charges were reversed in the first quarter of 2007.

Additionally, in the fourth quarter of 2006 the Company approved plans within Thomson Legal to sell its business information and news operations, which include the Company's Market Research and NewsEdge businesses. Based on estimates of fair value at March 31, 2007, the Company recorded impairment charges to identifiable intangible assets of \$3 million before taxes related to these businesses. The Company completed the sale of its Market Research and NewsEdge businesses in May 2007 and July 2007, respectively.

In June 2006, the Company's board of directors approved plans to sell IOB, a Brazilian regulatory business within Thomson Legal, and Thomson Medical Education, a provider of sponsored medical education within Thomson Healthcare. The Company completed the sale of Thomson Medical Education in April 2007 and IOB in June 2007.

In the first quarter of 2006, the Company approved plans within Thomson Legal to sell Lawpoint Pty Limited, an Australian provider of print and online regulatory information services; and Law Manager, Inc., a software and services provider. The Company completed the sale of Law Manager in April 2006 and Lawpoint in June 2006.

Also in the first quarter of 2006, the Company approved plans within Thomson Learning to sell Peterson's, a college preparatory guide; the North American operations of Thomson Education Direct, a consumer-based distance learning career school; and K.G. Saur, a German publisher of biographical and bibliographical reference titles serving the library and academic communities. Based on estimates of fair market value at March 31, 2006, Thomson recorded impairment charges associated with certain of these businesses related to identifiable intangible assets and goodwill of \$40 million before taxes. The Company completed the sale of Peterson's in July 2006 and K.G. Saur in August 2006. The Company completed the sale of its North American operations of Thomson Education Direct in March 2007.

In December 2005, the Company's board of directors approved a plan to dispose of American Health Consultants, a medical newsletter publisher and medical education provider within Thomson Healthcare. The Company completed the sale in the third quarter of 2006.

The Company adjusts liabilities previously established for businesses that have been sold when actual results differ from estimates used in establishing such liabilities. Adjustments are made in conjunction with the expiration of representations and warranty periods or to reflect the refinement of earlier estimates. In the three and nine months ended September 30, 2007 and 2006, the Company adjusted disposal liabilities related to previous dispositions. These amounts, which principally related to tax liabilities, are included in "Other" below.

Balance Sheet

	September 30, 2007			
	Thomson Legal	Thomson Learning	Thomson Healthcare	Total
Current assets:				
Accounts receivable, net of allowances	2	73	3	78
Inventory	—	—	1	1
Other current assets	1	12	—	13
Total current assets	3	85	4	92
Non-current assets:				
Computer hardware and other property	—	42	1	43
Computer software	—	44	—	44
Identifiable intangible assets	1	74	3	78
Goodwill	3	359	7	369
Other non-current assets	—	16	—	16
Total non-current assets	4	535	11	550
Current liabilities:				
Accounts payable and accruals	2	57	3	62
Deferred revenue	5	11	1	17
Total current liabilities	7	68	4	79
Non-current liabilities:				
Other non-current liabilities	—	56	—	56
Total non-current liabilities	—	56	—	56
<hr/>				
	December 31, 2006			
	Thomson Legal	Thomson Learning	Thomson Healthcare	Total
Current assets:				
Accounts receivable, net of allowances	15	538	36	589
Inventory	1	252	1	254
Other current assets	4	70	5	79
Deferred income taxes	—	124	2	126
Total current assets	20	984	44	1,048
Non-current assets:				
Computer hardware and other property	7	157	8	172
Computer software	5	145	1	151
Identifiable intangible assets	29	838	18	885
Goodwill	8	3,003	24	3,035
Other non-current assets	1	270	—	271
Total non-current assets	50	4,413	51	4,514
Current liabilities:				
Accounts payable and accruals	15	499	25	539
Deferred revenue	38	260	20	318
Other current liabilities	16	1	—	17
Total current liabilities	69	760	45	874
Non-current liabilities:				
Other non-current liabilities	4	38	2	44
Deferred income taxes	12	385	8	405
Total non-current liabilities	16	423	10	449

Three months ended September 30, 2007					
	Thomson Legal	Thomson Learning	Thomson Healthcare	Other	Total
Revenues from discontinued operations	4	88	5	—	97
(Loss) earnings from discontinued operations before income taxes	(1)	(1)	1	—	(1)
(Loss) gain on sale of discontinued operations	(4)	3,714	—	—	3,710
Income taxes	14	(1,074)	4	1	(1,055)
Earnings from discontinued operations	9	2,639	5	1	2,654
Three months ended September 30, 2006					
	Thomson Legal	Thomson Learning	Thomson Healthcare	Other	Total
Revenues from discontinued operations	22	818	31	—	871
(Loss) earnings from discontinued operations before income taxes	(3)	243	5	—	245
Gain on sale of discontinued operations	—	4	40	—	44
Income taxes	1	(60)	(19)	1	(77)
(Loss) earnings from discontinued operations	(2)	187	26	1	212
Nine months ended September 30, 2007					
	Thomson Legal	Thomson Learning	Thomson Healthcare	Other	Total
Revenues from discontinued operations	46	942	38	—	1,026
(Loss) earnings from discontinued operations before income taxes	(18)	24	(4)	—	2
(Loss) gain on sale of discontinued operations	(23)	3,757	137	—	3,871
Income taxes	23	(1,118)	(8)	11	(1,092)
(Loss) earnings from discontinued operations	(18)	2,663	125	11	2,781
Nine months ended September 30, 2006					
	Thomson Legal	Thomson Learning	Thomson Healthcare	Other	Total
Revenues from discontinued operations	87	1,721	98	—	1,906
(Loss) earnings from discontinued operations before income taxes	(15)	113	16	—	114
Gain (loss) on sale of discontinued operations	5	4	40	(1)	48
Income taxes	8	(35)	(22)	6	(43)
(Loss) earnings from discontinued operations	(2)	82	34	5	119

“Proceeds from sales of discontinued operations” within the consolidated statement of cash flow for the three months ended September 30, 2007 represent cash received from the sale of Thomson Learning’s higher education, careers and library reference businesses and NewsEdge. For the nine months ended September 30, 2007, this amount also includes the North American operations of Thomson Education Direct, NETg, Thomson Medical Education and Market Research. For the nine months ended September 30, 2006, such proceeds represent cash received from the sale of Lawpoint, Law Manager, Peterson’s, K.G. Saur and American Health Consultants.

The carrying values of businesses disposed of during the nine months ended September 30, 2007 consisted of current assets of \$822 million, non-current assets of \$4,183 million, current liabilities of \$519 million and non-current liabilities of \$380 million as of the date of disposal.

Note 10: Share Repurchase Program

Since May 2005, Thomson has had in place a share repurchase program which has allowed it to repurchase up to 15 million of its shares in a given 12 month period. The Company most recently renewed this program in May 2007. Since May 2005, the Company has repurchased and subsequently cancelled approximately 20 million shares for approximately \$744 million. The Company has not repurchased any shares under the current program and suspended repurchases in May 2007 as a result of its proposed acquisition of Reuters. The following summarizes the Company's repurchases in 2006 and 2007.

Three-month period ended	Shares Repurchased	Average Price per Share	Number of Shares Available for Repurchase
March 31, 2006	4,570,000	\$36.83	
June 30, 2006	3,110,000	\$39.58	
September 30, 2006	1,710,600	\$39.27	
December 31, 2006	1,289,400	\$41.41	
March 31, 2007	1,305,000	\$41.74	
June 30, 2007	495,000	\$42.68	
September 30, 2007	—	—	15,000,000

Shares that the Company repurchases are cancelled. Thomson may repurchase shares in open market transactions on the Toronto Stock Exchange or the New York Stock Exchange. Decisions regarding the timing of future repurchases will be based on market conditions, share price and other factors. Thomson may elect to suspend or discontinue the program at any time. From time to time when the Company does not possess material nonpublic information about its activities or its securities, the Company may enter into a pre-defined plan with its broker to allow for the repurchase of shares at times when the Company ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. Any such plans entered into with the Company's broker will be adopted in accordance with the applicable Canadian securities laws and the requirements of Rule 10b5-1 under the U.S. Securities Exchange Act of 1934.

Note 11: Earnings per Common Share

Basic earnings per common share are calculated by dividing earnings attributable to common shares by the sum of the weighted-average number of common shares outstanding during the period plus vested deferred share units. Deferred share units represent the amount of common shares certain employees have elected to receive in the future in lieu of cash compensation.

Diluted earnings per common share are calculated using the denominator of the basic calculation described above adjusted to include the potentially dilutive effect of outstanding stock options and other securities. The Company uses the treasury stock method to calculate diluted earnings per common share.

Earnings used in determining earnings per common share from continuing operations are presented below. Earnings used in determining earnings per common share from discontinued operations are the earnings from discontinued operations as reported within the consolidated statement of earnings.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Earnings from continuing operations	315	207	789	610
Dividends declared on preference shares	(1)	(1)	(4)	(4)
Earnings from continuing operations attributable to common shares	314	206	785	606

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Weighted average number of common shares outstanding	640,426,833	641,691,386	640,248,541	644,349,186
Vested deferred share units	859,103	692,703	829,582	651,383
Basic	641,285,936	642,384,089	641,078,123	645,000,569
Effect of stock and other incentive plans	3,185,795	2,035,097	3,211,346	1,734,142
Diluted	644,471,731	644,419,186	644,289,469	646,734,711

Note 12: Employee Benefit Plans

The Company's net defined benefit plan expense is comprised of the following elements:

	Three months ended September 30,			
	Pensions		Other post-retirement plans	
	2007	2006	2007	2006
Current service cost	24	16	1	1
Interest cost	37	36	4	2
Expected return on plan assets	(40)	(40)	—	—
Amortization of net actuarial losses	11	13	2	1
Net defined benefit plan expense	32	25	7	4

	Nine months ended September 30,			
	Pensions		Other post-retirement plans	
	2007	2006	2007	2006
Current service cost	56	47	3	2
Interest cost	111	104	9	7
Expected return on plan assets	(120)	(116)	—	—
Amortization of net actuarial losses	33	40	3	3
Amortization of prior service cost	—	1	—	—
Net defined benefit plan expense	80	76	15	12

Note 13: Commitments and Contingencies

In the third quarter of 2007, the U.S. District Court for the Western District of Pennsylvania adversely decided against the Company in a patent infringement case related to a business formerly owned by Thomson Financial. The Company subsequently posted a \$95 million letter of credit in connection with its appeal. The letter of credit represents the amount of the district court's judgment, plus fees and interest. At this time, the Company believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition, taken as a whole.

In 2005, the Company became aware of an inquiry by the Serious Fraud Office in the United Kingdom regarding the refund practices relating to certain duplicate subscription payments made by some of the customers in the Sweet & Maxwell and Gee businesses in the United Kingdom. In August 2007, the Company was notified by the authorities that they had completed their inquiry and no action would be taken against Thomson.

As previously disclosed, the Company is a defendant in a lawsuit involving its BAR/BRI business, *Park v. The Thomson Corporation and Thomson Legal & Regulatory Inc.*, which was filed in the U.S. District Court for the Southern District of New York. The lawsuit alleges primarily violations of U.S. federal antitrust laws. In the third quarter of 2007, the Company accrued \$13 million in connection with an agreement in principle to settle the case.

The Company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. Some of these matters are described in management's discussion and analysis for each of the three month period ended March 31, 2007 and the year ended December 31, 2006. During the three-month period ended September 30, 2007, other than the actions noted above, there have been no material developments to these matters. The outcome of all of the proceedings and claims

against the Company, including, without limitation, those described in management's discussion and analysis for each of the three month period ended March 31, 2007 and the year ended December 31, 2006, is subject to future resolution, including the uncertainties of litigation. Based on information currently known by the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the Company's financial condition, taken as a whole.

Note 14: Acquisitions

The number of transactions completed during the three-month and nine-month periods ended September 30, 2007 and 2006 and the related cash consideration were as follows:

Number of transactions	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Businesses and identifiable intangible assets acquired	9	8	26	20
Investments in businesses	—	—	—	1

Cash consideration	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Businesses and identifiable intangible assets acquired	82	146	265	356
Contingent consideration payment — TradeWeb LLC	50	50	50	50
Investments in businesses	—	—	—	2
Total acquisitions	132	196	315	408

Included in these acquisitions were the purchases of (i) Prous Science, a provider of life sciences information solutions, in September 2007; (ii) CrossBorder Solutions, a provider of tax software, in March 2007; (iii) Quantitative Analytics, Inc., a provider of financial database integration and analysis solutions, in March 2006; and (iv) MercuryMD, Inc., a provider of mobile information systems serving the healthcare market in June 2006.

The value of goodwill and identifiable intangible assets acquired in connection with these transactions is detailed below.

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Goodwill	25	54	118	216
Identifiable intangible assets with finite lives	76	96	182	145

All acquisitions have been accounted for using the purchase method and the results of acquired businesses are included in the consolidated financial statements from the dates of acquisition. For acquisitions made during the nine-month period ended September 30, 2007, approximately one half of the acquired goodwill is not deductible for tax purposes. For the nine-month period ended September 30, 2006, the majority of the acquired goodwill is not deductible for tax purposes. Purchase price allocations related to certain acquisitions may be subject to adjustment pending completion of final valuations.

Included in assets and liabilities of discontinued operations were two acquisitions purchased for cash consideration of \$54 million.

Additionally, during the third quarter of 2007 and 2006, the Company paid \$50 million in each period for contingent earnout payments related to the 2004 TradeWeb LLC acquisition as the associated contingency was satisfied. The payment in 2007 constitutes the final payment under this agreement.

Note 15: Financial Instruments

Credit Facilities

In August 2007, the Company entered into a new syndicated credit agreement with a group of banks. This new credit agreement consists of a \$2.5 billion five-year unsecured revolving credit facility. Under the terms of the new agreement, the Company may request an increase in the amount of the lenders' commitments up to a maximum amount of \$3.0 billion. This

new agreement is available to provide liquidity in connection with the Company's commercial paper program and for general corporate purposes of the Company and its subsidiaries including, following the closing of the proposed transaction with Reuters, Thomson-Reuters PLC and its subsidiaries. The maturity date of the agreement is August 14, 2012. However, the Company may request that the maturity date be extended under certain circumstances, as set forth in the agreement, for up to two additional one-year periods. The syndicated credit agreement contains certain customary affirmative and negative covenants, each with customary exceptions. The financial covenant related to this agreement is described below. In connection with entering into this new agreement, the Company terminated the existing unsecured revolving bilateral loan agreements that had previously provided an aggregate commitment of \$1.6 billion.

Additionally, in May 2007, the Company entered into a £4.8 billion acquisition credit facility. The Company entered into this facility as a result of requirements of the U.K. Panel on Takeovers and Mergers, which require the Company and its financial advisors for the transaction to confirm its ability to finance its proposed transaction with Reuters. The Company may only draw down amounts under this facility to finance the proposed transaction, to refinance any existing debt of Reuters or its subsidiaries after the closing, and to pay fees and expenses that the Company incurs in connection with the proposed transaction and the credit facility. As of September 30, 2007, the Company had not utilized this facility. In July 2007, the Company reduced the aggregate lending commitment under the facility to £2.5 billion after receiving proceeds from the sale of Thomson Learning's higher education, careers and library reference assets. In accordance with the terms of the new facility, the Company is required to hold certain of these sale proceeds in "permitted investments," as defined by the facility, until the closing of the proposed Reuters transaction. These "permitted investments" include, among other investments, money market funds that are rated at least "A –" or better. The facility is structured as a 364-day credit line with subsequent extension/term-out options that would allow the Company to extend the final maturity until May 2009.

Under the terms of the syndicated credit agreement and acquisition credit agreement, the Company must maintain a ratio of net debt as of the last day of each fiscal quarter to adjusted EBITDA (earnings before interest, income taxes, depreciation and amortization and other modifications described in the agreement) for the last four quarters ended of not more than 4.5:1. Net debt is total debt adjusted to factor in the impact of swaps and other hedge agreements related to the debt, and is reduced to reflect the Company's cash and cash equivalents balance. As of September 30, 2007, the Company was in compliance with this covenant.

Debt

On October 2, 2007, the Company completed the offering of \$800 million of 5.70% notes due 2014. The net proceeds from this offering were approximately \$790 million. See Note 20.

In July 2007, the Company repaid C\$250 million of debentures upon their maturity.

In January 2006, the Company repaid \$50 million of privately placed notes upon their maturity.

Hedging Program for Reuters Consideration

As the funding of the cash consideration required to be paid to Reuters shareholders will fluctuate based on the \$/£ exchange rate, in July 2007 the Company commenced a hedging program to mitigate exposure to changes in the \$/£ exchange rate. In the third quarter of 2007, the Company paid approximately \$76 million for the purchase of several sterling call options with a cumulative notional value of £2,300 million and various strike prices of approximately \$2.05/£1.00. These options are stated at their fair value in the consolidated balance sheet and changes in their fair value are reflected within the consolidated statement of earnings. The fair value of these options at September 30, 2007, was approximately \$67 million.

Additionally, after completion of the sale of Thomson Learning's higher education, careers and library reference businesses, the Company invested a portion of the proceeds in sterling-denominated money market funds. As of September 30, 2007, the balance in these funds, which were included in consolidated balance sheet as cash and cash equivalents, totaled approximately £1.4 billion.

Note 16: Supplemental Cash Flow Information

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Accounts receivable	(39)	(48)	76	82
Inventories	(2)	(3)	(10)	(10)
Prepaid expenses and other current assets	(22)	36	(58)	21
Accounts payable and accruals	49	42	(138)	(139)
Deferred revenue	(83)	(89)	(57)	(67)
Income taxes	—	38	25	(29)
Other	(13)	(9)	(44)	(9)
	(110)	(33)	(206)	(151)

Non Cash transactions

During the nine months ended September 30, 2007 and 2006, the Company issued 622,992 and 552,987 shares respectively, to employees in connection with its employee stock purchase plans.

Note 17: Related Party Transactions

As of September 30, 2007, Woodbridge and other companies affiliated with it together beneficially owned approximately 70% of the Company's common shares.

From time to time, in the normal course of business, Woodbridge and its affiliates purchase some products and service offerings from the Company. These transactions are negotiated at arm's length on standard terms, including price, and are not significant to the Company's results of operations or financial condition individually or in the aggregate.

In the normal course of business, a Woodbridge-owned company rents office space from one of the Company's subsidiaries. Additionally, a number of the Company's subsidiaries charge a Woodbridge-owned company fees for various administrative services. In 2006, the total amounts charged to Woodbridge for these rentals and services were approximately \$2 million. In the nine months ended September 30, 2007, these rentals and services totaled approximately \$1 million.

The employees of Jane's Information Group ("Jane's"), a business sold by the Company to Woodbridge in April 2001, participated in the Company's pension plans in the United States and United Kingdom, as well as the defined contribution plan in the United States, until June 2007, when Woodbridge sold Jane's to a third party. As a consequence of the sale, Jane's employees have ceased active participation in the Company's plans. During its period of participation, Jane's made proportional contributions to these pension plans as required, and made matching contributions in accordance with the provisions of the defined contribution plan. As part of its original purchase from the Company, Woodbridge assumed the pension liability associated with the active employees of Jane's.

Thomson purchases property and casualty insurance from third party insurers and retains the first \$500,000 of each and every claim under the programs via the Company's captive insurance subsidiary. Woodbridge is included in these programs and pays Thomson a premium commensurate with its exposures. In 2006, these premiums were approximately \$50,000, which would approximate the premium charged by a third party insurer for such coverage. In the nine months ended September 30, 2007, these premiums totaled approximately \$36,000.

The Company has entered into an agreement with Woodbridge under which Woodbridge has agreed to indemnify up to \$100 million of liabilities incurred either by the Company's current and former directors and officers or by the Company in providing indemnification to these individuals on substantially the same terms and conditions as would apply under an arm's length, commercial arrangement. A third party administrator will manage any claims under the indemnity. Thomson pays Woodbridge an annual fee of \$750,000, which is less than the premium that the Company would have paid for commercial insurance.

The Company has entered into a contract with Hewitt Associates Inc. to outsource certain human resources administrative functions in order to improve operating and cost efficiencies. Mr. Denning, one of the Company's directors and chairman of the board's Human Resources Committee, is also a director of Hewitt. Mr. Denning has not participated in negotiations related to the contract and has refrained from deliberating and voting on the matter by the Human Resources Committee and the board of directors. Under the current contract terms, the Company expects to pay Hewitt an aggregate of approximately \$165 million over a 10 year period beginning in 2006. In 2006, Thomson paid Hewitt \$16 million for its services. In the nine months ended September 30, 2007, the Company paid Hewitt approximately \$9 million associated with this agreement.

Note 18: Segment Information

Thomson is a global provider of integrated information solutions for business and professional customers. Effective January 1, 2007, the Company realigned its continuing operations into five new segments consisting of Legal, Financial, Tax & Accounting, Scientific and Healthcare. Prior period segment data have been restated to conform to this presentation. The accounting policies applied by the segments are the same as those applied by the Company.

The reportable segments of Thomson are strategic business groups that offer products and services to target markets, as follows:

Legal

Providing workflow solutions throughout the world to legal, intellectual property, compliance, and other business professionals, as well as government agencies.

Financial

Providing products and integration services to financial and technology professionals in the corporate, investment banking, institutional, retail wealth management and fixed income sectors of the global financial community.

Tax & Accounting

Providing integrated information and workflow solutions for tax and accounting professionals in North America.

Scientific

Providing information and services to researchers, scientists and information professionals in the academic, scientific, corporate and government marketplaces.

Healthcare

Providing information and services to physicians and other professionals in the healthcare, corporate and government marketplaces.

Additionally, in March 2007, a broker research business managed by the Legal segment was transferred to the Financial segment. Financial information for all periods has been restated to reflect this transfer.

Reportable Segments

	Three months ended September 30, 2007		Three months ended September 30, 2006	
	Revenues	Segment operating profit	Revenues	Segment operating profit
Legal	856	274	769	259
Financial	544	117	508	97
Tax & Accounting	142	26	119	21
Scientific	160	41	148	38
Healthcare	102	15	81	10
Segment totals	1,804	473	1,625	425
Corporate and other ⁽¹⁾	—	(95)	—	(52)
Eliminations	(3)	—	(3)	—
Total	1,801	378	1,622	373

	Nine months ended September 30, 2007		Nine months ended September 30, 2006	
	Revenues	Segment operating profit	Revenues	Segment operating profit
Legal	2,458	778	2,228	693
Financial	1,611	319	1,497	269
Tax & Accounting	457	95	387	73
Scientific	471	120	440	105
Healthcare	294	28	216	20
Segment totals	5,291	1,340	4,768	1,160
Corporate and other ⁽¹⁾	—	(258)	—	(151)
Eliminations	(13)	—	(12)	—
Total	5,278	1,082	4,756	1,009

(1) *Corporate and other includes corporate costs, certain costs associated with the Company's stock compensation plans, THOMSONplus and Reuters transaction costs.*

In accordance with CICA Handbook Section 1701, *Segment Disclosures*, the Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company uses segment operating profit, which is operating profit before amortization of identifiable intangible assets, to measure the operating performance of its segments. Management uses this measure because amortization of identifiable intangible assets is not considered to be a controllable operating cost for purposes of assessing the current performance of the segments. While in accordance with Canadian GAAP, the Company's definition of segment operating profit may not be comparable to that of other companies.

The following table reconciles segment operating profit per the reportable segment information to operating profit per the consolidated statement of earnings:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Segment operating profit	378	373	1,082	1,009
Less: Amortization	(66)	(59)	(189)	(178)
Operating profit	312	314	893	831

Note 19: Reconciliation of Canadian to U.S. Generally Accepted Accounting Principles

The consolidated financial statements have been prepared in accordance with Canadian GAAP, which differ in some respects from U.S. GAAP. The following table presents the material differences between Canadian and U.S. GAAP:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net earnings under Canadian GAAP	2,969	419	3,570	729
Differences in GAAP increasing (decreasing) reported earnings:				
Business combinations	67	6	77	14
Derivative instruments and hedging activities	4	1	(8)	3
Income taxes	(28)	3	(60)	(23)
Net income under U.S. GAAP	3,012	429	3,579	723
Earnings under U.S. GAAP from continuing operations	315	194	752	594
Earnings under U.S. GAAP from discontinued operations	2,697	235	2,827	129
Net income under U.S. GAAP	3,012	429	3,579	723
Basic earnings per common share, under U.S. GAAP, from:				
Continuing operations	\$0.49	\$0.30	\$1.17	\$0.91
Discontinued operations, net of tax	\$4.21	\$0.37	\$4.41	\$0.20
Basic earnings per common share	\$4.70	\$0.67	\$5.58	\$1.11
Diluted earnings per common share, under U.S. GAAP, from:				
Continuing operations	\$0.49	\$0.30	\$1.16	\$0.91
Discontinued operations, net of tax	\$4.18	\$0.36	\$4.39	\$0.20
Diluted earnings per common share	\$4.67	\$0.66	\$5.55	\$1.11

Descriptions of the nature of the reconciling differences are provided below:

Business Combinations

Prior to January 1, 2001, various differences existed between Canadian and U.S. GAAP for the accounting for business combinations, including the establishment of acquisition-related liabilities. The net increase to income primarily relates to (i) costs that are required to be recorded as operating expenses under U.S. GAAP which, prior to January 1, 2001, were capitalized under Canadian GAAP; (ii) overall decreased amortization charges due to basis differences; and (iii) differences in gain or loss calculations on business disposals resulting from the above factors.

Derivative Instruments and Hedging Activities

Under U.S. Statement of Financial Accounting Standards ("FAS") 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by FAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, all derivative instruments are recognized in the balance sheet at their fair values, and changes in fair value are recognized either immediately in earnings or, if the transaction qualifies for hedge accounting, when the transaction being hedged affects earnings. Effective January 1, 2006, the Company adopted the same recognition and measurement principles as allowed under new Canadian GAAP accounting standards as discussed in Note 5.

Prior to January 1, 2006, in accordance with Canadian GAAP, the Company disclosed the fair values of derivative instruments in the notes to the annual consolidated financial statements, but did not record such fair values in the consolidated balance sheet, except for derivative instruments that did not qualify as hedges. From January 1, 2004, derivative instruments that did not qualify as hedges were recorded in the balance sheet at fair value, and the change in fair value subsequent to January 1, 2004 was recorded in the income statement. The fair value as of January 1, 2004 was deferred and amortized into earnings in conjunction with the item it previously hedged. The reconciling items subsequent to January 1, 2004 relate to historical balances due to the fact that the adoption of the standards occurred at a later date for Canadian GAAP.

Income Taxes

Under Canadian GAAP, the Company estimates separate annual effective income tax rates for each taxing jurisdiction and individually applies such rates to the interim period's pre-tax income of each jurisdiction. Under U.S. GAAP, the Company estimates the average annual effective income tax rate, excluding jurisdictions that generate net losses where the Company does not expect to receive a tax benefit, and applies that rate to the Company's interim period pre-tax income excluding the

interim period pre-tax loss of those loss jurisdictions. Additionally, U.S. GAAP requires that the effect of a change in tax laws be recorded upon enactment. Under Canadian GAAP, changes in tax laws are recorded upon substantial enactment.

The income tax adjustment consists of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Additional provision due to different accounting principles described above	(6)	5	(35)	(18)
Tax effect of U.S. GAAP pre-tax reconciling items	(22)	(2)	(25)	(5)
Total income taxes per reconciliation	(28)	3	(60)	(23)

As discussed in Note 5, effective January 1, 2007, the Company adopted a new accounting policy under Canadian GAAP for uncertain income tax positions which conforms to the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48 ("FIN 48"). The adoption of FIN 48 was required for U.S. GAAP purposes as of January 1, 2007. As a result of this adoption, there is no material difference in treatment between Canadian and U.S. GAAP for uncertain income tax positions.

Recently Issued Accounting Standards

In September 2006, the FASB issued FAS 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for the Company in the first quarter of 2008. The Company is currently evaluating the statement's impact on its financial statements.

In February 2007, the FASB issued FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS 159 is effective for the Company in the first quarter of 2008. The Company is currently evaluating the statement's impact on its financial statements.

Note 20: Subsequent Events

On October 2, 2007, the Company completed an offering of \$800 million of 5.7% debentures due 2014. The net proceeds from this offering were approximately \$790 million. The Company intends to use these proceeds (i) to repay its \$400 million principal amount of 5.75% notes which will mature in February 2008, (ii) to replace funds used to repay its C\$250 million principal amount of 6.50% notes which matured in July 2007, and (iii) for general corporate purposes. On October 20, 2007, the shelf prospectus under which the Company completed this offering expired.

On October 5, 2007, the Company completed the acquisition of Deloitte Tax LLP's Property Tax Services business. The unit will be known as Thomson Property Tax Services and will be included in the Thomson Tax & Accounting segment.

Also, on October 5, 2007, the Company completed the transfer of all liabilities and assets with respect to the Thomson Regional Newspapers Pension Plan ("TRN plan") to a third party. As a result of the transfer, the Company no longer maintains responsibility for the TRN plan. A gain of approximately \$33 million will be recognized in the fourth quarter of 2007 in connection with this transaction.

On October 8, 2007, the Company announced three developments related to the proposed acquisition of Reuters:

- The European Commission informed the Company and Reuters that it will proceed to a Phase 2 review of the proposed transaction in order to give it more time to examine the transaction and its impact on the competitive environment. The Company and Reuters currently anticipate that the Phase 2 review will be completed during the first quarter of 2008.
- The Company and Reuters signed a timing agreement with the U.S. Department of Justice related to its regulatory review of the transaction. Under the timing agreement, the Department of Justice will provide the Company and Reuters with a decision by January 15, 2008.
- The Company and Reuters signed a technical amendment related to the U.S. regulatory pre-condition described in the joint announcement of May 15, 2007. The purpose of the amendment was to reflect the actual review procedure being conducted by the Department of Justice and the companies' original intent in drafting the U.S. regulatory pre-condition. For technical reasons related to the dual listed company ("DLC") structure contemplated for Thomson-Reuters, the transaction is not subject to the filing and waiting period requirements of the U.S. Hart-Scott-Rodino Antitrust Improvements Act of 1976, as had been contemplated and reflected in the original wording of the U.S. regulatory pre-condition. As previously disclosed, the Department of Justice has been conducting a review of the transaction similar to a Hart-Scott-Rodino review, as is common for a transaction of this size.

On October 11, 2007, the Company announced that it had formed a partnership with a consortium of nine global securities dealers to seek to further expand TradeWeb, its electronic trading unit within Thomson Financial. The partnership will utilize TradeWeb's established market position to create a global multi-asset class execution venue for clients. Under the terms of the agreement, the dealers will invest approximately \$180 million to purchase a 15% stake in an entity that includes TradeWeb's established markets, as well as the Company's Autex and order routing businesses, which will be named TradeWeb Markets. Additionally, Thomson and the dealers will fund additional investment in asset class expansion through a new entity, TradeWeb New Markets. Under terms of the agreement, Thomson's contribution to this new entity will be an initial cash investment of \$30 million, with a commitment for an additional \$10 million, and certain assets valued at approximately \$30 million. The consortium will contribute \$60 million, with a commitment for an additional \$40 million, as well as certain contracts valued at approximately \$180 million. Thomson will own 20% of TradeWeb New Markets and the consortium will own 80%. The infrastructure, including the existing TradeWeb platform, and management of TradeWeb Markets will support both companies. TradeWeb New Markets will pay a fee for services provided by TradeWeb Markets. Under terms of the agreement, these two entities will merge upon meeting either certain performance or time-based milestones. The ownership interests of the merged entity will be based upon the fair values of the two entities at the time of merger. Until the merger, Thomson will consolidate the results of TradeWeb Markets, reflecting the consortium's share of earnings as a minority interest, and reflect its minority share in TradeWeb NewMarkets as an equity investment. After the merger, the accounting treatment for the Company's investment will reflect its ultimate ownership stake and degree of control over the entity.

On October 12, 2007, the Company completed the sale of Prometric to ETS for \$310 million and a 6% promissory note for \$125 million due in 2014. The principal amount of the note is subject to adjustment based on the continuity of offerings from certain customer contracts.

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