



# First-Quarter 2006 Results

April 27, 2006

# Agenda

---

- Welcome/Introduction Frank Golden
- Q1 Overview Richard Harrington  
2006 Priorities
- Financial Review Robert Daleo
  - Consolidated Results
  - Market Group Results
  - Metrics
- Questions & Answers

# Special Note

---

- **Safe Harbor/Forward-Looking Statements**

- Before we proceed with our presentation, we would like to point out that the following discussion will contain forward-looking statements, including statements about the outlook and prospects for Thomson and its market groups.
- Forward-looking statements are those which are not historical facts. These and other statements that relate to future results and events are based on Thomson's current expectations.
- Our actual results in future periods may differ materially from those currently expected because of a number of risks and uncertainties. The risks and uncertainties that we believe are material are outlined in the "Risk Factors" section of our annual information form (AIF), which was filed with the Canadian securities regulatory authorities and is also part of our Form 40-F for the year ended December 31, 2005 filed with the SEC. A copy of our AIF and Form 40-F are available at [www.thomson.com](http://www.thomson.com). Please consult either of these documents for a more complete understanding of these risks and uncertainties. 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.

- **Non-GAAP Financial Measures**

- This presentation contains disclosures of certain non-GAAP financial measures, such as adjusted earnings, segment operating profit (loss), and free cash flow. Please see the "Investor Relations" section of our website, [www.thomson.com](http://www.thomson.com), for a reconciliation of each of these measures to the most directly comparable GAAP financial measure. You can also find some GAAP reconciliations in the tables attached to our earnings release dated April 27, 2006, which is also available on the Thomson website.



# Q1 2006 Results 2006 Priorities

Richard J. Harrington  
President & CEO

# Overview

---

- First quarter highlights
- Progress report on 2006 Priorities
- Changes to incentive compensation program
- Returning cash to shareholders

# Highlights Q106

---

- Strong Revenue Growth
  - Up 8% excluding FX
  - Up 7% including FX
  - Organic growth 7%
  - Organic growth over 7% in 3 of 4 market groups

# Highlights Q106

---

- Operating profit up 19%
- Operating profit margin up
- Strong earnings momentum

\$0.13 Q106

\$0.08 Q105

\$0.04 Q104

# 2006 Priorities

---

- Operational Focus
  - Accelerate organic growth
  - Continue margin expansion
  - Grow free cash flow
  - Increase return on capital
- Optimize portfolio to improve growth & returns
- Optimize infrastructure and assets to support growth and improve returns

# Portfolio Optimization

---

- Seeking to improve growth & returns
  - Investing in businesses with highest growth potential
  - Manage solid businesses for optimal returns
  - Divest to enhance business & financial profile
- Announced 6 divestitures
  - TLR - 2 businesses / \$40 million of revenue
  - TL - 3 businesses / \$145 million of revenue
    - Sold minority investment / \$60 million proceeds
  - TSH - 1 business / \$35 million of revenue
- Process is ongoing

# Infrastructure Optimization

---

Optimize assets across Thomson to support growth, drive margins and improve returns

- Two senior executives dedicated to project
- Focused on finance and accounting, technology spend and structure, and back-office functions
- Evaluating further insourcing/outourcing opportunities

# 2006 Compensation Plan Changes

Aligned compensation plans to drive growth and returns

## Short Term

	<u>2005</u>		<u>2006</u>
Revenue	35%	Revenue	45%
Adj. Operating Profit	65%	Adj. Operating Profit	45%
		Free Cash Flow	10%

## Long Term

	<u>2005-2007 Plan</u>		<u>2006-2008 Plan</u>
Adj. EPS	100%	ROIC	50%
		Adj. EPS	50%

# Returning Cash to Shareholders

---

- Renewed Share Buyback Program
  - 15 million share repurchase authorized
- May 2005 - May 2006 purchased 13 million shares/\$470 million
- Increased dividend 10% in February



# Financial Review

Robert D. Daleo  
Executive Vice President & CFO

# Key Takeaways Q1 2006

---

- Strong revenue and profit growth
- Margins continue to improve – up 70 basis points
- Adjusted earnings up significantly

# Consolidated Results

---

*(\$ Millions)*

## FIRST QUARTER

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	\$1,931	\$1,801	7%
Operating Profit	\$ 143	\$ 120	19%
<i>Operating Profit Margin</i>	<i>7.4%</i>	<i>6.7%</i>	

# Legal & Regulatory

---

*(\$ Millions)*

## FIRST QUARTER

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	\$843	\$776	9%
Segment Operating Profit	\$203	\$181	12%
<i>Segment Operating Profit Margin</i>	<i>24.1%</i>	<i>23.3%</i>	

# Learning

---

*(\$ Millions)*

## FIRST QUARTER

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	\$382	\$349	9%
Segment Operating Loss	\$ (50)	\$ (45)	(11%)
<i>Segment Operating Profit Margin</i>	<i>(13.1%)</i>	<i>(12.9%)</i>	

# Financial

---

*(\$ Millions)*

## FIRST QUARTER

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	\$485	\$458	6%
Segment Operating Profit	\$ 79	\$ 65	22%
<i>Segment Operating Profit Margin</i>	<i>16.3%</i>	<i>14.2%</i>	

# Scientific & Healthcare

---

*(\$ Millions)*

## FIRST QUARTER

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Revenues	\$227	\$223	2%
Segment Operating Profit	\$ 31	\$ 28	11%
<i>Segment Operating Profit Margin</i>	<i>13.7%</i>	<i>12.6%</i>	



# Financial Metrics

# Key Revenue Metrics

## Three Months 2006

	<u>Organic Growth</u>	<u>Acquisitions</u>	<u>Foreign Exchange</u>	<u>Total Growth</u>
Legal & Regulatory	7%	2%	--	9%
Learning	10%	--	(1%)	9%
Financial	7%	--	(1%)	6%
Scientific & Healthcare	<u>3%</u>	<u>1%</u>	<u>(2%)</u>	<u>2%</u>
Total	<u>7%</u>	<u>1%</u>	<u>(1%)</u>	<u>7%</u>
Q105	<u>2%</u>	<u>7%</u>	<u>1%</u>	<u>10%</u>

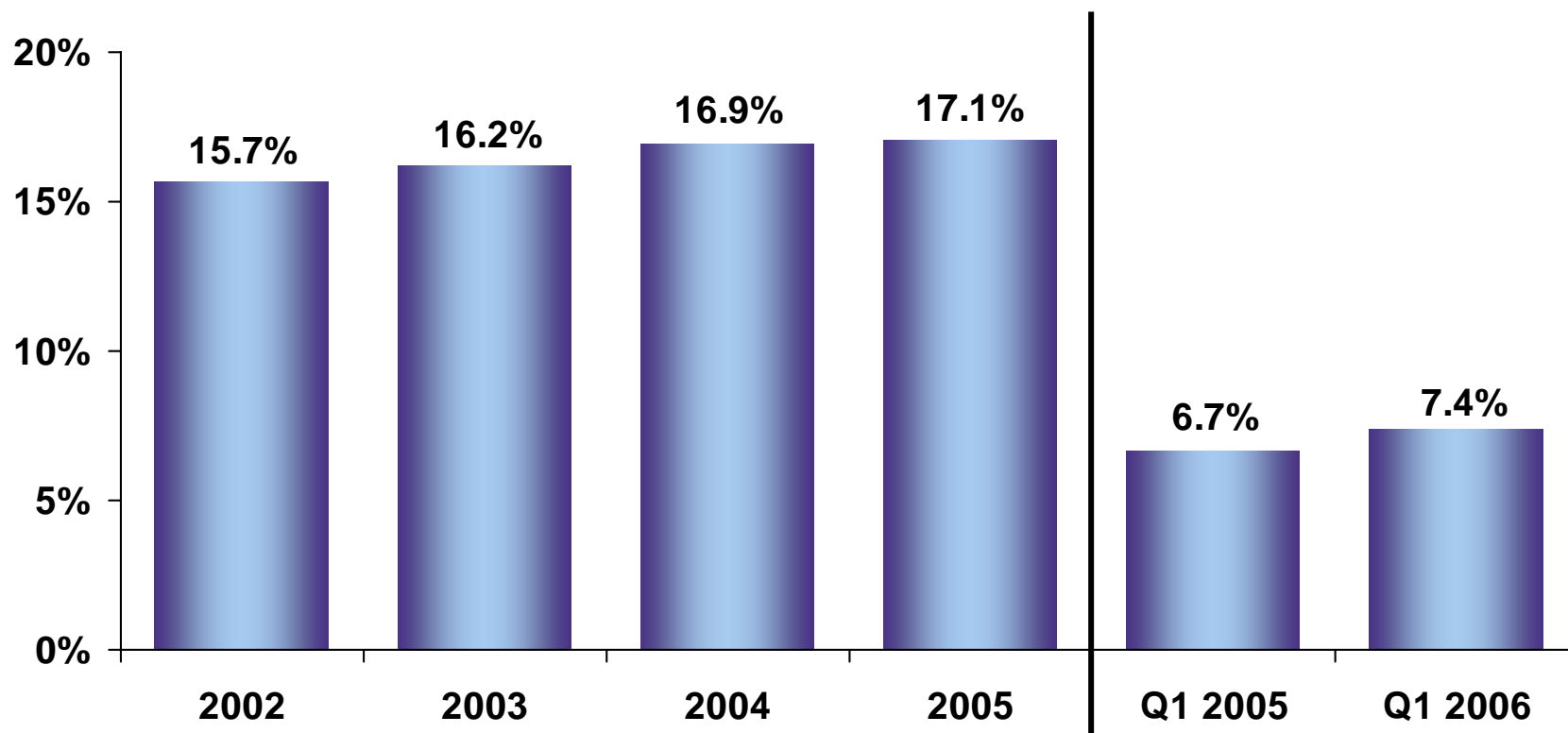
# Key Revenue Metrics

## Three Months 2006

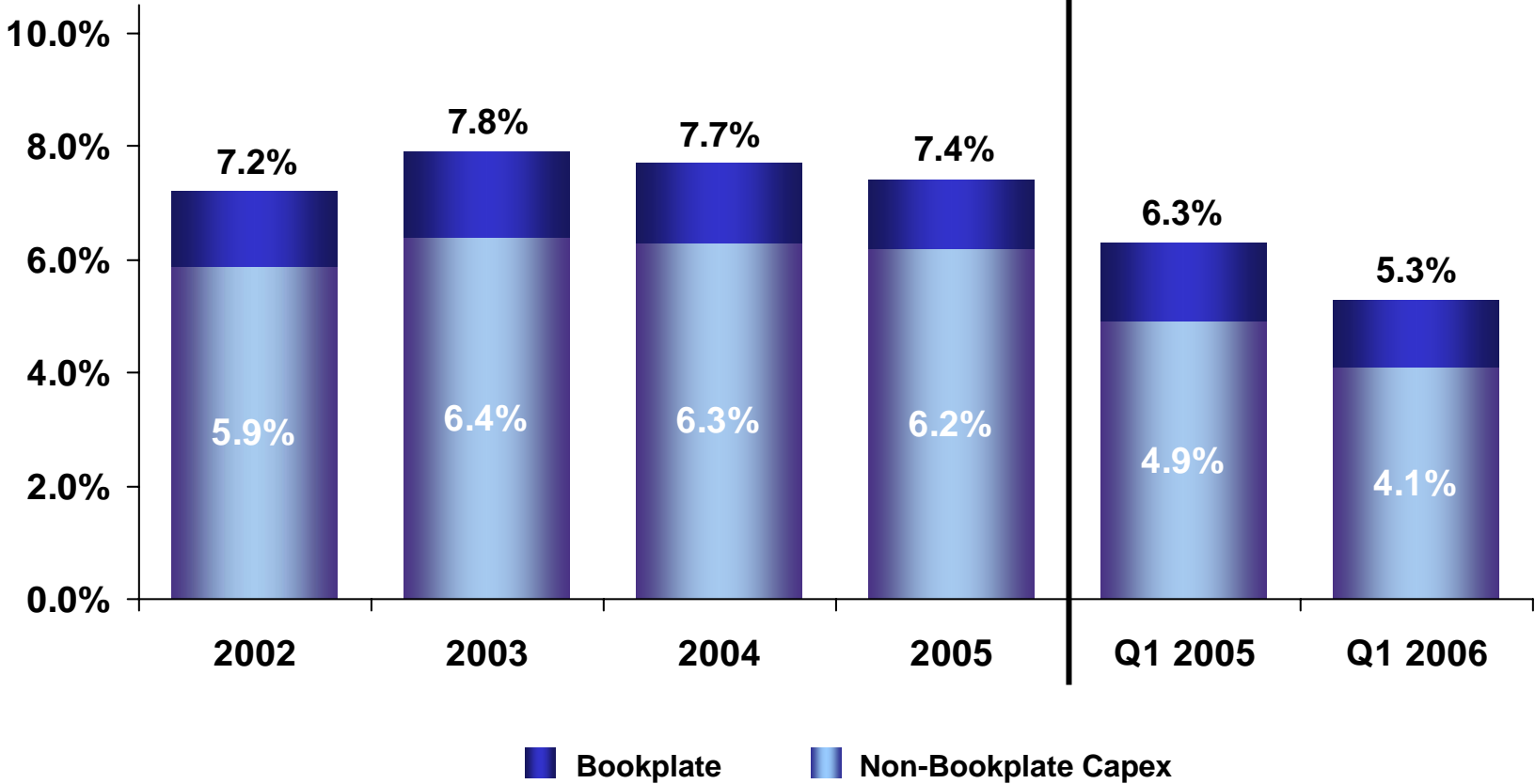
	<u>Electronic &amp; Services</u>	<u>Recurring</u>	<u>International<sup>(1)</sup></u>
Legal & Regulatory	73%	87%	14%
Learning	45%	36%	19%
Financial	98%	83%	20%
Scientific & Healthcare	<u>95%</u>	<u>69%</u>	<u>22%</u>
Total	<u>76%</u>	<u>74%</u>	<u>18%</u>
Q105	<u>76%</u>	<u>74%</u>	<u>18%</u>

<sup>(1)</sup> Revenues by origin, outside the USA and Canada

# Operating Profit Margin

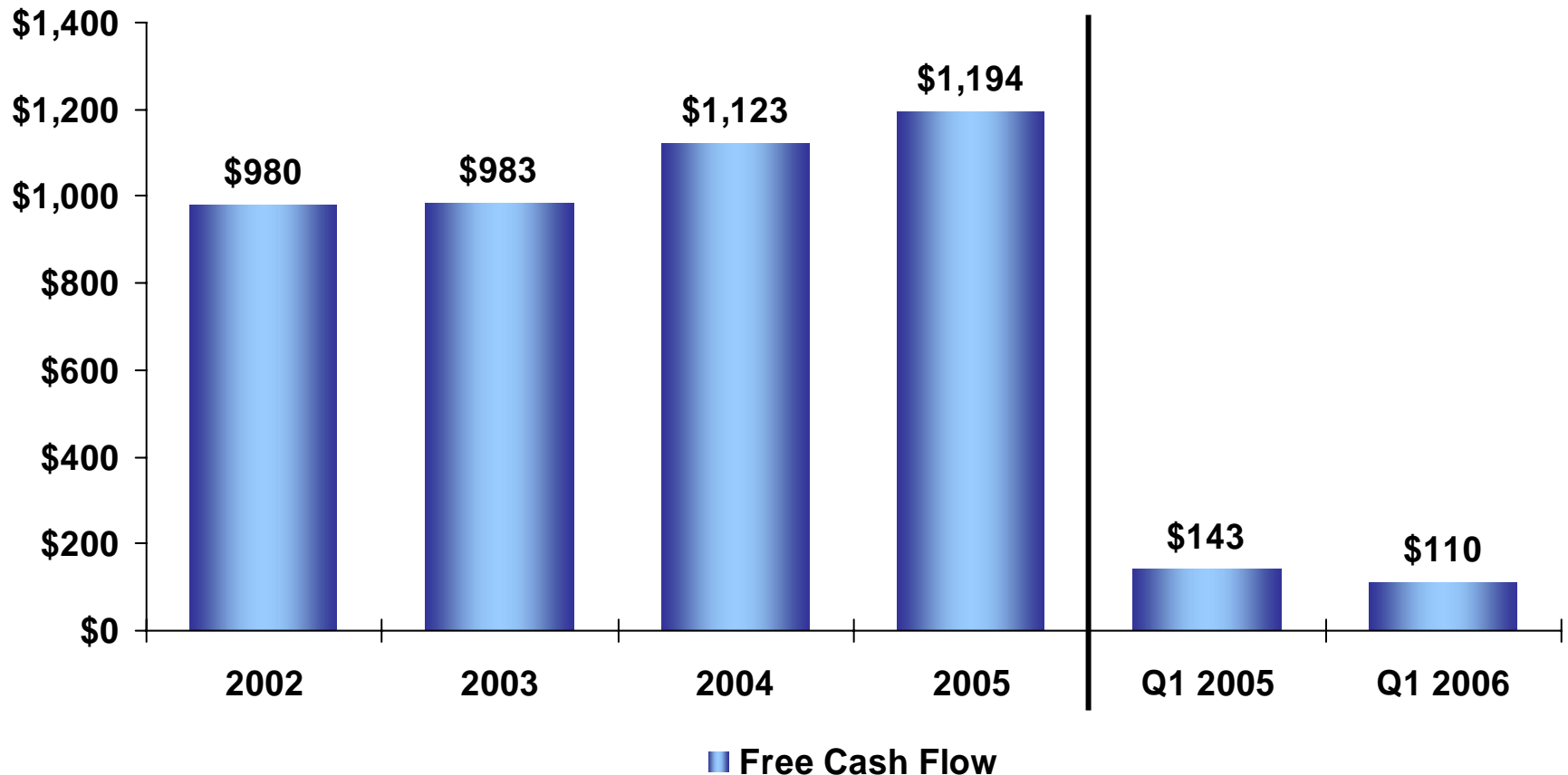


# CAPEX/Revenues



# Free Cash Flow

(\$ Millions)



\* Free cash flow excludes cost of acquisitions, proceeds from disposals and dividends paid on common shares.

# Earnings/EPS Variance Analysis

(\$ Millions)

	FIRST QUARTER			
	2006		2005	
	<u>\$</u>	<u>EPS</u>	<u>\$</u>	<u>EPS</u>
Earnings – attributable to common shares as reported	\$136	\$0.21	\$ 72	\$ 0.11
Net other income	(39)	(0.06)	(2)	0.00
Normalization of tax rate	(50)	(0.08)	(16)	(0.03)
Discontinued operations	<u>37</u>	<u>0.06</u>	<u>1</u>	<u>0.00</u>
Adjusted earnings	<u><u>\$84</u></u>	<u><u>\$0.13</u></u>	<u><u>\$ 55</u></u>	<u><u>\$ 0.08</u></u>

# First-Quarter 2006 Visibility

	<u>Q1 2006</u>	<u>Full Year 2006</u>
Revenues (excl. FX)	8%	Expected to grow 7-9%
Operating Margin	7.4%	Consistent improvement
Depreciation/Amortization	\$224 mm	5% Higher
Effective Tax Rate – Adjusted Earnings	5.6%	Sustainable in the low 20% range
Net Acquisitions	\$135 mm	\$200-\$500 million
Free Cash Flow	\$110 mm	Continue to generate strong FCF



# Questions & Answers

April 27, 2006