First Quarter Report
Three Months Ended March 31, 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 period ended March 31, 2007, compared to the same period 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 period ended March 31, 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. 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. Some of these factors include those identified in the section entitled "Forward-Looking Statements" at the end of this management's discussion and analysis 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. This management's discussion and analysis is dated as of April 25, 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 and costs associated with the company's THOMSON*plus* business optimization program, which are discussed in the section entitled "THOMSON*plus*."

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.

The following table summarizes selected financial information for the three-month periods ended March 31, 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.

	Three months ended March 31,		
(millions of U.S. dollars, except per share amounts)	**2007**	2006	%
Consolidated Statement of Earnings Data:			
Revenues	**1,669**	1,507	11%
Operating profit	**226**	209	8%
Earnings from continuing operations(1)	**210**	205	2%
Earnings from discontinued operations, net of tax	**14**	(68)	
Net earnings(1)	**224**	137	64%
Earnings per common share from continuing operations(1)	**$ 0.33**	$ 0.31	6%
Earnings per common share(1)	**$ 0.35**	$ 0.21	67%
Other Data(2):			
Adjusted earnings from continuing operations	**145**	131	11%
Adjusted earnings per common share from continuing operations	**$ 0.23**	$ 0.20	15%
Free cash flow	**137**	110	25%

(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

Our revenues and operating profits from continuing operations are 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 will generally increase 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."

THOMSON*plus*

THOMSON*plus* 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 expect to incur approximately $250 million of expenses from inception through 2009 primarily related to technology and restructuring costs and consulting services. 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. Based on current estimates, we expect to incur expenses of approximately $100 million in 2007, $50 million in 2008 and $30 million in 2009. Because THOMSON*plus* is a series of initiatives, the timing of these costs and savings may shift between different calendar years.

For the three months ended March 31, 2007, we incurred $34 million of expenses within continuing operations associated with THOMSON*plus* consisting primarily of consulting fees and severance. The consulting costs primarily related to our efforts to deploy SAP as our company-wide enterprise resource planning (ERP) system, which will continue throughout 2007 and 2008. Severance primarily related to efforts to streamline the operations of Thomson Financial. Because THOMSON*plus* 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 savings of approximately $50 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 achieve annualized savings of $90 million in 2008 and reach our targeted savings of about $150 million per year at the beginning of 2009. 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.

RESULTS OF OPERATIONS

The following discussion compares our results for the three-month periods ended March 31, 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:

	Three months ended March 31,	
(millions of U.S. dollars, except per share amounts)	**2007**	2006
Revenues	**1,669**	1,507
Operating profit	**226**	209
Operating profit margin	***13.5%***	*13.9%*
Net earnings[(1)]	**224**	137
Earnings per common share[(1)]	**$ 0.35**	$ 0.21

(1) Results are not directly comparable due to certain one-time items.

Revenues. Revenues for the three-month period ended March 31, 2007 increased 11% comprised of the following:

- 6% from higher revenues of existing businesses;
- 4% from contributions of newly acquired businesses; and
- 1% from a favorable impact from foreign currency translation.

For our existing businesses, revenue growth was exhibited in all of our segments, reflecting customer demand for our integrated solutions, particularly in the legal and tax and accounting markets, and overall growth in the markets we serve. Contributions from acquired businesses were primarily related to Solucient and MercuryMD in our Thomson Healthcare segment.

Operating profit. In the three-month period ended March 31, 2007, operating profit rose 8%, primarily due to the increase in revenues. Our operating profit margin decreased slightly compared to the prior year as the effects of scale and efficiency initiatives were offset by higher corporate costs resulting primarily from the timing of spending related to our THOMSON*plus* program. See the section entitled "THOMSON*plus*" 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 in the first quarter of 2007 increased $10 million, or 10%, compared to the prior year period. This increase reflected recent acquisitions and capital expenditures. Amortization was consistent with that of the prior year as increases due to the amortization of newly acquired assets were offset by decreases arising from the completion of amortization for certain intangible assets acquired in previous years.

Net other income. Net other income in the three-month periods ended March 31, 2007 and 2006 was $6 million and $38 million, respectively, primarily consisting of gains on the sales of certain equity investments.

Income taxes. Income taxes for the three months ended March 31, 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 quarter of 2007, our provision reflected benefits of $35 million resulting from a change in Australian tax law and 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 later in the year. During the first quarter of 2006, we recorded approximately $15 million of one-time tax benefits associated with a change in a 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. Earnings attributable to common shares were $223 million in the three months ended March 31, 2007 compared to $136 million in the prior year period. Earnings per common share were $0.35 in the three months ended March 31, 2007 compared to $0.21 in the prior year period. The increases in reported earnings and earnings per common share were the result of higher operating profit, higher tax benefits and higher earnings from discontinued operations.

The results for each of these periods are not directly comparable because of certain one-time items, as well as the variability in discontinued operations due to the timing of dispositions. 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:

	Three months ended March 31,	
(millions of U.S. dollars, except per common share amounts)	**2007**	2006
Earnings attributable to common shares	**223**	136
Adjustments for one-time items:		
Net other income	**(6)**	(38)
Tax on above item	**—**	(1)
Tax benefits	**(35)**	(9)
Interim period effective tax rate normalization	**(23)**	(25)
Discontinued operations	**(14)**	68
Adjusted earnings from continuing operations	**145**	131
Adjusted earnings per common share from continuing operations	**$0.23**	$0.20

Our adjusted earnings from continuing operations for the three months ended March 31, 2007 increased 11% compared to the prior year period largely as a result of higher operating profit stemming from higher revenues, which more than offset costs associated with THOMSON*plus* and higher corporate expenses.

Operating Results by Business Segment

Thomson Legal

	Three months ended March 31,	
(millions of U.S. dollars)	**2007**	2006
Revenues	**747**	678
Segment operating profit	**207**	177
Segment operating profit margin	***27.7%***	*26.1%*

Results for Thomson Legal reflected continued strong demand for our online services, especially in the United States. For the three months ended March 31, 2007, revenues increased 10% comprised of the following:

- 7% from higher revenues of existing businesses;
- 1% from contributions of newly acquired businesses; and
- 2% from a favorable impact from foreign currency translation.

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% over the prior year. Revenue from sales of software and services increased 9% as a result of higher sales of website development software and website design and hosting services. Additionally, revenues from print and CD products increased slightly as the favorable timing of print shipments offset a decline in CD product revenues as customers continued to migrate to Thomson Legal's online offerings. 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. 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 declined slightly due to the timing of certain shipments compared to the prior year.

The growth in segment operating profit and its corresponding margin was primarily a result of the revenue growth described above. The increase in the segment operating profit margin reflected the effects of scale in our existing businesses, a favorable product mix and the impact of efficiency initiatives.

Thomson Financial

(millions of U.S. dollars)	Three months ended March 31, **2007**	2006
Revenues	**527**	487
Segment operating profit	**95**	79
Segment operating profit margin	***18.0%***	*16.2%*

Results for Thomson Financial reflected underlying market conditions and the continued success of Thomson ONE offerings. Revenues increased 8% comprised of the following:

- 4% from higher revenues of existing businesses;
- 2% from contributions of newly acquired businesses; and
- 2% from a favorable impact from foreign currency translation.

Revenues from existing businesses increased as a result of new sales of Thomson ONE products, as well as higher transaction revenues. Revenues from Thomson ONE products increased across all customer sectors, especially in the investment management, investment banking and corporate services markets, due to new sales and migrations from legacy offerings. Revenues from Omgeo's straight-through-processing services increased due to continued customer demand. TradeWeb's overall revenues increased slightly due to higher transaction fees as the impact of higher volume in the mortage-backed securities more than offset the effect of lower trading volumes in its U.S. Treasuries 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 a Japanese language version of Thomson ONE Investment Management.

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

Segment operating profit increased due to the increase in revenues. The segment operating profit margin increased due to the effects of scale, the impact of completed and ongoing efficiency efforts to relocate certain activities to lower cost locations and a decline in depreciation expense as a percentage of revenues as a result of timing and more efficient capital spending.

Thomson Tax & Accounting

(millions of U.S. dollars)	Three months ended March 31, **2007**	2006
Revenues	**160**	142
Segment operating profit	**38**	30
Segment operating profit margin	***23.8%***	*21.1%*

Results for Thomson Tax & Accounting reflected continuing customer demand for our online solutions and software products. Revenues increased 13% comprised of the following:

- 9% from higher revenues of existing businesses;
- 4% from contributions of newly acquired businesses; and

- a negligible impact from foreign currency translation.

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 sales of product suites derived from additional offerings and customer demand. Within the corporate software and services sector, revenues increased primarily as a result of higher sales of Income Tax and Transaction Tax products. Income Tax revenues benefited from sales of additional offerings and customer demand. Revenues from existing businesses were slightly tempered by the timing of certain revenues associated with tax preparation for trusts due to the late release of forms by the Internal Revenue Service.

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, and CrossBorder Solutions, a tax software provider specializing in international tax compliance areas such as transfer pricing that was acquired in March 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 efficiency initiatives.

Thomson Scientific

(millions of U.S. dollars)	**Three months ended March 31, 2007**	2006
Revenues	**149**	139
Segment operating profit	**34**	28
Segment operating profit margin	***22.8%***	*20.1%*

Results for Thomson Scientific reflected continuing customer demand for our solutions. Revenues increased 7% comprised of the following:

- 4% from higher revenues of existing businesses;
- 1% from contributions of newly acquired businesses; and
- 2% from a favorable impact from foreign currency translation.

Growth in revenues from existing businesses was primarily a result of higher revenues for the Web of Science, Thomson Pharma and corporate information solutions. Web of Science benefited from an increase in new sales and higher renewal rates. Thomson Pharma increased its number of customers and their average annual contract value. Revenues from corporate information solutions increased due to higher demand for patent management services and information, as well as industry standards information. These increases were partially offset by lower revenues from other online and legacy products. 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 from our workflow solutions and the benefits from completed and ongoing efficiency initiatives. Those initiatives have enabled Thomson Scientific to control costs and improve its segment operating profit margin.

Thomson Healthcare

(millions of U.S. dollars)	**Three months ended March 31, 2007**	2006
Revenues	**92**	65
Segment operating profit	**4**	4
Segment operating profit margin	***4.3%***	*6.2%*

Results for Thomson Healthcare reflected a recent investment in our management decision support offerings and continued customer demand in that sector. Revenues increased 42% comprised of the following:

- 3% from higher revenues of existing businesses;
- 39% from contributions of newly acquired businesses; and

- a negligible impact from foreign currency translation.

Revenues from Thomson Healthcare's existing businesses increased as a result of continuing demand for its management decision support offerings. Clinical decision support revenues increased slightly as the impact of new sales of Micromedex's electronic offerings were tempered by the loss of a large customer. Results also reflected contributions from Solucient, a provider of data and advanced analytics to hospitals and health systems acquired in October 2006, and MercuryMD, a provider of mobile information systems serving the healthcare market acquired in May 2006.

Segment operating profit increased slightly compared to the prior year as the effect of the increase in revenues was offset by product development and integration expenses associated with acquired offerings. The segment operating profit margin decreased due to the increase in expenses.

First quarter performance for Thomson Healthcare is not indicative of the anticipated full-year results, as historically less than 20% of the segment's revenues and 10% of its operating profit have been earned in the first quarter.

Corporate and Other

	Three months ended March 31,	
(millions of U.S. dollars)	**2007**	2006
Expenses excluding THOMSON*plus*	**57**	42
THOMSON*plus*	**34**	7
Total	**91**	49

For the three months ended March 31, 2007, Corporate and Other expenses increased $42 million compared to the prior year period. The increase was primarily due to expenses associated with our THOMSON*plus* program. 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.

We incurred $34 million of expenses associated with THOMSON*plus* in the first quarter of 2007. These expenses primarily related to consulting services, but also included 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. The severance primarily related to the elimination of certain positions resulting from 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 integrated information offerings.

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. First, we agreed to sell NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC. The sale is expected to be completed in the second quarter of 2007. Second, we are negotiating the sale of Prometric, a global leader in assessment services, with a prospective buyer. We expect the sale of Prometric to be concluded in 2007. Lastly, the competitive bidding for our higher education, careers and library reference businesses commenced in the first quarter of 2007. We expect the sale of these businesses to be completed in the third quarter of 2007. 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, we reversed these impairment charges 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.

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.

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 months ended March 31, 2007 and 2006, we adjusted disposal liabilities related to previous dispositions resulting in $10 million and $3 million, respectively, of earnings from discontinued operations.

For more information on discontinued operations, see note 8 to our consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

At March 31, 2007, our total assets were $20,038 million, which approximated the total of $20,132 million at December 31, 2006. Increases in assets related to newly acquired businesses and capital expenditures, as well as the impact of foreign currency translation, were offset by the effect of depreciation and amortization.

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

	As at	
(millions of U.S. dollars)	**March 31, 2007**	December 31, 2006
Short-term indebtedness	**591**	333
Current portion of long-term debt	**661**	264
Long-term debt	**3,275**	3,681
Total debt	**4,527**	4,278
Swaps	**(253)**	(257)
Total debt after swaps	**4,274**	4,021
Remove fair value adjustment of cash flow hedges	**45**	54
Less: Cash and cash equivalents	**(350)**	(334)
Net debt	**3,969**	3,741
Shareholders' equity	**10,510**	10,481
Net debt/equity ratio	**0.38:1**	0.36:1

We guarantee certain obligations of our subsidiaries, including borrowings by our subsidiaries under our revolving credit facilities. Under our financial covenant, we must maintain a ratio of total 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 guarantee) for the last four quarters ended of not more than 4:1. Total debt is adjusted to factor in the impact of swaps and other hedge agreements related to the debt. As of March 31, 2007, we were in compliance with this covenant.

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 three months ended March 31, 2007	**223**
Additions to paid in capital related to stock compensation plans	**16**
Common share issuances	**22**
Repurchases of common shares — normal course issuer bid	**(55)**
Common share dividends declared	**(157)**
Net unrealized losses on derivatives that qualify as cash flow hedges[(2)]	**(9)**
Change in translation adjustment	**22**
Balance at March 31, 2007	**10,510**

(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 March 31, 2007:

	Moody's	Standard & Poor's	Dominion Bond Rating Service
Long-term debt	A3	A−	A (low)
Commercial paper	—	—	R-1 (low)
Trend/Outlook	Negative	Developing	Stable

In the fourth quarter of 2006, Moody's revised its trend/outlook for our company from "stable" to "negative" and Standard & Poor's revised its trend/outlook for our company from "stable" to "developing" after our announcement of our intention to sell our remaining Thomson Learning businesses. These revisions reflect the uncertainties surrounding this divesture including the amount of proceeds to be received and the nature of the reinvestment of those proceeds. 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. At March 31, 2007, the carrying amounts of our total current liabilities exceeded the carrying amounts of our total current assets because current liabilities include deferred revenue. Deferred revenue does not represent a cash obligation, however, but rather an obligation to perform services or deliver products in the future. The costs to fulfill these obligations are included in our operating costs.

Normal Course Issuer Bid

In May 2005, we initiated a normal course issuer bid. Under this first program, which terminated on May 4, 2006, we repurchased and subsequently cancelled approximately 13.3 million shares for approximately $482 million. In May 2006, we renewed our normal course issuer bid to repurchase up to 15 million additional common shares. The second program commenced on May 5, 2006 and will end on May 4, 2007. 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. The following summarizes our repurchases for this second program:

Three-month period ended	Shares Repurchased	Average Price per Share	Number of Shares Available for Repurchase
June 30, 2006	1,640,000	$39.90	
September 30, 2006	1,710,600	$39.27	
December 31, 2006	1,289,400	$41.41	
March 31, 2007	1,305,000	$41.74	
Total	5,945,000	$40.45	9,055,000

We plan to renew our normal course issuer bid for an additional 12-month period and repurchase up to 15 million of our common shares. Purchases under the new program may commence on May 7, 2007 and will terminate no later than May 6, 2008. 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 bid 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, we anticipate that the proceeds from our announced divestitures will also be 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 "Normal Course Issuer Bid," we have also used our cash to repurchase outstanding common shares in open market transactions.

Operating activities. For the three months ended March 31, 2007, cash provided by our operating activities was $287 million compared to $229 million for the prior year period. The change primarily reflected the increase in operating profit and lower tax payments. The reduction in tax payments was principally due to timing. Working capital levels increased in the first quarter of 2007, though not to the extent of the prior year, as improvements in accounts receivable collections were more than offset by the unfavorable timing of payments for normal operating expenses.

Investing activities. For the three months ended March 31, 2007, cash used in our investing activities was $316 million compared to $198 million for the prior year period. The increased use of cash was attributable to greater acquisition spending, inclusive of spending associated with discontinued operations, and higher capital expenditures. Acquisitions in the first quarter of 2007 included CrossBorder Solutions in our Thomson Tax & Accounting segment. For the three months ended March 31, 2007, capital expenditures increased compared to the prior year period due to the timing of spending on technology initiatives in the current and prior year.

Financing activities. For the three months ended March 31, 2007, cash provided in our financing activities was $45 million. In the prior year period, cash used in financing activities was $153 million. The inflow of cash reflected greater borrowings under our short-term facilities and a reduction in our repurchases of common shares (see "Normal Course Issuer Bid" above). These effects were slightly offset by higher dividend payments.

The following table sets forth our common share dividend activity:

	Three months ended March 31,	
(millions of U.S. dollars)	**2007**	2006
Dividends declared	**157**	142
Dividends reinvested	**(4)**	(3)
Dividends paid	**153**	139

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 March 31, 2007**	**Three months ended March 31,** 2006
Net cash provided by operating activities	**287**	229
Capital expenditures	**(98)**	(66)
Other investing activities	**(10)**	(11)
Dividends paid on preference shares	**(1)**	(1)
Capital expenditures of discontinued operations	**(37)**	(38)
Other investing activities of discontinued operations	**(4)**	(3)
Free cash flow	**137**	110

For the three months ended March 31, 2007, our free cash flow increased compared to the prior year period due to higher operating profit and lower tax payments, which more than offset the timing of capital expenditures.

Credit facilities and commercial paper program. As of March 31, 2007, we maintained revolving unsecured credit facilities of $1.6 billion. Though not contractually required, we view our borrowings under our commercial paper program as a reduction of the amount available to us under our credit facilities. At March 31, 2007, our credit lines and related activity were as follows:

(millions of U.S. dollars)

Credit Lines	Amount Drawn	Commercial Paper Outstanding	Lines Available
1,600	(20)	(583)	997

Our 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 multi-year credit facilities may increase, although availability would be unaffected. Conversely, an upgrade in our ratings may reduce our facility fees and borrowing costs.

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 March 31, 2007, we had not issued any debt securities under this shelf prospectus.

Off-balance sheet arrangements, commitments and contractual obligations. For a summary of our off-balance sheet arrangements, commitments and contractual obligations, please see our management's discussion and analysis for the year ended December 31, 2006. There were no material changes to these arrangements, commitments and obligations during the three-month period ended March 31, 2007.

For the foreseeable future, we believe that cash from our operations and 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 February 2007, we entered into a settlement agreement related to a lawsuit involving our BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and Kaplan Inc.*). Our part of the settlement is $36 million, which we accrued for in the fourth quarter of 2006. We expect to pay this amount in the second quarter of 2007.

In addition to the matter described above, 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 the year ended December 31, 2006. Except as updated and supplemented 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 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 three-month period ended March 31, 2007.

OUTLOOK

The information in this section is forward-looking and should be read in conjunction with the sections below entitled "Material Assumptions" and *"Forward-Looking Statements."*

We expect 2007 revenue growth to be at the high end of our long-term target of 7%-9%, prior to our deployment of the proceeds from the sale of Thomson Learning. Our 2007 operating margin is expected to be at or above 2006 levels, despite increasing investments in efficiency initiatives. Cash generated by continuing operations in 2007 is expected to grow, excluding cash generated through deployment of the Thomson Learning proceeds.

We expect our performance to further strengthen in 2008. We expect to sustain our long-term revenue growth rates. Our operating margin is expected to increase to above 20%. Free cash flow is expected to strengthen, as improvements in operating performance are projected to more than offset the loss of Thomson Learning's free cash flow, even before deployment of the Thomson Learning sale proceeds.

MATERIAL ASSUMPTIONS

In preparing our Outlook, our material assumptions were that worldwide macroeconomic conditions would be unchanged in 2007 and 2008 relative to 2006, a portion of our anticipated 2007 and 2008 revenue growth would come from tactical acquisitions made during the year, and that our operating profit margin would improve in 2007 and 2008.

RELATED PARTY TRANSACTIONS

As of April 25, 2007, The Woodbridge Company Limited (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.

The employees of Jane's Information Group (Jane's), a business we sold to Woodbridge in April 2001, continue to participate in our United States and United Kingdom pension plans as well as our defined contribution plan in the United States. Woodbridge assumed the pension liability associated with the active employees of Jane's as of the date of sale as part of its purchase. Jane's makes proportional contributions to these pension plans as required, and makes matching contributions in accordance with the provisions of the defined contribution plan.

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.

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.

SUBSEQUENT EVENTS

In April 2007, we completed the sale of Thomson Medical Education. We anticipate we will recognize a post-tax gain on the sale.

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). This reconciliation is presented in note 18 in our financial statements.

ADDITIONAL INFORMATION

Depreciation by Segment

The following table details depreciation expense by segment for the three months ended March 31, 2007 and 2006:

	Three months ended March 31,	
(millions of U.S. dollars)	**2007**	2006
Legal	**48**	43
Financial	**46**	44
Tax & Accounting	**6**	6
Scientific	**7**	6
Healthcare	**5**	4
Corporate and other	**3**	2
Total	**115**	105

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 U.S. Securities Exchange Act and applicable Canadian securities law is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and Canadian securities regulatory authorities and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

There was no change in our company's internal control over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Share Capital

As of April 25, 2007, we had outstanding 639,979,563 common shares, 6,000,000 Series II preference shares, 536,987 restricted share units and 15,801,671 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	**2006**	2005	**2006**	2005	**2006**	2005
Revenues	**1,669**	1,507	**1,631**	1,515	**1,625**	1,516	**1,859**	1,715
Operating profit	**226**	209	**308**	274	**315**	286	**423**	430
Earnings from continuing operations	**210**	205	**198**	253	**208**	142	**306**	159
Discontinued operations, net of tax	**14**	(68)	**(25)**	49	**211**	167	**85**	91
Net earnings	**224**	137	**173**	302	**419**	309	**391**	250
Dividends declared on preference shares	**(1)**	(1)	**(2)**	(1)	**(1)**	(1)	**(1)**	(1)
Earnings attributable to common shares	**223**	136	**171**	301	**418**	308	**390**	249
Basic earnings per common share								
From continuing operations	**$ 0.33**	$0.31	**$ 0.30**	$0.38	**$0.32**	$0.22	**$0.47**	$0.24
From discontinued operations	**0.02**	(0.10)	**(0.03)**	0.08	**0.33**	0.25	**0.14**	0.14
	$ 0.35	$0.21	**$ 0.27**	$0.46	**$0.65**	$0.47	**$0.61**	$0.38
Diluted earnings per common share								
From continuing operations	**$ 0.33**	$0.31	**$ 0.30**	$0.38	**$0.32**	$0.22	**$0.47**	$0.24
From discontinued operations	**0.02**	(0.10)	**(0.04)**	0.08	**0.33**	0.25	**0.14**	0.14
	$ 0.35	$0.21	**$ 0.26**	$0.46	**$0.65**	$0.47	**$0.61**	$0.38

In terms of revenues and profits, our first quarter is proportionately the smallest and the fourth quarter is our largest, as certain product releases are concentrated at the end of the year, particularly in the regulatory and healthcare markets. Costs are incurred more evenly throughout the year. As a result, our operating margins will generally increase 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 quarters ended June 30, 2005 and March 31, 2006, earnings from continuing operations and net earnings reflected the recognition of certain tax credits. In the quarter ended December 31, 2005, earnings from continuing operations and net earnings reflected a $125 million tax charge associated with repatriated profits.

FORWARD-LOOKING STATEMENTS

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 the timing of the completion of the sale of our Thomson Learning businesses. 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. Some of the factors that could cause 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 current 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.

The Thomson Corporation
Consolidated Statement of Earnings
(unaudited)

(millions of U.S. dollars, except per common share amounts)	Three months ended March 31, 2007	2006 (note 8)
Revenues	**1,669**	1,507
Cost of sales, selling, marketing, general and administrative expenses	**(1,267)**	(1,133)
Depreciation	**(115)**	(105)
Amortization	**(61)**	(60)
Operating profit	**226**	209
Net other income (note 6)	**6**	38
Net interest expense and other financing costs	**(53)**	(52)
Income taxes	**31**	10
Earnings from continuing operations	**210**	205
Income (loss) from discontinued operations, net of tax (note 8)	**14**	(68)
Net earnings	**224**	137
Dividends declared on preference shares	**(1)**	(1)
Earnings attributable to common shares	**223**	136
Basic and diluted earnings (loss) per common share (note 10):		
From continuing operations	**$ 0.33**	$ 0.31
From discontinued operations	**0.02**	(0.10)
Basic and diluted earnings per common share	**$ 0.35**	$ 0.21

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

The Thomson Corporation
Consolidated Balance Sheet
(unaudited)

(millions of U.S. dollars)	**March 31, 2007**	December 31, 2006 (note 8)
Assets		
Cash and cash equivalents	**350**	334
Accounts receivable, net of allowances	**1,285**	1,364
Inventories	**80**	72
Prepaid expenses and other current assets	**303**	297
Deferred income taxes	**153**	153
Current assets of discontinued operations (note 8)	**868**	1,045
Current assets	**3,039**	3,265
Computer hardware and other property, net	**600**	624
Computer software, net	**656**	647
Identifiable intangible assets, net	**3,467**	3,457
Goodwill	**6,674**	6,546
Other non-current assets	**1,053**	1,082
Non-current assets of discontinued operations (note 8)	**4,549**	4,511
Total assets	**20,038**	20,132
Liabilities and shareholders' equity		
Liabilities		
Short-term indebtedness	**591**	333
Accounts payable and accruals	**1,058**	1,307
Deferred revenue	**1,061**	970
Current portion of long-term debt	**661**	264
Current liabilities of discontinued operations (note 8)	**654**	865
Current liabilities	**4,025**	3,739
Long-term debt	**3,275**	3,681
Other non-current liabilities	**807**	785
Deferred income taxes	**987**	997
Non-current liabilities of discontinued operations (note 8)	**434**	449
Total liabilities	**9,528**	9,651
Shareholders' equity		
Capital	**2,832**	2,799
Retained earnings	**7,152**	7,169
Accumulated other comprehensive income	**526**	513
Total shareholders' equity	**10,510**	10,481
Total liabilities and shareholders' equity	**20,038**	20,132

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

The Thomson Corporation
Consolidated Statement of Cash Flow
(unaudited)

(millions of U.S. dollars)	Three months ended March 31, 2007	2006 (note 8)
Cash provided by (used in):		
Operating activities		
Net earnings	**224**	137
Remove (income) loss from discontinued operations	**(14)**	68
Add back (deduct) items not involving cash:		
Depreciation	**115**	105
Amortization	**61**	60
Net gains on disposals of businesses and investments (note 6)	**(6)**	(41)
Deferred income taxes	**(42)**	(17)
Other, net	**64**	64
Pension contribution	**(1)**	(5)
Changes in working capital and other items (note 15)	**(103)**	(123)
Cash used in operating activities — discontinued operations (note 8)	**(11)**	(19)
Net cash provided by operating activities	**287**	229
Investing activities		
Acquisitions, less cash therein (note 13)	**(154)**	(132)
Proceeds from disposals of discontinued operations (note 8)	**35**	—
Proceeds from other disposals	**6**	55
Capital expenditures, less proceeds from disposals	**(98)**	(66)
Other investing activities	**(10)**	(11)
Capital expenditures of discontinued operations (note 8)	**(37)**	(38)
Acquisitions by discontinued operations	**(54)**	(3)
Other investing activities of discontinued operations	**(4)**	(3)
Net cash used in investing activities	**(316)**	(198)
Financing activities		
Repayments of debt (note 14)	**—**	(52)
Net borrowings of short-term loan facilities	**244**	198
Repurchase of common shares (note 9)	**(55)**	(168)
Dividends paid on preference shares	**(1)**	(1)
Dividends paid on common shares	**(153)**	(139)
Other financing activities, net	**10**	9
Net cash provided by (used in) financing activities	**45**	(153)
Translation adjustments	**—**	—
Increase (decrease) in cash and cash equivalents	**16**	(122)
Cash and cash equivalents at beginning of period	**334**	407
Cash and cash equivalents at end of period	**350**	285

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[(1)]	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 4)	**—**	**—**	**—**	**(33)**	**—**	**(33)**	**(33)**
Restated balance, December 31, 2006	**2,642**	**157**	**2,799**	**7,136**	**513**	**7,649**	**10,448**
Comprehensive income:							
Net earnings				**224**		**224**	**224**
Unrecognized net gain on cash flow hedges				**—**	**(9)**	**(9)**	**(9)**
Foreign currency translation adjustments				**—**	**25**	**25**	**25**
Net gain reclassified to income				**—**	**(3)**	**(3)**	**(3)**
Comprehensive income				**224**	**13**	**237**	**237**
Dividends declared on preference shares				**(1)**	**—**	**(1)**	**(1)**
Dividends declared on common shares				**(157)**	**—**	**(157)**	**(157)**
Common shares issued under Dividend Reinvestment Plan ("DRIP")	**4**	**—**	**4**				**4**
Repurchase of common shares (note 9)	**(5)**	**—**	**(5)**	**(50)**	**—**	**(50)**	**(55)**
Effect of stock compensation plans	**18**	**16**	**34**				**34**
Balance, March 31, 2007	**2,659**	**173**	**2,832**	**7,152**	**526**	**7,678**	**10,510**

	Stated Share Capital[(1)]	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 4)	—	—	—	—	51	51	51
Restated balance, December 31, 2005	2,599	127	2,726	6,992	296	7,288	10,014
Comprehensive income:							
Net earnings				137	—	137	137
Unrecognized net gain on cash flow hedges				—	4	4	4
Foreign currency translation adjustments				—	6	6	6
Comprehensive income				137	10	147	147
Dividends declared on preference shares				(1)	—	(1)	(1)
Dividends declared on common shares				(142)	—	(142)	(142)
Common shares issued DRIP	3	—	3				3
Repurchase of common shares (note 9)	(17)	—	(17)	(151)	—	(151)	(168)
Effect of stock compensation plans	14	10	24				24
Balance, March 31, 2006	2,599	137	2,736	6,835	306	7,141	9,877

(1) Includes both common and preference share capital

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

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 at 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 4.

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
The Company's revenues and operating profits from continuing operations are 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 will generally increase 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: 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 5: THOMSON*plus* Program

THOMSON*plus* 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 expects to incur approximately $250 million of expenses from inception through 2009 primarily related to technology and restructuring costs and consulting services. In 2006, the Company 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. These expenses consisted of severance and losses on vacated leased properties. Based on current estimates, the Company expects to incur expenses of approximately $100 million in 2007, $50 million in 2008 and $30 million in 2009. Because THOMSON*plus* is a series of initiatives, the timing of these costs and savings may shift between different calendar years.

For the three months ended March 31, 2007, the Company incurred $34 million of expenses within continuing operations associated with THOMSON*plus* consisting primarily of consulting fees and severance. The consulting costs primarily related to efforts to deploy SAP as a company-wide enterprise resource planning (ERP) system, which will continue throughout 2007 and 2008. Severance primarily related to efforts to streamline the operations of Thomson Financial. Because THOMSON*plus* is a corporate program, expenses associated with it are reported within the Corporate and Other segment. Restructuring activities represented approximately $17 million of the expense for the three months ended March 31, 2007. The liabilities associated with these restructuring activities were not material as of March 31, 2007 and December 31, 2006, respectively.

Note 6: Net Other Income

During the period, Net Other Income includes:

	Three months ended March 31,	
	2007	2006
Net gains on disposals of businesses and investments	**6**	41
Equity in net earnings of associates	**—**	1
Other expense	**—**	(4)
Net other income	**6**	38

Net gains on disposals of businesses and investments

For the three months ended March 31, 2007 and 2006, net gains on disposals of businesses and investments were comprised of a gain on sale of an equity investment.

Note 7: Income Taxes

As discussed in Note 4, 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 $69 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 March 31, 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.

Note 8: Discontinued Operations

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

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. First, it agreed to sell NETg, a leading provider of continuing corporate education and training, to SkillSoft PLC. The sale is expected to be completed in the second quarter of 2007. Second, the Company is negotiating the sale of Prometric, a global leader in assessment services, with a prospective buyer. The Company expects the sale of Prometric to be concluded in 2007. Lastly, the competitive bidding for the Company's higher education, careers and library reference businesses commenced in the first quarter of 2007. The sale of these businesses is expected to be completed in the third quarter of 2007. 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.

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.

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 months ended March 31, 2007, the Company adjusted disposal liabilities related to businesses previously sold resulting in $10 million (2006 — $3 million) of earnings from discontinued operations. These amounts are included in "Other" below.

Balance Sheet

	March 31, 2007			
	Thomson Legal	**Thomson Learning**	**Thomson Healthcare**	**Total**
Current assets:				
Accounts receivable, net of allowances	**17**	**342**	**45**	**404**
Inventory	**1**	**263**	**1**	**265**
Other current assets	**4**	**64**	**5**	**73**
Deferred income taxes	**—**	**124**	**2**	**126**
Total current assets	**22**	**793**	**53**	**868**
Non-current assets:				
Computer hardware and other property	**8**	**153**	**8**	**169**
Computer software	**7**	**153**	**1**	**161**
Identifiable intangible assets	**27**	**835**	**17**	**879**
Goodwill	**5**	**3,019**	**25**	**3,049**
Other non-current assets	**1**	**290**	**—**	**291**
Total non-current assets	**48**	**4,450**	**51**	**4,549**
Current liabilities:				
Accounts payable and accruals	**16**	**310**	**31**	**357**
Deferred revenue	**34**	**222**	**23**	**279**
Other current liabilities	**17**	**1**	**—**	**18**
Total current liabilities	**67**	**533**	**54**	**654**
Non-current liabilities:				
Other non-current liabilities	**5**	**38**	**1**	**44**
Deferred income taxes	**10**	**373**	**7**	**390**
Total non-current liabilities	**15**	**411**	**8**	**434**

	December 31, 2006			
	Thomson Legal	Thomson Learning	Thomson Healthcare	Total
Current assets:				
Accounts receivable, net of allowances	13	538	36	587
Inventory	1	252	1	254
Other current assets	3	70	5	78
Deferred income taxes	—	124	2	126
Total current assets	17	984	44	1,045
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	5	3,003	24	3,032
Other non-current assets	1	270	—	271
Total non-current assets	47	4,413	51	4,511
Current liabilities:				
Accounts payable and accruals	12	499	25	536
Deferred revenue	32	260	20	312
Other current liabilities	16	1	—	17
Total current liabilities	60	760	45	865
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 March 31, 2007				
	Thomson Legal	**Thomson Learning**	**Thomson Healthcare**	**Other**	**Total**
Revenues from discontinued operations	**20**	**414**	**27**	**—**	**461**
Earnings (loss) from discontinued operations before income taxes	**(11)**	**12**	**(8)**	**—**	**(7)**
Income taxes	**3**	**5**	**3**	**10**	**21**
Earnings (loss) from discontinued operations	**(8)**	**17**	**(5)**	**10**	**14**

	Three months ended March 31, 2006				
	Thomson Legal	Thomson Learning	Thomson Healthcare	Other	Total
Revenues from discontinued operations	32	413	29	—	474
Earnings (loss) from discontinued operations before income taxes	(7)	(109)	2	—	(114)
Income taxes	1	42	—	3	46
Earnings (loss) from discontinued operations	(6)	(67)	2	3	(68)

"Proceeds from disposal of discontinued operations" within the consolidated statement of cash flow for the three months ended March 31, 2007 represent cash received from the sale of the North American operations of Thomson Education Direct.

The carrying values of businesses disposed of during the three months ended March 31, 2007 consisted of current assets of $8 million, non-current assets of $49 million, current liabilities of $22 million and non-current liabilities of $1 million as of the date of disposal.

Note 9: Normal Course Issuer Bid

In May 2005, Thomson initiated a normal course issuer bid. Under this first program, which terminated on May 4, 2006, the Company repurchased and subsequently cancelled approximately 13.3 million shares for approximately $482 million. In May 2006, the Company renewed its normal course issuer bid to repurchase up to 15 million additional common shares. The second program commenced on May 5, 2006 and will end on May 4, 2007. Shares that it repurchases are cancelled. The Company may repurchase shares in open market transactions on the Toronto Stock Exchange or the New York Stock Exchange. The following summarizes the Company's repurchases for this second program:

Three-month period ended	Shares Repurchased	Average Price per Share	Number of Shares Available for Repurchase
June 30, 2006	1,640,000	$39.90	
September 30, 2006	1,710,600	$39.27	
December 31, 2006	1,289,400	$41.41	
March 31, 2007	1,305,000	$41.74	
Total	5,945,000	$40.45	9,055,000

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 bid 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 requirements of applicable Canadian securities laws and Rule 10b5-1 under the U.S. Securities Exchange Act of 1934.

Note 10: 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 March 31,	
	2007	2006
Earnings from continuing operations	**210**	205
Dividends declared on preference shares	**(1)**	(1)
Earnings from continuing operations attributable to common shares	**209**	204

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 March 31,	
	2007	2006
Weighted-average number of common shares outstanding	**640,275,972**	647,531,311
Vested deferred share units	**795,718**	622,161
Basic	**641,071,690**	648,153,472
Effect of stock and other incentive plans	**2,712,045**	844,632
Diluted	**643,783,735**	648,998,104

Note 11: Employee Benefit Plans
The Company's net defined benefit plan expense is comprised of the following elements:

	Pensions		Other post-retirement plans	
	Three months ended March 31,			
	2007	2006	**2007**	2006
Current service cost	**16**	16	**1**	1
Interest cost	**37**	34	**2**	2
Expected return on plan assets	**(40)**	(38)	**—**	—
Amortization of net actuarial losses	**11**	13	**1**	1
Amortization of prior service cost	**—**	—	**—**	—
Net defined benefit plan expense	**24**	25	**4**	4

Note 12: Contingencies
In February 2007, the Company entered into a settlement agreement related to a lawsuit involving its BAR/BRI business that alleged violations of antitrust laws (*Rodriguez v. West Publishing Corp. and Kaplan Inc.*). Thomson's part of the settlement is $36 million, which was accrued for in the fourth quarter of 2006. The Company expects to pay this amount in the second quarter of 2007.

In addition to the matter described above, 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 the Company's management's discussion and analysis for the year ended December 31, 2006. Except as updated and supplemented 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 its management's discussion and analysis for 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 13: Acquisitions
The number of transactions associated with continuing operations completed during the three month periods ended March 31, 2007 and 2006 and the related cash consideration were as follows:

Number of transactions	Three months ended March 31,	
	2007	2006
Businesses and identifiable intangible assets acquired	**11**	2
Investments in businesses	**—**	1

Cash consideration	Three months ended March 31,	
	2007	2006
Businesses and identifiable intangible assets acquired	**154**	130
Investments in businesses	**—**	2
Total acquisitions	**154**	132

Included in these acquisitions was the purchase of CrossBorder Solutions, a provider of tax software, in March 2007, and the purchase of Quantitative Analytics, Inc., a provider of financial database integration and analysis solutions, in March 2006.

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

	Three months ended March 31,	
	2007	2006
Goodwill	**71**	107
Identifiable intangible assets with finite lives	**77**	20

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 three-month periods ended March 31, 2007 and 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.

Note 14: Long-term Debt
In January 2006, the Company repaid $50 million of privately placed notes upon their maturity.

Note 15: Supplemental Cash Flow Information
Details of "Changes in working capital and other items" are as follows:

	Three months ended March 31,	
	2007	2006
Accounts receivable	**98**	115
Inventories	**(8)**	(4)
Prepaid expenses and other current assets	**(5)**	7
Accounts payable and accruals	**(246)**	(226)
Deferred revenue	**82**	51
Income taxes	**(14)**	(67)
Other	**(10)**	1
	(103)	(123)

Non-cash transactions
During the three months ended March 31, 2007 and 2006, the Company issued 193,412 and 189,176 shares, respectively, to employees in connection with its employee stock purchase plans. This issuance settled the liability for accumulated payroll deductions at December 31, 2006 and 2005.

Note 16: Related Party Transactions
As at March 31, 2007, The Woodbridge Company Limited ("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 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 either 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. For the year ended December 31, 2006, the total amount charged to Woodbridge for these rentals and services was approximately $2 million.

The employees of Jane's Information Group ("Jane's"), a business sold by the Company to Woodbridge in April 2001, continue to participate in the Company's pension plans in the United States and United Kingdom, as well as the defined contribution plan in the United States. Woodbridge assumed the pension liability associated with the active employees of Jane's as of the date of sale as part of its purchase. Jane's makes proportional contributions to these pension plans as required, and makes matching contributions in accordance with the provisions of the defined contribution plan.

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. These premiums were approximately $50,000 for the year ended December 31, 2006, which would approximate the premium charged by a third party insurer for such coverage.

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.

Note 17: 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.

	Three months ended March 31, 2007	
Reportable segments	**Revenues**	**Segment operating profit**
Legal	**747**	**207**
Financial	**527**	**95**
Tax & Accounting	**160**	**38**
Scientific	**149**	**34**
Healthcare	**92**	**4**
Segment totals	**1,675**	**378**
Corporate and other[1]	**—**	**(91)**
Eliminations	**(6)**	**—**
Total	**1,669**	**287**

	Three months ended March 31, 2006	
Reportable segments	Revenues	Segment operating profit
Legal	678	177
Financial	487	79
Tax & Accounting	142	30
Scientific	139	28
Healthcare	65	4
Segment totals	1,511	318
Corporate and other[1]	—	(49)
Eliminations	(4)	—
Total	1,507	269

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

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 March 31,	
	2007	2006
Segment operating profit	**287**	269
Less: Amortization	**(61)**	(60)
Operating profit	**226**	209

Note 18: 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 March 31,	
	2007	2006
Net earnings under Canadian GAAP	**224**	137
Differences in GAAP increasing (decreasing) reported earnings:		
Business combinations	**3**	4
Derivative instruments and hedging activities	**(4)**	1
Income taxes	**(46)**	(60)
Net income under U.S. GAAP	**177**	82
Earnings under U.S. GAAP from continuing operations	**172**	179
Earnings (loss) under U.S. GAAP from discontinued operations	**5**	(97)
Net income under U.S. GAAP	**177**	82
Basic and diluted earnings (loss) per common share under U.S. GAAP from:		
Continuing operations	**$ 0.27**	$ 0.27
Discontinued operations, net of tax	**—**	(0.15)
Basic and diluted earnings per common share(1)	**$ 0.27**	$ 0.12

(1) Earnings per common share is calculated after taking into account dividends declared on preference shares.

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 4.

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.

The income tax adjustment consists of the following:

	Three months ended March 31,	
	2007	2006
Additional provision due to different accounting principles described above	**(46)**	(58)
Tax effect of U.S. GAAP pre-tax reconciling items	**—**	(2)
Total income taxes per reconciliation	**(46)**	(60)

As discussed in Note 4, 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 19: Subsequent Events
In April 2007, the Company completed its sale of Thomson Medical Education. The Company anticipates recording a post-tax gain on the sale.

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