

Consolidated Statement of Earnings
(millions of U.S. dollars, except per common share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues	2,430	2,304	6,431	6,039
Cost of sales, selling, marketing, general and administrative expenses	(1,632)	(1,556)	(4,735)	(4,463)
Depreciation	(174)	(166)	(474)	(451)
Amortization	(75)	(66)	(226)	(225)
	549	516	996	900
Operating profit				
Net other (expense) income (1)	(5)	(17)	36	(14)
Net interest expense and other financing costs	(60)	(59)	(169)	(169)
Income taxes	(96)	(141)	(122)	(48)
	388	299	741	669
Earnings from continuing operations				
Earnings (loss) from discontinued operations, net of tax	31	10	(12)	15
	419	309	729	684
Net earnings				
Dividends declared on preference shares	(1)	(1)	(4)	(3)
	418	308	725	681
Earnings attributable to common shares				
Basic and diluted earnings per common share	\$0.65	\$0.47	\$1.12	\$1.04
Basic weighted average common shares	642,384,089	654,404,078	645,000,569	655,291,124
Diluted weighted average common shares	644,419,186	655,701,229	646,734,711	656,152,584

Reconciliation of Earnings Attributable to Common Shares to
Adjusted Earnings from Continuing Operations (2)
(millions of U.S. dollars, except per common share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005

Earnings attributable to common shares	418	308	725	681
Adjustments:				
One time items:				
Net other expense (income)	5	17	(36)	14
Tax on above items	--	1	(1)	1
Release of tax credits	--	--	--	(137)
Interim period effective tax rate normalization (3)	(1)	15	(15)	(9)
Discontinued operations	(31)	(10)	12	(15)
Adjusted earnings from continuing operations	391	331	685	535
Adjusted diluted earnings per common share from continuing operations	\$0.61	\$0.50	\$1.06	\$0.82

Notes

- "Equity in net losses of associates, net of tax" has been reclassified to "Net other income" in the previous period to conform to the current period's presentation. For the nine month period ended September 30, 2006, net other income primarily represents the gain on the sale of WebCT.
- Adjusted earnings from continuing operations and adjusted earnings per common share from continuing operations are earnings attributable to common shares and per share amounts after adjusting for non-recurring items, discontinued operations, and other items affecting comparability. Thomson uses 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.
- Adjustment to reflect income taxes based on the estimated full-year effective tax rate of the consolidated group. Reported earnings for interim periods reflect income taxes based on estimated effective tax rates of each of the group's jurisdictions. The adjustment reallocates estimated full-year income taxes between interim periods, but has no effect on full-year income taxes.

Consolidated Balance Sheet (millions of U.S. dollars) (unaudited)

	Sept. 30, 2006	Dec. 31, 2005
Assets		
Cash and cash equivalents	491	407
Accounts receivable, net of allowances	1,654	1,639
Inventories	323	314
Prepaid expenses and other current assets	363	316
Deferred income taxes	248	248
Current assets of discontinued operations	72	86

Current assets	3,151	3,010
Computer hardware and other property, net	711	757
Computer software, net	733	743
Identifiable intangible assets, net	4,348	4,386
Goodwill	9,299	8,891
Other non-current assets	1,406	1,374
Non-current assets of discontinued operations	128	277
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Total assets	19,776	19,438
	=====	=====
Liabilities and shareholders' equity		
Liabilities		
Short-term indebtedness	519	191
Accounts payable and accruals	1,501	1,686
Deferred revenue	1,019	994
Current portion of long-term debt	276	98
Current liabilities of discontinued operations	109	139
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Current liabilities	3,424	3,108
Long-term debt	3,785	3,983
Other non-current liabilities	824	812
Deferred income taxes	1,530	1,536
Non-current liabilities of discontinued operations	20	36
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Total liabilities	9,583	9,475
Shareholders' equity		
Capital	2,768	2,726
Retained earnings	6,970	6,992
Accumulated other comprehensive income	455	245
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Total shareholders' equity	10,193	9,963
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Total liabilities and shareholders' equity	19,776	19,438
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Consolidated Statement of Cash Flow
(millions of U.S. dollars)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
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Cash provided by (used in):				
Operating activities				
Net earnings	419	309	729	684
Remove (income) loss from discontinued operations	(31)	(10)	12	(15)
Add back (deduct) items not involving cash:				
Depreciation	174	166	474	451
Amortization	75	66	226	225
Net gains on disposals of businesses and investments	--	(4)	(44)	(5)
Loss from redemption of bonds	--	23	--	23
Deferred income taxes	(8)	23	(3)	26

Other, net	61	43	208	11
Voluntary pension contribution	--	(11)	(5)	(11)
Changes in working capital and other items	(67)	(71)	(270)	(214)
Cash provided by operating activities - discontinued operations	10	6	2	25
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Net cash provided by operating activities	633	540	1,329	1,200
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Investing activities				
Acquisitions	(225)	(149)	(443)	(245)
Proceeds from disposals	--	3	60	4
Capital expenditures, less proceeds from disposals	(155)	(135)	(395)	(389)
Other investing activities	(14)	(11)	(39)	(25)
Capital expenditures of discontinued operations	(2)	(3)	(5)	(8)
Proceeds from (income taxes paid on) disposals of discontinued operations	86	--	105	(105)
Other investing activities of discontinued operations	--	(3)	--	(3)
Net cash used in investing activities	(310)	(298)	(717)	(771)
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Financing activities				
Proceeds from debt	--	400	--	400
Repayments of debt	--	(411)	(73)	(556)
Net borrowings under short-term loan facilities	143	129	299	289
Premium on debt redemption	--	(22)	--	(22)
Repurchase of common shares	(67)	(84)	(358)	(129)
Dividends paid on preference shares	(1)	(1)	(4)	(3)
Dividends paid on common shares	(138)	(128)	(415)	(378)
Other financing activities, net	5	10	21	23
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Net cash used in financing activities	(58)	(107)	(530)	(376)
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Translation adjustments	2	(2)	2	(7)
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Increase in cash and cash equivalents	267	133	84	46
Cash and cash equivalents at beginning of period	224	318	407	405
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Cash and cash equivalents at end of period	491	451	491	451
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Reconciliation of Net Cash Provided by Operating Activities to Free Cash
Flow(1)
(millions of U.S. dollars)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Net cash provided by operating activities	633	540	1,329	1,200
Capital expenditures	(155)	(135)	(395)	(389)
Other investing activities	(14)	(11)	(39)	(25)
Capital expenditures of discontinued operations	(2)	(3)	(5)	(8)
Dividends paid on preference shares	(1)	(1)	(4)	(3)
Free cash flow	<u>461</u>	<u>390</u>	<u>886</u>	<u>775</u>

(1) Free cash flow is net cash provided by operating activities less capital expenditures, other investing activities and dividends paid on preference shares. Thomson uses free cash flow as a performance measure because it represents cash available to repay debt, pay common dividends and fund new acquisitions.

Business Segment Information*
(millions of U.S. dollars)
(unaudited)

	Three Months Ended			Nine Months Ended		
	September 30,			September 30,		
	2006	2005	Change	2006	2005	Change
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Revenues:						
Legal & Regulatory	903	843	7%	2,658	2,458	8%
Learning	794	776	2%	1,632	1,561	5%
Financial	505	475	6%	1,489	1,403	6%
Scientific & Healthcare	233	216	8%	669	633	6%
Intercompany eliminations	(5)	(6)		(17)	(16)	
Total revenues	<u>2,430</u>	<u>2,304</u>	5%	<u>6,431</u>	<u>6,039</u>	6%
Operating Profit:						
Segment operating profit						
Legal & Regulatory	278	249	12%	759	677	12%
Learning	250	246	2%	216	208	4%

Financial	97	85	14%	268	225	19%
Scientific & Healthcare	49	41	20%	127	110	15%
Corporate and other (1)	(50)	(39)		(148)	(95)	
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Total segment operating profit	624	582	7%	1,222	1,125	9%
Amortization	(75)	(66)		(226)	(225)	
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Operating profit	549	516	6%	996	900	11%
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*Notes to business segment information for continuing operations

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

Detail of depreciation by segment:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
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Legal & Regulatory	55	49	160	147
Learning	64	62	147	136
Financial	44	42	134	133
Scientific & Healthcare	9	9	27	27
Corporate and other	2	4	6	8
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	174	166	474	451
	=====	=====	=====	=====

Source: The Thomson Corporation