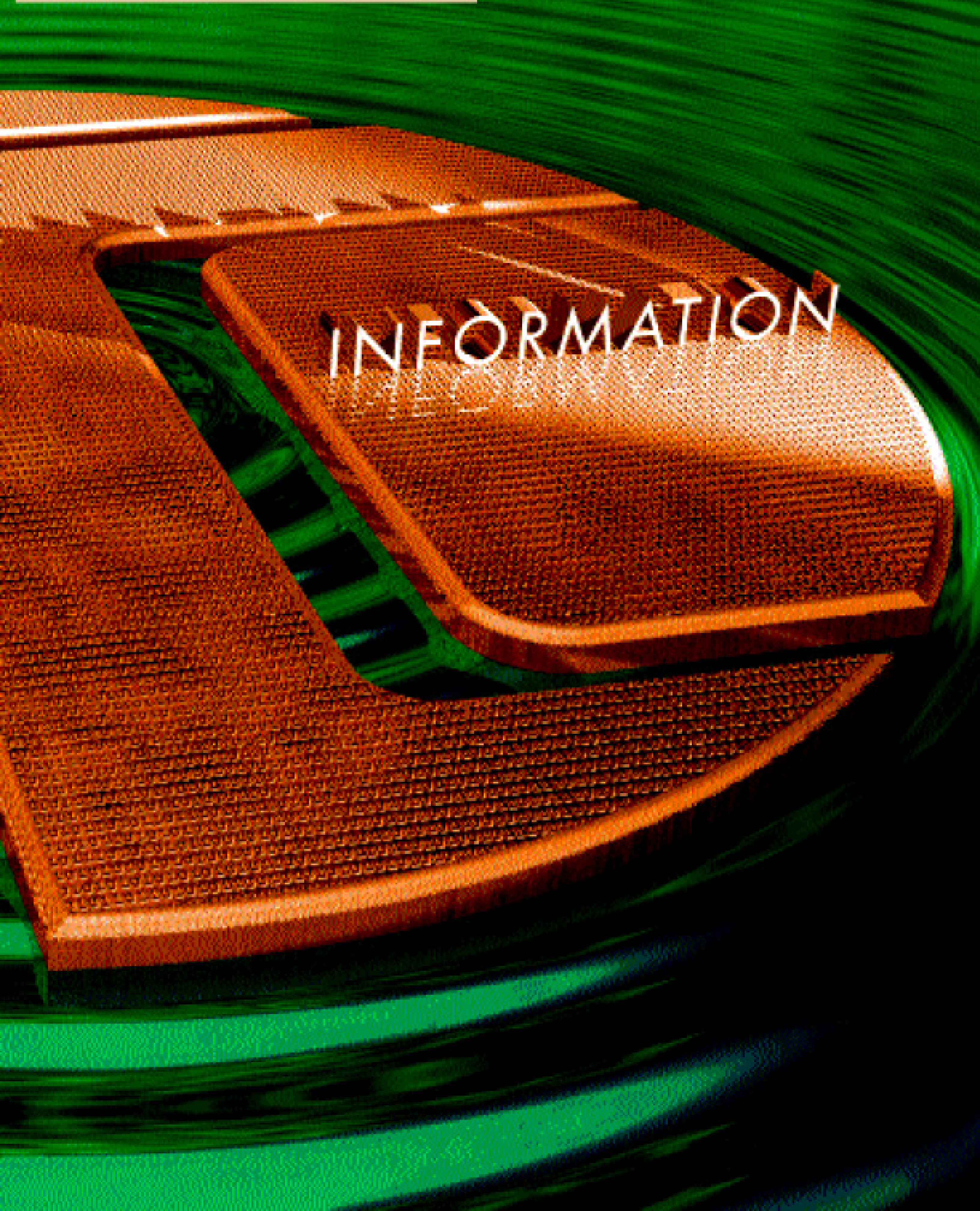
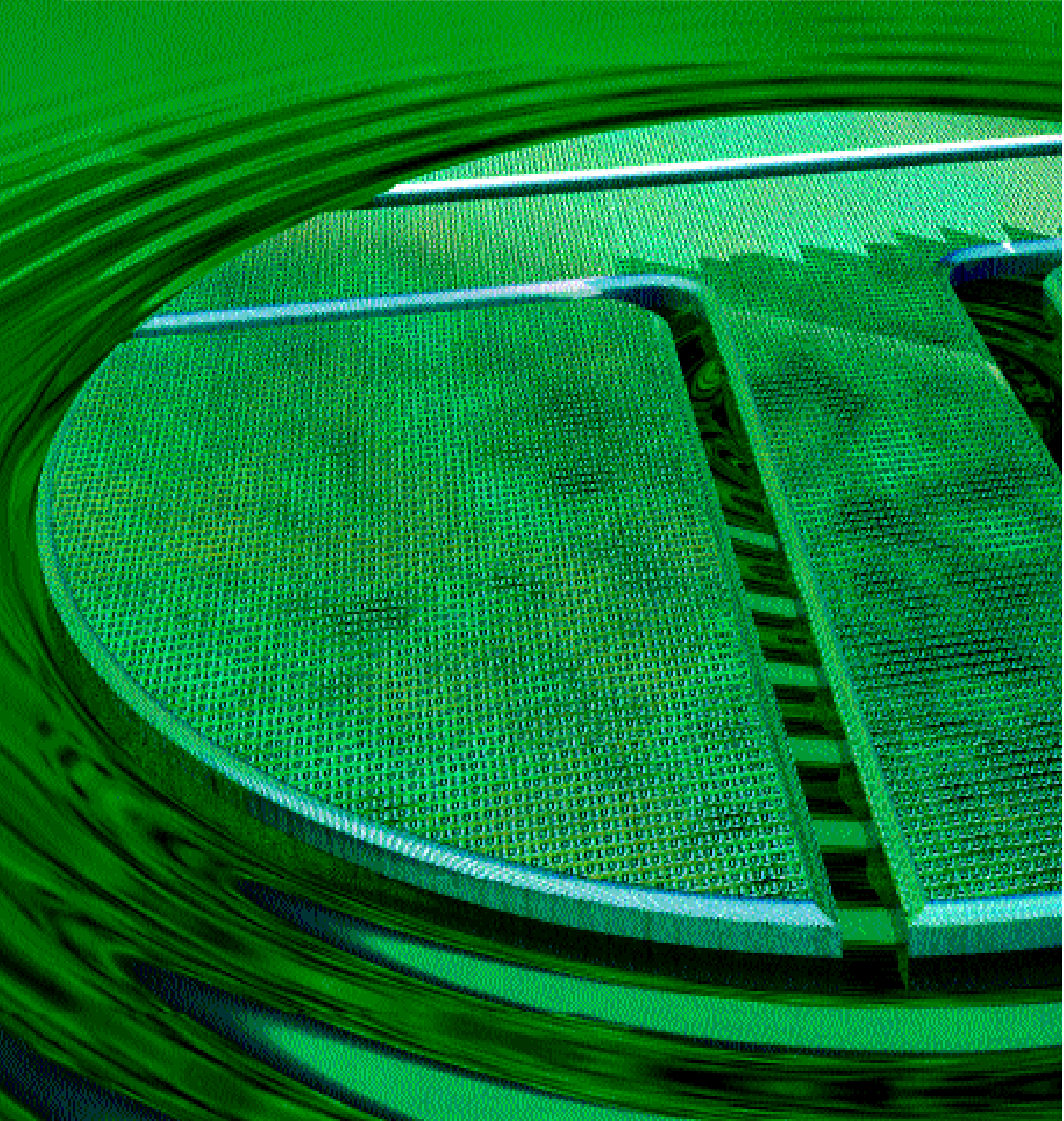
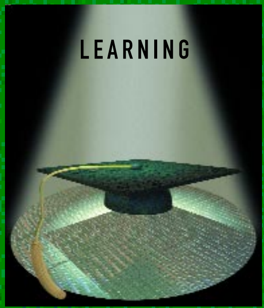
THE THOMSON CORPORATION



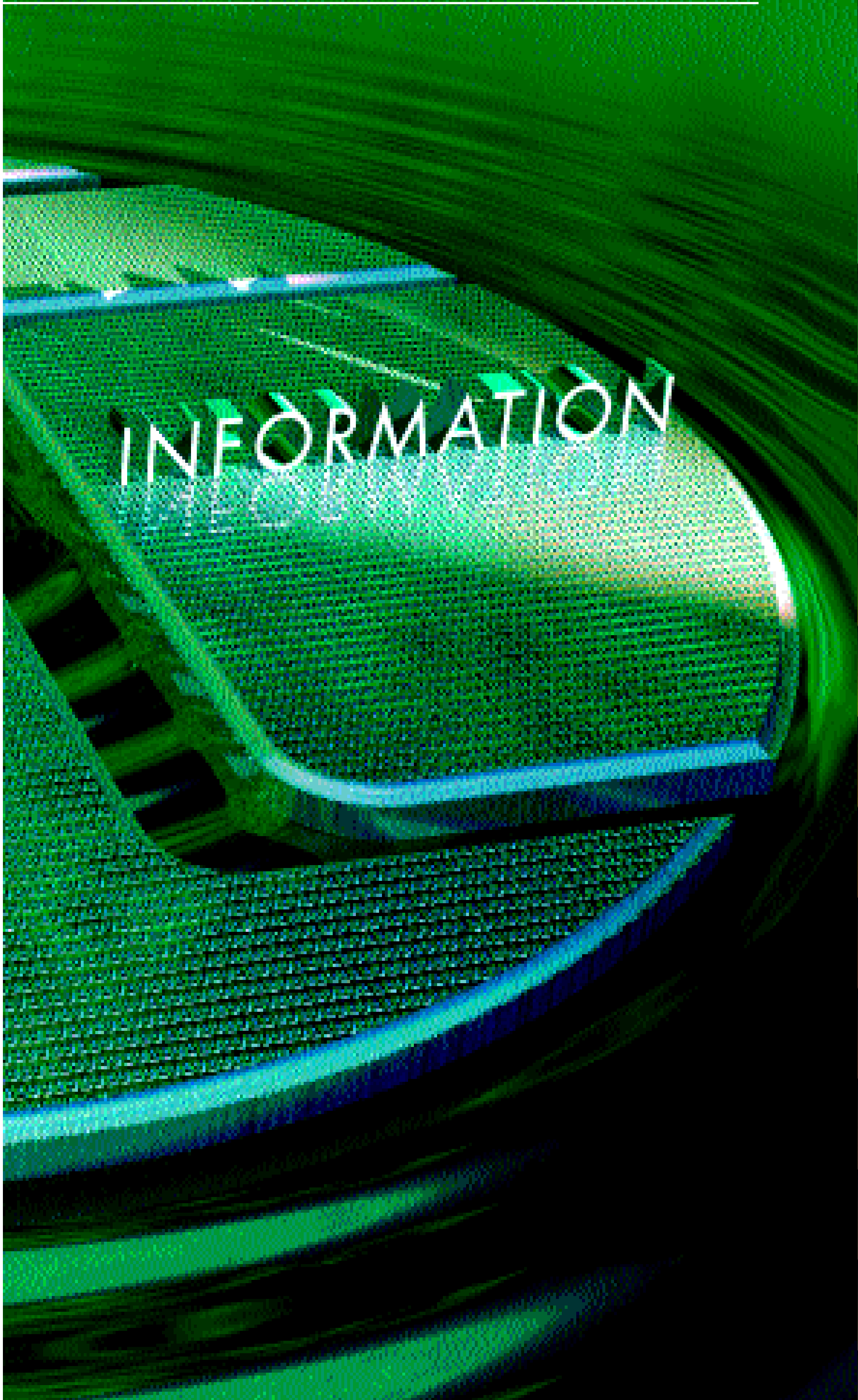
We aspire to be the world's foremost information business



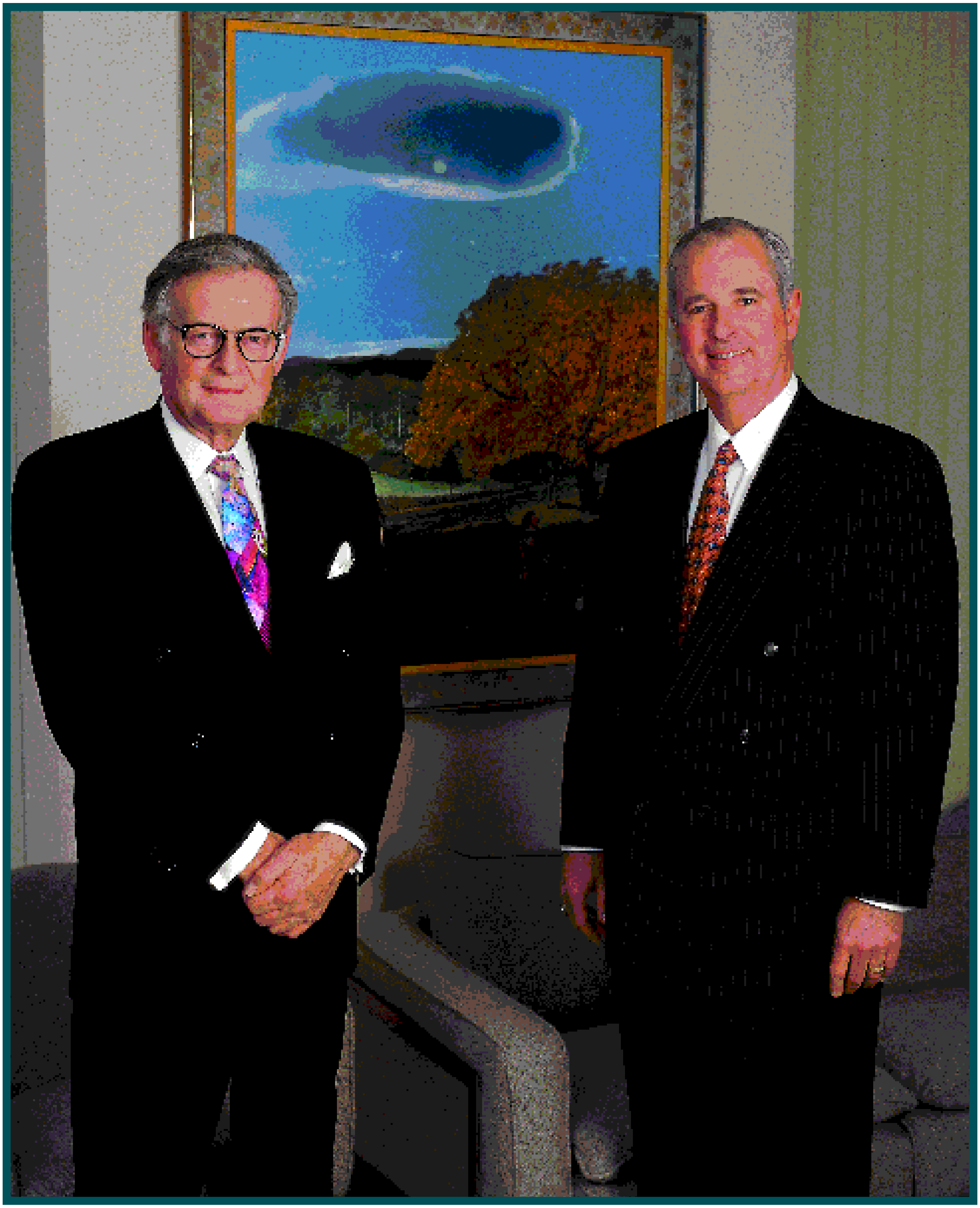

REFERENCE,
SCIENTIFIC
& HEALTHCARE


LEARNING

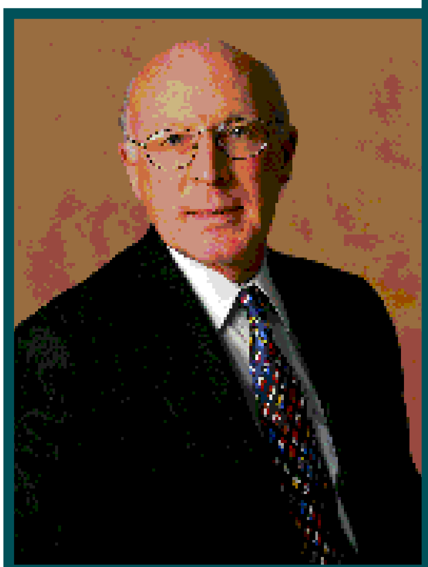

NEWSPAPERS


INFORMATION

CONTENTS



Kenneth R Thomson, Chairman (left) with Richard J Harrington, President and Chief Executive Officer



Clockwise from top:

David H Shaffer
Executive Vice President/
Chief Operating Officer

Theron S Hoffman
Executive Vice President,
Human Resources

Robert D Daleo
Executive Vice President/
Chief Financial Officer

W Michael Brown
Deputy Chairman

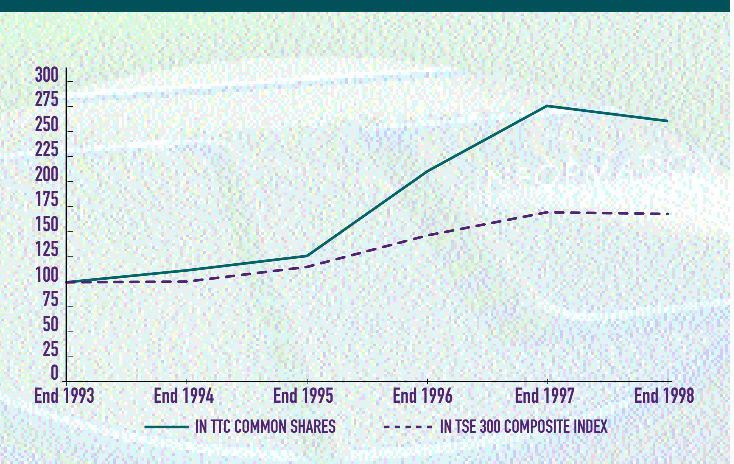
1998 DEFINING ACHIEVEMENTS

- The strategic transformation of The Thomson Corporation (TTC) into an information company was completed with the successful sale in May of our leisure travel interests.

- Achieved growth from continuing businesses of 11.4% in sales, 12.7% in EBITDA and 10.1% in operating profit. Notable contributions from the Legal & Regulatory, Financial and Newspaper groups. Earnings per common share from continuing operations excluding disposal gains and Year 2000 costs increased by 31.7%.

- About 38% of sales in electronic formats, including approximately $200 million of Internet revenues.

CUMULATIVE VALUE OF A CDN $100 INVESTMENT ASSUMING REINVESTMENT OF DIVIDENDS



TTC value increased by 21% a year, almost twice the rate of the TSE 300

- Continued substantial reinvestment into the business. Cash investment of $150 million in business development; *KeyCite*, *CHECKPOINT*, *RBWeb* and *The Web of Science* are examples of major new products which came to fruition during the year. Net capital expenditures totalled $531 million, of which $328 million related to computer hardware and software to increase our capacity to produce and deliver electronic products and solutions.

- Further strengthened our market positions through the completion of 70 acquisitions for a net cash consideration of $830 million. Continued to refine our strategy and focus with the disposal of 30 non-core businesses for cash proceeds of $410 million.

- Streamlined our management structure and appointed David H Shaffer as Chief Operating Officer, to have direct responsibility for five clearly-focused market groups.

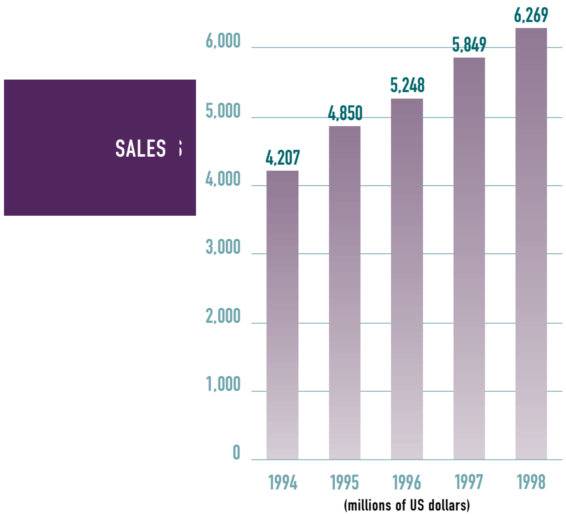
- Substantially strengthened our balance sheet. The ratio of net debt to shareholders' equity at December 31, 1998 was 0.37:1 compared with 0.76:1 a year earlier. Substantial debt capacity now available to finance organic development and compelling acquisitions.

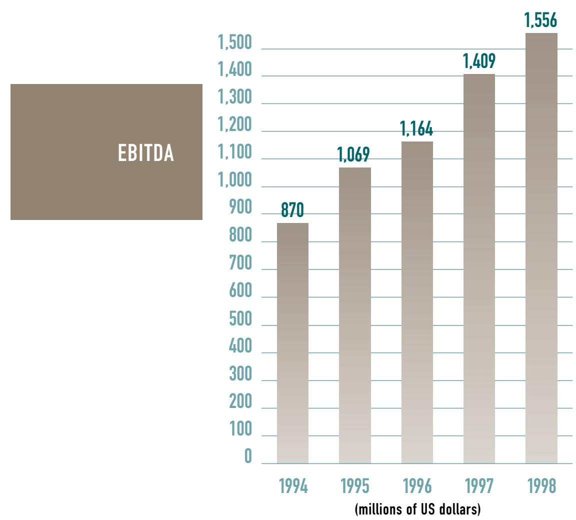
- Completed a comprehensive review of the Year 2000 issue, and made excellent progress towards full compliance.

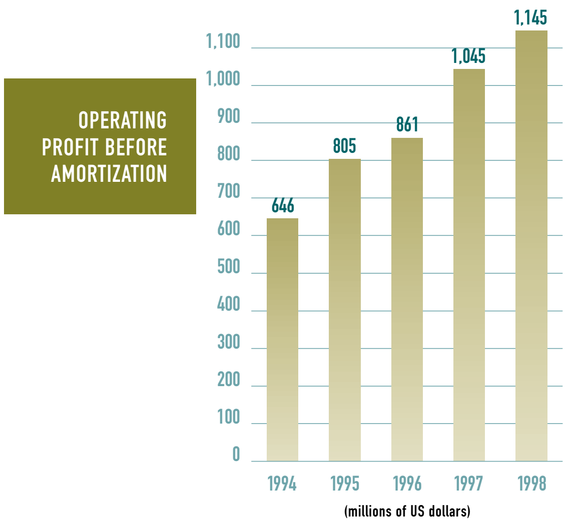
SUMMARIZED EARNINGS STATEMENT

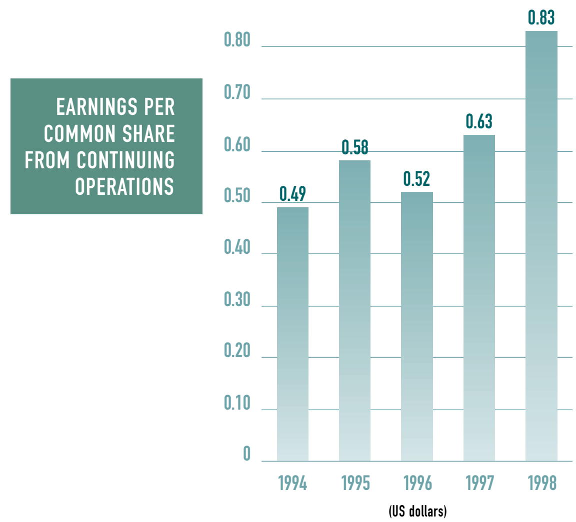
(millions of US dollars except per common share amounts)	**1998**	1997	% increase
Sales	**6,269**	5,849	7.2
Earnings before interest, tax, depreciation, amortization and Year 2000 costs (EBITDA)	**1,556**	1,409	10.4
Operating profit before amortization and Year 2000 costs	**1,145**	1,045	9.6
Earnings from continuing operations	**474**	399	18.8
Earnings per common share from continuing operations	**$0.77**	$0.66	16.7
Earnings from continuing operations excluding disposal gains and Year 2000 costs	**511**	385	32.7
Earnings per common share from continuing operations excluding disposal gains and Year 2000 costs	**$0.83**	$0.63	31.7

Includes results of continuing businesses and disposals to the date of sale.









The global information industry is expanding at a remarkable pace. In this environment, The Thomson Corporation (TTC) is recognized as a leader in providing quality products and innovative ideas and solutions to its customers. Our marketplaces have been carefully selected, each with attractive growth potential. With our solid foundation, our focus on information businesses and our committed team, we are confident that we are at the dawn of a very exciting future and will continue to create increasing value for our shareholders.

We are focused

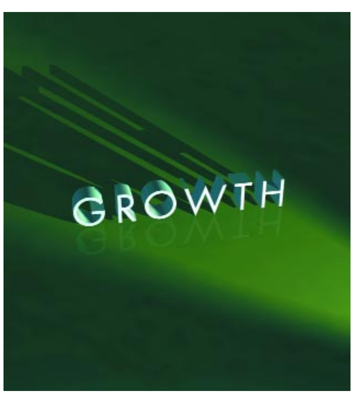
The successful sale of our leisure travel business in May 1998 was a landmark event. This disposal completed our deliberate and strategic transformation into an information company, and contributed materially to our very strong balance sheet.

Since 1993, we have invested $6.1 billion in acquisitions to supplement our core information businesses; $425 million in major business development initiatives (MBDIs) and $2 billion on capital assets, driven by the ever-increasing pace of technological changes and opportunities. In the same period, we realized $2.5 billion from the sale of publishing activities which did not fit our strategic direction. We are continuously assessing our marketplaces and businesses, and are growing strategically.

Over the past five years, our information revenues have grown by $2.4 billion – an achievement almost equivalent to creating a Fortune 500 company. In 1998, our revenues from continuing businesses were $6.1 billion, making TTC one of the largest corporations of its kind in the world.

We are positioned for continued growth

Our focus is on providing indispensable insight and information critical to the success of our customers. Today, TTC is concentrated in market sectors where we see excellent opportunities for long-term growth:



- legal and regulatory
- financial
- reference, scientific and healthcare
- learning, and
- newspapers.

These are substantial, growing marketplaces where good and sustainable profits can be made.

We aim to achieve superior shareholder value, empowering our people to help customers become more successful by providing them with indispensable information, insight and solutions.

Our businesses are market leaders

We are leaders in many of the marketplaces in which we compete. West Group has a pre-eminent position in US legal. Derwent Information, based in the UK, is the world's foremost value-added patent information provider. Law Book Company leads the Australian legal marketplace. The Gale Group is number one in the US library reference market. First Call and ILX Systems are widely recognized for their leadership positions in providing information and 'work solutions' to the financial community. In newspapers, *The Globe and Mail* is Canada's national newspaper. Thomson Newspapers' strategic marketing groups, with strong news and information products as well as an array of marketing services, hold leading positions in each of their regional markets.

We are financially strong

Our balance sheet has never been stronger. The net proceeds of some $2 billion from the sale of our leisure travel interests helped us to reduce net debt to $2.5 billion at December 31, 1998. Our ratio of net debt to shareholders' equity has improved to 0.37:1 from 0.76:1 a year earlier. As a result, we have substantial capacity to fund the development of new products in our existing market groups, as well as to finance compelling acquisitions that fit our strategy.

In 1998, we achieved an 11.4% increase in sales from continuing businesses, a 12.7% increase in EBITDA, and a 10.1% increase in operating profit. Earnings per common share from continuing operations excluding disposal gains and Year 2000 costs were 31.7% higher than in 1997.

We have changed the composition of our revenue streams in recent years so that 70% is now derived from subscription-type services and less than 13% from advertising, thus ensuring much greater stability.

MANAGEMENT CHANGES

David H Shaffer, Executive Vice President and a director of TTC, was promoted to the position of Chief Operating Officer to have operating responsibility for the market groups.

Robert D Daleo, Executive Vice President, was appointed Chief Financial Officer in succession to Nigel Harrison, who is maintaining a continuing consulting role with the Corporation. Nigel played a major part in the transition of TTC from a conglomerate to a highly-focused information business, and we are very grateful for his commitment and contribution over a 25-year span.

Andrew G Mills stepped down as a director of TTC. He played a key role in the development and growth of TTC in the financial and legal and regulatory arenas, and we are pleased that he remains with the Corporation in an advisory capacity during a transition period.

We have a new structure and management team

In 1998, we streamlined our management structure. It is now flatter and better able to recognize and respond quickly to the ever-changing and increasing needs of our customers. At the same time, we have built a new, yet very experienced, senior management team. Dave Shaffer was appointed Chief Operating Officer to help achieve further growth and efficiencies across all our businesses, supporting our market group chief executive officers who are implementing our strategies within their groups. They join Bob Daleo, our newly-appointed Chief Financial Officer; Jim Rutt, Chief Technology Officer; and 'T' Hoffman, Executive Vice President, Human Resources, to form the nucleus of the senior executive committee which is charged with driving the business forward.

We want to be the 'Employer of Choice'

Becoming the 'Employer of Choice' is at the core of our strategic vision. We believe passionately that our people make the difference. They are the foundation through which we will implement our business strategies, enabling us to succeed in an environment of rapid change and increasingly intense competition. We therefore continue to make every effort to retain and attract the most talented people in our industry.

We have expanded the role of Thomson University, an internal, continuous learning facility that includes best practice and leadership seminars, on-the-job training, leadership development, post-graduate education and special assignments. Our recruitment process has been strengthened, and we continue to work hard at developing the TTC team for the future by improving our internal selection processes and worldwide succession plans, as well as compensation packages that reflect breadth of responsibility and encourage and reward outstanding performance.

Achieving our vision

We aspire to be the world's foremost information business. Building on the strengths we have already highlighted, we aim to achieve our vision through four strategic imperatives:

Sharpen our market focus

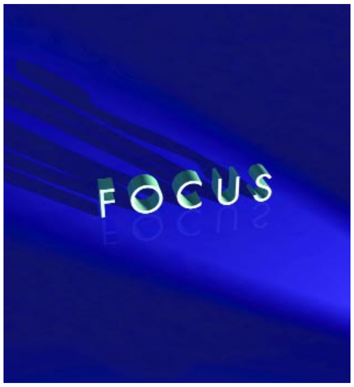
Within all our information marketplaces, we are sharpening our focus. In financial services, for example, rather than creating and selling products across the broad spectrum of the market, we are now targeting high-potential vertical markets such as commercial or investment banks, brokers and dealers, and institutional investors. We will develop and deliver specific products and services that our customers need as they expand domestically and internationally. In education, we have also begun a major transformation towards becoming the leading provider of learning solutions to the academic, lifelong learning and corporate training marketplaces.

As a corollary, we will divest businesses that do not fit our portfolio of core activities or which do not have a reasonable prospect of achieving market leadership.

Invest for growth

We believe that innovation in our market groups and our internally-funded MBDI programs are the key to our future growth. Across TTC, there are currently 40 such development programs in place. In 1998, we launched 16 new initiatives requiring a total investment of almost $150 million, and we plan to make similar commitments in each of the next three years.

We continue to seek acquisitions that complement our market groups and which provide strategic advantages. Over the next three years, we plan to spend more than $1.5 billion on capital assets, of which more than half will be invested in technology. These investments will not only improve the effectiveness and efficiency of our operations, but will also enable us to deliver innovative new services to our customers. We are placing great emphasis on Internet distribution and Web technologies, which are creating exceptional growth opportunities for each of our market groups.



Gain more value from our assets

Our people, processes and product have a broad range of capabilities, and we can increase operating margins by using these assets more efficiently and creatively. As we strive for growth, wherever possible we will leverage the editorial content, business systems, delivery platforms and infrastructure of more than one business or product.

We are already realigning and integrating those businesses which serve the same marketplaces and customers. In the library reference market, for example, we have formed The Gale Group by combining the rich editorial content of Gale Research and Primary Source Media with the electronic delivery capabilities and brands of Information Access Company.

The Learning Group's *CollegeQuest* MBDI is an excellent example of combining information and technology to provide an Internet-based college application process for students and an admissions tool for US educational institutions.

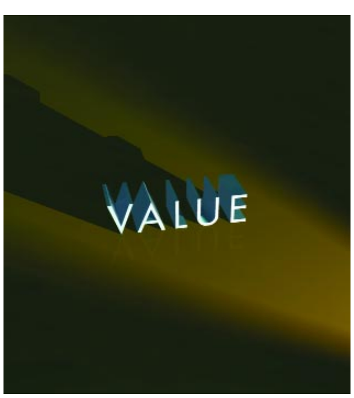
Expand internationally

Four forces of change are driving the information industry today:

- the trend to free-market economies;
- rapidly changing technology;
- consolidation among information customers and providers; and
- changing demographics.

Creating a dynamic and competitive international marketplace, these forces are strongest in North America and Europe, but are increasingly evident in Asia and Latin America.

To gain leadership in growing vertical segments within the carefully selected international marketplaces we target, each market group has a dedicated senior executive with responsibility for leading its international expansion. To support these efforts, we have also increased our international development funding.



In 1998, we were successful in acquiring FT Law and Tax, operating in the UK and Hong Kong, and a UK-based mergers and acquisitions information business. We are confident of achieving strong ongoing growth in our operations outside North America.

People are the reason for TTC's success.

We are committed to providing an environment that enables continuous learning and development, supports open and honest communication, and maintains the highest standards of business ethics and integrity. We value diversity and are committed to supporting our people to realize their full potential. We strive to be the 'Employer of Choice'.

Our future

We have leading market positions and a strong financial base. We are confident about our prospects, but recognize the need to remain focused, agile and committed.

Our determination to fully capitalize on our business opportunities and to achieve superior, sustainable growth and returns over the long term will require us to optimize the balance between revenue growth and overall returns – and to be exceptional in both.

Our goal is for each market group to grow faster than its marketplace, and to achieve a net earnings growth rate above that of our principal competitors.

Our continuing success rests upon our clear corporate vision, the confidence of our board of directors, the support of our shareholders and, most of all, on the dedication of our people.

It will continue to be a remarkable time for The Thomson Corporation.

Approved by the Board

K. R. Thomson

Kenneth R Thomson,
Chairman

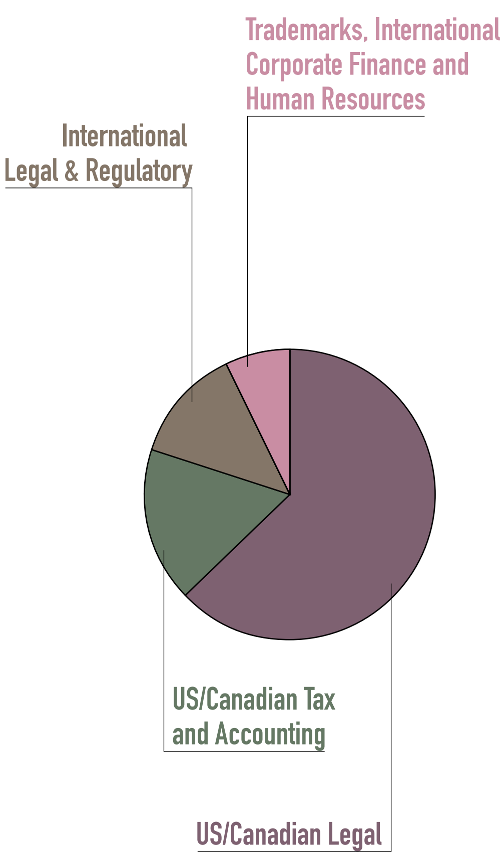
Richard J Harrington

Richard J Harrington,
President and Chief Executive Officer

With sales of $2.2 billion, the LEGAL & REGULATORY GROUP is one of the leading providers of information and software-based solutions to law, tax, accounting, trademark, corporate finance and human resources professionals around the world. Approximately 84% of sales are to the US marketplace with the balance principally to marketplaces in the UK (5%), mainland Europe, Canada, the Asia-Pacific region and Latin America.

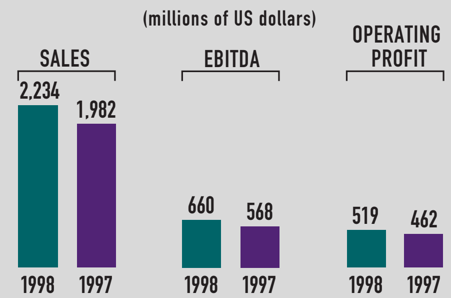
MARKETS SERVED & TTC POSITION	MAJOR TTC BUSINESSES & BRANDS
US/CANADIAN LEGAL • $3 billion market; 5% annual growth • A leading position CUSTOMERS • Law firms from sole practitioners to multinationals • Corporations and consultancies • Government agencies • The judiciary	• Bancroft Whitney • Banks-Baldwin • Carswell (Canada) • Clark Boardman Callaghan • Federal Publications • Foundation Press • Information America • Lawyers Cooperative Publishing • Les Editions Yvon Blais (Canada) • The Rutter Group • Westlaw • West Publishing Company
US/CANADIAN TAX AND ACCOUNTING • $1.25 billion market; 5% annual growth • A leading position CUSTOMERS • Large and local accounting firms • Corporations • Trust departments of financial institutions	• Computer Language Research • Creative Solutions • Practitioners Publishing Company • Research Institute of America • SCS Compute
INTERNATIONAL LEGAL & REGULATORY • $3.25 billion market; 5%–6% annual growth • Strong position in UK and Scandinavia; steadily increasing market presence in several other domestic markets CUSTOMERS • Large, medium and small law firms • Accounting firms from sole practitioners to multinationals	• Brooker's (New Zealand) • Centre for Professional Development (Australia) • Danish Legal and Professional Group • FT Law and Tax (UK) • Gee Publishing (UK) • W Green & Son (Scotland) • Round Hall (Ireland) • Swedish Legal and Professional Group • Sweet & Maxwell Group (UK) • The Law Book Company (Australia) • Thomson Tax (UK) • West Online International
TRADEMARKS, INTERNATIONAL CORPORATE FINANCE AND HUMAN RESOURCES *Trademarks:* $200 million market; 4% annual growth; a leading position *Corporate finance:* substantial US and international market; 15% annual growth overall; building positions *Human resources:* substantial marketplace; growing rapidly; no leading participants CUSTOMERS • Trademark and copyright lawyers • Corporate accounting and finance professionals	*Trademarks:* • Brandy International (Japan) • Compu-Mark (Belgium) • Skriptor (Sweden) • Thomson & Thomson *Corporate finance:* • Research Institute of America • Warren Gorham & Lamont *Human resources:* • Alignmark • Electronic Selection Systems • Multimedia Learning • Research Institute of America • Warren Gorham & Lamont • Wisdom Link

LEGAL & REGULATORY – SALES



Brian Hall
President/Chief Executive Officer

- Impressive online performance by core legal business
- Newly-launched *westlaw.com* exceeding expectations
- Attained a leading position in US tax and accounting



See page 28 for basis of presentation.

BUSINESS ENVIRONMENT

- Top three service providers account for a substantial proportion of marketplace
- Increasing use of the Internet by legal professionals

- Consolidation of accounting firms creating new marketplace among multinationals; top three service providers account for a substantial proportion of marketplace
- Increasing Internet use leading to demands for more sophisticated products and services

- Industry consolidation
- A multi-domestic marketplace where prospects are linked to the growth of Internet use

Trademarks: becoming an increasingly valuable asset; strong growth in European trademark searching

Corporate finance: a high-growth marketplace

Human resources: fragmented and rapidly-changing marketplace with opportunities to develop leading positions

PRINCIPAL STRATEGIES

- Fuel online as the principal growth engine and expand Internet offerings
- Establish *KeyCite* (launched in 1997) as the preferred US citation service
- Provide broader services around high added-value content

- Leverage assets, content and marketplace presence
- Develop the Internet as the primary delivery platform
- Broaden and deepen product content and extend existing product lines

- Subdivide marketplace into key areas of opportunity; primary focus on Europe and Asia-Pacific
- Launch new products and online/Internet offerings; provide content and software to major multinational corporations
- Invest in high quality software and content in key local marketplaces

Trademarks: target new global market opportunities with expanded product line, especially Internet offerings

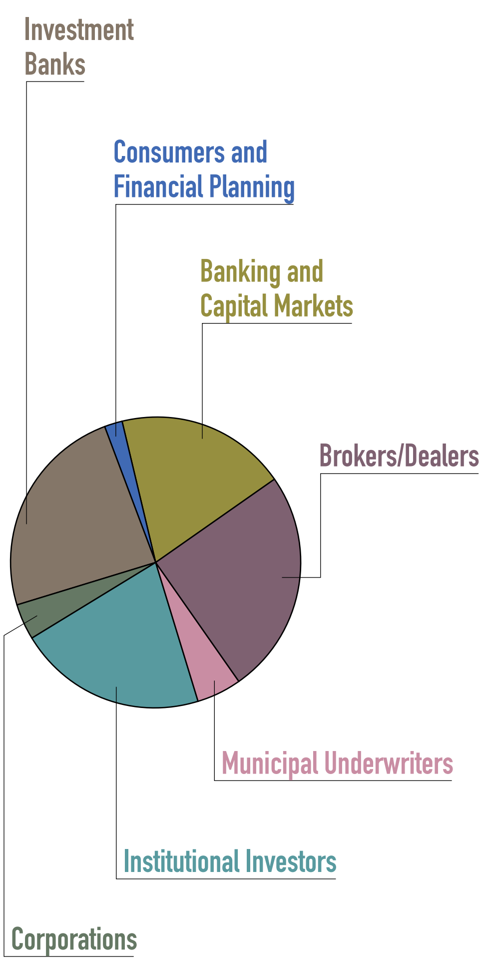
Corporate finance: invest in high-quality products and services targeted towards medium-sized corporations, and expand market presence into more specialized niches

Human resources: focus on broader product offerings and build scale internationally

FUNDAMENTALS: Financial

THOMSON FINANCIAL (TF) provides a comprehensive range of indispensable information and customizable solutions to decision-makers within the global financial community. TF holds a 10% share of the global market for financial information services and solutions, estimated at more than $10 billion and forecast to grow 8% to 9% annually over the next five years. TF serves customers in more than 70 countries. Approximately 83% of sales are to the North American market, with the balance coming primarily from Europe, Latin America, Australia and other countries in the Asia-Pacific region, particularly Japan.

FINANCIAL – SALES

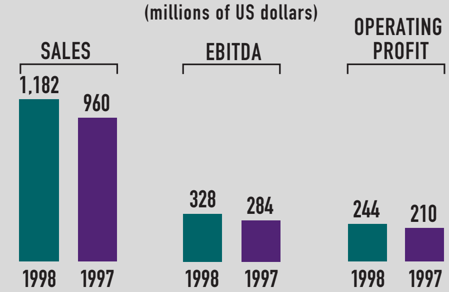


MARKETS SERVED & TTC POSITION	MAJOR TTC BUSINESSES & BRANDS
BROKERS/DEALERS • Leadership positions in all niche markets served	• AutEx • BETA Systems • digiTrade • ILX Systems
INVESTMENT BANKS • Leadership positions in most niche markets served	• The Investext Group • Securities Data Company • Securities Data Publishing • Valorinform
INSTITUTIONAL INVESTORS • Leadership positions in all niche markets served	• First Call Corporation • PORTIA • Thomson Electronic Settlements Group • Thomson Global Markets
BANKING AND CAPITAL MARKETS • Leadership positions in all niche markets served	• American Banker • Faulkner & Gray • International Financing Review • Thomson Financial Publishing • Thomson Financial Ratings
MUNICIPAL UNDERWRITERS • Leadership positions in most niche markets served	• The Bond Buyer • Thomson Financial Municipals Group
CORPORATIONS • Leadership positions in all niche markets served	• Institutional Shareholder Services • Thomson Financial Investor Relations
CONSUMERS AND FINANCIAL PLANNING • Building position	• Thomson Investors Network • Wiesenberger

David Flaschen
President/Chief Executive Officer

- $1 billion annual revenues for the first time
- Seventh year of double-digit profit growth
- Twenty acquisitions complemented strong organic growth

(millions of US dollars)



See page 28 for basis of presentation.

BUSINESS ENVIRONMENT	PRINCIPAL STRATEGIES
• US market trading volumes remain strong • Rapid movement towards 'straight-through' transaction processing from trade to settlement	• Increase service capacity to ensure product performance during periods of exceptionally high volumes • Develop add-on services to existing offerings
• Number of transactions remains steady • Cross-border merger and acquisition activity expected to increase	• Develop integrated product offerings • Align businesses by market
• New cash flowing into equity funds is slowing	• Develop new information-based solutions to integrate into customers' workflow • Extend distribution channels
• Continuing consolidation of US commercial banks	• Focus on new product development, especially Internet-delivered content and tools • Focus marketing efforts on the indispensability of our offerings
• Low interest rates resulting in a greater number of new issues • Increased market competition to provide comprehensive product offerings	• Develop new services designed to build and utilize virtual communities • Develop new information-based solutions to integrate into customers' workflow
• Greater emphasis being placed on increasing shareholder value especially by multinationals	• Further develop investor relations product line and expand offerings with global content
• Demand for Internet-delivered financial information and planning tools continues to grow	• Continue to enhance innovative services to consumers • Form partnerships/licensing agreements with online information providers

FUNDAMENTALS: Reference, Scientific & Healthcare

Provides high-value information and services to researchers and other professionals in specific segments of the healthcare, academic, scientific, business and government marketplaces. Approximately 82% of sales are derived from North America. Other principal markets include the UK (3%), mainland Europe (7%) and Japan (3%).

REFERENCE, SCIENTIFIC & HEALTHCARE – SALES

MARKETS SERVED & TTC POSITION

REFERENCE AND BUSINESS INFORMATION

- US library reference $2.8 billion market; US general reference $1.8 billion market; public library and school market 4% annual growth; academic library market 6% annual growth; overall no growth in hard-copy formats, but 8%–10% in electronic products
- Automotive/insurance information and defence intelligence $475–$600 million market in total
- Leadership position in highly fragmented US library reference market; strong position in the North American automotive/insurance information market; and a leading brand worldwide in defence intelligence

CUSTOMERS

- School, academic and public libraries
- Corporate libraries
- Government researchers
- Automotive claims specialists

HEALTHCARE INFORMATION

- $4 billion market; 5% annual growth overall, but somewhat higher for information solutions and electronic databases
- Highly fragmented market; leading positions in medical publishing and drug information

CUSTOMERS

- Pharmaceutical companies
- Hospitals
- Physicians and other healthcare professionals
- Managed care and insurance providers

SCIENTIFIC AND TECHNICAL

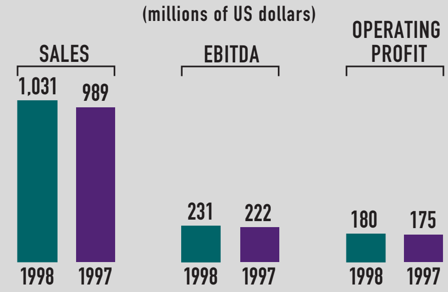
- $3 billion market globally (including journal publishing at $1.7 billion); around 5% annual growth internationally, with slow to no growth in journal publishing offset by 10% growth in electronic publishing
- Leadership positions in the bibliographic and added-value patent information markets; no product in the journal publishing sector

CUSTOMERS

- Academic researchers
- Information scientists
- Corporate information specialists

Pat Tierney
President/Chief Executive Officer

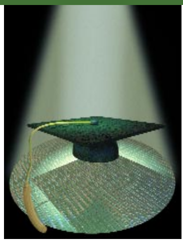
- Library reference interests integrated to achieve synergies
- Solid advances by proprietary Web-based products
- Strong year for clinical databases delivered electronically



See page 28 for basis of presentation.

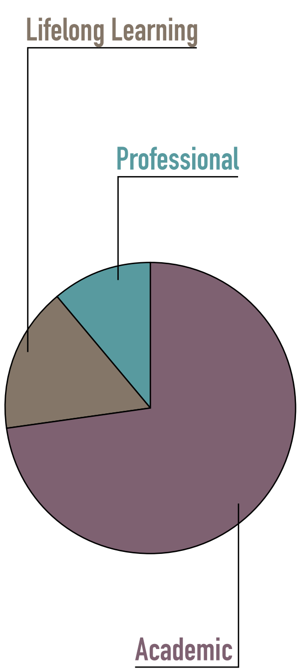
MAJOR TTC BUSINESSES & BRANDS	BUSINESS ENVIRONMENT	PRINCIPAL STRATEGIES
• The Gale Group Gale Research Contemporary Authors Encyclopedia of Associations Information Access Company InfoTrac Computer Select Primary Source Media Graham & Whiteside • Jane's Information Group (UK) Jane's Defence Weekly Jane's Fighting Ships • Mitchell International Boeckh Ultramate	• Increased demand for electronic delivery • Continuing emergence of Web-based competition • Increasing influence of buying consortia in the library marketplace	• Formation of The Gale Group to achieve synergies in product development and delivery, and in infrastructure • Integrate product offerings in electronic formats • Pursue opportunities for complementary activities
• Medical Economics Company • American Health Consultants • Ediciones Para Los Medicos (Latin America) • Marketing Services Mexicana • McKnight Medical Communications • Medec Dental Communications • Physicians' Desk Reference • Veterinary Medicine Publishing • The Medstat Group • Micromedex • Drugdex	• Consolidation and restructuring in the pharmaceutical industry • US managed-care insurers under severe cost pressures leading to increased demand for cost management systems	• Continuing investment in organic growth • Expand range of online offerings • Evaluate opportunities in selected international marketplaces
• Derwent Information (UK) Derwent Patent Citation Index Derwent World Patent Index Patent Explorer • Institute for Scientific Information Current Contents The Web of Science	• Strong demand for Internet delivery • Consolidation of competitors and partners • Uncertainty in Asian economies	• Continuing rollout of Web-based product • Leverage Derwent and Institute for Scientific Information commonality in product development and delivery systems • Investment in new editorial, content management and business support systems

FUNDAMENTALS: Learning



THOMSON LEARNING aspires to be the foremost provider of teaching and learning content and solutions to individuals, educational institutions and corporations, and is focused on three major learning marketplaces. Approximately 84% of sales are to the North American marketplace; the UK, with 6%, is the next largest.

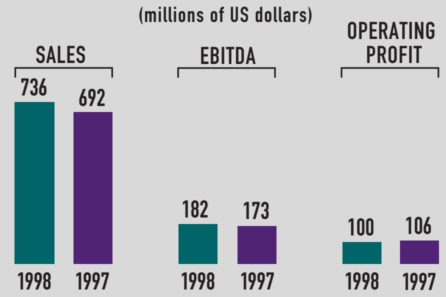
THOMSON LEARNING – SALES



MARKETS SERVED & TTC POSITION	MAJOR TTC BUSINESSES & BRANDS
ACADEMIC – secondary, post-secondary and graduate • $6 billion US market; 5%-6% annual growth • Strong position in higher education CUSTOMERS • High school, college and graduate students • Vocational/technical students • Community college students • Professors and teachers • Educational institutions	• Brooks/Cole Publishing • Heinle & Heinle • South-Western College Publishing • South-Western Educational Publishing • Thomson Learning International • Thomson World Class Learning • Wadsworth Publishing Company
LIFELONG LEARNING – adult and certification • $6.5 billion US market; 16% annual growth • Building position CUSTOMERS • Healthcare providers • Paraprofessionals (legal, cosmetology and financial services) • Training centres • Individual learners	• Delmar Publishers • Peterson's • CollegeQuest • GradAdvantage
PROFESSIONAL – corporate training • $1.5 billion US market; significant annual growth • Building position CUSTOMERS • Corporate training departments • Technology professionals • Chief information officers • Employees seeking skills certification	• Course Technology • CT Training

Bob Christie
President/Chief Executive Officer

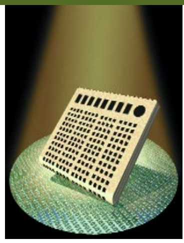
- Revenues increased above market rates in most segments
- A year of investment in marketing, sales, electronic courseware development, and restructuring
- Profit adversely affected by higher product returns and difficult Southeast Asian markets



See page 28 for basis of presentation.

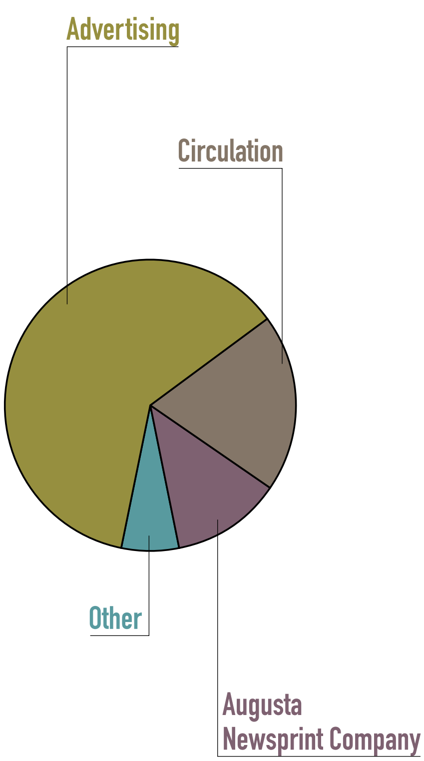
BUSINESS ENVIRONMENT	PRINCIPAL STRATEGIES
• Favourable demographic trends • Increasing demand for customized content • Continuing consolidation of competitors with scale driving profitability • Institutions and students as well as instructors now involved in purchasing decisions	• Use technology to adapt content and build learning solutions • Leverage content across various sales channels and marketplaces, and establish new Thomson Learning brand • Market and distribute direct to customers
• Rapid growth of 'for profit' learning institutions • Increasing demand for career-enhancement skills • Strong demand for information technology skills training and certification	• Develop product and marketing strategies to provide tools and materials to 'for profit' learning institutions and testing companies • Pursue opportunities to create a leadership position in testing development and distribution • Market and distribute direct to customers
• Increasing competition for skilled personnel elevating training to a mission-critical function • Evolving to a knowledge-based skills economy	• Develop learning solutions for corporate training companies • Pursue development in information technology training markets • Enhance core competencies to support emerging Web-based environment

FUNDAMENTALS: Newspapers



THOMSON NEWSPAPERS (TN) is a marketing and communications company which provides a wide spectrum of information-based products and services in 21 national and regional marketplaces in the US and Canada.

THOMSON NEWSPAPERS – SALES



MARKETS SERVED

CANADA
National – *The Globe and Mail*
Southern Alberta
Central Canada

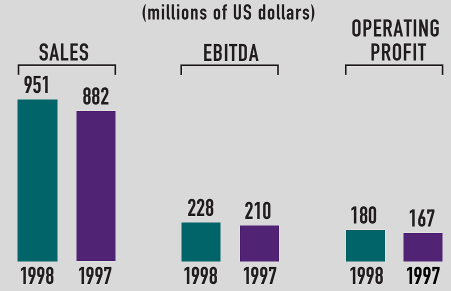
UNITED STATES
Alabama
Suburban Phoenix, Arizona
Southwest Arizona
Fairfield County, Connecticut
Florida Keys
South Georgia
Central Indiana
West Indiana
Acadiana, Louisiana
Chesapeake, Maryland
Canton, Ohio
Central Ohio
Southwest Ohio
South Carolina
Southwest Utah
West Virginia
Central Wisconsin
Winnebago, Wisconsin

NEWSPAPERS WITH DAILY CIRCULATION IN EXCESS OF 50,000
The Globe and Mail, Canada
Winnipeg Free Press, Winnipeg, Manitoba
The Tribune, Mesa, Arizona
Connecticut Post, Fairfield County, Connecticut
The Repository, Canton, Ohio
The Post-Crescent, Appleton, Wisconsin

PRIMARY ACTIVITIES

- With 55 daily newspapers, ranks fourth in the US in terms of newspaper ownership
- Total daily circulation of 1.6 million – ranks ninth in the US
- Over 50 non-daily newspapers
- More than 300 advertising and specialty publications
- Databased customer solutions in both print and electronic formats
- *Classified IQ* and other Internet-based products and capabilities
- Syndicated products to non-Thomson newspapers
- 50% interest in Augusta Newsprint Company

Stuart Garner
President/Chief Executive Officer



See page 28 for basis of presentation.

- Industry-leading revenue growth and margins
- Increased circulations
- 700 editorial awards achieved

BUSINESS ENVIRONMENT

- Growing proportion of TN's portfolio is located in regional marketplaces with above-average growth potential
- Increasing expectations of advertisers for innovative solutions to their needs
- Expanding population in 35 and over age-group – most likely to read newspapers
- Banking and retailing consolidations, and further erosion of department store market share by discounters
- Industry predicts 1999 revenue growth of 5%-6%
- Newspaper industry sensitive to general economic environment
- Increasing competition in Canadian national newspaper marketplace
- Increasing competition from Internet-based products
- Population growth in suburban communities resulting in strong growth for non-daily and niche publications

PRINCIPAL STRATEGIES

- Re-engineer sales operations to meet changing shape of marketplaces
- Invest in continued development of *The Globe and Mail* to retain competitive edge
- Generate new revenue streams in existing markets through increased emphasis on new product development
- Strengthen quality of portfolio by targeting higher growth markets
- Greater investment in staff training and development
- Continue focus on readership development
- Respond to online challenge by developing industry-leading Internet-based classified tools and guides for both internal and external use

CUSTOMERS

COPY SALES

- Home delivery subscribers
- Single copy purchasers

ADVERTISING

- Retail stores
- Auto dealers
- Realtors
- Private advertisers (classifieds)

OTHER CUSTOMERS

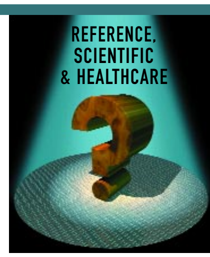
- Non-Thomson publishers
  - contract printing
  - syndicated products and distribution
  - Internet hosting and Web site building
- Commercial companies
  - contract printing

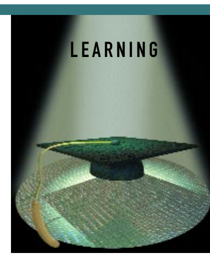
(unless otherwise stated, all amounts are in millions of US dollars)

This discussion and analysis includes forward-looking statements, which are based on the Corporation's current expectations and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among others, general business and economic conditions and competitive actions.

The Thomson Corporation (TTC) is one of the world's leading information companies, with interests in specialized information worldwide, and in newspaper publishing in North America. TTC operates mainly in the United States, the United Kingdom and Canada.

BUSINESS OF TTC





Through organic growth and acquisitions, TTC has developed a strong base of largely proprietary information products and services, built with state-of-the-art technology. It now has a group of information businesses engaged in five market sectors, namely:

- legal and regulatory
- financial
- reference, scientific and healthcare
- learning, and
- newspapers.

These are high-potential sectors and, in varying degrees, offer scope for further development in the rapidly-expanding areas of electronic delivery and integrated software-based work solutions. We will continue to focus on these sectors with leading, high-quality products and services, providing our customers with unique and added-value features supported by superior marketing, sales and customer service.

Our products and services are information-based and increasingly we provide related productivity tools. These products and services:

- serve prosperous, growing and distinctive marketplaces;
- possess a continuing dimension, fostering long life cycles and ongoing relationships with customers;
- provide high utility value to our customers, with distinctive features creating a competitive advantage;

- can be delivered in a variety of formats and media to effectively and efficiently meet the changing needs and demands of our customers; and
- minimize our dependency on particular industries and economies.

Of total revenues of $6,269 million in 1998, 70% was derived from subscription-type services and only 13% from cyclical advertising, compared with about 40% from cyclical advertising a decade earlier. About 38% of 1998 revenues was derived from electronic products, including approximately $200 million of Internet revenues.

TTC's businesses operate in a multiplicity of marketplaces, both product and geographic, too numerous to cover adequately in this discussion and analysis. Indeed, this diversity is one of our greatest strengths. A broad spread of activities affords a measure of protection against a severe decline in any one area damaging the profitability of the business as a whole. Where risks or uncertainties exist, these are discussed below within the appropriate market groups.

Over the past decade, TTC's interests have been strategically repositioned through:

- divesting non-core businesses and businesses which did not offer sufficient growth potential;
- acquiring established businesses in targeted sectors; and
- implementing vigorous programs of product enhancement and new product creation.

TTC's strategy for the future growth of its specialized information business is the continued development of proprietary content and services designed to meet the information needs of a number of targeted professional marketplaces. To this end, TTC intends to:

- continue programs of existing product enhancement and new product development, particularly in the rapidly-growing area of electronic delivery; and
- continue to make acquisitions which complement existing operations.

TTC believes that significant growth opportunities exist for its specialized information businesses, both within its traditional English-speaking markets – the US, Canada, the UK and Australasia – and through expansion in other marketplaces, principally Scandinavia, continental Western Europe, the remainder of the Asia-Pacific region and Latin America.

During the course of 1998, the management structure of TTC was streamlined with the elimination of the two management groups, Thomson Financial & Professional Publishing Group and Thomson Corporation Publishing International. Under the new structure, TTC will be better able to recognize and respond to the ever-changing and increasing needs of customers. It also expects to benefit from improved operating efficiency, faster decision-making and enhanced communications across its businesses.

MARKET ENVIRONMENT

The information industry is in the midst of a profound transformation. Forces of change relating to technology, consolidation, globalization and demographics are converging to revolutionize the global marketplace for information services, resulting in an increasingly dynamic market environment for our products and services. These market developments and characteristics are most pronounced in the North American and European economies, our core marketplaces. However, they are also evident in the emerging markets of Asia-Pacific and Latin America.

Technology

Technology is driving change in the way in which information is being delivered and used in the workplace, and offers substantial rewards to organizations that can consistently and efficiently meet the added-value needs of customers in this rapidly-evolving environment. It is having a major impact on all the marketplaces in which we operate.

- The Internet and other forms of electronic delivery are accelerating the migration away from traditional print-based work environments.
- The increasing use of information as an integral part of the everyday work practices of professionals is increasing the growth potential of our businesses to include the provision of information-based solutions which can include application software, transaction services and systems consulting. Such 'workplace solutions' allow for increased client productivity and profitability, and foster continuing relationships with us.
- Upgrades in processing power, bandwidth capacity, other hardware enhancements and software are enabling more timely, accurate and comprehensive delivery of information to meet the growing demands of the professional user.
- The declining cost and easy adoption of proven technology is lowering barriers to entry as well as inviting greater competition from nimble technology 'start-ups'. This trend heightens the need to increase product differentiation by providing unique added-value features and capabilities.
- In order to be a source of differentiation, technology requires continuous investment, providing potentially large rewards for organizations that assume the risks of being 'first movers'. However, this investment no longer automatically confers a competitive advantage, but is necessary simply to remain competitive.

Consolidation

- Consolidation among information providers and users is resulting in fewer, larger-scale participants and, as a result, is increasing the level of competition.
- Consolidation among customers is raising the information industry's risk/reward profile by concentrating customer buying power and stimulating a demand for bundled services.
- Cross-border mergers, mostly between North American and European companies, are producing multinational rivals that directly compete across common product categories and geographic areas.
- The proliferation of technology start-ups, many of which will require additional funding or scale for long-term survival, increase the likelihood of further industry consolidation.
- In the past, some companies in the information industry have successfully concentrated their activities on the development of proprietary information, using third parties to distribute such information to end-users. Other companies have concentrated on providing electronic delivery capabilities. However, the growing importance of electronic delivery, and the increasing ability to add value through the greater functionality such delivery facilitates, is encouraging the integration of content ownership and distribution capability.

Globalization

The global economy is creating new markets that offer increasing opportunity for information providers with strong franchises.

- Global market opportunities exist for industry segments where there is a commonality of culture, language and/or socio-economic infrastructure. Companies with leading positions in financial and scientific reference information are poised for truly global expansion, while national legal information marketplaces are showing signs of convergence.
- Within global information segments, branding and scale are sources of competitive advantage and, as a result, aggressive acquisition strategies are becoming increasingly important and prevalent.
- Marketplaces which are more locally-based present expansion opportunities for decentralized companies with the organizational structure and resources to support the customization of products that meet the needs of local markets. The education and healthcare segments offer such international growth opportunities.

- Economic interdependence between often disparate areas of the world link virtually all countries to international markets, forcing market participants to evaluate and respond to the impact of changes in global market conditions. A downside of globalization is that relatively small economies can often create uncertainty disproportionate to their size.

Demographic trends

Within our current focus in primarily English-speaking economies, the changing age distribution of the population is influencing demand in particular industries where information is mission-critical.

- The 'baby boomers' in the US and Europe are causing a surge in financial, education and healthcare services, resulting in new opportunities for information providers that serve these segments.
- These same demographics have a significant influence on the spending and saving patterns that drive financial markets.

COMPETITIVE ENVIRONMENT

Historically, publishers controlling proprietary content, editorial expertise and distribution in a predominantly print-based environment had an advantage over those that did not. Today, competition from online or other electronically-based competitors is prevalent in nearly all market segments. Increasingly, we are seeing competition at the business unit level from small technology-based specialists, often with commodity-type information products driven by fundamentally different underlying economics from our own. Competition from electronically-delivered information products and services now also includes the provision of 'free' information from government agencies, not-for-profit organizations and other institutions. We anticipate, and are therefore fully prepared for, ever-increasing competition across all our marketplaces.

Globally, we continue to identify Reed Elsevier and Wolters Kluwer as our two primary competitors, most notably in the legal and regulatory area. In addition, we face strong competition from Bloomberg, Reuters and Bridge in financial information, and from Pearson and McGraw-Hill in the learning arena.

OBJECTIVES AND STRATEGIES

Our goal is for each market group to grow faster than its marketplace, and to achieve a net earnings growth rate above that of our principal competitors. We believe we will achieve our aims by continuing our investments in new product development supplemented by compelling acquisitions. Our existing marketplaces, where we have built significant scale and competitive advantage, will continue to offer attractive opportunities for information products, services and solutions, and will make full use of our financial and managerial resources. We do not expect to enter any significant new information segments beyond those in which we already compete.

Being the 'Employer of Choice', sharpening market focus, investing for growth, leveraging resources and optimizing international opportunities are the strategies which we believe will enable us to realize our vision and mission.

- In order to accomplish our 'people' strategy, we will continue to invest heavily in retaining and attracting first-class employees and providing them with the environment and tools they need to excel.
- We will focus even more clearly on the market segments we currently serve, and capitalize fully on our many niche positions within them. We will evaluate those parts of these segments and markets which offer insufficient opportunity and, if appropriate, dispose of businesses within them.
- We will grow through a strategy predicated on a balance between ongoing product enhancement and new product development, supplemented by tactical acquisitions. We will evaluate strategic acquisition opportunities as they arise and as appropriate in terms of fit.
- It is now more important than ever to leverage our resources and capabilities as appropriate, not only infrastructure and organization, but also products, content, delivery platforms, and sales and distribution.
- We will pursue international expansion opportunities in every major market segment except newspaper publishing, recognizing the increasingly global nature of our markets, customers, content and distribution.

VALUE CREATION

TTC's value creation model will be based increasingly on the scale we have built in our core markets. We have recently undergone a period of dramatic growth and repositioning. TTC's common share value is now broadly indicative of our position as a worldwide information provider and is consistent with peer values. While the incremental growth we have achieved in revenue has not been consistently reflected in operating profit and margin growth, we have nevertheless improved overall margins, primarily as a result of acquisitions.

However, even as we become more market-focused, we will increase the leverage and efficiency of our operations, principally in editorial content, delivery platforms, systems, technology and infrastructure.

This effort requires not only the leveraging of existing resources, but also of new investments in product development, capital expenditures and acquisitions. This is the key to improving operating margins, strengthening cash flow and increasing overall returns, but it must be done without losing any momentum in our revenue growth, since both are directly linked to enhancing long-term shareholder value.

MARKET GROUP OPERATING REPORTS

The following table shows sales, EBITDA and operating profit for the five market groups:

	Sales		EBITDA[1]		Operating profit before amortization[1]	
	1998	1997	**1998**	1997	**1998**	1997
Legal & Regulatory	**2,234**	1,982	**660**	568	**519**	462
Financial	**1,182**	960	**328**	284	**244**	210
Reference, Scientific & Healthcare	**1,031**	989	**231**	222	**180**	175
Learning	**736**	692	**182**	173	**100**	106
Newspapers	**951**	882	**228**	210	**180**	167
Corporate and other	**—**	—	**(81)**	(83)	**(81)**	(83)
	6,134	5,505	**1,548**	1,374	**1,142**	1,037
Disposals[2]	**135**	344	**8**	35	**3**	8
	6,269	5,849	**1,556**	1,409	**1,145**	1,045

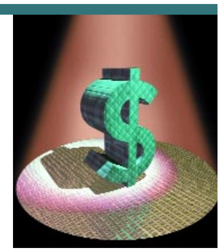
(1) Before Year 2000 costs of $69 million (1997 – nil).

(2) Disposals include the results of businesses sold.

Particularly in the learning and regulatory areas, customer buying patterns are such that sales are concentrated in the second half of the year. Costs are spread more evenly over the year, so that operating margins increase as the year proceeds. Typically, a much greater proportion of TTC's operating profit arises in the second half of the year, and first half results are therefore in no way indicative of the outcome for a full year. Quarterly information is provided on page 68.

Legal & Regulatory

OVERVIEW



The Legal & Regulatory Group (LRG) is one of the leading providers of information and software-based solutions to law, tax, accounting, trademark, corporate finance and human resources professionals around the world.

Strong growth in the core legal business, supplemented by acquisitions made in 1997 and early 1998 in the regulatory area, resulted in an increase in sales of 12.7%. Operating margins were maintained.

EBITDA was $660 million (1997 – $568 million) representing a margin of 29.5%

(1997 – 28.7%) on sales. Higher capital expenditures of $165 million in 1998 (1997 – $124 million) primarily reflect important investments in new technologies and product development.

In developed countries, the legal and regulatory information industry is generally healthy, and major trends reflect changes in the customer base. Customer demand continues to grow worldwide, driven by a combination of social, political and economic factors.

Two broad trends are contributing to growth in the market overall. The first of these is globalization and consolidation. As businesses consolidate or expand their global operations, law firms are doing likewise in order to meet customer needs. Many law firms worldwide now employ over 1,000 lawyers. The largest US firm employs more than 2,000, 80% outside the US. While the large, multinational law firm segment is dominated by US, UK and Australian firms, large firms in other countries such as Canada, Spain, the Netherlands and Germany are evolving to compete in world markets. The large-firm segment has the most buying power and is the most advanced technologically, with a propensity towards online information retrieval. The small-firm segment is predominantly national, and tends to be dominated by national information providers.

Secondly, advances in technology and the increasing acceptance of the Internet by customers are converging to enhance the take-up of online services and solutions worldwide. Demand for content that can be delivered online and integrated into customers' workflow is increasing rapidly, as evidenced by the strong demand for LRG's electronic services relative to its print-based products.

US/CANADIAN LEGAL

Market environment: The US legal and regulatory marketplace is the largest in the world and includes corporations, accounting firms, government agencies, the judiciary and consultancies. In addition, it exhibits the greatest acceptance of technology; CD-ROM and online access of legal and regulatory information is prevalent, and the use of the Internet is now entrenched.

Operating performance: West Group's core legal business achieved strong growth in both new and renewal revenues, particularly as a result of impressive online product performance and several successful acquisitions. With further improvements in efficiency, operating margins were substantially above the level of the previous year.

1998 also saw the launch of *westlaw.com*, the Web-based delivery platform for *Westlaw*, our very successful online service. Internet access to West Group products exceeded our expectations, and we expect it to continue to fuel double-digit growth in electronic revenues for the foreseeable future.

The majority of the increase in 1998 revenue was attributable to volume growth from new products and online content launched in 1997 and 1998. Gains in volume were also realized through a series of very successful new sales efforts and the resulting addition of new customers, particularly new online subscribers in the small-firm market. Migration of existing print and CD-ROM subscribers to online platforms did impact volume growth, but was in line with company expectations. Price changes had a lesser impact on 1998 revenue growth than in prior years, as the amount of total sales derived from fixed rate price plans grew by over 20%.

Following Reed Elsevier's acquisition of 100% of Shepard's citation research service, Lexis-Nexis, a Reed subsidiary, notified West Group that, effective June 30, 1999, it would not renew the license through which Shepard's citator data is provided on *Westlaw*. In anticipation of this, West Group is implementing a strategy to minimize the impact on the *Westlaw* subscriber base and to increase brand awareness, usage and revenues for *KeyCite*, its own citation research service which was launched in mid-1997. *KeyCite* represented the majority of citator usage on *Westlaw* at the end of 1998, but the possibility remains that the withdrawal of Shepard's data could have an adverse impact on West Group's results.

In Canada, while Carswell's sales returned to a growth path, operating results were slightly lower than in 1997. Carswell is changing from an information content provider to a workflow solutions provider, using common technology platforms and strategic alliances as springboards for growth. The newly-released third module of its online legal product has been purchased by a number of significant customers.

US/CANADIAN TAX AND ACCOUNTING

Market environment: The US tax and accounting marketplaces have consolidated in recent years. With the top three service providers now having a combined market share of approximately two-thirds, modest growth in the market has resulted in significant pricing pressures. Additionally, there has been a major shift to the Internet, leading to a demand for more sophisticated products and services.

Operating performance: The Research Institute of America Group's US tax and accounting group (RIAG), consisting of RIA/Computer Language Research (CLR), Creative Solutions and Practitioners Publishing Company, achieved good revenue growth primarily as a result of the acquisition of CLR. The level of operating profit overall was broadly in line with last year as the contribution from CLR was offset by significantly higher business development costs and delayed launches of some Web-based products. Nonetheless, RIAG made considerable progress in its transformation from a print-based provider of information services towards becoming a workflow solutions provider with a significant presence on the Internet.

The acquisition of CLR in early 1998 gave RIAG a leadership position in the US tax and accounting marketplace, and the addition of CLR's sophisticated software products to RIAG's tax information content offers the opportunity to provide total solutions to our customers.

RIAG's Web-based *CHECKPOINT* products closed 1998 on a high note, exceeding our expectations and providing a solid foundation for further growth in 1999. The annualized contract value on *CHECKPOINT* was up 140% on the end of 1997, and monthly growth exceeds 10%. This broad-based comprehensive product line is unmatched in the industry and has enabled us to resist very aggressive pricing by competitors. The market allows very limited price disparity and RIAG competes primarily on the outstanding quality of its products and services. The *CHECKPOINT* platform now hosts a number of products including not only tax information but also offerings from other LRG segments.

Creative Solutions completed the launch of its upgraded Windows products, including its flagship tax compliance software, *UltraTax*, and renewals exceeded expectations. Practitioners Publishing Company had its best year ever, achieving outstanding operating results and making significant progress in its transition to electronic media. Seventeen new products were launched, including its first trial Web-based product.

INTERNATIONAL LEGAL AND REGULATORY

Market environment: The European marketplace is the second largest in the world, and continues to grow. The European Union is having a significant impact on the practice of law, and continues to promulgate regulations, rules and other cross-national governance initiatives which affect all member countries. In addition, deregulation of the telecommunications industries in continental Europe and the launch of the euro are expected to contribute to a cross-border, pan-European regulatory environment that will increase overall demand for legal and regulatory products and services.

Operating performance: Revenue and profit in the UK significantly exceeded 1997 as a result of successful new product launches and the acquisition of FT Law and Tax. Healthy results were also achieved by both the Danish Legal and Professional Group and RKI, the Danish credit rating business. A number of our previously independent businesses in Sweden and Denmark were integrated, and a successful initiative was launched to convert product offerings from print to electronic formats. In addition, West Group entered into a joint venture with two European partners to relaunch *Swisslex*, an existing legal online service in Switzerland, representing the start of an enhanced online presence for TTC in Europe.

In the Asia-Pacific region, the economic downturn resulted in the closure of unprofitable operations in Singapore and the instituting of stringent cost controls in other business units. While new product development is proving difficult, progress is being made through leveraging the content and products of other group companies and tailoring them to the needs of this region.

TRADEMARKS, INTERNATIONAL CORPORATE FINANCE AND HUMAN RESOURCES

Market environment: Trademarks are becoming an increasingly valuable asset, and Europe in particular is seeing a strongly-growing demand for trademark searching services. International Corporate Finance is a high-potential marketplace, although growth of certain applications is dependent on cooperation or alliances with non-TTC providers of integrated business and accounting systems. International Human Resources is a fragmented and rapidly-changing marketplace without any leading participants. Solutions providers continue to merge and sharpen their focus on meeting particular functional requirements.

Operating performance: Financial results at Thomson & Thomson were ahead of the previous year despite lower trademark filings in the US and the slowdown of the Japanese economy. A strong performance by the *SAEGIS* online service, buoyant European trademark search and watch product volumes, and the benefit of acquisitions made in late 1997 all contributed to this improved performance. Despite a positive market response in both the US and overseas to corporate finance's first suite of Web-based products, operating results overall were disappointing. Human resources products and services were consolidated during the year under the newly-launched Alignmark brand identity, and operating results were above the 1997 level. Wisdom Link was acquired during the year, and its technology will provide the platform upon which human resources products and services can be built and delivered.

OUTLOOK

LRG will continue to fuel its organic growth through:

- aggressive new product development and efficient management of existing product lines;
- significantly growing online delivery, especially by leveraging the Internet and related technologies, and by providing work solutions; and
- pursuing excellence in its business operations through continuing process improvement.

Legal and regulatory is an extremely attractive sector and will continue to offer outstanding opportunities for growth worldwide.

Financial

OVERVIEW

During 1998, Thomson Financial (TF) comprised four operating groups: the Database Group, the Trading Services Group, the Financial Publishing Group and the ILX Group. Currently, the businesses within some of these groups are being realigned to ensure greater market focus and the provision of customizable solutions rather than individual product offerings.

1998 was an exceptional year for TF with revenues exceeding $1 billion for the first time and operating profit growing at a double-digit rate for the seventh consecutive year. Twenty acquisitions, including Technimetrics – TF's largest acquisition ever – complemented strong organic growth.

Sales of TF in 1998 increased by 23.1% or $222 million to $1,182 million. This growth resulted primarily from increased market penetration, product line extensions and acquisitions, with a relatively minor contribution from price increases. While operating profit grew by 16.2% to $244 million, operating margins decreased to 20.6% from 21.9% in 1997, primarily due to the expense of integrating acquisitions, infrastructure improvements and business development costs. TF expects margins to recover once these acquisitions have been fully integrated and the benefits of its infrastructure enhancements are realised.

EBITDA was $328 million (1997 – $284 million), representing a margin of 27.7% (1997 – 29.6%) on sales. Higher capital expenditures of $142 million (1997 – $102 million) resulted from additional customer hardware and software installations, new software product enhancements, and the expansion of facilities to keep pace with TF's growth.

Market environment: These results were achieved in generally favourable market conditions, although transaction activity slowed significantly in the second half of the year, largely due to economic instability in Japan, Southeast Asia and Latin America.

TF continued to expand its global reach in Latin America, Asia and Europe with sales growth of 34%. Non-North American sales increased to 17% of the total compared with 15% in 1997.

Currently, the global market for financial information and related work solutions is being driven by several environmental factors. Trading volumes in the US remain strong while previously weak markets, such as Japan, are beginning to show signs of recovery. The number of investment banking transactions remains steady while cross-border mergers and acquisitions activity is increasing. In the municipals sector, low interest rates are expected to contribute to a greater number of new issues during the course of the year. Other promising trends include the growing globalization of markets such as investor relations, and the increasing demand for timely financial information within both the corporate and consumer segments. These positive factors are offset to a degree by the continued consolidation of commercial banks in the US, and the general weakness of banks in Japan, certain other Southeast Asian countries and those in Latin America.

In addition to market factors, there are also technology-related issues that could conceivably affect TF's performance in 1999. Year 2000 concerns could lead potential customers to delay major system purchases in the latter part of the year due to the risk and effort of implementing new systems before resolving problems with existing systems. In contrast, the introduction of the euro in January 1999 has triggered new opportunities in European marketplaces. However, competition and price pressures continue to intensify as advances in technology, specifically Web-based products, allow easier access to our markets.

Operating performance: ***The Database Group*** had an exceptional 1998 with worldwide revenue growth of 29% and excellent gains in operating profit, including contributions from nine acquisitions which were completed during the year. Restructuring along vertical market lines was also initiated. The Investext Group increased revenues significantly and, in March, launched Research Bank's *RBWeb*. This Web-based product already represents almost half of Research Bank's direct pages sold. First Call increased revenues substantially and added 29 contributing brokers to its Notes offering and 32 to Research Direct.

The Trading Services Group achieved overall revenue growth of 15%, led by Thomson Investment Software (TIS) and Thomson Electronic Settlements Group (Thomson ESG). *PORTIA*, the flagship product of TIS, extended its global reach with over 50% of new licenses sold outside the US, including a milestone sale in Japan. Thomson ESG increased revenues by 20%, extending its customer base to 3,260. Thomson Global Markets, formerly known as Technical Data, successfully negotiated a release from its exclusive distribution agreement with Dow Jones Telerate, and signed new agreements with Bloomberg, Reuters and Bridge, among others.

The Financial Publishing Group (FPG) increased revenues overall by 17%, including acquisitions. Securities Data Publishing was the primary engine for growth, fueled in part by the acquisition of *Investment Dealers Digest* in 1997. FPG initiated major infrastructure improvements during the year, including centralized content management and Web-distribution systems, tools which will support the group's rapid growth in electronic services. Additionally, FPG accelerated new product development by launching 11 new initiatives.

The ILX Group also had an excellent year, with substantial gains in both sales and profit. ILX Systems added over 170 new clients and installed 25,000 new workstations, bringing the total to 110,000. BETA Systems continued its exceptional growth with monthly transaction volume doubling over the course of the year. Other noteworthy developments included the launch of the ILX Global Workstation in the UK, representing ILX Group's first expansion outside North America, and strong sales of its new *W3* (Windows Workstation on the Web).

OUTLOOK

TF is well positioned to maintain a growth rate which exceeds that of the global industry. To better serve its customers, the group is undertaking a significant organizational shift from being product-focused to market-focused, and is confident this client-centric strategy, along with a continuing emphasis on geographic expansion and technological innovation, will enable TF to sustain its momentum.

Reference, Scientific & Healthcare

OVERVIEW

Thomson Business Information (TBI) provides high-value information and services to researchers and other professionals in certain segments of the academic, corporate, scientific, healthcare and government marketplaces. The group now comprises three business units – Reference and Business Information, Healthcare Information, and Science and Technology.

Despite challenging market conditions, sales of TBI's continuing businesses in 1998 increased by 4.2% to $1,031 million. Solid sales gains were achieved by proprietary Web-based content offerings, but non-proprietary products experienced little growth. The year saw a mixture of modest price increases consistent with previous years, some volume gains, and contributions from new products. Operating profit was 2.9% higher at $180 million, and the modest decline in operating margins was attributable to the impact of lower royalties from distributors and increased investment in infrastructure.

EBITDA was $231 million in 1998 (1997 – $222 million) representing a margin on sales unchanged from 1997 at 22.4%. Capital expenditures of $67 million (1997 – $54 million) reflect further investment in editorial systems and software development as well as in a much-needed upgrade to The Gale Group's office facility.

REFERENCE AND BUSINESS

Solid revenue growth was achieved along with a significant improvement in operating profit. In automotive information, Mitchell International enjoyed a strong year led by improvements in electronic products and, despite substantial investments in product maintenance, development and customer service, operating margins were maintained. 1999 will benefit from a sales backlog built up in 1998. In defence intelligence, solid revenue gains combined with tight cost control resulted in strong growth in profits. In library reference, The Gale Group also achieved higher sales and operating profit. Strong revenues from core library and academic products reflected continued demand for both traditional Gale Research print and Primary Source Media (PSM) microfilm products, as well as migration of CD-ROM and print to the online and Internet offerings of both Gale Research and Information Access Company (IAC). Two small acquisitions during the year also contributed to revenue growth. These favourable trends were partially offset by a further decline in IAC's corporate market revenues.

The Gale Group

GALE RESEARCH
INFORMATION ACCESS COMPANY
PRIMARY SOURCE MEDIA

There are two major trends in the library reference marketplace – the increasing number and influence of buying group consortia and the demand for online delivery. These trends put significant pressure on prices for non-proprietary periodical databases which form a significant component of IAC's revenue stream. In order to improve responsiveness to customer needs, TBI's business units in this marketplace (Gale Research, IAC and PSM) are being integrated into one operation. The alignment of Gale Research's editorial expertise and depth of proprietary content, PSM's deep vault of primary source materials and the electronic distribution and development expertise of IAC, form a very strong foundation for the future. However, the focus in 1999 will be on integrating sales, marketing, product development and customer support, and the full revenue benefits of the merger will not be realized until 2000.

HEALTHCARE INFORMATION

Sales and operating profit growth were achieved despite significant market volatility and competitive pressures. The low level of new drug approvals and further increases in direct-to-consumer advertising continued to adversely affect pharmaceutical company spending on advertising and sponsorship. In response, TBI has introduced Web-based offerings to serve both healthcare professionals and consumers, thereby extending the reach of its leading brands and broadening the base for advertising and sponsorship revenues. With buoyant sales of clinical databases to hospitals and the upgrading of customers to intranet and Internet access, Micromedex had an excellent year with double-digit revenue and operating profit increases. While cost pressures on the managed-care industry have delayed investment decisions and adversely affected The Medstat Group, a leading position in providing decision-support systems to state Medicaid programs has been established.

SCIENCE AND TECHNOLOGY

1998 saw a significant increase in direct-to-customer electronic distribution by data suppliers, notably primary journal publishers and patent offices. These Web-enabled activities have brought about a migration by certain segments of the customer base, which is increasingly shifting away from professional researchers to include end-users. In response to these trends, Institute for Scientific Information (ISI) and Derwent Information have been aligned under common management to make it possible to leverage common product development and delivery systems.

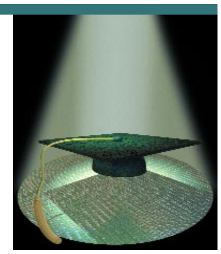
ISI was a strong performer with significant sales and operating profit gains driven by the exceptional market penetration of its Internet-based *The Web of Science*, launched in 1997. In patent information, Derwent's performance was adversely affected by the under-performance of a major distributor and by the impact of the economic downturn in Asia, particularly Japan. With the increasing volume of patent filings forcing up editorial costs, investment in editorial processes continues to be a priority. Derwent is also facing the emergence of Internet-based raw patent information providers, and will continue to add value and improve efficiency to counter this challenge.

OUTLOOK

TBI is confident that the successful realignment and integration of certain of its business units will yield substantial benefits, particularly through the leveraging of editorial expertise, superior proprietary content and electronic distribution and development capabilities, and that a solid foundation has been laid for future growth.

Learning

OVERVIEW



Thomson Learning (TL) provides teaching and learning content and solutions to individuals, educational institutions and corporations, and is focused on three major learning marketplaces – academic, lifelong learning and professional training.

While sales of continuing businesses increased in 1998 by 6.4% to $736 million, operating profit declined by 5.7% to $100 million. These results reflect revenue increases at above market rates in most segments of the business. A portion of the related profits was invested in marketing, sales and electronic courseware initiatives, as well as in organizational restructuring. Coupled with the acquisition of market-focused businesses, these investments should underpin the continued growth of TL in the academic market and the successful penetration of the professional and lifelong learning markets. Profits were adversely affected by higher product returns and continued difficult market conditions in Southeast Asia.

Excellent sales gains were achieved in Canada, primarily as a result of 'Ontario Call for Resources', a government funding initiative for school textbooks to support new math, science and language programs; and by Course Technology through its *MS Office 97* and *New Perspectives* products. Successful sales initiatives, along with the expansion and specialization of the national sales force, resulted in gains by the higher education companies and by Delmar in vocational publishing. In language publishing, initiatives already taken, including re-establishing the specialized sales force, and recent new publication signings, are expected to return Heinle & Heinle to growth after a difficult 1998.

Of the revenue increase of $44 million in 1998, approximately one-third was attributable to price increases, and the balance to volume and mix changes. Increased provisions for sales returns, the cancellation of certain distribution agreements and the withdrawal from a number of businesses, had a detrimental impact on revenues.

Technology-led new product initiatives – *GradAdvantage*, *CollegeQuest* and *Electronic Learning* – and increased investments in sales forces and marketing are critical steps in sustaining growth in core academic markets and in developing an electronic commerce capability. Without these costs, TL's operating profit would have been broadly unchanged from 1997. While the development of additional distribution channels, such as the Internet, could result in temporary over-supply and increasing book returns from stores, e-commerce will undoubtedly become a more efficient and cost effective vehicle for students to purchase educational materials.

EBITDA was $182 million (1997 – $173 million) reflecting a margin on sales of 24.7% (1997 – 25.0%). Capital expenditures of $81 million (1997 – $93 million) were primarily related to printing plate investment of $64 million.

Market environment: Three significant trends within the industry continue to have an impact on TL. Firstly, the consolidation of publishers and the emergence of new academic-learning competitors has required TL to reassess its strategies to increase market share. TL's response is to concentrate development efforts in areas with higher than average margins and to protect those in which it has leading positions. In addition, TL has realigned its sales forces and editorial functions by product specialization, and has expanded the number of sales representatives in areas that offer the greatest opportunity. TL will also continue to leverage editorial content across sales channels and markets to maximize profit margins.

The second trend is the rapid growth of multimedia products as both ancillary elements of textbooks and as stand-alone interactive learning products. In response, TL has reorganized itself to support a myriad of initiatives aimed at transforming the group from an educational print publisher to a media-neutral learning company. In this process, TL will focus on three major learning marketplaces:

- academic – secondary, post-secondary and graduate
- lifelong – adult and certification
- professional – corporate training.

1998 initiatives, including investments to provide computer-based distance learning solutions, will accelerate as TL's new strategy is refined and implemented.

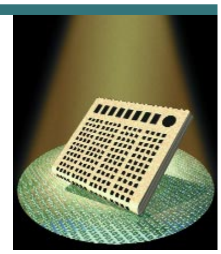
Thirdly, new providers of services are entering the traditional publishing value-chain, as evidenced by the recent success of e-commerce start-ups. TL has aggressive plans to address the needs of these newly-emerging customer bases and markets, both by developing e-commerce capabilities itself as well as appropriate infrastructure competencies.

The demand for education and training continues to grow and is increasingly propelled by innovative uses of technology to both design and deliver new learning solutions to broadening and expanding learning markets. In its largest market – academic – TL will take advantage of favourable demographic trends and leverage its editorial content to satisfy the increasing demand for customized publishing. In addition, operating margins will be enhanced through targeted investments and efficiencies of scale. TL will strive to achieve above-average growth in the lifelong learning and professional learning marketplaces through organic initiatives and strategic alliances, supplemented by acquisitions. These markets have prospered with the increasing employment opportunities generated by a favourable US economy, global expansion and advances in technology. Traditional single career paths are evolving, and increasingly market demand is for a flexible and mobile workforce with diverse certified skills. For the foreseeable future, this market dynamic will continue to create increasing demand for tailored learning content and solutions beyond a student's traditional academic years.

Non US-based operations represent approximately 22% of TL's revenues. While TL's relative positions in the UK, Canada and Australia are modest and focused in niche markets, each of these economies has similar dynamics to the US. Our expansion plans therefore include a cohesive strategy which concentrates on leveraging our US product development capabilities, augmented by market-specific local publishing initiatives. Although current economic volatility in Japan, certain other Asian economies and Latin America necessitates a cautious approach, TL will increase efforts to expand in regions which offer the greatest potential for rapid penetration. Latin America, in particular, is being targeted for programs in Spanish and Portuguese.

Newspapers

OVERVIEW



Thomson Newspapers (TN) is a marketing and communications company which provides a wide spectrum of information-based products and services, principally daily community newspapers, to 21 national and regional marketplaces in the US and Canada. In addition, through a joint venture partnership, TN has a 50% interest in Augusta Newsprint Company (ANC), a newsprint mill in Augusta, Georgia. As a result of this interest, TN is fully hedged against changes in newsprint prices.

In 1998, TN's sales of continuing businesses increased by 7.8% to $951 million and operating profit by 7.8% to $180 million. Overall, margins remained the same year on year. For the second consecutive year, TN achieved sales growth and margins well above the average of its US and Canadian peers. The average increase in newsprint prices of approximately 7.5% in 1998 was offset by increased profits from TN's share of ANC. The industry consensus is that newsprint prices are unlikely to increase in 1999, with a possibility that they could be lower.

Leading TN performers in 1998 included the *Connecticut Post*; South Georgia, Arizona and Central Wisconsin strategic marketing groups (SMGs) in the US; and the Southern Alberta SMG in Canada. *The Globe and Mail* also performed well, achieving increased sales and operating profit.

EBITDA was $228 million (1997 – $210 million), representing a margin of 24.0% (1997 – 23.8%) on sales. Capital expenditures were $69 million (1997 – $51 million), representing TN's continued investment in production systems as well as in Year 2000 initiatives.

Circulation revenue excluding acquisitions increased by 2.0% over 1997, split roughly equally between increases in prices and volume gains. Integrating editorial and circulation activities and leveraging improvements in editorial quality resulted in TN circulation increases for the year of 0.7% for daily newspapers, 1.2% for Saturday newspapers and 0.8% for Sundays. These increases are comparable with an estimated unchanged level for the industry as a whole. During the year, TN continued to receive considerable recognition from its peers, winning over 700 editorial awards, including 255 first prizes in state awards and nine general excellence awards for 'Best Newspaper in State'.

In addition to finalizing the realignment of sales staffs within our SMGs, database marketing tools were introduced to deliver improved market data over the Internet to aid marketing and sales planning. In addition, a new planning strategy is already helping SMGs to take a more sophisticated approach to the development of new products and revenue streams. In 1998, almost half of TN's revenue growth from continuing newspaper operations came from new product initiatives made in 1995 and subsequent years. In 1999, the contribution is expected to increase to approximately 60%.

Total advertising revenue for the year increased by 7.1% excluding acquisitions, with all categories performing ahead of the industry. Most of this increase was attributable to volume gains with price increases broadly in line with inflation as a whole. TN was able to continue to achieve revenue growth during the second half of 1998 several points higher than its peer publishers, despite a slowdown in most advertising categories.

Market environment: In both the US and Canada, several consumer advertising categories are losing impetus. At the same time, the trend to consolidation in the retailing, banking, automotive and real estate sectors continues to impact many of our marketplaces. While the underlying strengths of the US and Canadian economies – low interest rates, low inflation and low unemployment – remain intact, a consensus of independent forecasts expects lower rates of growth in overall economic activity in both economies in 1999.

Having grown at double-digit rates in recent years, classified advertising growth slowed as 1998 progressed. Industry estimates for 1999 suggest growth of 6.0%, less than half the rate of increase between 1996 and 1997. In particular, help-wanted advertising, which accounts for about 40% of total classified advertising, has slowed markedly in recent months. In response, TN is making full use of its database research and marketing tools to target specific areas within, and outside of, existing marketplaces as well as non-traditional advertisers.

Metro newspapers in close proximity to several TN marketplaces are increasing sales pressure by launching products designed to compete with our successful new sections and products, as well as offering zoned editions within our markets. Newspapers generally also continue to face increasing competition from other media, including online services. However, with typical household penetration levels at 50%, newspapers, compared with other local media, still reach the most households. In addition, the population segments most likely to read newspapers are expanding. Over the next five years, the size of the 35 and over population in the US is expected to grow by 8%, and the 55 and over population by 9.5%.

To meet market needs and pre-empt competition, electronic publishing and commerce have become an integral part of TN's product mix. In 1998, Thomson Interactive Media (TIM) introduced its Internet Classifieds technology to virtually all TN's newspapers, and its Internet products are now being used by non-TN newspapers with circulation totalling 5.5 million. In 1999, TIM will introduce directory and Web site building services, and continue its global expansion of commercial customers.

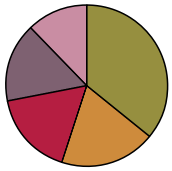
During 1998, TN continued to adjust its portfolio of newspapers towards high growth markets. Three daily newspapers and four groups of non-daily publications were acquired, strengthening SMGs in Southern Alberta, Canada; Winnebago, Wisconsin; Central and Southwest Ohio; Arizona; and Acadiana, Louisiana. Approximately 70% of TN's newspaper operations are situated in above-average growth markets.

OUTLOOK

Looking forward, TN is committed to protecting all its major franchises. Our strategy to resist increasing competition in the Canadian national newspaper marketplace is for *The Globe and Mail* to continue to invest in people, products and technology to sustain its leadership position. TN's management believes it is armed with the superior tools necessary to face increasing competition and a slowing economy, and will continue to invest heavily in technology, sales and marketing, and staff training and development to achieve its goal of industry-leading revenue growth and operating margins on a sustainable basis.

RESULTS OF OPERATIONS

1998
SALES
BY BUSINESS
SEGMENT



From continuing businesses.

On May 18, 1998, TTC completed the sale of its leisure travel interests. The results of these interests for the current and prior year and the gain on the sale are reflected as discontinued operations in the consolidated statement of earnings. The following discussion excludes the results of discontinued operations.

Sales increased in 1998 by 7.2% to $6,269 million. North American sales increased by 8.5% to $5,606 million, and accounted for 89.4% of the total. As a result of disposals, sales from outside North America, principally in the UK, declined by 2.5% to $663 million, and accounted for 10.6% of the total. Sales of continuing businesses increased by 11.4% to $6,134 million.

EBITDA increased by 10.4% to $1,556 million, reflecting a margin of 24.8% (1997 – 24.1%) on sales. EBITDA of continuing businesses increased by 12.7% to $1,548 million, reflecting a margin of 25.2% (1997 – 25.0%).

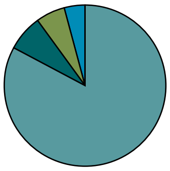
Depreciation increased by 12.9% to $411 million as a result of acquisitions and increased capital expenditures, particularly in technology to keep our businesses competitive and to provide for expansion.

Operating profit before amortization and Year 2000 costs was $1,145 million, 9.6% higher than in 1997. North American operating profit, before subtracting corporate and other, increased by 8.4% to $1,140 million, and accounted for 93.0% of the total. Operating profit from outside North America increased by $10 million to $86 million, and accounted for 7.0% of the total. Operating profit from continuing businesses increased by 10.1% to $1,142 million.

Amortization increased from $218 million to $233 million as a result of acquisitions. Costs relating to Year 2000 compliance, which is discussed in detail on page 48, were $69 million (1997 – nil).

Net gains on disposals of businesses of $20 million (1997 – $14 million) relate principally to the sale of various newspapers and certain businesses within the Learning and Reference, Scientific & Healthcare groups.

1998
SALES
BY GEOGRAPHIC
SEGMENT



From continuing businesses.

Net interest expense and other financing costs of $252 million were $86 million lower than in 1997. The reduction reflected a lower level of average borrowings in 1998, principally as a result of proceeds from the disposal of TTC's leisure travel interests, partially offset by the net cash expenditure of $830 million on acquisitions.

Income taxes of $109 million (1997 – $75 million) as a percentage of earnings before income taxes and preference dividends were 17.8% (1997 – 14.9%). The effective tax rate differs from the Canadian corporate tax rate of approximately 44% due principally to the effect of lower tax rates in other countries where TTC has operating and finance subsidiaries, and to the use of tax losses.

TTC's comparative earnings and earnings per common share from continuing operations for 1998 and 1997 are summarized below:

	Earnings		Earnings per common share	
	1998	1997	**1998**	1997
Earnings and earnings per common share before Year 2000 costs and disposal gains	**511**	385	**$ 0.83**	$0.63
Year 2000 costs, net of tax	**(57)**	—	**$(0.09)**	—
Earnings and earnings per common share before disposal gains	**454**	385	**$ 0.74**	$0.63
Disposal gains, net of tax	**20**	14	**$ 0.03**	$0.03
Earnings and earnings per common share from continuing operations	**474**	399	**$ 0.77**	$0.66

Earnings and earnings per common share from continuing operations increased by 18.8% and 16.7%, respectively, reflecting strong organic growth, contributions from acquisitions and lower net interest expense.

Net capital expenditures were $531 million (1997 – $424 million), of which $328 million related to computer hardware and software, reflecting the continued investment required to expand TTC's operations and support the production and delivery of increasingly-sophisticated electronic products, services and solutions.

Cash provided by operations, before changes in working capital and other items, per common share, at $2.01 was 12.9% above the previous year, principally due to a higher level of earnings before net disposal gains.

Dividends declared on common shares in 1998 were $384 million (1997 – $358 million), of which $143 million (1997 – $152 million) was reinvested in common shares through the dividend reinvestment plan and by way of associated private placements of common shares, resulting in common dividend cash payments of $241 million (1997 – $206 million). The dividend paid on December 15, 1998 was increased by 4.8% to 16.25 cents per common share.

FINANCIAL POSITION AND CASH FLOW

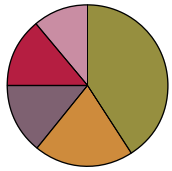
Financial position

The consolidated balance sheet as at December 31, 1997 has been restated to show the assets and liabilities of Thomson Travel Group (TTG) separately, following the sale of TTG which was completed on May 18, 1998.

At December 31, 1998, total assets employed of $12,447 million decreased by $886 million from December 31, 1997, primarily due to the disposal of TTG assets totalling $1,367 million, partially offset by increases relating to 1998 acquisitions.

Current assets at the end of 1998 totalled $2,092 million, a decrease of $588 million from December 31, 1997, resulting from lower cash balances and the disposal of TTG assets.

1998 EBITDA BY BUSINESS SEGMENT



Legal & Regulatory	41%
Financial	20%
Reference, Scientific & Healthcare	14%
Learning	11%
Newspapers	14%

From continuing businesses, before deducting corporate costs of $81 million and Year 2000 costs of $69 million.

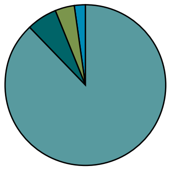
Net additions to property and equipment of $531 million more than offset depreciation of $411 million and reductions from business disposals. The combined balance of publishing rights, circulation and goodwill increased during 1998 by $550 million as additions from acquisitions of $1,019 million offset amortization of $233 million and reductions resulting from disposals of businesses.

Of the total assets employed of $12,447 million, $5,816 million or 47% were invested in the Legal & Regulatory market segment. The remaining four market segments accounted for 48% of total assets employed, with the largest of these, Reference, Scientific & Healthcare, representing 14%. The balance consisted of corporate assets, principally cash.

Current liabilities at the end of 1998 totalled $2,073 million, $799 million lower than in 1997, with the disposal of TTG's liabilities of $835 million accounting for the decrease.

At December 31, 1998, long-term debt totalled $2,408 million compared with $3,967 million a year earlier, a decrease of $1,559 million. The reduction principally reflected repayments of drawn revolver facilities, put in place to finance the 1996 acquisition of West Publishing Company, out of net proceeds from the sale of TTG.

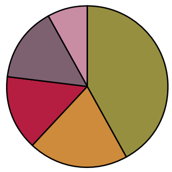
1998 EBITDA BY GEOGRAPHIC SEGMENT



United States	88%
United Kingdom	6%
Canada	4%
Other	2%

From continuing businesses, before deducting corporate costs of $81 million and Year 2000 costs of $69 million.

1998
OPERATING PROFIT BY BUSINESS SEGMENT



Legal & Regulatory	42%
Financial	20%
Reference, Scientific & Healthcare	15%
Learning	8%
Newspapers	15%

From continuing businesses, before deducting corporate costs of $81 million and Year 2000 costs of $69 million.

Short-term indebtedness of $17 million, the current portion of long-term debt of $184 million and long-term debt of $2,408 million totalled $2,609 million (total debt) at December 31, 1998 compared with $4,222 million at the end of 1997. Total debt, including the liability of $196 million for the carrying amount of related currency swap instruments at December 31, 1998, amounted to $2,805 million (total hedged debt) compared with $4,315 million at the end of 1997.

Net debt (total hedged debt less cash and cash equivalents) totalled $2,498 million at December 31, 1998 compared with $3,749 million at the end of 1997. At December 31, 1998, shareholders' equity totalled $6,745 million, compared with $4,946 million at the end of 1997, and included $442 million (1997 – $442 million) of preference share capital redeemable only at the option of TTC. The net increase in shareholders' equity of $1,799 million included $1,370 million from the gain on the sale of TTG. The ratio of net debt to shareholders' equity at December 31, 1998 was 0.37:1 compared with 0.76:1 a year earlier. The improved ratio arose as a result of both the aforementioned debt reduction and the net increase in equity, largely attributable to the gain on the sale of TTG.

At December 31, 1998, $2,725 million or 97% of total hedged debt was denominated in US dollars. After taking into account interest rate swap instruments, 90% of hedged long-term debt carried fixed rates of interest. Based on floating rate long-term debt of $269 million at December 31, 1998, a 1% change in interest rates would increase or decrease interest expense by approximately $3 million in a full year.

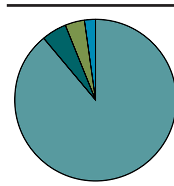
At December 31, 1998, undrawn bank facilities, which have various expiration dates through 2002, amounted to $1,432 million. TTC also has in place a Canadian commercial paper program for the issue of up to Cdn $500 million, none of which was outstanding at the end of 1998.

Cash flow

Cash provided by continuing operations in 1998 amounted to $1,091 million, an increase of $231 million over 1997. A higher level of earnings before disposal gains and a smaller change in working capital accounted for most of the increase.

Investing activities in 1998 resulted in a net cash

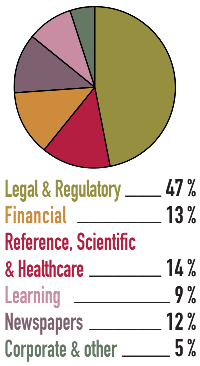
1998
OPERATING PROFIT BY GEOGRAPHIC SEGMENT



United States	89%
United Kingdom	5%
Canada	4%
Other	2%

From continuing businesses, before deducting corporate costs of $81 million and Year 2000 costs of $69 million.

1998 ASSETS BY BUSINESS SEGMENT



inflow of $638 million, compared with a net outflow of $429 million in 1997. Net proceeds from the disposal of TTG in 1998 more than offset higher spending on acquisitions, capital expenditures and other investing activities. In 1998, other investing activities included a deferred purchase price payment of $156 million to The Woodbridge Company Limited (Woodbridge) in respect of properties acquired from Woodbridge in 1993. TTC fully recovered, and made a profit on, its original investment in these properties.

Financing activities included net repayments of debt of $1,529 million, principally the repayments of drawn bank facilities put in place in 1996 to fund acquisitions. Dividends paid on common and preference shares totalled $269 million, which were net of $143 million reinvested in common shares through the dividend reinvestment plan and associated private placements.

After translation adjustments, the net decrease in cash and cash equivalents in 1998 from continuing operations, investing and financing activities amounted to $66 million, and after the cash outflow of $193 million related to the TTG discontinued operations, resulted in cash and cash equivalents at December 31, 1998 of $307 million (1997 – $566 million).

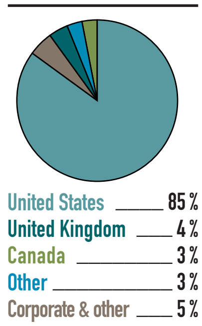
Other matters

TTC enters into hedging arrangements through the use of the forward currency exchange and swap markets, to reduce its exposure to currency and interest rate fluctuations. TTC does not enter into speculative positions through the use of derivatives or any other financial instruments.

Based on the 1998 results of operations, a one cent change in the US dollar/pound sterling average exchange rate would increase or decrease operating profit by approximately $0.4 million in a full year. A one cent change in the US dollar/Canadian dollar average exchange rate would increase or decrease operating profit by approximately $0.8 million in a full year.

In the ordinary course of its business, TTC regularly guarantees certain obligations of its subsidiaries. Such guarantees generally provide that TTC will maintain a minimum amount of share capital and retained earnings

1998 ASSETS BY GEOGRAPHIC SEGMENT



and that TTC's net debt:equity ratio will not exceed 2.0:1.

In December 1997, the Canadian Institute of Chartered Accountants (CICA) issued Handbook Section 3465, 'Income Taxes', which will become effective for fiscal years beginning on or after January 1, 2000. Under these new rules, deferred income taxes will be recorded at the amounts required if all assets and liabilities recognized in the balance sheet were settled at their carrying amounts. TTC anticipates adopting the new standard in 2000.

YEAR 2000

In 1997, TTC initiated a company-wide program under the direction of the Chief Technology Officer to prepare its computer systems and applications for the Year 2000 (Y2K). The technological significance of Y2K relates to a worldwide problem whereby most computer programs recognize an applicable year by its last two digits, rather than all four; as a result, any computer having time-sensitive software may not accurately recognize the turn of the century. TTC's own products and infrastructure will be affected, as well as those of its customers and vendors.

TTC's objective is to achieve Y2K compliance throughout its operations, and it is a major priority of TTC's management across the entire organization. As TTC incurs costs to address the Y2K issue, those relating to necessary modifications are expensed as incurred, while the costs of new hardware and software with future benefits are capitalized and amortized over their useful lives. During 1998, TTC expensed $69 million before tax of such costs. Total expense to ensure Y2K compliance had been estimated to be $100 million before tax. Total expense associated with Y2K compliance is now estimated to be $160 million before tax, including a small amount occurring in 2000. This increased estimate is based on actual remediation and testing experience, costs resulting from additional acquisitions, system improvements in conjunction with Y2K remediation, and additional customer service and support programs.

TTC is on schedule with its compliance program. It is estimated that more than 70% of the project has been completed, with the majority of businesses currently in the remediation and testing phase. We expect to have completed most systems testing and to be compliant by the end of June 1999.

FIVE YEAR SUMMARY

(millions of US dollars except per common share amounts)	**1998**	1997	1996	1995	1994
Sales					
Legal & Regulatory	**2,234**	1,982	1,443	906	805
Financial	**1,182**	960	790	635	525
Reference, Scientific & Healthcare	**1,032**	1,012	1,044	914	608
Learning	**773**	821	798	805	722
Newspapers	**1,048**	1,074	1,173	1,250	1,190
Thomson Regional Newspapers (UK)	—	—	—	340	357
	6,269	5,849	5,248	4,850	4,207
EBITDA(1)					
Legal & Regulatory	**660**	568	353	171	145
Financial	**328**	284	225	173	130
Reference, Scientific & Healthcare	**232**	225	222	195	132
Learning	**180**	173	187	207	164
Newspapers	**237**	242	242	277	261
Thomson Regional Newspapers (UK)	—	—	—	90	75
Corporate and other(2)	**(81)**	(83)	(65)	(44)	(37)
	1,556	1,409	1,164	1,069	870
Operating profit before amortization(1)					
Legal & Regulatory	**519**	462	287	142	120
Financial	**244**	210	162	123	87
Reference, Scientific & Healthcare	**181**	177	184	161	108
Learning	**95**	90	110	134	111
Newspapers	**187**	189	183	216	195
Thomson Regional Newspapers (UK)	—	—	—	73	62
Corporate and other(2)	**(81)**	(83)	(65)	(44)	(37)
	1,145	1,045	861	805	646
Earnings from continuing operations	**474**	399	466	691	302
Earnings per common share from continuing operations	**$0.77**	$0.66	$0.78	$1.17	$0.52

Supplemental information					
Earnings from continuing operations as above	**474**	399	466	691	302
Less: Net gains on disposals of businesses, net of tax	**(20)**	(14)	(156)	(350)	(20)
Earnings from continuing operations excluding gains on disposals of businesses	**454**	385	310	341	282
Add back: Year 2000 costs, net of tax	**57**	—	—	—	—
Adjusted earnings from continuing operations	**511**	385	310	341	282
Adjusted earnings per common share from continuing operations	**$0.83**	$0.63	$0.52	$0.58	$0.49

(1) Before Year 2000 costs in 1998 of $69 million before tax.

(2) Corporate costs comprise unallocated central costs.

(3) Prior year amounts have been reclassified to conform with the current year's presentation.

MANAGEMENT REPORT

The management of The Thomson Corporation is responsible for the accompanying consolidated financial statements and other information included in the annual report. The financial statements have been prepared in conformity with Canadian generally accepted accounting principles using the best estimates and judgments of management, where appropriate. Information presented elsewhere in this annual report is consistent with that in the financial statements.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Corporation's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual consolidated financial statements and annually recommends to the Board of Directors the appointment of the independent auditors.

Richard J Harrington

Richard J Harrington,
President and
Chief Executive Officer

Robert D Daleo,
Executive Vice President and
Chief Financial Officer

March 10, 1999

AUDITORS' REPORT

To the shareholders of The Thomson Corporation

We have audited the accompanying consolidated balance sheets of The Thomson Corporation (the 'Corporation') as at December 31, 1998 and 1997 and the consolidated statements of earnings and retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and 1997 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, Toronto, Canada

March 10, 1999

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

(millions of US dollars except per common share amounts)	Year ended December 31 **1998**	1997 (note 2)
Sales	**6,269**	5,849
Cost of sales, selling, marketing, general and administrative expenses	**(4,713)**	(4,440)
Earnings before interest, tax, depreciation, amortization and Year 2000 costs	**1,556**	1,409
Depreciation (note 6)	**(411)**	(364)
Operating profit before amortization and Year 2000 costs	**1,145**	1,045
Amortization (notes 7 and 8)	**(233)**	(218)
Year 2000 costs (note 18)	**(69)**	—
Operating profit after amortization and Year 2000 costs	**843**	827
Net gains on disposals of businesses (note 14)	**20**	14
Net interest expense and other financing costs (note 3)	**(252)**	(338)
Income taxes (note 4)	**(109)**	(75)
Earnings before dividends declared on preference shares	**502**	428
Dividends declared on preference shares (note 10)	**(28)**	(29)
Earnings from continuing operations	**474**	399
Earnings from discontinued operations (note 2)	**1,344**	151
Earnings attributable to common shares	**1,818**	550
Retained earnings at beginning of year	**3,665**	3,473
Dividends declared on common shares (note 11)	**(384)**	(358)
Retained earnings at end of year	**5,099**	3,665
Earnings per common share from continuing operations	**$0.77**	$0.66
Earnings per common share from discontinued operations	**$2.20**	$0.25
Earnings per common share (note 5)	**$2.97**	$0.91

CONSOLIDATED BALANCE SHEET

(millions of US dollars)	December 31 1998	 1997 (note 2)
Assets		
Cash and cash equivalents	**307**	566
Accounts receivable	**1,276**	1,256
Inventories	**239**	266
Prepaid expenses and other current assets	**270**	254
Current assets of discontinued operations (note 2)	**—**	338
Current assets	**2,092**	2,680
Property and equipment (note 6)	**1,466**	1,434
Publishing rights and circulation (note 7)	**5,164**	4,923
Goodwill (note 8)	**3,044**	2,735
Other non-current assets	**681**	532
Non-current assets of discontinued operations (note 2)	**—**	1,029
Total assets	**12,447**	13,333
Liabilities and shareholders' equity		
Liabilities:		
Short-term indebtedness	**17**	69
Accounts payable	**1,270**	1,253
Deferred revenue	**602**	529
Current portion of long-term debt (note 9)	**184**	186
Current liabilities of discontinued operations (note 2)	**—**	835
Current liabilities	**2,073**	2,872
Long-term debt (note 9)	**2,408**	3,967
Other non-current liabilities	**701**	510
Deferred income taxes	**520**	524
Non-current liabilities of discontinued operations (note 2)	**—**	514
Total liabilities	**5,702**	8,387
Shareholders' equity:		
Share capital (notes 10 and 11)	**1,730**	1,587
Cumulative translation adjustment (note 17)	**(84)**	(306)
Retained earnings	**5,099**	3,665
Total shareholders' equity	**6,745**	4,946
Total liabilities and shareholders' equity	**12,447**	13,333

Approved by the Board

Kenneth R Thomson, Director

Richard J Harrington, Director

CONSOLIDATED STATEMENT OF CASH FLOW

(millions of US dollars except per common share amounts)	Year ended December 31 1998	1997 (note 2)
Cash provided by (used for):		
Operations		
Earnings before dividends declared on preference shares	**502**	428
Add (deduct) items not involving cash:		
Depreciation	**411**	364
Amortization	**233**	218
Net gains on disposals of businesses (note 14)	**(20)**	(14)
Deferred taxes	**68**	58
Other	**39**	25
	1,233	1,079
Changes in working capital and other items	**(142)**	(219)
	1,091	860
Investing activities		
Acquisitions of businesses, less cash therein of $12 million (1997 – $5 million)	**(830)**	(183)
Proceeds from disposals of businesses	**410**	372
Additions to property and equipment, less proceeds from disposals of $9 million (1997 – $19 million)	**(531)**	(424)
Other investing activities	**(325)**	(194)
Net proceeds from disposal of leisure travel operations (note 2)	**1,914**	—
	638	(429)
Financing activities		
Proceeds from debt	**764**	918
Repayments of debt	**(2,293)**	(1,193)
Dividends paid on common shares (note 11)	**(241)**	(206)
Dividends paid on preference shares (note 10)	**(28)**	(29)
	(1,798)	(510)
	(69)	(79)
Translation adjustments	**3**	(10)
Decrease in cash and cash equivalents	**(66)**	(89)
Discontinued operations (note 2)	**(193)**	317
Cash and cash equivalents at beginning of year	**566**	338
Cash and cash equivalents at end of year	**307**	566
Cash provided by operations, before changes in working capital and other items, per common share (note 5)	**$2.01**	$1.78

Supplemental cash flow information is provided in notes 3, 4 and 14.

SEGMENTED INFORMATION

(millions of US dollars)

The Thomson Corporation (TTC) is one of the world's leading information companies, with interests in specialized information worldwide, and in newspaper publishing in North America. TTC operates mainly in the United States, the United Kingdom and Canada, within five market segments (note 19).

Business segments – 1998

	LEGAL & REGULATORY	FINANCIAL	REFERENCE, SCIENTIFIC & HEALTHCARE	LEARNING	NEWSPAPERS	CORPORATE AND OTHER (1)	TOTAL
Sales	**2,234**	**1,182**	**1,032**	**773**	**1,048**	—	**6,269**
Earnings before interest, tax, depreciation, amortization and Year 2000 costs	**660**	**328**	**232**	**180**	**237**	**(81)**	**1,556**
Depreciation	**(141)**	**(84)**	**(51)**	**(85)**	**(50)**	—	**(411)**
Operating profit before amortization and Year 2000 costs	**519**	**244**	**181**	**95**	**187**	**(81)**	**1,145**
Amortization	**(124)**	**(26)**	**(39)**	**(18)**	**(26)**	—	**(233)**
Year 2000 costs	**(17)**	**(24)**	**(13)**	**(5)**	**(4)**	**(6)**	**(69)**
Operating profit after amortization and Year 2000 costs	**378**	**194**	**129**	**72**	**157**	**(87)**	**843**
Acquisitions of businesses	**495**	**264**	**21**	**20**	**116**	—	**916**
Additions to capital assets (2)	**682**	**489**	**91**	**100**	**188**	**9**	**1,559**
Total assets	**5,816**	**1,670**	**1,692**	**1,104**	**1,486**	**679**	**12,447**

Business segments – 1997

	LEGAL & REGULATORY	FINANCIAL	REFERENCE, SCIENTIFIC & HEALTHCARE	LEARNING	NEWSPAPERS	CORPORATE AND OTHER (1)	TOTAL
Sales	1,982	960	1,012	821	1,074	—	5,849
Earnings before interest, tax, depreciation, amortization and Year 2000 costs	568	284	225	173	242	(83)	1,409
Depreciation	(106)	(74)	(48)	(83)	(53)	—	(364)
Operating profit before amortization and Year 2000 costs	462	210	177	90	189	(83)	1,045
Amortization	(110)	(24)	(38)	(20)	(26)	—	(218)
Year 2000 costs	—	—	—	—	—	—	—
Operating profit after amortization and Year 2000 costs	352	186	139	70	163	(83)	827
Acquisitions of businesses	117	36	1	—	55	—	209
Additions to capital assets (2)	280	151	54	93	99	—	677
Assets – continuing operations	5,362	1,189	1,760	1,244	1,622	789	11,966
– discontinued operations	—	—	—	—	—	1,367	1,367
Total assets	5,362	1,189	1,760	1,244	1,622	2,156	13,333

(1) Corporate costs comprise unallocated central costs. Corporate assets principally comprise cash.

(2) Capital assets include property and equipment, publishing rights and circulation, and goodwill.

SEGMENTED INFORMATION

(millions of US dollars)

Geographic segments – 1998

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	CORPORATE AND OTHER (1)	TOTAL
Sales by country of origin	**5,178**	**438**	**428**	**225**	**—**	**6,269**
Earnings before interest, tax, depreciation, amortization and Year 2000 costs	**1,439**	**90**	**71**	**37**	**(81)**	**1,556**
Depreciation	**(354)**	**(29)**	**(16)**	**(12)**	**—**	**(411)**
Operating profit before amortization and Year 2000 costs	**1,085**	**61**	**55**	**25**	**(81)**	**1,145**
Amortization	**(211)**	**(13)**	**(2)**	**(7)**	**—**	**(233)**
Year 2000 costs	**(53)**	**(6)**	**(2)**	**(2)**	**(6)**	**(69)**
Operating profit after amortization and Year 2000 costs	**821**	**42**	**51**	**16**	**(87)**	**843**
Capital assets (2)	**8,776**	**392**	**209**	**297**	**—**	**9,674**
Total assets	**10,588**	**546**	**323**	**311**	**679**	**12,447**

Geographic segments – 1997

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	CORPORATE AND OTHER (1)	TOTAL
Sales by country of origin	4,729	440	440	240	—	5,849
Earnings before interest, tax, depreciation, amortization and Year 2000 costs	1,319	72	67	34	(83)	1,409
Depreciation	(317)	(20)	(17)	(10)	—	(364)
Operating profit before amortization and Year 2000 costs	1,002	52	50	24	(83)	1,045
Amortization	(199)	(9)	(3)	(7)	—	(218)
Year 2000 costs	—	—	—	—	—	—
Operating profit after amortization and Year 2000 costs	803	43	47	17	(83)	827
Capital assets (2)	8,207	349	216	320	—	9,092
Assets – continuing operations	9,956	523	365	333	789	11,966
– discontinued operations	—	—	—	—	1,367	1,367
Total assets	9,956	523	365	333	2,156	13,333

(1) Corporate costs comprise unallocated central costs. Corporate assets principally comprise cash.

(2) Capital assets include property and equipment, publishing rights and circulation, and goodwill.

(unless otherwise stated, all amounts are in millions of US dollars)

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements of TTC include all effectively controlled companies and the proportionate share in joint venture interests and are prepared in accordance with accounting principles generally accepted in Canada.

Accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign currency

Assets and liabilities of self-sustaining subsidiaries denominated in currencies other than US dollars are translated at December 31 rates of exchange and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are accumulated in a separate component of shareholders' equity. Other currency gains or losses are included in earnings.

The rates of exchange used to translate amounts expressed in the significant currencies other than US dollars are as follows:

	1998	1997
Pound sterling (US$ / £1)		
Average for the year	**$1.66**	$1.64
At December 31	**$1.66**	$1.65
Canadian dollar (US$ / Cdn $1)		
Average for the year	**$0.67**	$0.72
At December 31	**$0.65**	$0.70

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits, and investments with an original maturity of less than three months.

Inventories

Inventories comprise principally finished goods and are valued at the lower of cost and net realizable value. Cost is determined principally on a first-in, first-out basis.

Research and development

Research costs are expensed as incurred. Development costs which meet generally accepted criteria, including reasonable assurance regarding future benefits, are capitalized and amortized over three years.

Property and equipment

Property and equipment are recorded at cost and depreciated on a straight line basis over their estimated useful lives as follows:

Buildings and building improvements	5-40 years
Machinery and equipment and newspaper presses	3-25 years
Computer hardware and software	3-5 years

Publishing rights, circulation and goodwill

Publishing rights and circulation are recorded at acquisition cost and are amortized over periods not exceeding 40 years. Goodwill represents the excess of the cost of the investment in acquired businesses over values attributed to underlying net tangible assets, publishing rights and circulation, and is amortized over periods not exceeding 40 years.

The carrying values of publishing rights, circulation and goodwill are periodically reviewed to determine if any permanent impairment has occurred. Impairment is determined by comparing the undiscounted amount of expected future operating cash flows with the unamortized balances of these assets. Any permanent impairment in the amount of publishing rights, circulation and goodwill is expensed.

Derivative financial instruments

TTC enters into hedging arrangements through the forward currency exchange and swap markets to reduce its exposure to currency and interest rate fluctuations. While the hedging instruments are subject to the risk of loss from changes in interest and exchange rates, these losses are offset by gains on the exposures being hedged.

Gains and losses on derivative contracts designated as hedges of existing assets and liabilities are accrued as exchange rates change, thereby offsetting gains and losses from the underlying assets and liabilities.

Gains and losses on foreign exchange contracts used to hedge anticipated transactions are deferred and included in earnings when the transactions being hedged are recognized.

The differential paid or received on interest rate swap agreements is recognized as part of net interest expense.

Deferred revenue

Subscription revenue received or receivable in advance of the delivery of services or publications is included in deferred revenue and as services are rendered or publications sent to subscribers the proportionate share is recognized as revenue.

Deferred income taxes

The tax allocation method is followed in providing for income taxes whereby earnings are charged with income taxes relating to reported profits. Differences between such taxes and taxes currently payable, which result from timing differences between the recognition of income and expenses for accounting and tax purposes, are reflected as deferred income taxes.

The Canadian Institute of Chartered Accountants (CICA) has issued a new accounting recommendation with respect to income taxes, which will become effective for fiscal years beginning on or after January 1, 2000. Under these new rules, deferred income taxes will be recorded at the amounts required if all assets and liabilities recognized in the balance sheet were settled at their carrying amounts. TTC anticipates adopting the new standard in 2000.

Consolidated statement of cash flow

In June 1998, the CICA issued a new accounting recommendation with respect to cash flow statements, which is effective for fiscal years beginning on or after August 1, 1998. TTC, as allowed under the transition provisions, adopted the new presentation for the year ended December 31, 1998 and the 1997 comparative amounts were restated.

Comparative amounts

The comparative amounts have been restated to give effect to discontinued operations treatment discussed in note 2 and, where necessary, reclassified to conform with the current year's presentation.

2. Discontinued operations

On March 18, 1998, TTC announced its intention to sell its leisure travel interests in the Thomson Travel Group (TTG) by way of a flotation on the London Stock Exchange. The sale of 100% of TTG was completed on May 18, 1998. The primary activities of TTG are the organization, operation and retailing of air-inclusive holidays and related travel services in the UK, the Republic of Ireland, and other European countries, principally Scandinavia.

The operating results of TTG have been accounted for as a discontinued operation for the period prior to May 18, 1998. All previously reported financial statements have been restated.

	For the period from January 1 to May 18, 1998	For the year ended December 31, 1997
Sales from discontinued operations	**1,211**	2,917
(Loss) earnings from operations before income taxes	**(32)**	177
Income taxes	**6**	(26)
(Loss) earnings from operations	**(26)**	151
Gain on disposal, net of tax	**1,370**	—
Total earnings from discontinued operations	**1,344**	151

Within the consolidated statement of cash flow, net proceeds from the disposal of TTG includes gross proceeds of $2,757 million, less customer deposits returned to TTG and disposal transaction costs. Cash used for discontinued operations in 1998 includes the cost of acquiring Fritidsresor AB in February 1998 for $437 million and the net cash flow from TTG to the date of sale.

3. Net interest expense and other financing costs

	1998	1997
Interest income	**33**	26
Interest on short-term indebtedness	**(26)**	(6)
Interest on long-term debt	**(259)**	(358)
	(252)	(338)

Interest paid on short-term indebtedness and long-term debt during 1998 was $337 million (1997 – $341 million) and interest received during 1998 was $83 million (1997 – $47 million).

4. Income taxes

Income taxes of $109 million (1997 – $75 million) as a percentage of earnings before income taxes and preference dividends were 17.8% (1997 – 14.9%). Excluding the net gains from disposals of businesses, the effective tax rate was 18.4% (1997 – 15.3%). This effective tax rate differs from the Canadian corporate tax rate of approximately 44% due principally to the effect of lower tax rates in other countries where TTC has operating and finance subsidiaries, and to the use of tax losses.

TTC and its subsidiaries have certain loss carryforwards, the benefits of which have not been recorded in these consolidated financial statements. These tax loss carryforwards approximate $600 million and expire between 1999 and 2010. The ability to realize these benefits is dependent upon a number of factors including the future profitability of operations in the jurisdictions in which the tax losses arose.

Income taxes paid during 1998 were $51 million (1997 – $38 million).

5. Earnings and cash flow per common share

The weighted average number of common shares outstanding in 1998 was 612,358,732 (1997 – 606,515,049).

6. Property and equipment

	1998	1997
Land and buildings	**509**	522
Machinery and equipment and newspaper presses	**1,180**	1,197
Computer hardware and software	**1,406**	1,165
	3,095	2,884
Accumulated depreciation	**(1,629)**	(1,450)
	1,466	1,434

The depreciation charge in 1998 was $411 million (1997 – $364 million).

7. Publishing rights and circulation

	1998	1997
Publishing rights and circulation	**5,939**	5,560
Accumulated amortization	**(775)**	(637)
	5,164	4,923

The amortization charge in 1998 was $146 million (1997 – $141 million).

8. Goodwill

	1998	1997
Goodwill	**3,571**	3,199
Accumulated amortization	**(527)**	(464)
	3,044	2,735

The amortization charge in 1998 was $87 million (1997 – $77 million).

9. Financial instruments

Carrying amounts

Amounts recorded in the consolidated balance sheet are referred to as 'carrying amounts' and are based on year-end exchange rates, as applicable.

For non-US dollar denominated debt which is hedged into US dollars by derivative contracts, the primary debt carrying amounts are reflected in long-term debt. The related receivables or payables arising from the translation gains and losses on the derivative contracts, which effectively offset the gains and losses on translation of the primary debt, are included within 'Other non-current assets' or 'Other non-current liabilities' as appropriate.

Fair values

The fair values of cash and cash equivalents, accounts receivable, short-term indebtedness and accounts payable approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long-term debt, including the current portion, is estimated based on either quoted market prices for similar issues or current rates offered to TTC for debt of the same maturity. The fair values of forward contracts and interest rate swaps are estimated based upon discounted cash flows using applicable current market rates.

Credit risk

TTC attempts to minimize its credit exposure to counterparties by only entering into derivative contracts with major investment grade international financial institutions.

Long-term debt

	As at December 31, 1998					
	Carrying amount			Fair value		
	Primary debt instruments	Currency swap instruments	Hedged debt	Primary debt instruments	Currency swap instruments	Hedged debt
Bank and other	**626**	**(18)**	**608**	**626**	**(19)**	**607**
10.55% Debentures, due 2001	**163**	**53**	**216**	**182**	**33**	**215**
7.90% Debentures, due 2002	**163**	**47**	**210**	**177**	**32**	**209**
7.70% Debentures, due 2003	**163**	**33**	**196**	**179**	**15**	**194**
9.15% Debentures, due 2004	**163**	**19**	**182**	**192**	**(13)**	**179**
7.95% Debentures, due 2005	**163**	**23**	**186**	**185**	**(3)**	**182**
7.15% Debentures, due 2006	**163**	**22**	**185**	**179**	**3**	**182**
6.50% Debentures, due 2007	**163**	**17**	**180**	**172**	**4**	**176**
Floating rate notes, due 2000	**150**	**—**	**150**	**150**	**—**	**150**
Private placements, due 1999-2006	**675**	**—**	**675**	**715**	**—**	**715**
	2,592	**196**	**2,788**	**2,757**	**52**	**2,809**
Current portion	**(184)**	**—**	**(184)**			
	2,408	**196**	**2,604**			

	As at December 31, 1997					
	Carrying amount			Fair value		
	Primary debt instruments	Currency swap instruments	Hedged debt	Primary debt instruments	Currency swap instruments	Hedged debt
Bank and other	1,928	(85)	1,843	1,928	(86)	1,842
9.15% Debentures, due 1998	175	48	223	180	42	222
10.55% Debentures, due 2001	175	41	216	199	15	214
7.90% Debentures, due 2002	175	35	210	188	19	207
7.70% Debentures, due 2003	175	21	196	190	5	195
9.15% Debentures, due 2004	175	7	182	204	(26)	178
7.95% Debentures, due 2005	175	11	186	195	(12)	183
7.15% Debentures, due 2006	175	10	185	187	(4)	183
6.50% Debentures, due 2007	175	5	180	179	(1)	178
Floating rate notes, due 2000	150	—	150	150	—	150
Private placements, due 1999-2006	675	—	675	705	—	705
	4,153	93	4,246	4,305	(48)	4,257
Current portion	(186)	(48)	(234)			
	3,967	45	4,012			

Bank and other debt at December 31, 1998 is primarily US dollar denominated. At December 31, 1997, bank and other debt was primarily pound sterling denominated, and was largely hedged into US dollars. In both years, all the debentures are Canadian dollar denominated and are fully hedged into US dollars. The floating rate notes and private placements are US dollar denominated.

After taking account of the hedging arrangements, the carrying amount of long-term debt, all of which is unsecured, is denominated in the following currencies:

	1998	1997
US dollar	**2,708**	4,138
Other currencies	**80**	108
	2,788	4,246

Maturities of long-term debt after accounting for hedges in each of the next five years and thereafter are: $184 million in 1999, $225 million in 2000, $473 million in 2001, $667 million in 2002, $202 million in 2003 and $1,037 million in 2004 and thereafter.

At December 31, 1998, undrawn bank facilities, which have various expiration dates through 2002, amounted to approximately $1,432 million.

Interest rate risk exposures

TTC enters into interest rate swap agreements to reduce the impact of changes in interest rates on floating rate debt. The notional amount of interest rate swap agreements is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The fair value of interest rate swap agreements as at December 31, 1998 was $95 million (1997 – $36 million) in favour of counterparties. Floating interest rate long-term debt is LIBOR-based, and consequently interest rates are reset periodically. TTC's exposures to interest rate risk on total long-term debt as at December 31, 1998 are summarized as follows:

	With fixed interest rates maturing in:				With floating interest rates	Total
	Less than 1 year	1 to 5 years	More than 5 years	Total fixed		
Long-term debt*	**175**	**1,003**	**800**	**1,978**	**810**	**2,788**
Interest rate swaps	**—**	**541**	**—**	**541**	**(541)**	**—**
	175	**1,544**	**800**	**2,519**	**269**	**2,788**

*After currency swaps

After taking account of hedging arrangements, the fixed and floating mix of long-term debt is as follows:

	1998	**Average interest rate**	1997	Average interest rate
Long-term debt				
Fixed interest rate	**2,519**	**6.8%**	3,788	6.7%
Floating interest rate	**269**	**5.4%**	458	6.1%
	2,788	**6.7%**	4,246	6.6%

		% Share		% Share
Total fixed	**2,519**	**90%**	3,788	89%
Total floating	**269**	**10%**	458	11%
	2,788	**100%**	4,246	100%

Hedges of net investments in foreign affiliates

TTC has hedged certain investments in non-US dollar denominated net assets by way of forward exchange contracts. In the following summary of net asset hedges outstanding, the 'contractual amount' represents the contracted US dollar equivalent of commitments to sell foreign currencies. The 1998 amounts represent a Japanese yen contract which matures in 2004. The 1997 amount was principally pounds sterling, related to TTC's leisure travel business, which was sold during 1998.

	1998	1997
Net asset hedges outstanding:		
Contractual amount	**29**	941
Carrying amount – gain/(loss)	**12**	(61)
Fair value – gain/(loss)	**7**	(56)

10. Preference share capital and dividends

	1998		1997	
	Number of shares	**Stated capital**	Number of shares	Stated capital
Series II	**6,000,000**	**110**	6,000,000	110
Series V	**18,000,000**	**332**	18,000,000	332
		442		442

The authorized preference share capital of TTC is an unlimited number of preference shares without par value. The directors are authorized to issue preference shares without par value in one or more series, and to determine the number of shares in and terms attaching to each such series.

Series II, cumulative redeemable preference shares

The Series II preference shares are non-voting and are redeemable at the option of TTC for Cdn $25.00 per share, together with accrued dividends. Dividends are payable quarterly thereon at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares. The total number of authorized Series II preference shares is 6,000,000.

Series V, cumulative redeemable preference shares

The Series V preference shares are non-voting and are redeemable at the option of TTC on January 2, 2002, for Cdn $25.00 per share and thereafter for Cdn $25.50, together with accrued dividends. Through January 1, 2002, the dividends are payable quarterly at Cdn $1.25 per share per annum. Subsequent to January 1, 2002, dividends will be payable monthly at a rate which floats in relation to changes in both the Canadian bank prime rate and the calculated trading price of the Series V preference shares. In no event, however, will the annual floating dividend rate applicable for a month be less than 50% of prime or greater than prime. The total number of authorized Series V preference shares is 18,000,000.

11. Common share capital and dividends

TTC common shares

	1998		1997	
	Number of shares	**Stated capital**	Number of shares	Stated capital
Balance at beginning of year	**610,224,658**	**1,145**	603,515,316	993
Issued	**5,598,419**	**143**	6,709,342	152
Balance at end of year	**615,823,077**	**1,288**	610,224,658	1,145

The common shares are voting shares. The authorized common share capital of TTC is an unlimited number of shares.

Holders of the common shares may participate in the dividend reinvestment plan under which cash dividends are automatically reinvested in new common shares having a value equal to the cash dividend. Such shares are valued at the weighted average price at which the common shares were traded on The Toronto Stock Exchange during the five trading days immediately preceding the record date for such dividend. All of the share issues made in 1998 and 1997 were in connection with the dividend reinvestment plan including associated private placements.

TTCPLC common shares

Linked to 233,830,375 of the common shares of TTC (1997 – 234,984,825) are the same number of related common shares of The Thomson Corporation PLC (TTCPLC) at par value of one sterling penny each. Included in the stated capital of TTC is $4 million (1997 – $4 million) in respect of these shares.

The authorized common share capital of TTCPLC is 300,000,000 shares of one sterling penny each. The TTCPLC common shares are non-voting and may be redeemed by TTCPLC at any time at their par value on not less than one month's prior notice. All of the voting ordinary shares of TTCPLC are held indirectly by TTC.

Dividends will be paid on the TTCPLC common shares in pounds sterling unless the shareholder has elected to receive dividends on the related TTC common shares. Dividends on the TTCPLC common shares are payable in priority to dividends on the TTCPLC voting ordinary shares.

A holder of TTC common shares, who does not also hold related common shares of TTCPLC, has the ability to acquire one related common share of TTCPLC for each common share of TTC held by such shareholder upon payment of one sterling penny for each share so acquired. In 1998, 600 (1997 – 1,000) common shares of TTCPLC were issued on this basis.

Holders of the TTCPLC common shares may also participate in the dividend reinvestment plan and during 1998, 4,822 (1997 – 5,848) of such shares were issued under the plan.

If at any time, any TTCPLC common shares are both registered on the Canadian branch register of TTCPLC and held by shareholders who have elected to receive dividends on their common shares of TTC rather than on the related TTCPLC common shares, such TTCPLC common shares will be redeemed by TTCPLC at par. During 1998, 1,159,872 (1997 – 461,905) TTCPLC common shares were redeemed in this way.

Dividends

Dividends on the TTC common shares are declared and payable in US dollars. Dividends declared per common share in 1998 were 62.8 cents (1997 – 59.0 cents). Equivalent dividends of 38.0850 pence (1997 – 36.0476 pence) were paid per related common share of TTCPLC. Shareholders have the option of receiving dividends on the TTC common shares in equivalent Canadian funds.

In the consolidated statement of cash flow, dividends paid on common shares are shown net of $15 million (1997 – $15 million) reinvested in common shares issued under the dividend reinvestment plan and $128 million (1997 – $137 million) by way of private placements of common shares to TTC's major shareholders. These private placements discharged the commitment of TTC's major shareholders to participate in the plan to the extent of at least 50% of the dividends received on the TTC common shares directly and indirectly owned by them. TTC's major shareholders acquired these common shares on the same terms and conditions under which TTC issues common shares to shareholders participating in the plan.

12. Pension plans

TTC maintains pension plans which cover most of its employees. TTC uses the accrued benefit actuarial method and best estimate assumptions to determine pension costs, liabilities and other pension information for defined benefit plans.

	1998	1997
Aggregate defined benefit plan details:		
Pension income for the year	**5**	3
Present value of accumulated benefit obligation as at December 31	**794**	606
Market value of plan assets as at December 31	**915**	963

Pension expense for the year in respect of defined contribution plans was $47 million (1997 – $37 million). Other post-employment benefit arrangements vary by business and geographic segment and, where they do exist, the costs of these are expensed as incurred.

13. Contingencies and commitments

Contingencies

At December 31, 1998, certain lawsuits and other claims were pending against TTC. While the outcome of these matters is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually and in the aggregate, the probable ultimate resolution of such matters will not have a material effect on TTC's consolidated financial statements.

Operating leases

Operating lease payments in 1998 were $99 million (1997 – $84 million). The future minimum operating lease payments are $106 million in 1999, $96 million in 2000, $84 million in 2001, $75 million in 2002, $69 million in 2003 and $190 million in 2004 and thereafter.

14. Acquisitions and disposals of businesses

Businesses were acquired during the year for an aggregate cash consideration of $842 million (1997 – $188 million). In addition, certain newspapers were acquired by way of non-cash asset exchanges valued at $74 million (1997 – $21 million). All acquisitions have been accounted for on the purchase basis and the results of acquired businesses are included in the consolidated financial statements from the dates of acquisition.

Details of net assets acquired are as follows:

	Legal & Regulatory	**Financial**	**Reference, Scientific & Healthcare**	**Learning**	**Newspapers**	**1998 Total**	1997 Total
Working capital, including cash of $12 million (1997 – $5 million)	**(22)**	**(9)**	**(1)**	**—**	**2**	**(30)**	(4)
Property and equipment	**41**	**5**	**—**	**1**	**5**	**52**	14
Publishing rights and circulation	**260**	**170**	**14**	**10**	**52**	**506**	100
Goodwill	**256**	**177**	**10**	**9**	**61**	**513**	135
Other net liabilities	**(40)**	**(79)**	**(2)**	**—**	**(4)**	**(125)**	(36)
Total	**495**	**264**	**21**	**20**	**116**	**916**	209

Allocations related to certain acquisitions may be subject to adjustment pending final valuation.

In 1998, TTC received $410 million cash consideration from the disposals of businesses, other than TTG (note 2), which includes $245 million from the sale of various US and Canadian newspapers and $123 million from the disposal of science publications in the US and UK within Learning. The remaining proceeds were principally within Reference, Scientific & Healthcare. In addition, TTC disposed of newspapers valued at $74 million via non-cash exchanges, and the gains which resulted from these disposals are included within net gains on disposals of businesses.

In 1997, TTC disposed of 15 US newspapers as well as several businesses in Legal & Regulatory and Learning for total proceeds of $372 million cash consideration and $21 million in non-cash asset exchanges.

15. Related party transaction

In June 1993, TTC acquired certain land development assets in the US from an affiliate of The Woodbridge Company Limited. Through Woodbridge and its affiliates, the Thomson family owns approximately 73% of the common shares of TTC. The transaction was reviewed by a committee of independent directors of TTC and determined to be fair and reasonable to its minority shareholders.

The purchase price was $30 million with an additional amount paid in July 1998 of $156 million. The additional payment represented a portion of the cash generated to June 1998 from the properties acquired.

16. Investment in joint venture partnership

Augusta Newsprint Company is an equal joint venture partnership between TTC and Abitibi-Consolidated Sales Corporation. The partnership operates a newsprint mill in Augusta, Georgia and owns related woodlands. Summarized financial information relating to TTC's 50% share of the joint venture is as follows:

	1998	1997
Consolidated balance sheet		
Current assets	**29**	23
Long-term assets	**84**	92
Current liabilities	**8**	9
Long-term liabilities	**54**	54
Consolidated statement of earnings		
Sales	**118**	105
Profit before income taxes	**28**	17
Consolidated statement of cash flow		
Cash flow provided by (used for):		
Operations	**38**	23
Investing activities	**(3)**	(4)
Financing activities	**—**	25

17. Cumulative translation adjustment

An analysis of the cumulative translation losses shown separately in shareholders' equity is as follows:

	1998	1997
Balance at beginning of year	**(306)**	(261)
Realized from disposals of businesses	**174**	—
Translation and other	**48**	(45)
Balance at end of year	**(84)**	(306)

18. Year 2000

The technological significance of the Year 2000 relates to a worldwide problem whereby most computer programs recognize an applicable year by its last two digits, rather than all four; as a result, any computer having time-sensitive software may not accurately recognize the turn of the century. TTC's own products and infrastructure will be affected, as well as those of its customers and vendors. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

As TTC incurs costs to address this problem, those relating to maintenance or modification are expensed as incurred, while the costs of new hardware and software with future benefits are capitalized and amortized over their useful lives. During 1998, TTC expensed $69 million of such costs.

19. Segmented information

See pages 54 and 55.

TTC has adopted the new recommendation of the CICA relating to the presentation and disclosure of operating segments. As a result, TTC's reportable segments, which are strategic business groups that offer products and services to carefully selected markets, are as follows:

Legal & Regulatory

Provides information and software-based solutions to law, tax, accounting, trademark, corporate finance and human resources professionals.

Financial

Provides information and customizable solutions to decision-makers within the global financial community.

Reference, Scientific & Healthcare

Provides high-value information and services to researchers and other professionals in specific segments of the healthcare, academic, scientific, business and government marketplaces.

Learning

Provides teaching and learning content and solutions to individuals, educational institutions and corporations.

Newspapers

A marketing and communications company which provides a wide spectrum of information-based products and services in the US and Canada.

DIRECTORS AND SENIOR MANAGEMENT

The Thomson Corporation

Board of Directors

Kenneth R Thomson
Chairman

W Michael Brown
Deputy Chairman

Richard J Harrington
President and
Chief Executive Officer

David H Shaffer
Executive Vice President
and Chief Operating Officer

Ron D Barbaro
Chairman and
Chief Executive Officer,
Ontario Lottery Corporation,
Ontario Casino Corporation

W Geoffrey Beattie
President,
The Woodbridge Company Limited

William J DesLauriers
Partner, Tory Tory DesLauriers
& Binnington

John F Fraser
Chairman, Air Canada

V Maureen Kempston Darkes
President and General Manager,
General Motors of Canada Limited

C Edward Medland
Corporate Director

Vance K Opperman
President and Chief Executive
Officer, Key Investment, Inc.

David K R Thomson
Deputy Chairman,
The Woodbridge Company Limited

Peter J Thomson
Deputy Chairman,
The Woodbridge Company Limited

Richard M Thomson
Corporate Director

John A Tory
President, Thomson Investments
Limited and a director of
The Thomson Corporation PLC

Senior Officers of TTC and Market Groups

Robert S Christie
Senior Vice President;
President/Chief Executive Officer,
Learning Group

David J S Flaschen
Senior Vice President;
President/Chief Executive Officer,
Financial Group

Stuart M Garner
Senior Vice President;
President/Chief Executive Officer,
Newspaper Group

Brian H Hall
Senior Vice President;
President/Chief Executive Officer,
Legal & Regulatory Group

Patrick J Tierney
Senior Vice President;
President/Chief Executive Officer,
Reference, Scientific &
Healthcare Group

Officers and Senior Management of TTC

Robert D Daleo
Executive Vice President/
Chief Financial Officer

Theron S Hoffman
Executive Vice President,
Human Resources

Michael S Harris
Senior Vice President/
General Counsel and Secretary

Euan C Menzies
Senior Vice President, Operations
and Business Development

James P Rutt
Chief Technology Officer

David J Hulland
Vice President/Controller

Martin B Jones
Vice President/Group Treasurer

John Kechejian
Vice President, Investor Relations

Alan M Lewis
Treasurer

Joseph J G M Vermeer
Vice President/Director of Taxes

Quarterly Information (unaudited)

The operating results of TTC's five market groups on a quarterly basis are as follows:

	Quarter ended March 31		Quarter ended June 30		Quarter ended September 30		Quarter ended December 31	
	1998	1997	**1998**	1997	**1998**	1997	**1998**	1997
Sales								
Legal & Regulatory	**413**	382	**530**	485	**541**	487	**750**	628
Financial	**251**	213	**296**	236	**303**	243	**332**	268
Reference, Scientific & Healthcare	**216**	215	**255**	239	**244**	230	**316**	305
Learning	**85**	69	**120**	94	**323**	331	**208**	198
Newspapers	**226**	203	**238**	219	**231**	215	**256**	245
	1,191	1,082	**1,439**	1,273	**1,642**	1,506	**1,862**	1,644
Disposals(1)	**56**	89	**46**	84	**22**	85	**11**	86
	1,247	1,171	**1,485**	1,357	**1,664**	1,591	**1,873**	1,730
EBITDA(2)								
Legal & Regulatory	**72**	42	**154**	135	**155**	161	**279**	230
Financial	**56**	52	**80**	68	**79**	70	**113**	94
Reference, Scientific & Healthcare	**31**	27	**53**	46	**46**	47	**101**	102
Learning	**(30)**	(29)	**6**	(5)	**144**	157	**62**	50
Newspapers	**46**	41	**58**	54	**52**	46	**72**	69
Corporate and other	**(22)**	(18)	**(25)**	(14)	**(14)**	(34)	**(20)**	(17)
	153	115	**326**	284	**462**	447	**607**	528
Disposals(1)	**6**	2	**7**	4	**—**	13	**(5)**	16
	159	117	**333**	288	**462**	460	**602**	544
Operating profit before amortization(2)								
Legal & Regulatory	**43**	18	**124**	111	**126**	132	**226**	201
Financial	**37**	34	**59**	49	**58**	53	**90**	74
Reference, Scientific & Healthcare	**17**	15	**41**	36	**34**	35	**88**	89
Learning	**(41)**	(40)	**(10)**	(17)	**113**	126	**38**	37
Newspapers	**34**	30	**47**	42	**39**	36	**60**	59
Corporate and other	**(22)**	(18)	**(25)**	(14)	**(14)**	(34)	**(20)**	(17)
	68	39	**236**	207	**356**	348	**482**	443
Disposals(1)	**3**	(4)	**3**	(3)	**(2)**	7	**(1)**	8
	71	35	**239**	204	**354**	355	**481**	451

(1) Disposals include the results of businesses sold.

(2) Before Year 2000 costs.

Incorporation

The Thomson Corporation was incorporated under the laws of Ontario, Canada on December 28, 1977.

Capital Stock

The capital stock of TTC consists of non-voting preference shares and voting common shares.

Shares outstanding:

Common	615,823,077
Series II preferred	6,000,000
Series V preferred	18,000,000

Major shareholder: The Thomson family (some 73% of common shares).

Listing of Capital Stock

Common shares listed on:

- The Toronto Stock Exchange (ticker symbol TOC)
- Montreal Exchange (ticker symbol TOC)
- The London Stock Exchange

Preference shares listed on:

- The Toronto Stock Exchange.

Financial Calendar

Year end: December 31.
Annual report: Mailed April.
Quarterly reports: Mailed May/August/November to shareholders who have elected to receive them by completing the form which accompanies the annual meeting proxy material.
Common share dividends: At the discretion of the directors. Paid on March 15/June 15/ September 15/December 15 or, if a holiday, on the first business day thereafter. Declared in US dollars but can be paid in Canadian dollars at the holder's option, or in pounds sterling to holders of related common shares of The Thomson Corporation PLC (see also note 11, page 59). Further information available from the registrars.

Annual Meeting

Wednesday, May 12, 1999, 12.00 noon.
Roy Thomson Hall, 60 Simcoe Street,
Toronto, Ontario, Canada.

Dividend Reinvestment Plan

TTC has a dividend reinvestment plan under which common shareholders resident in Canada and the UK may elect to have cash dividends reinvested in common shares. Further information available from the registrars.

The Environment

In 1998, TTC adopted a new Environment, Health and Safety Policy which commits to compliance with international standards and best practices. Our goals are zero environmental waste and pollution, and zero occupational injuries and illnesses. We are currently implementing comprehensive programs including standards, procedures, training, public communication and measurement and monitoring systems, to minimize any adverse effect of our operations on public health and the natural environment. We are striving to become a leader in this area among corporations in our industry.

Corporate Governance

A statement of TTC's policy with respect to corporate governance is included in the information circular enclosed with the annual report mailed to shareholders.

Registered Office

Suite 2706, Toronto Dominion Bank Tower,
PO Box 24, Toronto-Dominion Centre,
Toronto, Ontario M5K 1A1, Canada.
Tel: (416) 360-8700.

Principal Registrar

Montreal Trust Company of Canada,
151 Front Street West, 8th Floor,
Toronto, Ontario M5J 2N1, Canada.
Tel: 1-800-663-9097.

Branch Registrar

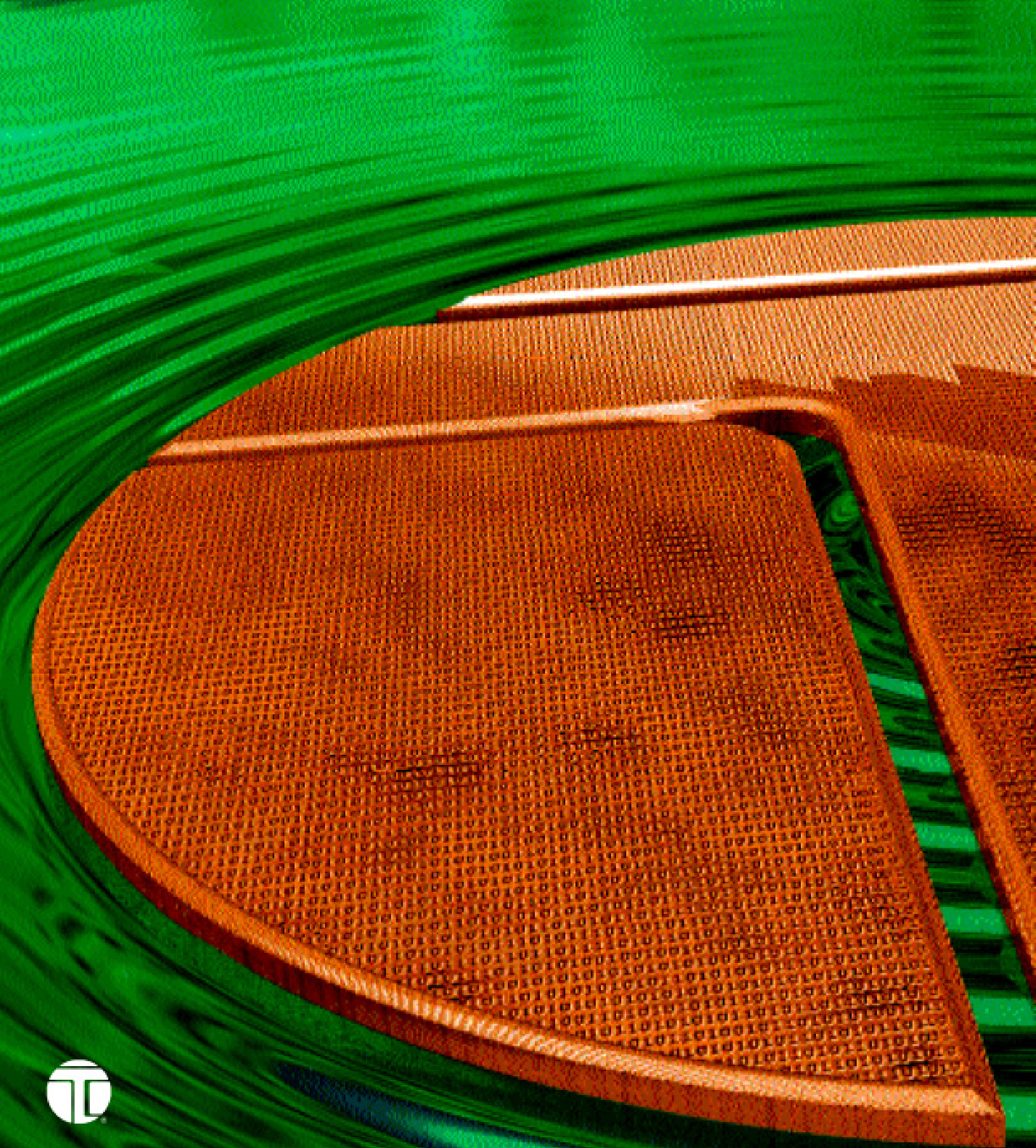
IRG plc, Bourne House, 34 Beckenham Road,
Beckenham, Kent BR3 4TU, United Kingdom.
Tel: (0181) 650-4866.

Auditors

PricewaterhouseCoopers LLP, Suite 3000,
Box 82, Royal Trust Tower, Toronto-Dominion
Centre, Toronto, Ontario M5K 1G8, Canada.

Further Information

Use www.thomcorp.com to reach the TTC home page. The TTC Web site gives access to some 110 other Web sites for more detailed information on individual businesses, products and services. For investor relations-related inquiries contact John Kechejian, Vice President, Investor Relations on (203) 328-9470 or at the Stamford address on the back cover.



Canada

Suite 2706
Toronto Dominion Bank Tower
PO Box 24
Toronto-Dominion Centre
Toronto, Ontario
M5K 1A1
Tel: (416) 360-8700
Fax: (416) 360-8812

United States of America

Metro Center
One Station Place
6th Floor
Stamford, Connecticut
06902
Tel: (203) 328-9400
Fax: (203) 328-9408

United Kingdom

The Quadrangle
PO Box 4YG
180 Wardour Street
London W1A 4YG
Tel: (0171) 437-9787
Fax: (0171) 734-0561

Internet: www.thomcorp.com