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THOMSON



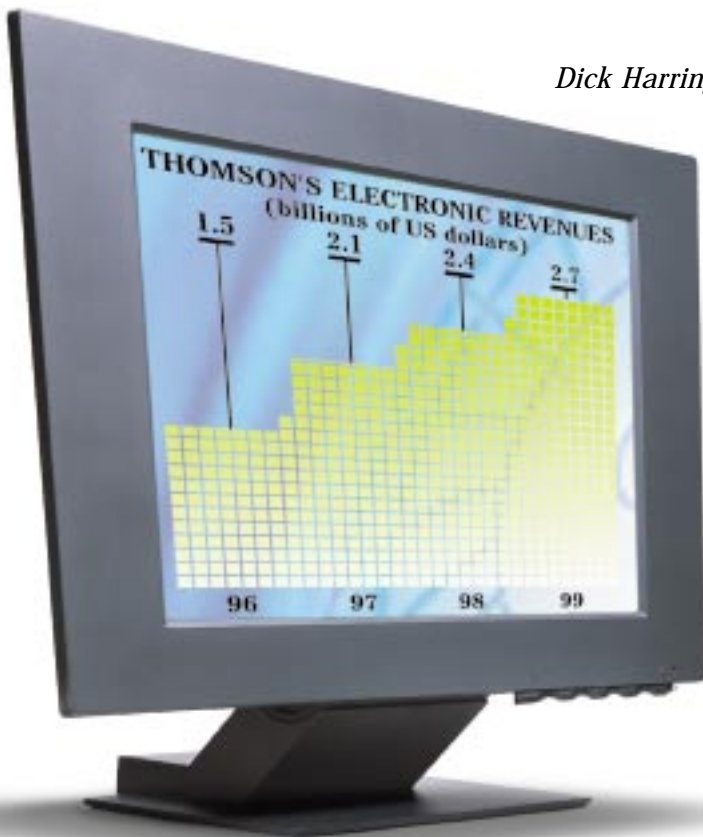
1999 ANNUAL REPORT



leading in a

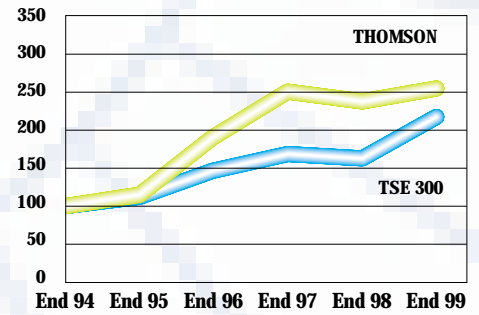
“Thomson continues to successfully take advantage of technology and the Internet to transform the way we do business. Our electronic revenues were \$2.7 billion in 1999, and our Internet-based revenues doubled to \$390 million. Thomson is a major player in the electronic economy as a global e-information and solutions business.”

Dick Harrington, President and Chief Executive Officer



changing world

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



FINANCIAL HIGHLIGHTS

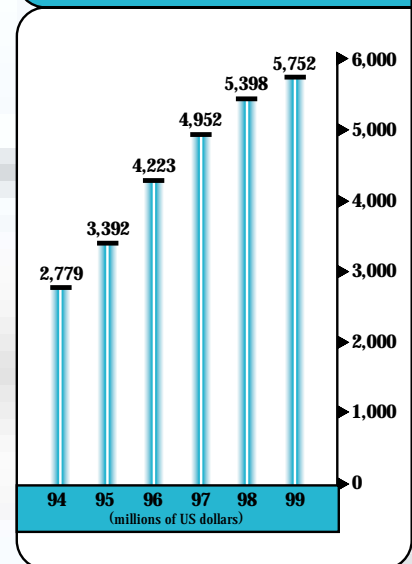
Summarized Earnings Statement and Balance Sheet

(millions of US dollars except per common share amounts)

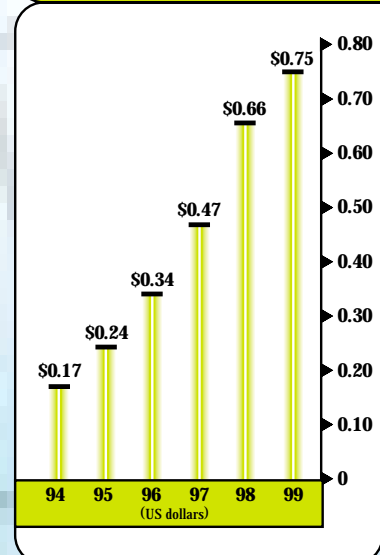
	1999	1998	% increase
Sales	5,752	5,398	6.6
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,407	1,342	4.8
Operating profit before amortization, restructuring charges and Year 2000 costs	1,021	978	4.4
Earnings from continuing operations	409	314	30.3
Earnings per common share from continuing operations	\$0.66	\$0.51	29.4
Adjusted earnings from continuing operations ⁽¹⁾	461	404	14.1
Adjusted earnings per common share from continuing operations ⁽¹⁾	\$0.75	\$0.66	13.6
Total continuing assets	11,126	11,026	0.9
Shareholders' equity	6,996	6,745	3.7

(1) Excludes restructuring charges, net disposal gains/losses and Year 2000 costs.

SALES



ADJUSTED EARNINGS PER COMMON SHARE FROM CONTINUING OPERATIONS⁽¹⁾



Profile

FOCUSED FOR A NEW ERA ■ The THOMSON Corporation is a highly focused e-information and solutions company that serves the global business and professional marketplace.

Our indispensable content and many great brands have firmly established credibility with customers in our chosen fields. And their rapid adoption of the Internet creates a wired world of opportunity for us to build on these relationships with web-based delivery platforms and services that make it easier for our customers to do business. This is our aim as a global e-information and solutions company.

In February 2000, we announced that we plan to sell our community newspaper business. Accordingly, THOMSON's sole focus is providing businesses and professionals with technology-driven information and solutions that have global potential. We hold leading positions in attractive information sectors: legal and regulatory; financial; scientific, reference and healthcare; and learning and corporate training. Our dynamic group of related companies is well positioned for growth. Each unit serves markets that are global in scope. Each has customers who prefer information that is electronic in form. And each is focused on the business and professional marketplace.

A pioneer in the old print economy, THOMSON helped create the electronic age with early proprietary online systems and CD-ROM products. We have moved aggressively to capitalize on the reach, customization and speed of the Internet to even greater effect. While technology is a primary tool, our people, our intellectual property and our customer relationships form the core of the Company's value proposition. Our enviable cash flow, a strong balance sheet and committed management make THOMSON a durable e-brand that brings time-honoured business practices and long-term strategic thinking to the electronic economy. We are committed to growing both market share and profitability.

vision

THOMSON's vision is to be the world's foremost global e-information and solutions company in the business and professional marketplace.

mission

THOMSON's mission is to achieve superior shareholder value, empowering our people to help customers become more successful by providing them with indispensable information, insight and solutions.

DEFINING ACHIEVEMENTS

○ Industry-leading growth
in ongoing sales of 9%

○ Expended \$118 million
on internal e-ventures,
75% more than in 1998

○ Adjusted earnings
up 14%

○ Deepened our positions
in key markets with further
strategic acquisitions

○ Total electronic-based
revenues \$2.7 billion

○ Invested \$470 million
in capital expenditures, of
which two-thirds was
devoted to technology

○ Internet-based
revenues doubled
to \$390 million





Leadership through

The Thomson Corporation enters the new century superbly positioned as a major player in the information age. With a sharpened focus on our core markets and a strong commitment to the global electronic economy, our future has never looked brighter. We believe that our highly focused strategy of providing information electronically to business and professional customers, coupled with our sound business practices and long-term outlook, will create the greatest value for our shareholders, our customers and our people.

TRUE TO OUR COMMITMENT AND LEGACY, WE HAVE ACCOMPLISHED THIS TRANSFORMATION TO THE WORLD OF e-BUSINESS while delivering yet another year of profitable growth. In 1999, revenues from ongoing businesses -- which excludes disposals -- increased 9% to \$5.5 billion, and adjusted earnings from continuing operations increased 14% to \$461 million.

As the pace of change has quickened around the globe, so has the speed of our evolution. To further extend our leadership positions, we accelerated investment in organically-developed new products and services. We completed a number of strategic acquisitions and we deepened our positions in key markets. In short, we took steps to ensure that Thomson will remain a leading global provider of electronic information and solutions for businesses and professionals well into the future.

As part of our long-term strategy, in February 2000 we announced our intention to sell Thomson Newspapers, excluding *The Globe and Mail*. The decision to part with this outstanding, profitable business -- one that formed the core of the original Thomson



global vision

Corporation – was not made quickly. But the forces of change in the information industry are so powerful that we believed this step was necessary. This action will allow us to focus our resources to an even greater degree, and to fully capitalize on the opportunities created by the dynamic trends shaping today's business world.

The Changing Business Environment *TODAY THREE POWERFUL TRENDS ARE CHANGING ALL MARKETS*, and they have a particular impact on information companies.

First, the *INTERNET* and its related technologies are transforming how we conduct business. Nearly half our revenues today are derived from electronically-based products and services, including the Internet. Aside from offering an efficient and powerful distribution platform, the Internet provides an opportunity to increase the size of the markets we serve, and to expand the breadth of products and services we offer. In 1999, Thomson's revenues from the Internet doubled to \$390 million.

Second, *GLOBALIZATION* trends are dictating where we conduct business. As a Canadian company with long-time operations in the United Kingdom, and operational headquarters in the United States, Thomson has been both a pioneer and a beneficiary of globalization. Even so, only 14% of our 1999 revenues came from customers outside North America. We will increase this percentage by expanding the delivery of our proprietary content, by offering new products, by making acquisitions, and by exporting entire technology platforms abroad.

Finally, *CONSOLIDATION* is a force in each of Thomson's major business segments. 1999 saw a host of ever-larger and more far-reaching mergers and acquisitions, spreading across industries, market segments and geographical borders. Consolidation is creating customers that are larger, operate globally and have more sophisticated needs.

These three trends, which are likely to intensify in 2000 and beyond, create unprecedented opportunity for each of Thomson's businesses.

Our Position: An e-Information and Solutions Company

THOMSON HAS MOVED AGGRESSIVELY TO CAPITALIZE ON THESE TRENDS. Our mission remains to make our customers more successful by providing them with indispensable information, insight and solutions. And Thomson's proprietary databases and superior content remain at the heart of our business. But today, the applications and services we can provide electronically are as important as the information itself. They allow us to deliver more comprehensive product offerings and expanded services to existing customers, and to attract new ones. This transformation – from print to electronic to integrated web-enabled platforms of data and systems that make it easier for our customers to do business – has been underway at Thomson for several years. We bring financial strength, time-honoured business practices, and strong customer relationships to the electronic economy, along with our most important resource – Thomson's 30,000 people across the globe.

Building for the New Era *THOMSON HAS TAKEN STEPS TO ALIGN ITS RESOURCES AND PEOPLE TO SERVE CUSTOMERS* that are growing larger, operating globally, and accessing products and services electronically. Over the past five years, we have made substantial investments to increase the scale and power of our technology platforms – our business infrastructure. Thomson is investing approximately \$470 million annually in capital expenditures, two-thirds of which is devoted to technology.

Throughout the Company, we have realigned our businesses to deal with the new challenges and to service our customers more effectively:

- We reorganized Thomson Financial into vertical market groups to maximize development and sales opportunities.
- Thomson Learning now comprises two operating units, the Academic Learning Group and the Lifelong Learning Group, which includes our Corporate IT Training initiative with its powerful growth potential.
- We aligned our tax and accounting businesses with the West Group to form the global Thomson Legal & Regulatory Group.
- Within Thomson Scientific, Reference & Healthcare, we combined Gale Research, Information Access Company and Primary Source Media to form the Gale Group.

These actions will permit us to both broaden and deepen our customer relationships by sharing related content and standardizing our technological infrastructure and web-based delivery platforms.

Embracing the Internet *SINCE 1995, WHEN WE FIRST BEGAN INVESTING IN INTERNET-BASED TECHNOLOGY,* all our businesses have made great strides in moving existing products and services onto the Internet. In addition, we are using this powerful

platform to offer new applications and solutions to our customers. Lawoffice.com, taking advantage of West Legal Directory's position as a leading legal directory, now designs and hosts websites for approximately 2,200 law firms in the United States. Petersons.com, the online version of our long-standing education guides, facilitates applications to major colleges and universities in the United States.

In all our businesses, we recognize the Internet as a powerful force. It presents us with opportunities to deliver our products and services more efficiently and to extend our brands globally. As important, the Internet enables us to intensify and deepen our valuable customer relationships. Each of our businesses is continuing to assess new opportunities, as well as prospective acquisitions and alliances. Each is evaluating its potential to derive a majority of revenues through electronic distribution. And each is working to offer enhanced product applications. **Examples of our success in these initiatives are highlighted throughout this report.**

Branding *WE ARE MOVING FORWARD WITH A POWERFUL, UNIFIED THOMSON BRANDING PROGRAM TO INCREASE THE VISIBILITY AND AWARENESS* of our many prestigious brands and businesses. Thomson owns dozens of extremely powerful brands that are heralded in their industries, from First Call to Physicians' Desk Reference, from *The Globe and Mail* to Wadsworth and Westlaw. In 1999, we placed special emphasis on linking these brands at the market group level so customers would understand the full extent of Thomson's offerings within their markets. In 2000, we will continue this branding effort at the corporate level to provide the global marketplace with an understanding of the tremendous depth and breadth of our businesses, and further enhance the reputation of our individual brands.

As an important step, we are introducing a new logo – featured on the front cover and throughout the report – that incorporates a star with extending rays to symbolize Thomson's leadership position across a broad range of businesses and our global reach. Each Thomson business will begin displaying this new logo during 2000 to provide consistent and frequent linkage across all Thomson's outstanding brands.

Investing in Our People *OUR OUTSTANDING AND COMMITTED PEOPLE ARE THOMSON'S SUSTAINABLE COMPETITIVE ADVANTAGE.* At every location, and at every level of the organization, they bring drive, creativity and dedication to the challenges we face. In turn, we have invested in our people and have encouraged the development of an eMindset. Throughout the Company, we have developed a range of programs geared toward retaining and attracting world-class people and providing them with the resources they need to excel in this new knowledge-based economy.

Our talented people have been the source of numerous ideas for growing the business. They have initiated or completed a variety of corporate-sponsored venture projects over the past three years in which we have invested or committed approximately \$450 million. And many of these e-ventures have already taken flight. Globeinvestor.com was launched in May 1999 and is now the leading financial website in Canada. Gale Group introduced several web-based Resource Centers, which generated substantial new revenues.

Over the next three years, the Company will invest an additional \$600 million to sponsor the internal development of new Internet-based projects. These will not only contribute to our growing Internet-based revenues, they will also drive the transformation of the business and enhance shareholder value.

Broad Horizons *AS WE FOCUS OUR EFFORTS ON THE DEVELOPMENT OF PROPRIETARY GLOBAL BUSINESS CONTENT AND ON THE INTERNET AND RELATED TECHNOLOGIES*, we continue to expand our horizons internationally through targeted acquisitions. In 1999, we acquired Editorial Aranzadi, the leader in the Spanish legal market. And in March 2000, we purchased Prometric, a computer-based testing company that complements our Thomson Learning business and conducts over half its testing services outside North America.

In addition, we are rolling out products and services on a global basis, and introducing them to new markets. Thomson Financial launched FIRST CALL Web 6.1 – now available in English, Spanish, Portuguese and Japanese – and AutEx for the European marketplace; and is also rolling out the ILX equity-based product on a global basis.

The third and most ambitious means of international expansion is to establish technology platforms abroad. In 1999, we launched Westlaw UK, the first of many country-specific Westlaw services outside North America. Our ongoing efforts to increase the global presence of our brands and products will contribute to our robust growth.

We are also broadening our horizons in markets where we already have a presence by making tactical and strategic acquisitions. In 1999, we completed 21 acquisitions for \$314 million. As we continue to consider and pursue all compelling opportunities, our solid balance sheet and strong credibility in the capital markets will provide the financial means to support our strategy.

Directors Acknowledgement *WE WOULD LIKE TO ACKNOWLEDGE THREE DEPARTING DIRECTORS AND THANK THEM FOR THEIR INVALUABLE ADVICE AND support during their combined 75 years of service with Thomson.*

W Michael Brown was the leading architect of Thomson's business strategy. He first joined the Company in 1969, was appointed a director in 1978 and President in 1985.

He became Deputy Chairman in 1997. During his 13 years as President, Michael's foresight into the growth potential of specialized information and publishing businesses, and development of these efforts in the United States, formed the basis of Thomson's highly successful business strategy and the leading market positions we enjoy today. We will miss his insight, wit and fierce determination. We wish him the very best in his future endeavours.

C Edward Medland and William J DesLauriers both joined the Board of the Company in July 1978. Throughout a period of remarkable change, Ted and Bill have consistently provided invaluable experience and wise counsel. The Thomson Corporation and its people are grateful for their distinguished service over the years.

Our Future *THE KEY TO THOMSON'S FUTURE LIES IN OUR COMMITMENT TO PRESERVING THE HALLMARKS OF THE PAST* - most importantly, a long-standing tradition of innovation. Our Company was born of a global vision to compete at the highest level. We continue to believe that profitability and financial responsibility provide the ultimate defence against failure. Sound business practices will ensure our success over the long term.

There is no question that the world in which we operate faces dramatic changes brought on by the Internet, globalization and consolidation. Fortunately, as we continue to evolve from an information company with substantial technology capabilities into a full-service, e-information and solutions business, we draw upon a deep pool of resources. Our market focus has been sharpened to a group of business and professional customers who are well placed to thrive in the new economy. We are pursuing an ambitious program of internal development activities.

The stage is clearly set for a new century of success. We believe The Thomson Corporation will prove as significant a pioneer in the global electronic information age as our founder was in the age of mass media and ink on paper. For us, 1999 was a productive and rewarding year of working toward these aims.

Approved by the Board



Kenneth R Thomson,
Chairman



Richard J Harrington,
President and Chief Executive Officer

Thomson is using the Internet to transform the way we do business. Here we feature five examples of successful Thomson Internet-based products.



leadership

www.lawoffice.com

In 1999, West reinvented the legal directory by transforming West Legal Directory's Internet site into lawoffice.com. By migrating the content onto the Internet, and adding new data and services, we have turned lawoffice.com into both a robust means for people to find appropriate legal help and a marketing solutions provider for the legal profession.

In addition to the traditional listings of nearly one million lawyers and law firm profiles, lawoffice.com now features primers on specific areas of law, a legal dictionary and links to other law-related websites. The breadth of content has attracted some 250,000 unique visits a month, with 1.9 million monthly page views. Total traffic rose 250% in 1999.

Lawoffice.com offers new opportunities for law firms to position themselves through sponsorships of specific sections of the website. In addition, lawoffice.com designs, hosts and markets websites (firm sites) for approximately 2,200 law firms.

Revenues – derived from firm sites (40%), sponsorships (30%) and directory profiles (30%) – grew to \$7.1 million in 1999 from about \$4 million in 1998, with new sales growth of over 400%.



www.petersons.com

Petersons.com, started in 1995, has transformed our long-standing printed education guides into an interactive education mall. By aggregating information about thousands of educational offerings and institutions, and presenting them to customers in a searchable format, we have become a market leader. Traffic to the site's 250,000 individual pages doubled in 1999 – to 9.2 million visitor sessions and 103 million page views.

Petersons.com offers institutions, which pay for recruiting services, a more cost effective means of reaching potential students. And by adding services such as applications for enrollment and education loans, we have empowered our customers to research and manage their life-long education. For example, some 3,000 prospective MBAs seeking admission to MIT's Sloan School of Management exclusively used our online application product in 1999.

The online information service has attracted new revenue sources from partners such as distance learning providers and financial services institutions. As a result, petersons.com's 1999 revenues grew 43% to \$12.6 million.

www.lawoffice.com
www.petersons.com

through
innovation



THOMSON



www.isinet.com

Web of Science evolved from Institute for Scientific Information's CD-ROM-based citation index product for scholarly journal articles. Introduced in mid-1997 on the Internet, Web of Science immediately became a far more powerful and accessible tool, with convenient hypertext links from bibliography items to source items.

Our clients – 400 academic research libraries, mostly in the US – pay a subscription fee for unlimited access for their members. And some have moved to embed Web of Science into their intranets.

By turning the erstwhile CD-ROM product, accessible only in academic libraries, into an Internet-based application available through desktops in dormitory rooms and laboratories, we have driven heavier use and expanded the audience dramatically. Some 2.5 million scientists now have access to Web of Science. Revenues rose 60% to \$35 million in 1999.

Going forward, we will strengthen Web of Science by adding relevant third-party databases to our proprietary indexes and developing e-commerce applications such as document ordering and research grant information.



www.globeinvestor.com

The plan for globeinvestor.com, launched in May 1999, was to become the leading Canadian financial website in two years. That milestone was reached in seven months. Offering more comprehensive Canadian data than Microsoft's Moneycentral and better US data than our Canadian competitors, globeinvestor.com, in combination with its sister site globefund.com, attracts more than 500,000 users and 50 million page views per month.

The site features proprietary news, including all business articles from *The Globe and Mail*, Canadian-related Reuters articles, press releases, stock prices and financials for most publicly-traded North American companies. The biggest draw – robust, free analytical tools that allow customers to research, track and manage their investments. Our filters, charts, portfolio trackers and other tools are so powerful that some big investment banks have been heavy users.

Globeinvestor.com's viewers have an average portfolio greater than Cdn\$150,000, and half of them buy stocks on the Internet. These compelling demographics have attracted some 50 advertisers to the website, with a 2000 plan exceeding Cdn\$3 million in revenues.

leadership
through
innovation

www.isinet.com
www.globeinvestor.com
www.investext.com



www.investext.com

Introduced in March 1998, Research Bank Web aggregates company and industry-oriented research from suppliers such as investment banks, brokerage firms, market research organizations and trade associations – 835 sources in all, with two million documents.

By moving our full-image documents from a CD-ROM workstation onto the Internet, we have provided greater functionality, depth and ease of access to end-users – analysts, bankers and management consultants. They can now conduct research from their desktop computers, rather than having to rely on researchers at corporate information centres and CD-ROM kiosks.

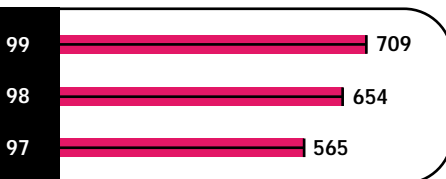
Embedding our content onto customers' desktops has driven usage dramatically, with 86% of direct research report sales volume coming through the Internet. We have had as many as 6,300 unique users in a month, and in January 2000, Research Bank Web delivered 1.8 million pages of research. Revenues – derived from the sale of documents – should rise by more than 50% in 2000. Having become the industry standard among large investment banks, brokerage houses and consulting firms, we are now concentrating our sales efforts on penetrating smaller firms.

SALES



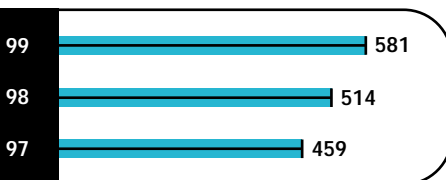
(from ongoing businesses, in millions of US dollars)

EBITDA



(from ongoing businesses, in millions of US dollars)

OPERATING PROFIT



(from ongoing businesses, in millions of US dollars)

THOMSON LEGAL & REGULATORY is the world's largest provider of information and solutions to legal, tax and accounting professionals with leading positions in North America, Europe and the Asia-Pacific region. Our position is bolstered by renowned brands such as Westlaw, Sweet & Maxwell, Thomson & Thomson, Editorial Aranzadi, Carswell and Research Institute of America.

YEAR IN REVIEW

Highlighting 1999 was the consolidation of all Thomson's legal and regulatory interests under a single management, affording increased opportunities worldwide to deliver new products and services to an increasingly sophisticated customer base and to improve operating efficiency. Major new product successes and increased market penetration, particularly in US legal, reinforced our position as the world's leading legal and regulatory business. Westlaw achieved revenue growth of more than 19% in North America. Reflecting the market's rapidly-increasing demand for information delivered online, more than 70% of new products launched in 1999 were electronic.

1999 Events and Accomplishments

- Strengthened our European presence with the acquisitions of Editorial Aranzadi, the leading legal publisher in Spain; and ELLIS Publications, a publisher of European Union legislation located in the Netherlands.
- Launched Westlaw UK to key decision-makers in major law firms, marking the debut of country-specific Westlaw services outside the US.
- Launched the lawoffice.com Internet portal to provide US consumers and small businesses with comprehensive information on dealing with legal affairs and tools for selecting legal counsel.
- Research Institute of America's web-based CheckPoint service increased customer numbers by 160%, and set a variety of usage records.
- Launched the New westlaw.com platform, offering leading-edge presentation and functionality.
- Revenues from SAEGIS, Thomson & Thomson's web-based trademark searching service, grew by 77%, partly fueled by migration from other platforms.
- Our KeyCite citator was voted the American Association of Law Libraries' 'New Product of the Year' and increased usage by 38%, while the competitor Shepard's™ citator was removed from Westlaw with little impact.
- Capitalized on the new goods and services tax in Australia with highly targeted product offerings that generated significant new revenues.



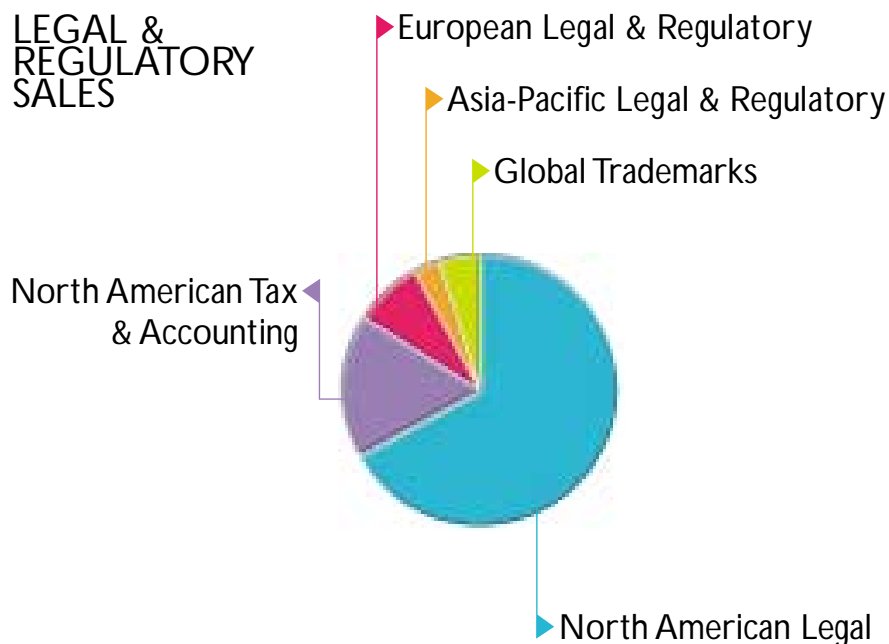
Major Market Trends

- Consolidation across borders of both law and accounting practices is creating a marketplace increasingly influenced by large global firms in need of multi-national research information.
- A worldwide convergence of law and accounting firms is creating large multi-disciplinary practices that offer both legal and accounting services. These firms are seeking 'preferred suppliers' who can satisfy a broad array of information and solutions needs.
- Increasing acceptance and use of technology by professionals worldwide is creating a favourable market environment for online products.
- The Internet is having a profound effect on every aspect of our business and our customers.

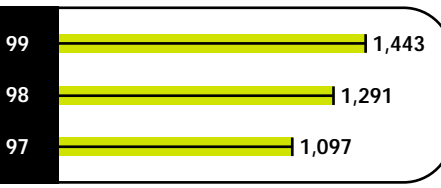
STRATEGIC INITIATIVES

- Expand our online platform brand globally by launching additional country-specific Westlaw offerings outside the US. Establish Westlaw UK as the premier online information service for UK legal professionals.
- Launch WestWorks, web-based productivity tools for legal practices; and WestFile, a web-based case filing system for the US legal marketplace.
- Aggressively pursue acquisition and business development opportunities in large European and other strategically-important markets.
- Become embedded in the infrastructure of our customers through creative integration of content and technology that fits with their workflow processes.
- Complete the integration of legal and regulatory operations by implementing far-reaching value creation programs that leverage technology and infrastructure assets across the group to enhance operating margins.
- Implement new business systems to provide an infrastructure upon which to develop sophisticated e-commerce offerings.

LEGAL & REGULATORY SALES



SALES



(from ongoing businesses, in millions of US dollars)

EBITDA



(from ongoing businesses, in millions of US dollars)

OPERATING PROFIT



(from ongoing businesses, in millions of US dollars)

THOMSON FINANCIAL strives to be the leading provider of e-information and solutions to the global financial services industry. It has operations in North America, Europe, Asia-Pacific and Latin America. Market-leading brands and businesses include American Banker, Electronic Settlements Group (ESG), First Call, IFR, ILX Systems, PORTIA and Securities Data. *The Globe and Mail* is Canada's national newspaper and, as its leading financial information provider, complements the strategic focus of Thomson Financial by providing the ability to leverage content, brands and databases in an online environment. The results of *The Globe and Mail* are included in Thomson Financial for all years presented.

YEAR IN REVIEW

Thomson Financial achieved double-digit growth in revenues for the eighth consecutive year, led primarily by businesses benefiting from high transaction volumes. Robust equity market activity in the US complemented by a healthy European economy contributed to this strong top-line growth. Excluding *The Globe and Mail*, operating profit was well above the previous year before investments in new Internet-based products. *The Globe and Mail* maintained its market leadership position and continued to make investments in its core business, new Internet-based offerings and Report on Business Television (ROBTv).

1999 Events and Accomplishments

- Launched several web products, including Intelliscope, a corporate intelligence tool; thomsondirect.com, a product gateway targeting the investment banking community; and Financial Planning Interactive. Revenue from Internet services reached \$127 million, 9% of the total.
- ILX Systems had another exceptional year of growth, installing approximately 25,000 new workstations.
- Accelerated growth outside North America with the launch of AutEx Europe and ILX Global; international sales increased by 22% to \$302 million, 21% of the total.
- Established a content management operation to oversee data integration, analysis, formatting and standardization across the financial group.
- Initiated a brand marketing program designed to raise awareness of Thomson Financial's activities by leveraging the strength of existing product brands.
- *The Globe and Mail* established itself as one of Canada's top five Internet destinations, averaging over 33 million 'visits' monthly.
- ROBTv, Canada's only 24-hour business news network and in which *The Globe and Mail* has a 50% interest, was launched with initial market penetration substantially ahead of planned levels.



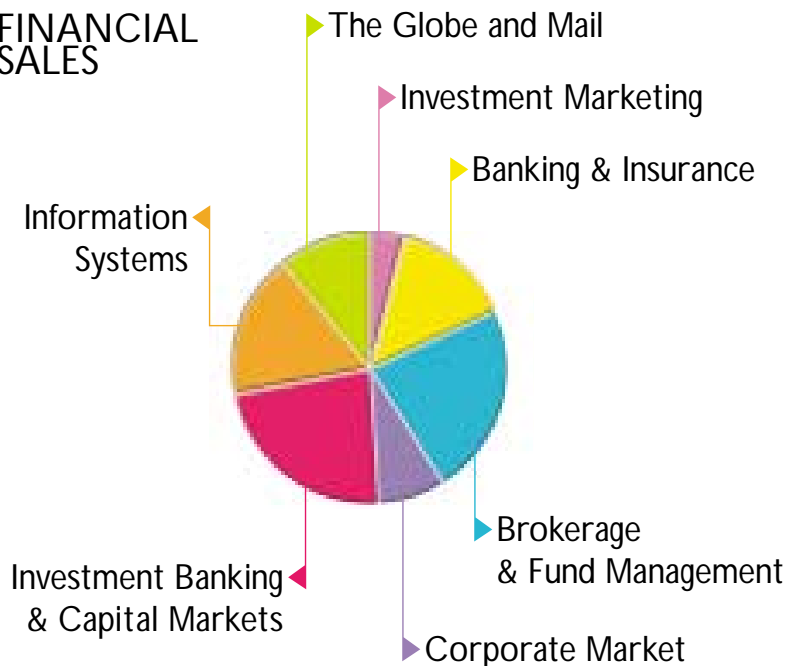
Major Market Trends

- The US and Canadian economies are expected to remain sound overall with continued buoyancy in consumer markets.
- Strong trading volumes in the US and European equity markets continue to drive our broker/dealer businesses.
- The level of business merger activity in the US remains high. The strengthening of the European Union, and consequent decline in regulatory hurdles, is expected to significantly increase cross-border merger and acquisition activity in 2000.
- Following recent financial deregulation in the US, the level of banking-related merger and acquisition activity is expected to accelerate in 2000.
- Demand for Internet-delivered financial services information continues to escalate.

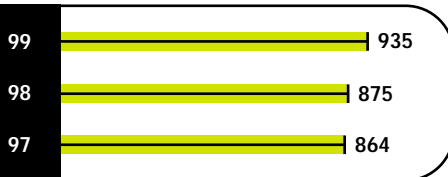
STRATEGIC INITIATIVES

- Continue to sharpen our market focus. Our vertical market groups will aggressively seek opportunities to deliver existing services in a more integrated fashion and to create new product offerings.
- Further develop Internet products and services such as AutEx Interactive, the web version of our market-leading messaging and block trading network. Such Internet initiatives are expected to account for the majority of all new product revenues in 2000.
- Seize new market opportunities by launching innovative new products such as the Intelligent Trade Management system, our next generation of trade settlement solutions.
- Expand the financial group's presence outside our core US and UK markets. In particular, significantly increase revenues from continental Europe and Asia through the extension of numerous product lines into these regions.
- Maintain *The Globe and Mail's* market share and reinforce its Report on Business as the leading provider of business and financial news in Canada. Accelerate the growth of its Internet sites and ROBTv.
- Leverage resources by sharing knowledge, technology and best practices. Continue high level of capital expenditure with an emphasis on technology to ensure we have world-class infrastructure and operations.

FINANCIAL SALES

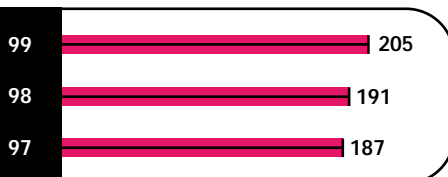


SALES



(from ongoing businesses, in millions of US dollars)

EBITDA



(from ongoing businesses, in millions of US dollars)

OPERATING PROFIT



(from ongoing businesses, in millions of US dollars)

THOMSON SCIENTIFIC & TECHNOLOGY is a leading provider of value-added databases and software tools that enable the scientific research community to access and manage published materials. Major brands include Derwent, ISI and Web of Science. THOMSON REFERENCE provides reference and research information to the library and education markets around the world, with well-known brands such as Macmillan Library Reference USA and InfoTrac Web. Jane's Information is a leading provider of information on military, defence and geo-political issues. THOMSON HEALTHCARE, with renowned brands such as Medical Economics, Physicians' Desk Reference and Micromedex, provides information, drug databases and communications to pharmaceutical companies, hospitals, physicians and managed-care organizations.

YEAR IN REVIEW

In 1999, our three major business units achieved solid gains in sales and greater profitability from their core businesses; drove initiatives for long-term growth; and developed e-information and solutions for current and new markets. In Scientific & Technology, operating margins were improved and time-to-market for electronic products accelerated. Reference saw revenues rise by 6.9%, fueled primarily by acquisitions; and significantly improved operating efficiency, enabling faster delivery of products. Healthcare reported strong demand for drug and clinical information, and increased revenues from sponsored continuing medical education programs.

1999 Events and Accomplishments

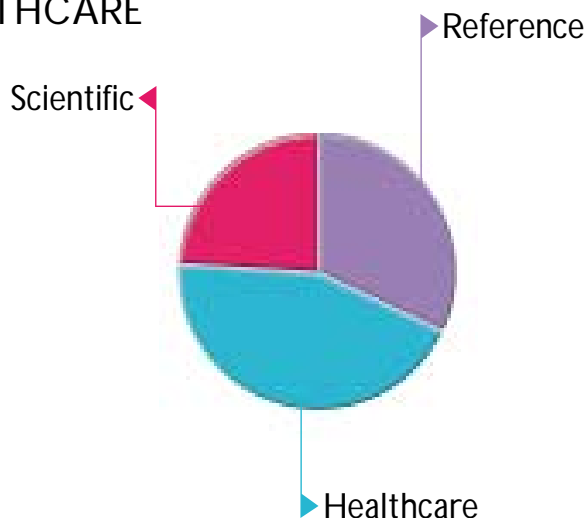
- Web of Science, an Internet portal for scientific researchers, increased its penetration of US-based academic research libraries from 40% to 70%, and doubled sales in Europe and the Asia-Pacific region.
- Derwent Innovations Index, a database of some 10 million patents, was introduced on the Web of Science Internet platform, extending sales of patent information into the academic library market and increasing interest in intranet distribution in the corporate market.
- The acquisition of Macmillan Library Reference USA strengthened Gale Group's reference categories, particularly history and humanities.
- Gale Group successfully launched Resource Centers, a new line of web products which integrate content from a range of sources on topics such as bibliography and literature.
- Jane's Information's online service was launched. The website registered 20 million 'visits' in eight months and generated substantial new revenues.
- Physicians' use of Medical Economics' PDR.net rose threefold to over 1.3 million monthly 'visits'.
- CenterWatch was established as the most heavily visited website for clinical trials information, generating substantial revenues in its first year.



Major Market Trends

- Corporate customers are increasingly eager for added-value patent solutions that provide indexing and navigation through comprehensive databases.
- Intranet delivery of integrated information sources is becoming a critical discriminator in the corporate market for scientific and technology products and services.
- Increased government funding is driving school and library technology infrastructure investment. Almost 75% of all US public libraries are now connected to the Internet and there is a marked shift away from CD-ROM, print and microfilm.
- Spending on new drug development and promotion remains strong despite the pharmaceutical industry's consolidation and restructuring.
- Hospitals facing cost pressures due to government funding cutbacks are eager for solutions that optimize the quality and cost-effectiveness of care.

SCIENTIFIC, REFERENCE & HEALTHCARE SALES



STRATEGIC INITIATIVES

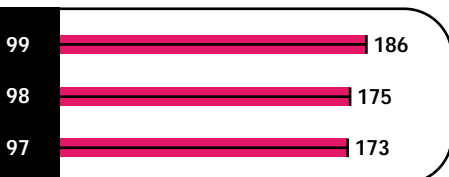
- Focus on improving speed-to-market for high-value, proprietary information and workplace solutions.
- Expand international presence through increasing exports of US electronic products, employing editorial resources outside the US and acquiring indigenous publishing operations.
- Increase content and functionality of existing websites. Introduce new content and editorial management systems to drive new web-based products.
- Enhance and extend electronic products and services of Thomson Scientific so that in 2000 electronic delivery will account for 90% of revenues, with more than one-third being distributed over the Internet.
- Strengthen the Web of Science platform by adding multiple database searching capability and value-added services such as electronic document ordering.
- Launch several new Resource Centers covering history, business and industry, health and community colleges to further increase Gale's Internet presence.
- Expand the use of our extensive drug information into the retail pharmacy and corporate markets.
- Strengthen Healthcare's communications business by introducing further continuing medical education products and services to physicians.

SALES



(from ongoing businesses, in millions of US dollars)

EBITDA



(from ongoing businesses, in millions of US dollars)

OPERATING PROFIT



(from ongoing businesses, in millions of US dollars)

THOMSON LEARNING aspires to be the foremost provider of teaching and learning content and solutions to individuals, learning institutions and corporations. In the academic marketplace, we serve secondary, post-secondary and graduate-level students, teachers, and learning institutions with market-leading brands such as Brooks/Cole, Wadsworth Publishing and South-Western College Publishing. The lifelong learning and corporate training marketplaces embrace adult education and certification for paraprofessionals, training centres and individual learners; and corporate training for technology professionals, chief information officers and employees seeking skills certification. Well-known brands include Course Technology, Delmar Publishers and Peterson's. Thomson Learning is committed to building its presence in these markets, both organically and through acquisitions, as evidenced by its purchase of Prometric.

YEAR IN REVIEW

The year saw the global launch of the Thomson Learning brand to support and connect our businesses as we continue our evolution towards a lifelong-learning solutions company. A new organizational structure, growth-oriented investments and an infusion of new management contributed to sales growth above the industry average in all major segments of the business. Operating profits overall were above those of the previous year despite further investment in web-based products and infrastructure. A focus on developing competencies and alliances to design, market and sell products and services directly to customers over the Internet marked the beginning of our transition to an e-learning and e-commerce enterprise.

1999 Events and Accomplishments

- Launched thomsonlearning.com and associated infrastructure to support new e-commerce and e-learning initiatives. Established petersons.com as the leading website in its marketplace.
- Further refined our strategy in the high school publishing marketplace, and divested three units that did not conform with our business strategy.
- Acquired and successfully integrated five companies/product lines to enhance our core businesses.
- Launched a global brand campaign to underpin Thomson Learning's long-term strategy to expand into the corporate training and distance learning marketplace, and to promote the concept of lifelong learning under a single umbrella brand.
- Developed a strategy for global English language training. Expanded our Latin American business, leveraging existing content in a market with outstanding growth opportunities.



Major Market Trends

The key trends affecting the academic marketplace are:

- Continuing consolidation among major publishers.
- Increasing use of customized courseware and teaching materials.
- The transformation of book distribution by the Internet.
- Emergence of 'for-profit' educational institutions.
- Increasing use of electronic instructional materials in universities.
- Growing worldwide demand for English language training.

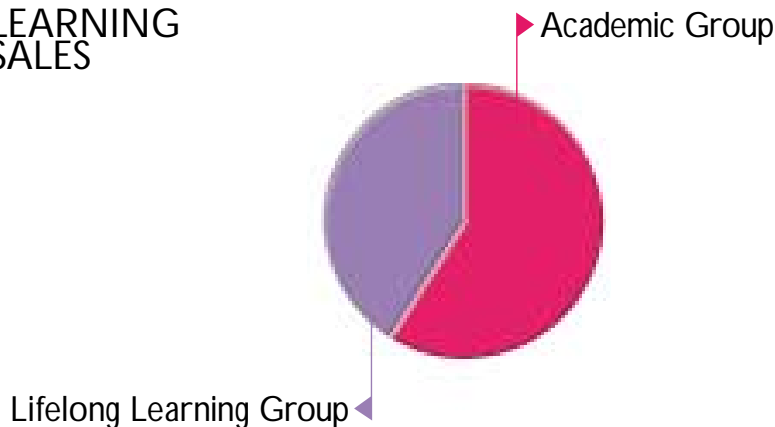
The key trends in the lifelong learning and corporate training marketplaces are:

- Increasing demand for information technology education and training in business and government. Certification and test preparation is growing particularly rapidly.
- Growing importance of learning which extends beyond the traditional four-year degree course.
- Increasing tendency among employers to use competency tests when hiring rather than depending upon educational credits and the time spent in a classroom.
- Emergence of distance and web-based learning as alternatives to traditional classroom and instructor-led models.

STRATEGIC INITIATIVES

- Create top-of-mind awareness of the Thomson Learning brand while simultaneously growing individual market brands.
- Establish Thomson Learning as a leading provider of customized learning solutions in all media.
- Further investment in the development of web-based corporate training courses.
- Capitalize on the acquisition of Prometric to provide a total learning solution embracing courseware, test preparation, testing, assessment and certification.
- Accelerate the transformation of Peterson's from a publisher of printed college guides to an Internet portal for customers seeking information and guidance in their pursuit of lifelong-learning opportunities.
- Develop an English language training program using the product development capabilities of Heinle & Heinle and the local expertise of our international operations.
- Enhance technology spending programs with a focus on digital content management, sales force automation and infrastructure to support e-learning and e-commerce initiatives.

LEARNING SALES



THOMSON NEWSPAPERS is a marketing and communications company that provides a wide spectrum of information-based products and services in 20 regional marketplaces in the US and Canada. We have 54 daily newspapers with total daily circulation of over 1.3 million, more than 75 non-daily newspapers, 110 websites and numerous advertising and specialty publications. Following the announcement on February 15, 2000, that Thomson intends to sell its Thomson Newspapers business, excluding *The Globe and Mail*, the results of the latter are included within Thomson Financial.

SALES



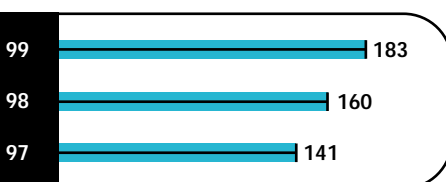
(from ongoing businesses, in millions of US dollars)

EBITDA



(from ongoing businesses, in millions of US dollars)

OPERATING PROFIT



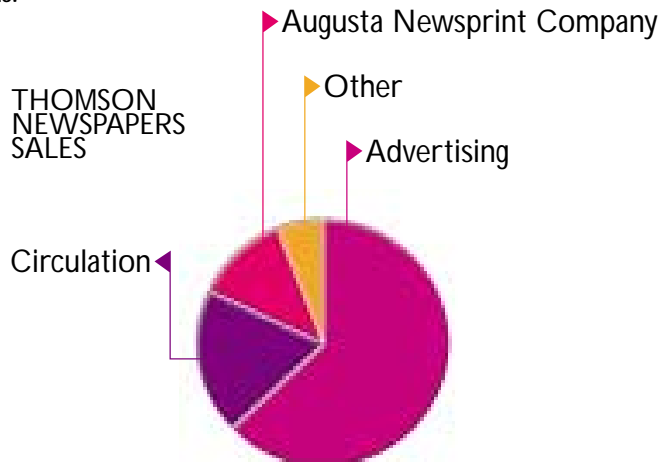
(from ongoing businesses, in millions of US dollars)

YEAR IN REVIEW

In 1999, Thomson Newspapers posted another very successful year, enjoying the benefits of a strong economic environment in both the US and Canada. For the third consecutive year, our strategic marketing groups achieved revenue growth well above the industry average. With its continuing emphasis on new business development, Thomson Newspapers further enhanced its reputation as North America's most innovative newspaper company.

1999 Events and Accomplishments

- New products introduced in 1999 contributed over 35% of the year's revenue growth.
- Increased circulation for the third consecutive year, outperforming US and Canadian industry trends.
- US newspapers increased advertising revenues, excluding acquisitions, by almost 10% compared with the industry average of about 6%.
- 8,400 training modules completed in a year of record investment in people development. Opened the first US newspaper company school to train community journalists.
- Delivered another industry first with the development of a press training simulator.
- Thomson Newspapers' websites generated revenues of approximately \$3 million.
- Won some 900 editorial awards, including almost 400 first prizes in state awards, 22 first place national awards and 14 general excellence awards.



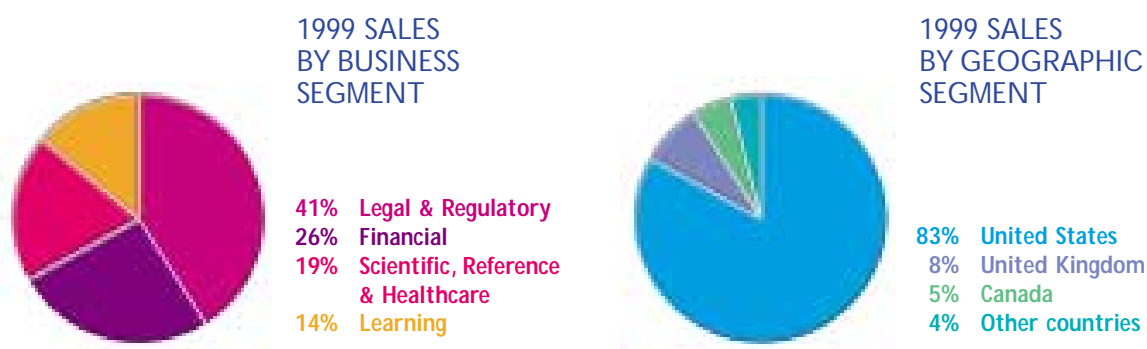
(unless otherwise stated, all amounts are in millions of US dollars)

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, competitive actions and changes in laws and regulations including with respect to tax matters.

On February 15, 2000, Thomson announced that it intended to sell the newspaper interests of Thomson Newspapers, excluding *The Globe and Mail*. The results of the interests to be divested for the current and prior year are reflected as discontinued operations in the consolidated statement of earnings. Discontinued operations in 1998 also includes the results of Thomson's leisure travel interests sold on May 18, 1998 together with the gain on the sale.

RESULTS OF OPERATIONS

The following discussion excludes the results of discontinued operations.

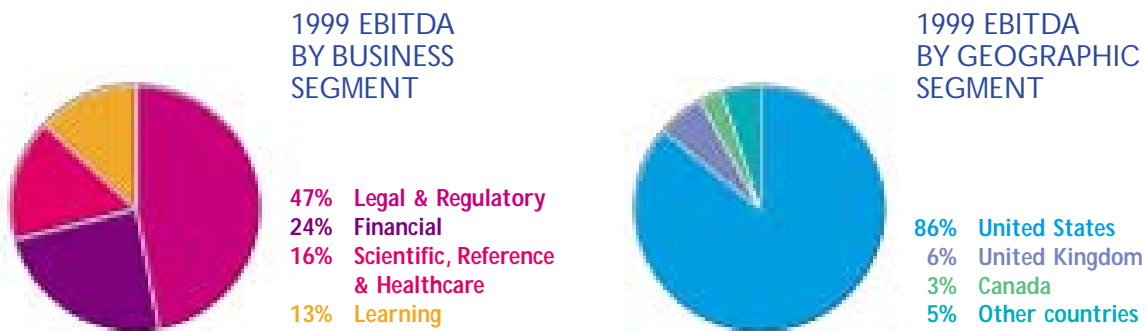


Sales increased in 1999 by 6.6% to \$5,752 million. North American sales increased by 6.9% to \$5,061 million, and accounted for 88.0% of the total. Sales from outside North America, principally in the UK, increased by 4.2% to \$691 million, and accounted for 12.0% of the total. Sales from ongoing businesses – which excludes disposals – increased by 8.9% to \$5,469 million.

EBITDA increased by 4.8% to \$1,407 million, reflecting a margin of 24.5% (1998 – 24.9%) on sales. EBITDA from ongoing businesses increased by 6.3% to \$1,370 million, reflecting a margin of 25.1% (1998 – 25.7%). The slight margin decline from the prior year reflects additional investment in product development and infrastructure, largely in Thomson Financial.

Depreciation increased by 6.0% to \$386 million as a result of acquisitions and capital expenditures, particularly in technology to keep our businesses competitive and to provide for expansion.

Operating profit before amortization, restructuring charges and Year 2000 costs (operating profit) was \$1,021 million, 4.4% higher than in 1998. North American operating profit, before subtracting corporate and other costs, increased by 2.5% to \$997 million, and accounted for 88.9% of the total. Operating profit from outside North America increased by 45.3% to \$125 million,



Before deducting corporate costs, restructuring charges and Year 2000 costs.

and accounted for 11.1% of the total. Operating profit from ongoing businesses increased by 6.3% to \$1,006 million.

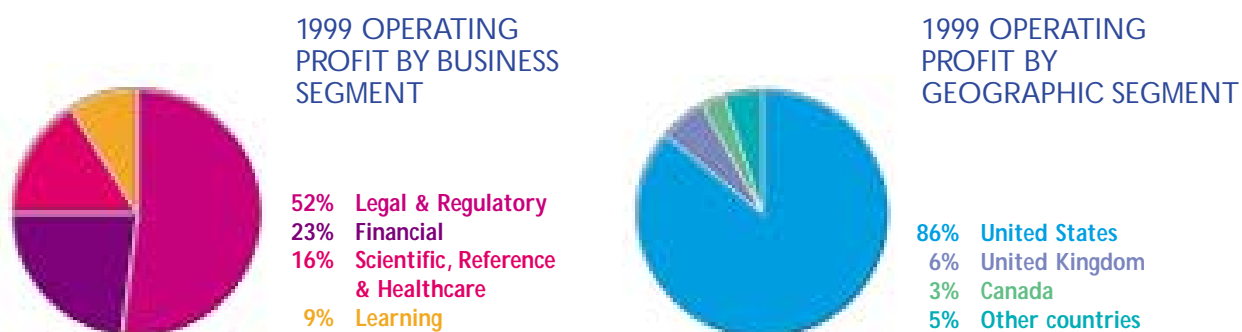
Amortization increased from \$207 million to \$216 million as a result of acquisitions. Costs relating to Year 2000 compliance, which is discussed on page 43, were \$91 million before tax (1998 – \$65 million).

Restructuring costs of \$38 million, before tax, were accrued during the third and fourth quarters of 1999, principally within Thomson Financial and Thomson Legal & Regulatory, related to business realignments. In Thomson Financial, the shift to a vertical market structure will enable the group to be more aggressive in its Internet-based development of new products and to create infrastructure and appropriate technology platforms to increase overall efficiency. In Thomson Legal & Regulatory, RIA Group is being integrated into the West Group to improve operational efficiency. These efforts will continue into 2000 and will result in additional restructuring costs, before tax, of between \$50 million and \$60 million.

Net gains on disposals of businesses and investments of \$52 million (1998 – losses of \$37 million) relate principally to the sale of businesses within all market segments.

Net interest expense and other financing costs of \$186 million were \$62 million lower than in 1998. The reduction reflected a lower level of average borrowings in 1999, principally as a result of proceeds from the disposal of Thomson's leisure travel interests in May 1998.

Income taxes of \$105 million (1998 – \$79 million) as a percentage of earnings before income taxes and preference dividends were 19.4% (1998 – 18.8%). 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 Thomson has operating and finance subsidiaries, and to the use of tax losses.



Before deducting corporate costs, restructuring charges and Year 2000 costs.

Thomson's comparative earnings and earnings per common share from continuing operations for 1999 and 1998 are summarized below:

	Earnings		Earnings per common share	
	1999	1998	1999	1998
Earnings and earnings per common share from continuing operations	409	314	\$0.66	\$0.51
Add back (deduct):				
Restructuring charges, net of tax	26	—	\$0.04	—
Net disposal (gains) losses, net of tax	(38)	37	\$(0.05)	\$0.06
Year 2000 costs, net of tax	64	53	\$0.10	\$0.09
Adjusted earnings and earnings per common share from continuing operations	461	404	\$0.75	\$0.66

Adjusted earnings and earnings per common share from continuing operations increased by 14.1% and 13.6% respectively, reflecting strong organic growth and lower net interest expense.

Net capital expenditures were \$472 million (1998 – \$474 million), of which \$326 million related to computer hardware and software, reflecting the continued investment required to expand Thomson's operations and support the production and delivery of increasingly sophisticated electronic products, services and solutions.

Dividends declared on common shares in 1999 were \$406 million (1998 – \$384 million), of which \$151 million (1998 – \$143 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 \$255 million (1998 – \$241 million). The quarterly dividend paid on December 15, 1999 was increased by 4.6% to \$0.17 per common share.

BUSINESS OF THOMSON

Thomson entered 1999 as one of the world's leading information companies with interests in specialized information worldwide and in newspaper publishing in North America. We knew that change would continue in our markets and across our Company, but the speed and depth of these changes has perhaps been more profound than might have been anticipated.

Thomson's revenues from ongoing businesses climbed to \$5.5 billion, of which approximately half were electronic-based, including \$390 million in Internet-based revenues. Thomson's core business today is providing indispensable information and solutions to businesses and professionals – with global reach and market leadership in technology being fundamental to our vision for the future.

To focus even more sharply on technology-driven products and services, Thomson announced in February 2000 that it intended to sell Thomson Newspapers. The sale will exclude *The Globe and Mail*, the leading national newspaper and financial information business in Canada. *The Globe*, with its national scope, award-winning content, Internet sites, broadcast assets, multi-media capabilities and renowned business-to-business content, is a strong fit with Thomson Financial.

Thomson Financial is one of four market groups established in recent years to serve markets that Thomson believes to be prosperous, growing and distinctive. Thomson Financial provides information and solutions to the global financial services industry. Our other markets are served by:

- Thomson Legal & Regulatory, led by the West Group. It is a leading provider of information and solutions to legal, tax and accounting professionals around the world.
- Thomson Scientific, Reference & Healthcare. This group provides high-value information and services to researchers and other professionals in the academic, scientific, corporate, government and healthcare marketplaces.
- Thomson Learning, which aspires to be the foremost provider of teaching and learning content and solutions. It serves the needs of individuals, learning institutions and corporations.

This diversity of marketplace – in industry, products and geography – is one of Thomson's greatest strengths. A broad spectrum of activities provides some protection against a severe decline in any one area damaging the profitability of the business as a whole.

Thomson is also protected by several common characteristics in the unique information products and services that we offer our customers:

- They possess a continuing dimension, fostering long life-cycles and ongoing relationships with customers; and
- They provide indispensable insight, information and solutions critical to the success of our customers.

While we have built substantial strengths as an information company, our greatest challenge is to become a world-class provider of electronically delivered solutions as well. Content provides the foundation of our business, but the applications and services that

Thomson provides are as important as the information itself. Increasingly, we will provide the software, analytical tools and e-business services that allow our demanding customers to gain competitive advantage. To further leverage the content that our market groups gather and create, we will seek to provide Internet portals that give customers access to our information and databases regardless of where they reside in the Company.

To achieve our goals, we have been supplementing ongoing product development efforts in our businesses with investments in major initiatives in Internet-based products and services. In 1999, we expensed \$118 million (1998 – \$67 million) on such initiatives. Approximately two-thirds of our 1999 capital expenditures related to technology spending. We will also continue to make strategic and tactical acquisitions as opportunities arise.

Finally, the changes within our markets created by the forces of consolidation and globalization have created significant growth opportunities both within our traditional English-speaking markets – the US, Canada, the UK and Australasia – and in other marketplaces, principally Scandinavia, continental Western Europe, the remainder of the Asia-Pacific region and Latin America. We intend to pursue international expansion opportunities in every market segment.

COMPETITIVE ENVIRONMENT

In addition to the large, global information companies, increasingly we are seeing competition to our individual businesses from small web-based specialists, often with commodity-type information products driven by fundamentally different underlying economics from our own. Competition from web-based information products and services now also includes ‘free’ information from government agencies, not-for-profit organizations and other institutions. Through the added value and comprehensiveness of our products, and the substantial investments we have made in technology, we believe we are fully prepared for ever-increasing competition across all our marketplaces.

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 aim to achieve this goal by continuing to implement a strategy with the following key components:

- **Investing for growth.** We will grow through a strategy predicated on organic product development, supplemented by tactical acquisitions. We will evaluate strategic acquisition opportunities as they arise.
- **Leveraging resources.** Without losing any momentum in our revenue growth, we will leverage our tangible and intangible resources across all levels of the Company to improve operating margins.

- **Sharpening market focus.** We will focus even more clearly on the market segments we currently serve, and capitalize fully on our many strong niche positions. We will evaluate those parts of these markets that offer insufficient opportunity and, if appropriate, dispose of businesses within them.
- **Optimizing international opportunities.** We will pursue international expansion opportunities in every major market segment, recognizing the increasingly global nature of our markets, customers, information content and delivery.
- **Investing in people.** We will continue to invest heavily in retaining and attracting first-class people and providing them with the environment and tools they need to excel. Particular attention will be paid to retaining talented individuals who might be attracted away by Internet start-ups and technology companies.

MARKET GROUP OPERATING REPORTS

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

	Sales		EBITDA ⁽¹⁾		Operating profit ⁽¹⁾	
	1999	1998	1999	1998	1999	1998
Legal & Regulatory	2,350	2,180	709	654	581	514
Financial	1,443	1,291	365	350	256	265
Scientific, Reference & Healthcare	935	875	205	191	161	152
Learning	741	677	186	175	103	96
Corporate and other	—	—	(95)	(81)	(95)	(81)
Ongoing businesses	5,469	5,023	1,370	1,289	1,006	946
Disposals ⁽²⁾	283	375	37	53	15	32
Continuing businesses	5,752	5,398	1,407	1,342	1,021	978

(1) Before amortization of \$216 million (1998 – \$207 million), restructuring charges of \$38 million (1998 – nil) and Year 2000 compliance costs of \$91 million (1998 – \$65 million).

(2) Disposals include the results of businesses sold or held for sale.

Particularly in the learning and regulatory markets, 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 Thomson'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 64.

THOMSON LEGAL & REGULATORY

OVERVIEW

Thomson Legal & Regulatory Group (TLRG) is the world's largest provider of information and solutions to legal, tax and accounting professionals with leading positions in North America, Europe and the Asia-Pacific region.

Steady growth in global legal and regulatory markets fueled a 7.8% increase in 1999 ongoing sales to \$2,350 million. Operating margins increased to 24.7% (1998 – 23.6%) as a result of higher sales of more profitable online products, very strong renewal rates and careful control of costs through the successful leveraging of assets across TLRG.

EBITDA was \$709 million (1998 – \$654 million) representing a margin of 30.2% (1998 – 30.0%) on sales. Capital expenditures of \$164 million (1998 – \$165 million) reflected a continuing commitment to investments in new technologies, online infrastructure and product development.

The worldwide legal and regulatory market, which continues to be attractive with steady annual growth of 5%, is being shaped by three broad trends. First, the rapid acceptance of sophisticated electronic product offerings, which has resulted in the new product development programs of all TLRG's businesses being focused on the Internet.

Second, the merger of law and accounting firms outside North America is creating multi-disciplinary practices offering both legal and accounting services.

The third major trend is the consolidation across national borders in both law and accounting practices that is creating a marketplace increasingly influenced by large global firms. These firms are uniquely positioned to provide international legal and accounting services for their multinational corporate clients. Today, the large US and European-based law and accounting firms hold leadership positions in markets worldwide. Increasingly, these firms require cross-border, cross-topic content, and are actively seeking information and solutions providers who can address these needs.

In both law and accounting, large firms are typically the most technologically advanced – relying heavily on online content delivery – and have the most buying power. To compete effectively, smaller firms are rapidly adopting technology, and represent a significant growth opportunity for TLRG.

All legal and regulatory businesses face increasing competition from web-based start-ups, particularly those generously funded by the capital markets. These competitors can have an impact on TLRG's revenue potential while requiring significant additional marketing expenditure. TLRG's response is to continue to offer an unmatched breadth of information content that can be integrated into the users' workflow processes to provide comprehensive solutions to their needs. At the same time, TLRG's web-based offerings will provide superior added-value content, distribution and customer support.

North American Legal

Market environment: The North American legal market is the largest in the world and is comprised primarily of professional law firms, corporations, government and judicial agencies, and academic institutions. This market relies heavily on information delivered online.

Operating performance: In the US, West Group's core legal business had a very successful year, achieving strong new sales and renewals and a 19% increase in online revenues. As a result of the aggressive development of new web-based services, enhanced content offerings, superior

customer support and expanded delivery platforms, online now represents 45% of total revenues. West Group continued to achieve significant penetration in the competitive small-firm and corporate markets, and divested the portion of its Information America public records business that served non-legal markets.



The year's most significant event was the launch of New westlaw.com. This strategic Internet platform for Westlaw achieved rapid market acceptance and outstanding revenue growth. West Group's new lawoffice.com legal portal also showed significant growth through the sale of profiles of legal professionals, customized websites for law firms, and sponsorships.

Through superior product quality and high brand awareness, KeyCite, West Group's innovative citation research service launched in mid-1997, consolidated its market position. As a result, the withdrawal from Westlaw of the competitor Shepard's™ legal citation service, effective June 30, 1999, had little impact.

In a relatively flat Canadian legal marketplace, Carswell achieved increased operating profits largely as a result of productivity improvement programs initiated early in the year. The eCarswell web-based product gained momentum in mid-year following the successful introduction of a gateway to the US-based Westlaw service.

North American Tax & Accounting

Market environment: The North American tax and accounting market is also the largest in the world. It is comprised primarily of professional accounting firms and corporations, with the Internet the preferred means of information sourcing. The most significant trend in recent years has been the consolidation of firms of all sizes, including the largest practices that are increasingly able to influence both pricing and product offerings.

Operating performance: In the US, Thomson Tax & Accounting (TTA), formerly RIA Group, achieved modest sales growth overall as a result of strong performances by its Creative Solutions, Practitioners Publishing Company and Trust Services Group brands. In addition, Research Institute of America's market-leading web-based CheckPoint service generated excellent gains in usage and revenue. The acquisition of Financial Special Services strengthened TTA's trust service and, despite competitive pricing pressures, the unit successfully renewed annual contracts with its key customers. Following the recent completion of a strategic review, TTA will focus in the coming year on the rationalization of existing product lines, restructuring of sales channels and streamlining its administrative functions.



European Legal & Regulatory

Market environment: The European legal and regulatory market is the second largest in the world and continues to grow steadily. While individual countries have diverse product and service needs, the European Union is promulgating regulations affecting all member nations, thereby harmonizing commercial law. As a result, the demand for cross-border information is increasing.

The trend towards consolidation of firms across national borders and disciplines is particularly pronounced in Europe, where the 'Big Five' firms are the major providers of both legal and accounting services in several countries. In addition, 1999 saw the first merger between major US and UK law firms.

Operating performance: European Legal & Regulatory enjoyed good revenue growth as a result of new product launches in key markets and strong sales of major publications. Operating profit was substantially higher than the previous year, also benefiting from cost containment programs and the successful integration into UK operations of FT Law and Tax, acquired in 1998.

In 1999, the European group's expansion included the acquisitions of Editorial Aranzadi, the leading legal publisher in Spain; and ELLIS Publications, a publisher of European Union legislation based in the Netherlands. These businesses will continue to serve their existing markets as well as providing information content for other markets served by TLRG. RKI, the Danish credit rating agency, was divested during the year.

November saw the launch of Sweet & Maxwell's Westlaw UK to key law firm decision-makers. This service complements established information content with greatly expanded UK legislation and cases as well as US legal materials from West Group. Delivered through a highly customized interface designed specifically for the UK market, the service achieved excellent user response and has established a base to support a full launch in early 2000.

Asia-Pacific Legal & Regulatory

Market environment: The Asia-Pacific region continues to recover from the economic turmoil of recent years, and is showing promising growth in the legal and regulatory arena.

Operating performance: Both revenue and operating profit of TLRG's Asia-Pacific operations exceeded the previous year, bolstered by strong sales of new products designed to help Australian clients prepare for the introduction of the new goods and services tax in 2000. In addition, the integration of many of the region's business operations resulted in significantly improved operating margins.

Global Trademarks

Market environment: The global trademark market experienced significant growth in 1999. Largely due to the exceptional growth of Internet-related businesses and services, the number of federal trademarks filed in the US increased by 27% over 1998.

ARANZADI
EDITORIAL

Operating performance: Thomson & Thomson's worldwide trademark operations achieved substantial revenue and profit growth, primarily due to the extremely high usage of its search products and the dramatic increase in US trademark filings. Their SAEGIS offering enjoyed dramatic growth, fueled in part by a migration of customers to this web-based platform.



THOMSON LEGAL & REGULATORY OUTLOOK

Legal and regulatory markets afford the opportunity for continued growth worldwide. TLRG's strategy in 2000 will therefore focus on:

- global expansion of the Westlaw online brand and delivery platform;
- further development of web-based services, particularly those that can be integrated into customers' workflow;
- leveraging resources within geographic regions as well as globally; and
- expansion of TLRG's presence in Europe and other strategically-important markets.

THOMSON FINANCIAL

OVERVIEW

Thomson Financial began a process of realignment in 1998 into vertical market groups, but during 1999 the business continued to be managed as four operating units: the Database Group, the Trading Services Group, the Financial Publishing Group and the ILX Group. This process of realignment, which is designed to ensure greater market focus and the provision of customizable solutions rather than individual product offerings, is ongoing. When completed, Thomson Financial will comprise six market groups: Investment Marketing; Banking and Insurance; Brokerage and Fund Management; Corporate Market; Investment Banking and Capital Markets; and Information Systems. In addition, *The Globe and Mail* provides further information content and distribution capability.

An 11.8% increase in ongoing sales to \$1,443 million resulted primarily from improved market penetration and new products, with a modest contribution from acquisitions. This performance was achieved against a background of variable market conditions. While our transaction-based businesses enjoyed buoyant equity markets and performed well, weakness in financial advertising and the deferral of software purchases arising from customer concerns over the potential impact of Year 2000, adversely affected our publishing and software businesses. A notable feature of the year was the dramatic growth in Internet-based revenues, which more than doubled to \$127 million.

Thomson Financial achieved a modest increase in operating profit, excluding *The Globe and Mail*; including the newspaper, there was a 3.4% decline to \$256 million. Despite improved operating results in most business units, margins declined to 17.7% (1998 - 20.5%) as a result

of higher new business development spending and investment in infrastructure, costs associated with the realignment of our businesses, and the investment required to maintain *The Globe and Mail's* leadership position in the very competitive Canadian national newspaper marketplace. We expect the margins of our financial businesses to begin to recover on completion of our market realignment, underpinned by our initiatives on data integration and the consolidation of administrative functions.

EBITDA was \$365 million (1998 – \$350 million), representing a margin of 25.3% (1998 – 27.1%) on sales. Increased software development and the expansion of facilities to keep pace with Thomson Financial's growth necessitated a continuing high level of capital expenditure of \$153 million (1998 – \$154 million).

Market environment: The global market for financial information and related work solutions is driven by a number of factors. Demand from the financial community for Internet-delivered information continues to accelerate. Trading volumes remain strong in the US and European equity markets and are now recovering in Asia as economic growth resumes. As a result of a favourable economic and regulatory climate, US merger and acquisition (M&A) activity continues at a high level, while in the European Union cross-border M&A activity is expected to increase significantly in 2000. *The Globe and Mail* faces an extremely competitive marketplace that might continue to adversely affect operating results until the market situation stabilizes.

Operating performance: In the **Database Group**, several group-wide initiatives to more clearly address market needs and to improve operating efficiency were introduced during the year. Worldwide revenues increased by 17% and operating margins were maintained. Our market focus was further sharpened by the sale in mid-year of Thomson Financial Securities Management, an operation that was no longer integral to Thomson Financial's ongoing strategy. Acquisitions during the year included Story Street, a provider of intranet solutions for financial services firms; and Social Investment Research Services, a product extension to our existing Institutional Shareholders Services.

The **Trading Services Group** experienced lower operating profits in 1999 with mixed fortunes in its businesses. Its software business struggled, while transaction-based businesses flourished. Overall, an 11% growth in revenues was achieved despite the adverse impact of customer concerns over the Year 2000 issue and poor market conditions in its Thomson Financial Software Solutions and Thomson Global Markets businesses. Both AutEx and Electronic Settlements Group (ESG) enjoyed a solid year driven by higher trade message and transaction volumes. ESG initiated the development of its Intelligent Trade Management system, the next generation of trade settlement solutions and Thomson Financial's largest ever business development project. The aim of the project is to re-engineer the trade process while also reducing settlement times to the day after a trade is executed.

While the **Financial Publishing Group** (FPG) was adversely affected by softness in advertising and further banking consolidations, sales overall increased by 6% and operating margins were



improved. Five acquisitions were completed during the year including National Regulatory Services, a suite of compliance and work-solution tools for investment advisors; and Powell

AMERICAN BANKER

Publishing, publishers of a leading magazine covering the data warehouse industry. FPG's highly effective new product development activities included the successful launches of Bank Technology News International,

Financial Planning Online, Web Finance and IFR Latin America.

The **ILX Group** had another outstanding year, achieving revenue growth of 23% and



improved operating margins. ILX Systems continued to invest heavily in technology and infrastructure, but has been able to spread its fixed costs over a growing customer base. Market penetration was further increased with the installation of an additional 25,000 workstations, bringing the total to 135,000. BETA Systems

again achieved exceptional growth, almost doubling transaction volumes during the year.

Thomson Financial continued to expand and strengthen its presence outside North America. International sales grew 22% during the year, representing approximately 21% of the total. Recent initiatives include the launches of AutEx in mainland Europe and the ILX workstation in the UK. Growth is being driven through offices in London, Tokyo and Sydney as well as four offices in Latin America.

The Globe and Mail's year was influenced by the aggressive action of the National Post, launched in October 1998, to establish a major market position. While *The Globe* increased daily and Saturday circulation volume by 1.7% and 0.5% respectively, and raised its share of advertising lineage by 0.6%, profitability was adversely affected by the continued investments required to maintain its leadership position. Activity to build a major Internet presence continued apace, and *The Globe* established itself as one of Canada's top five Internet destinations, averaging over 33 million 'visits' monthly.

THOMSON FINANCIAL OUTLOOK

By leveraging information resources, technology and best practices to better serve the needs of customers, Thomson Financial will begin to reap the benefits of its new market group structure. The economic and financial information industry overall is expected to continue its strong growth of recent years. By capitalizing on the strength of its brands and through continued innovation, Thomson Financial expects to continue to outperform the industry.

THOMSON SCIENTIFIC, REFERENCE & HEALTHCARE

OVERVIEW

Thomson Scientific, Reference & Healthcare provides high-value information and services to researchers and other professionals in certain segments of the scientific, corporate, academic, government and healthcare marketplaces.

Sales of ongoing businesses in 1999 increased by 6.9% to \$935 million. While all three business units achieved solid gains, growth in Reference sales was mainly fueled by the acquisition and successful integration of Macmillan Library Reference USA (MLR).

Operating profit from ongoing businesses increased by 5.9% to \$161 million. The slightly lower operating margin of 17.2% (1998 – 17.4%) was attributable to higher investments in new product development and infrastructure as well as to the costs of integrating the MLR acquisition.

EBITDA was \$205 million, representing a margin on sales of 21.9% (1998 – 21.8%). Capital expenditures of \$55 million (1998 – \$67 million) reflected continued investment in information content, editorial systems and infrastructure.

Thomson Scientific

Market environment: In 1999, primary publishers, secondary publishers and government organizations continued to increase their direct-to-customer electronic distribution initiatives. The increasing acceptance of web-based products and services by both information professionals and end-user researchers is creating attractive opportunities for information providers with recognized brands and proven delivery platforms to improve their market positions. Our response to the increasing amounts of ‘free’ information being made available in the scientific arena by US government agencies is to further differentiate our products, particularly through improved delivery platforms with increased functionality and better information content.

DERWENTSM
Innovations Index

Operating performance: Thomson Scientific’s sales increased by 6.3%. The year also saw the first benefits from the realignment under common management of Institute for Scientific Information (ISI) and Derwent Information. Operating margins were improved by leveraging the product development, sales and administrative functions, causing profits to increase by 16.6%.

Improved sales and operating margins were driven by the success of ISI’s Web of Science Internet portal. Launched in 1997, Web of Science has quickly become the leading provider of high quality, essential information products and services supporting the global scientific research community, and is also gaining wide acceptance among corporate researchers.

Derwent Innovations Index, the first product combining ISI and Derwent information content, was launched during the year on the Web of Science platform. Additional combined content products such as Biosciences are under development, and will be launched later in the year.

Our response to the increasing costs associated with the inexorably rising volumes of patent filings has been to automate the translation of non-English language patents and to move to producing patent abstracts in lower cost regions. These initiatives are expected to further improve operating margins in 2000.

Thomson Reference

Market environment: Reference encompasses the provision of reference materials to school, academic and public libraries for students and academic researchers. All markets are characterized by a rapidly growing demand for reference materials delivered electronically. A higher level of federal and local funding continues to underpin technology infrastructure investment in all segments. Some 73% of all US public libraries now offer Internet access, and 89% of schools are connected to the Internet.

While spending on print products continues to grow modestly despite tight library budgets, sales of electronic products are increasing by approximately 10% a year. Technology is increasing the opportunities to create products and services which link classrooms, libraries, parents and students.

Operating performance: To take advantage of these opportunities, Gale Research, Information Access Company and Primary Source Media were successfully integrated during the year to form the Gale Group, the world's leading reference publisher to libraries. The new group is



creating comprehensive print and electronic products that combine the considerable information content of the predecessor companies to best address customers' current and emerging needs. In addition, a substantial reduction in the total operating costs of the individual companies has been achieved through the merger.

Sales growth of 8.8% was driven by the acquisition of Macmillan Library Reference USA (MLR). Elsewhere in the group, revenues of proprietary online products exceeded expectations and a declining trend in sales of periodical content was reversed. Sales of core print products continued to be strong, driven by successful new product introductions such as the Encyclopedia of Medicine and the Encyclopedia of the Renaissance.

In defence intelligence, Jane's Information achieved strong advertising and information revenues from traditional sources, and successfully launched its new online service to generate further growth.

Including the contribution from MLR, Reference profits were 3.1% higher than the prior year, as increased investment in product development and the costs of integrating MLR partially offset the increase in sales.

Thomson Healthcare

Market environment: The activities of Thomson Healthcare comprise the provision of drug information, communications to healthcare professionals, and decision-support systems. Sales are driven primarily by promotional activity by pharmaceutical companies and the demand for clinical information by healthcare providers.

In the pharmaceutical industry, medical education is receiving greater emphasis as part of promotional spending strategies, while professional magazine advertising remains a steady but slower growth element. While provider institutions, particularly hospitals, view clinical information as central to improving the quality of healthcare, they are experiencing near-term funding pressures from factors such as the US Balanced Budget Act.

Operating performance: Thomson Healthcare achieved revenue growth of 5.9% amid mixed market conditions. Demand for drug and clinical information increased strongly despite the cost pressures on hospitals and managed-care organizations. Medical Economics enjoyed significant gains in revenues from sponsored continuing medical education programs, substantially increased market share in the primary care market, and successfully launched new products such as Physicians' Desk Reference for Herbal Medicines and BioWorld Online. These achievements more than offset the effect of restrained spending by pharmaceutical companies on magazine advertising as a result of a low level of new drug approvals. Aided by the acquisition of the US Pharmacopeia Drug Information (USPDI) product line, Micromedex achieved double-digit growth in both revenues and operating profit.



Thomson Healthcare's operating profit increased by 16.4% over the previous year as we leveraged our leading positions in drug information and communications and upgraded product platforms, while controlling costs and successfully integrating the USPDI acquisition.

THOMSON SCIENTIFIC, REFERENCE & HEALTHCARE OUTLOOK

Thomson Scientific, Reference & Healthcare has evolved in recent years from eleven independent, product-focused companies into three market-focused groups, organized to serve particular customer segments in the scientific, library reference and healthcare information arenas. Integration within our three groups is expected to yield further substantial benefits as we leverage information content and delivery platforms to offer e-information and solutions to existing and new customers.

THOMSON LEARNING

OVERVIEW

Thomson Learning provides teaching and learning content and solutions to individuals, learning institutions and corporations. It is focused on two major learning marketplaces – academic, and lifelong learning and corporate training.

Sales of ongoing businesses increased by 9.5% to \$741 million, reflecting revenue increases that outpaced overall market growth rates in all major segments of the business. Of the \$64 million increase in sales, approximately one-half was attributable to price increases and the remainder to volume and mix changes.

Operating profit increased by 7.3% to \$103 million. Operating margins at 13.9% (1998 – 14.2%) were slightly lower as a result of further investment in the development of new web-based products and services such as GradAdvantage, CollegeQuest and Course Technology Training, and in infrastructure to support new e-commerce and e-learning initiatives. Without these investments, operating profit would have increased by 16.0%.

EBITDA was \$186 million (1998 – \$175 million), reflecting a margin on sales of 25.1% (1998 – 25.8%). Capital expenditures of \$97 million (1998 – \$81 million) were primarily related to printing plate investment of \$62 million.

Market environment: Thomson Learning is faced with a number of significant trends in the marketplaces in which it operates. Within the academic market, the consolidation of major publishers and the emergence of new competitors has given rise to a refocusing and refinement of Thomson Learning's business strategy. Thomson Learning has concentrated its development

efforts in areas with higher than average margins and on protecting those in which it has leading positions. To further this strategy, a number of market-focused acquisitions were completed during the year and the high school math, science and social studies portfolio of South-Western Educational Publishing was sold.

In addition, early in 2000, two academic publishers in the UK were sold as neither were market leaders or niche businesses, and therefore did not fit the overall Thomson strategy.

The academic marketplace is also faced with changes in the nature of courseware and teaching materials as the use of customized and electronic formats becomes more widespread. At the same time, the Internet is transforming the distribution of books to customers who were traditionally served by bookstores. Thomson Learning has undertaken a number of initiatives to meet this changing business environment and to transform itself from a traditional print publisher into a media-independent learning company. These initiatives include the use of superior editorial content to develop customized products, and the introduction of e-commerce capabilities through thomsonlearning.com.

The lifelong-learning marketplace continues to experience increasing demand for information



technology training in business and government, with certification and test preparation growing particularly rapidly. Also, as distance learning becomes an attractive alternative to traditional in-class, instructor-led learning, there is a growing trend towards competency-based testing versus classroom time. These trends are clear indicators of the growing importance of lifelong learning versus the traditional four-year degree. Thomson Learning will leverage existing resources, further invest in e-learning initiatives such as Course Technology Training, and target acquisitions and strategic alliances in pursuit of its objective to be the premier provider of lifelong-learning opportunities.

Operating performance: The **Academic Group** achieved strong revenue gains, led principally by record sales of frontlist titles by the higher education publishing companies, particularly Wadsworth Publishing Company and South-Western College Publishing. Internationally, strong performances were recorded in Australia led by sales of its flagship PM product; in Latin America due to the strength of Spanish language translated product; and in Asia as a result of more favourable economic and market conditions. The **Lifelong Learning Group** achieved noteworthy results at Course Technology from its networking and programming products. A strong performance was also recorded by Delmar Publishers, which benefited from leveraging its information content into new marketplaces, and from key acquisitions in the first half of the year. Peterson's also achieved improved operating results, driven by higher sales of print products to the trade, school and library markets, and from corporate partnerships and data licensing agreements.



THOMSON LEARNING OUTLOOK

A significant issue facing Thomson Learning in the near term is the management of its print business and the leveraging of its existing information content, while developing a leading position in the e-learning marketplace and maintaining profitability. The group will need to match the timing of product offerings with the evolving requirements and Internet-readiness of its customers. Migration from print to electronic over the next few years and the ultimate complexion of the learning marketplace will pose resource and strategic planning challenges for the group.

On March 3, 2000, Thomson Learning acquired Prometric for \$775 million. Prometric is a global leader in computer-based testing and assessment services. This acquisition strongly complements Thomson Learning's content-based learning businesses. Prometric has 2,900 testing sites in 141 countries, and carried out more than 3.5 million tests in 1999. Thomson Learning will now be able to provide a total learning solution embracing courseware and test preparation products and services as well as testing, assessment and certification services.



RESULTS OF DISCONTINUED OPERATIONS

Thomson Newspapers

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 20 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.

The following table shows sales, EBITDA and operating profit for TN (excluding *The Globe and Mail*):

	Sales		EBITDA ⁽¹⁾		Operating profit ⁽¹⁾	
	1999	1998	1999	1998	1999	1998
Ongoing businesses	810	767	222	202	183	160
Disposals ⁽²⁾	7	104	(3)	12	(6)	7
Discontinued operations	817	871	219	214	177	167

(1) Before amortization of \$24 million (1998 - \$26 million) and Year 2000 compliance costs of \$18 million (1998 - \$4 million).

(2) Disposals include the results of businesses sold or held for sale.

In 1999, both the US and Canadian economies performed strongly. TN's sales, excluding disposals, increased by 5.6% to \$810 million, and operating profit by 14.4% to \$183 million.

The average price of newsprint fell by approximately 13% in 1999. The benefit of lower newsprint costs to our newspapers was more than offset by significantly lower profits from our 50% share in ANC.

EBITDA, excluding disposals, was \$222 million (1998 - \$202 million), representing a margin of 27.4% (1998 - 26.3%) on sales. Capital expenditures were \$65 million (1998 - \$57 million), reflecting TN's continued investment in production systems as well as to achieve Year 2000 compliance.

TN's strategic marketing groups (SMG) achieved revenue growth and an EBITDA margin in the top quartile of its peers. Leading performers included newspapers in St George, Utah and Key West, Florida; and the Phoenix, Arizona, Wisconsin and Central Ohio SMGs. In 1999, 35% of TN's revenue growth from newspaper operations was derived from new revenue initiatives.

Further improvements in editorial quality, combined with the benefits from integrating the editorial and circulation functions, resulted in increases of 0.2% and 1.2% in TN's daily and Sunday circulations respectively, compared with an unchanged level for the industry as a whole. This was the third year in succession that TN has achieved overall gains in circulation.

Total advertising revenue for TN's US newspapers, excluding acquisitions, grew by 9.7% compared with the industry average of about 6%. This was a particularly strong performance in view of TN's disproportionately small share of buoyant national advertising - which is concentrated in large-circulation metropolitan newspapers - and relatively high share of retail advertising which grew in total by only 3%.

During 1999, TN continued to strengthen its market positions through a number of tactical acquisitions. One daily newspaper and several weekly and specialty publications were acquired in Indiana, South Carolina, South Georgia, Florida, Utah and Maryland. In addition, to meet market needs and pre-empt competition, electronic publishing and commerce is being fashioned as an integral part of TN's product mix.

FINANCIAL POSITION AND CASH FLOW

The consolidated balance sheet and cash flows as at December 31, 1999 have been restated to show the assets, liabilities and cash flows of Thomson Newspapers, excluding *The Globe and Mail*, as a discontinued operation.

Financial position

As at December 31, 1999, total assets employed of \$12,558 million included \$1,432 million relating to discontinued operations. At December 31, 1999 total assets employed from continuing operations of \$11,126 million were relatively unchanged from the December 31, 1998 balance of \$11,026 million. Net additions to property and equipment of \$472 million more than offset depreciation of \$386 million and reductions from business disposals. The combined balance of identifiable intangible assets and goodwill decreased by \$14 million as additions from acquisitions of \$348 million were more than offset by amortization of \$216 million, reductions resulting from disposals of businesses and currency translation.

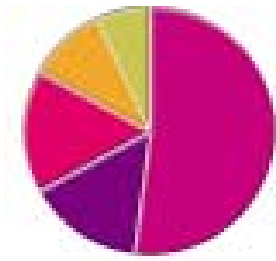
Of the total assets employed from continuing operations of \$11,126 million, \$5,771 million or 52% were invested in Thomson Legal & Regulatory. The other three market segments accounted for 41%. The remaining balance consists of corporate assets, principally cash.

At December 31, 1999, current liabilities from continuing operations were \$2,363 million, an increase of \$414 million over 1998, largely attributable to a higher current portion of debt.

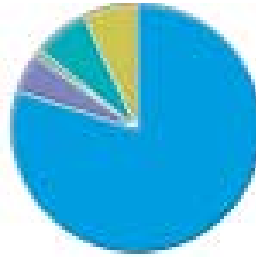
Short-term indebtedness of \$21 million, the current portion of long-term debt of \$434 million and long-term debt of \$1,909 million totalled \$2,364 million (total debt) at December 31, 1999 compared with \$2,559 million at the end of 1998. Total debt, including the liability of \$146 million for the carrying amount of related currency swap instruments at December 31, 1999, amounted to \$2,510 million (total hedged debt) compared with \$2,755 million at the end of 1998.

Net debt (total hedged debt less cash and cash equivalents) totalled \$2,181 million at December 31, 1999 compared with \$2,461 million at the end of 1998. At December 31, 1999, shareholders' equity totalled \$6,996 million compared with \$6,745 million at the end of 1998, and included \$442 million (1998 - \$442 million) of preference share capital redeemable only at the option of the Company. The ratio of net debt to shareholders' equity at December 31, 1999 was 0.31:1 compared with 0.36:1 a year earlier. The improved ratio arose as a result of a net reduction in long-term debt and increased equity.

At December 31, 1999, \$2,424 million or 97% of total hedged debt was denominated in US dollars. After taking into account interest rate swap instruments, 93% of hedged long-term

1999 ASSETS BY
BUSINESS SEGMENT

52% Legal & Regulatory
 15% Financial
 16% Scientific, Reference
 & Healthcare
 10% Learning
 7% Corporate & other

1999 ASSETS BY
GEOGRAPHIC
SEGMENT

80% United States
 5% United Kingdom
 1% Canada
 7% Other countries
 7% Corporate & other

debt carried fixed rates of interest. Based on floating rate long-term debt of \$167 million at December 31, 1999, a 1% change in interest rates would increase or decrease interest expense by approximately \$2 million in a full year.

At December 31, 1999, undrawn bank facilities, which have expiration dates in August 2004, amounted to \$1,384 million. Thomson 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 1999. In connection with the acquisition of Prometric, Thomson issued Cdn\$500 million in commercial paper.

Cash flow

Cash provided by continuing operations in 1999 amounted to \$1,028 million, an increase of \$107 million over 1998. A higher level of earnings before disposal gains and a smaller change in working capital accounted for most of the increase.

Investing activities in 1999 resulted in a net cash outflow of \$559 million compared with a net inflow of \$437 million in 1998. Net proceeds of \$1,914 million from the disposal of Thomson Travel Group in 1998 more than offset higher spending on acquisitions, capital expenditures and other investing activities. In 1999, \$135 million (1998 - \$141 million) was spent on internal ventures. The components of internal ventures spending which are capitalizable are included in other investing activities. In 1998, other investing activities included a deferred purchase price payment of \$156 million to The Woodbridge Company Limited in respect of properties acquired from Woodbridge in 1993. Thomson fully recovered, and made a profit on, its original investment in these properties.

Financing activities included net repayments of debt of \$260 million. Dividends paid on common shares totalled \$255 million, which were net of \$151 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 1999 from continuing operations, investing and financing activities amounted to \$54 million, and after the cash inflow of \$89 million relating to the Thomson Newspapers discontinued operations, resulted in cash and cash equivalents at December 31, 1999 of \$329 million (1998 - \$294 million).

Other matters

The Company 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. It does not enter into speculative positions through the use of derivatives or any other financial instruments.

Based on the 1999 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 \$0.4 million in a full year.

In the ordinary course of its business, Thomson regularly guarantees certain obligations of its subsidiaries. Such guarantees generally provide that Thomson will maintain a minimum amount of share capital and retained earnings and that its 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. Thomson expects that the impact of this change in accounting principle will have a material impact on goodwill and deferred taxes in the consolidated balance sheet.

In March 1999, the CICA issued a new accounting recommendation with respect to employee future benefits, which is effective for fiscal years beginning on or after January 1, 2000.

Thomson anticipates adopting both the new income tax and employee benefit standards in 2000.

YEAR 2000

On January 1, 2000, Thomson services, products and management applications continued to operate normally and the Company did not experience any Year 2000 customer service interruptions or related revenue declines. However, it is not possible to conclude that all aspects of the Year 2000 issue that may affect Thomson, including those relating to customers, suppliers, or other third parties, have been fully resolved.

As Thomson incurred costs to address the Year 2000 issue, those relating to maintenance or modifications were expensed as incurred, while the costs of new hardware and software with future benefits were capitalized and are being depreciated over their useful lives. In 1999, Thomson expensed \$91 million before tax (1998 – \$65 million) of such costs. Total Year 2000 remediation costs as at December 31, 1999 for continuing operations were \$156 million.

SIX YEAR SUMMARY

(millions of US dollars except per common share amounts)

	1999	1998	1997	1996	1995	1994
Sales						
Legal & Regulatory	2,375	2,216	1,975	1,443	906	805
Financial	1,472	1,367	1,142	938	767	644
Scientific, Reference & Healthcare	1,075	1,003	987	1,028	901	598
Learning	830	812	848	814	818	732
	5,752	5,398	4,952	4,223	3,392	2,779
EBITDA⁽¹⁾						
Legal & Regulatory	706	655	567	353	171	145
Financial	370	356	315	244	190	145
Scientific, Reference & Healthcare	238	226	220	218	192	130
Learning	194	186	179	191	210	166
Corporate and other ⁽²⁾	(101)	(81)	(83)	(65)	(44)	(37)
	1,407	1,342	1,198	941	719	549
Operating profit before amortization⁽¹⁾						
Legal & Regulatory	578	515	461	287	142	120
Financial	260	269	237	177	137	98
Scientific, Reference & Healthcare	182	176	173	181	159	106
Learning	102	99	95	113	136	113
Corporate and other ⁽²⁾	(101)	(81)	(83)	(65)	(44)	(37)
	1,021	978	883	693	530	400
Earnings from continuing operations	409	314	301	197	227	116
Earnings per common share from continuing operations	\$0.66	\$0.51	\$0.50	\$0.33	\$0.39	\$0.20
Supplemental information						
Earnings from continuing operations as above	409	314	301	197	227	116
Add back (deduct):						
Restructuring charges, net of tax	26	—	—	—	—	—
Net (gains) losses on disposals of businesses and investments, net of tax	(38)	37	(15)	8	(86)	(20)
Year 2000 costs, net of tax	64	53	—	—	—	—
Adjusted earnings from continuing operations	461	404	286	205	141	96
Adjusted earnings per common share from continuing operations	\$0.75	\$0.66	\$0.47	\$0.34	\$0.24	\$0.17
Balance Sheet						
Total continuing assets	11,126	11,026	10,393	10,050	6,777	5,524
Shareholders' equity	6,996	6,745	4,946	4,647	3,933	3,252

(1) Before restructuring charges in 1999 of \$38 million and Year 2000 costs in 1999 of \$91 million (1998 – \$65 million), before tax.

(2) Corporate and other principally comprises corporate costs, minority interests and the costs associated with Thomson's Stock Appreciation Rights.

(3) The amounts above exclude Thomson Regional Newspapers for 1996 and prior periods.

(4) 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,
President and
Chief Executive Officer



Robert D Daleo,
Executive Vice President and
Chief Financial Officer

March 8, 2000

AUDITORS' REPORT

To the shareholders of The Thomson Corporation

We have audited the consolidated balance sheet of The Thomson Corporation (the 'Corporation') as at December 31, 1999 and 1998 and the consolidated statement of earnings and retained earnings and of cash flows for each of the years in the two year period ended December 31, 1999. These consolidated 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 Canadian 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, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 1999 in accordance with Canadian generally accepted accounting principles.



PricewaterhouseCoopers LLP
Chartered Accountants, Toronto, Canada

March 8, 2000

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

(millions of US dollars except per common share amounts)	Year ended December 31	
	1999	1998
Sales	5,752	5,398
Cost of sales, selling, marketing, general and administrative expenses	(4,345)	(4,056)
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,407	1,342
Depreciation (note 6)	(386)	(364)
Operating profit before amortization, restructuring charges and Year 2000 costs	1,021	978
Amortization (notes 7 and 8)	(216)	(207)
Restructuring charges (note 15)	(38)	—
Year 2000 costs (note 21)	(91)	(65)
Operating profit after amortization, restructuring charges and Year 2000 costs	676	706
Net gains (losses) on disposals of businesses and investments	52	(37)
Net interest expense and other financing costs (note 3)	(186)	(248)
Income taxes (note 4)	(105)	(79)
Earnings before dividends declared on preference shares	437	342
Dividends declared on preference shares (note 11)	(28)	(28)
Earnings from continuing operations	409	314
Earnings from discontinued operations (note 2)	123	1,504
Earnings attributable to common shares	532	1,818
Retained earnings at beginning of year	5,099	3,665
Dividends declared on common shares (note 12)	(406)	(384)
Retained earnings at end of year	5,225	5,099
Earnings per common share from continuing operations	\$0.66	\$0.51
Earnings per common share from discontinued operations	\$0.20	\$2.46
Earnings per common share (note 5)	\$0.86	\$2.97

CONSOLIDATED BALANCE SHEET

	December 31	
(millions of US dollars)	1999	1998
Assets		
Cash and cash equivalents	329	294
Accounts receivable	1,243	1,172
Inventories	232	228
Prepaid expenses and other current assets	249	262
Current assets of discontinued operations (note 2)	147	136
Current assets	2,200	2,092
Property and equipment (note 6)	1,103	1,075
Identifiable intangible assets (note 7)	4,403	4,512
Goodwill (note 8)	2,938	2,843
Other non-current assets	629	640
Non-current assets of discontinued operations (note 2)	1,285	1,285
Total assets	12,558	12,447
Liabilities and shareholders' equity		
Liabilities		
Short-term indebtedness	21	17
Accounts payable and accrued expenses	1,276	1,169
Deferred revenue	632	579
Current portion of long-term debt (note 10)	434	184
Current liabilities of discontinued operations (note 2)	114	124
Current liabilities	2,477	2,073
Long-term debt (note 10)	1,909	2,358
Other non-current liabilities	635	678
Deferred income taxes	487	520
Non-current liabilities of discontinued operations (note 2)	54	73
Total liabilities	5,562	5,702
Shareholders' equity		
Share capital (notes 11 and 12)	1,881	1,730
Cumulative translation adjustment (note 18)	(110)	(84)
Retained earnings	5,225	5,099
Total shareholders' equity	6,996	6,745
Total liabilities and shareholders' equity	12,558	12,447

Approved by the Board



Kenneth R Thomson, Director



Richard J Harrington, Director

CONSOLIDATED STATEMENT OF CASH FLOW

(millions of US dollars)	Year ended December 31	
	1999	1998
Cash provided by (used for):		
Operations		
Earnings from continuing operations	409	314
Add back (deduct) items not involving cash:		
Amortization of development costs	93	54
Depreciation	386	364
Amortization	216	207
Net (gains) losses on disposals of businesses and investments	(52)	37
Deferred taxes	(29)	68
Other, net	78	39
Changes in working capital and other items (note 20)	(73)	(162)
	1,028	921
Investing activities		
Acquisitions of businesses and investments, less cash therein of \$37 million (1998 - \$11 million) (note 16)	(337)	(811)
Proceeds from disposals of businesses and investments (note 16)	412	165
Additions to property and equipment, less proceeds from disposals of \$5 million (1998 - \$4 million)	(472)	(474)
Other investing activities, net	(162)	(357)
Net proceeds from disposal of leisure travel operations (note 2)	—	1,914
	(559)	437
Financing activities		
Proceeds from debt	13	764
Repayments of debt	(273)	(2,293)
Dividends paid on common shares (note 12)	(255)	(241)
	(515)	(1,770)
	(46)	(412)
Translation adjustments	(8)	3
Decrease in cash and cash equivalents from continuing operations	(54)	(409)
Discontinued operations (note 2)	89	143
Cash and cash equivalents at beginning of year	294	560
Cash and cash equivalents at end of year	329	294

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

SEGMENTED INFORMATION

(millions of US dollars)

The Thomson Corporation (Thomson) is a leading e-information and solutions company in the business and professional marketplace. Thomson operates in four market segments mainly in the United States, the United Kingdom and Canada (note 23).

Business segments – 1999

	LEGAL & REGULATORY	FINANCIAL	SCIENTIFIC, REFERENCE & HEALTHCARE	LEARNING	CORPORATE AND OTHER ⁽¹⁾	TOTAL
Sales	2,375	1,472	1,075	830	—	5,752
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	706	370	238	194	(101)	1,407
Depreciation	(128)	(110)	(56)	(92)	—	(386)
Operating profit before amortization, restructuring charges and Year 2000 costs	578	260	182	102	(101)	1,021
Additions to capital assets ⁽²⁾	350	178	163	126	3	820
Assets – continuing operations	5,771	1,658	1,804	1,118	775	11,126
– discontinued operations	—	—	—	—	1,432	1,432
Total assets	5,771	1,658	1,804	1,118	2,207	12,558

Business segments – 1998

	LEGAL & REGULATORY	FINANCIAL	SCIENTIFIC, REFERENCE & HEALTHCARE	LEARNING	CORPORATE AND OTHER ⁽¹⁾	TOTAL
Sales	2,216	1,367	1,003	812	—	5,398
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	655	356	226	186	(81)	1,342
Depreciation	(140)	(87)	(50)	(87)	—	(364)
Operating profit before amortization, restructuring charges and Year 2000 costs	515	269	176	99	(81)	978
Additions to capital assets ⁽²⁾	681	501	91	100	7	1,380
Assets – continuing operations	5,816	1,726	1,692	1,104	688	11,026
– discontinued operations	—	—	—	—	1,421	1,421
Total assets	5,816	1,726	1,692	1,104	2,109	12,447

(1) Corporate and other from continuing operations principally comprises corporate costs, minority interests and the costs associated with Thomson's Stock Appreciation Rights. Corporate and other assets from continuing operations principally comprise cash.

(2) Capital assets include property and equipment, identifiable intangible assets and goodwill.

SEGMENTED INFORMATION

(millions of US dollars)

Geographic segments – 1999

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	CORPORATE AND OTHER ⁽¹⁾	TOTAL
Sales by country of origin	4,759	436	302	255	—	5,752
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,302	92	42	72	(101)	1,407
Depreciation	(334)	(25)	(13)	(14)	—	(386)
Operating profit before amortization, restructuring charges and Year 2000 costs	968	67	29	58	(101)	1,021
Capital assets ⁽²⁾	7,497	357	113	477	—	8,444
Assets – continuing operations	8,890	545	159	757	775	11,126
– discontinued operations	—	—	—	—	1,432	1,432
Total assets	8,890	545	159	757	2,207	12,558

Geographic segments – 1998

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	CORPORATE AND OTHER ⁽¹⁾	TOTAL
Sales by country of origin	4,427	438	308	225	—	5,398
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,245	90	51	37	(81)	1,342
Depreciation	(314)	(29)	(9)	(12)	—	(364)
Operating profit before amortization, restructuring charges and Year 2000 costs	931	61	42	25	(81)	978
Capital assets ⁽²⁾	7,630	392	111	297	—	8,430
Assets – continuing operations	9,297	546	184	311	688	11,026
– discontinued operations	—	—	—	—	1,421	1,421
Total assets	9,297	546	184	311	2,109	12,447

(1) Corporate and other from continuing operations principally comprises corporate costs, minority interests and the costs associated with Thomson's Stock Appreciation Rights. Corporate and other assets from continuing operations principally comprise cash.

(2) Capital assets include property and equipment, identifiable intangible assets and goodwill.

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

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements of Thomson 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:

	1999	1998
Pound sterling (US\$ / £1)		
Average for the year	\$1.62	\$1.66
At December 31	\$1.61	\$1.66
Canadian dollar (US\$ / Cdn\$1)		
Average for the year	\$0.67	\$0.67
At December 31	\$0.69	\$0.65

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	3-10 years
Computer hardware	3-5 years
Computer software	3-10 years

Identifiable intangible assets and goodwill

Identifiable intangible assets 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 and identifiable intangible assets, and is amortized over periods not exceeding 40 years.

The carrying values of identifiable intangible assets 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 identifiable intangible assets and goodwill is expensed.

Derivative financial instruments

Thomson 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.

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.

Stock-based compensation plans

Thomson has a Stock Appreciation Right (SAR) plan, which is described in Note 19. Compensation expense is recognized for this plan as SARs appreciate in value based on the fair market value of Thomson's common stock at the end of each reporting period.

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. Thomson will adopt the new standard in 2000.

Employee future benefits

In March 1999, the CICA issued a new accounting recommendation with respect to employee future benefits, which is effective for fiscal years beginning on or after January 1, 2000. Thomson will adopt the new standard in 2000.

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

Earnings from discontinued operations and earnings per common share from discontinued operations included in the consolidated statement of earnings comprise the following:

	1999		1998	
	Earnings	Earnings per common share	Earnings	Earnings per common share
Thomson Newspapers	123	\$0.20	160	\$0.26
Thomson Travel Group	—	—	1,344	\$2.20
	123	\$0.20	1,504	\$2.46

Thomson Newspapers

On February 15, 2000, Thomson announced its intention to sell the newspaper interests of Thomson Newspapers (TN), excluding *The Globe and Mail*. The primary activities of TN are the publishing of daily and non-daily newspapers, and other advertising and specialty publications in the US and Canada. Thomson expects to complete the sale of TN during 2000.

In 1999 and 1998, the results, cash flows, and assets and liabilities of TN (excluding *The Globe and Mail*) have been accounted for as a discontinued operation. *The Globe and Mail's* results are included in continuing operations as a component of the Financial segment. All previously reported financial statements have been restated accordingly.

The earnings from TN's discontinued operations are:

	Year ended December 31	
	1999	1998
Sales from discontinued operations	817	871
Cost of sales, selling, marketing, general and administrative expenses	(598)	(657)
Earnings before interest, tax, depreciation, amortization and Year 2000 costs	219	214
Depreciation	(42)	(47)
Operating profit before amortization and Year 2000 costs	177	167
Amortization	(24)	(26)
Year 2000 costs	(18)	(4)
Gains on sales of businesses	12	57
Interest	(4)	(4)
Earnings from operations before income taxes	143	190
Income taxes	(20)	(30)
Earnings from TN discontinued operations	123	160

Non-current assets of discontinued operations principally comprise property and equipment, identifiable intangible assets and goodwill for both 1999 and 1998.

Cash flow from discontinued operations includes operating cash generated by TN of \$121 million (1998 – \$189 million) and a use of cash relating to investing activities of \$32 million (1998 – cash generated of \$147 million).

Thomson Travel Group

On May 18, 1998, Thomson sold its leisure travel interests in the Thomson Travel Group (TTG). The primary activities of TTG were 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 results, cash flows, and assets and liabilities of TTG have been accounted for as a discontinued operation for the period up to May 18, 1998, and for all prior periods. The earnings from TTG's discontinued operations are:

	For the period from January 1 to May 18, 1998
Sales from discontinued operations	1,211
Loss from operations before income taxes	(32)
Income taxes	6
Loss from operations	(26)
Gain on disposal, net of tax	1,370
Total earnings from TTG discontinued operations	1,344

Within the 1998 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 provided by 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

	1999	1998
Interest income	19	33
Interest on short-term indebtedness	(24)	(26)
Interest on long-term debt	(181)	(255)
	(186)	(248)

Interest paid on short-term indebtedness and long-term debt during 1999 was \$201 million (1998 – \$333 million) and interest received during 1999 was \$17 million (1998 – \$83 million).

4. Income taxes

Income taxes of \$105 million (1998 – \$79 million) as a percentage of earnings before income taxes and preference dividends were 19.4% (1998 – 18.8%). 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 Thomson has operating and finance subsidiaries, and to the use of tax losses.

Thomson 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 \$550 million and expire between 2000 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 1999 were \$91 million (1998 – \$51 million).

5. Earnings per common share

The calculation of earnings per common share is based upon earnings attributable to common shares divided by the weighted average number of shares during the year. The weighted average number of common shares outstanding in 1999 was 618,092,000 (1998 – 612,358,732).

6. Property and equipment

	1999	1998
Land and buildings	304	292
Machinery and equipment	762	670
Computer hardware	858	793
Computer software	641	520
	2,565	2,275
Accumulated depreciation	(1,462)	(1,200)
	1,103	1,075

The depreciation charge in 1999 was \$386 million (1998 – \$364 million).

7. Identifiable intangible assets

	1999	1998
Identifiable intangible assets	5,111	5,148
Accumulated amortization	(708)	(636)
	4,403	4,512

The amortization charge in 1999 was \$132 million (1998 – \$129 million).

8. Goodwill

	1999	1998
Goodwill	3,428	3,263
Accumulated amortization	(490)	(420)
	2,938	2,843

The amortization charge in 1999 was \$84 million (1998 – \$78 million).

9. Development costs

Information relating to development costs associated with internal ventures is as follows:

	1999	1998
Expenditures	135	141
Development costs capitalized	(110)	(128)
Amortization of amounts previously capitalized	93	54
Total development cost expense	118	67

Other non-current assets includes \$139 million (1998 – \$144 million) of unamortized deferred development costs.

10. 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 Thomson 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. The fair value of publicly traded long-term investments is based on quoted market prices. The fair value of privately held long-term investments is estimated by management.

Credit risk

Thomson attempts to minimize its credit exposure on derivative contracts by entering into transactions with only counterparties that are major investment grade international financial institutions.

Long-term debt

	As at December 31, 1999					
	Carrying amount			Fair value		
	Primary debt instruments	Currency swap instruments	Hedged debt	Primary debt instruments	Currency swap instruments	Hedged debt
Bank and other	489	(5)	484	489	(5)	484
10.55% Debentures, due 2001	172	44	216	182	35	217
7.90% Debentures, due 2002	172	38	210	178	31	209
7.70% Debentures, due 2003	172	24	196	178	16	194
9.15% Debentures, due 2004	172	10	182	188	(11)	177
7.95% Debentures, due 2005	172	14	186	182	2	184
7.15% Debentures, due 2006	172	13	185	175	7	182
6.50% Debentures, due 2007	172	8	180	169	9	178
Floating rate notes, due 2000	150	—	150	150	—	150
Private placements, due 2000-2006	500	—	500	504	—	504
	2,343	146	2,489	2,395	84	2,479
Current portion	(434)	—	(434)			
	1,909	146	2,055			

	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	576	(18)	558	576	(19)	557
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
	2,542	196	2,738	2,707	52	2,759
Current portion	(184)	—	(184)			
	2,358	196	2,554			

Bank and other debt at December 31, 1999 and December 31, 1998 is primarily US dollar denominated. 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:

	1999	1998
US dollar	2,403	2,658
Other currencies	86	80
	2,489	2,738

Maturities of long-term debt after accounting for hedges in each of the next five years and thereafter are: \$434 million in 2000, \$267 million in 2001, \$506 million in 2002, \$196 million in 2003, \$410 million in 2004 and \$676 million in 2005 and thereafter.

At December 31, 1999, undrawn bank facilities, which have expiration dates in August 2004, amounted to approximately \$1,384 million.

Interest rate risk exposures

Thomson 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, 1999 was \$8 million in favour of Thomson (1998 – \$95 million in favour of counterparties). Floating interest rate long-term debt is LIBOR based, and consequently interest rates are reset periodically. Thomson's exposures to interest rate risk on total long-term debt as at December 31, 1999 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*	75	1,344	356	1,775	714	2,489
Interest rate swaps	350	197	—	547	(547)	—
	425	1,541	356	2,322	167	2,489

*After currency swaps

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

	1999	Average interest rate	% share	1998	Average interest rate	% share
Total fixed	2,322	6.8%	93%	2,494	6.8%	91%
Total floating	167	5.9%	7%	244	5.2%	9%
	2,489	6.7%	100%	2,738	6.7%	100%

Hedges of net investments in foreign affiliates

Thomson hedges selected 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 1999 and 1998 amounts represent a Japanese Yen contract which matures in 2004.

	1999	1998
Net asset hedges outstanding:		
Contractual amount	29	29
Carrying amount – gain	11	12
Fair value – gain	4	7

Investments

Investments in companies, which are recorded at cost, total \$48 million (1998 – \$31 million) and are included within 'Other non-current assets'. As at December 31, 1999 the fair market value of these investments is \$162 million (1998 – \$31 million). Those investments with market quotations had a market value at December 31, 1999 of \$132 million and a carrying amount of \$18 million. At December 31, 1998, none of these investments was publicly traded.

11. Preference share capital

	1999		1998	
	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 Thomson 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 Thomson 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 Thomson 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.

12. Common share capital and dividends

Thomson common shares

	1999		1998	
	Number of shares	Stated capital	Number of shares	Stated capital
Balance at beginning of year	615,823,077	1,288	610,224,658	1,145
Issued	5,570,307	151	5,598,419	143
Balance at end of year	621,393,384	1,439	615,823,077	1,288

The common shares are voting shares. The authorized common share capital of Thomson 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 1999 and 1998 were in connection with the dividend reinvestment plan including associated private placements.

TTCPLC common shares

Linked to 232,644,452 of the common shares of Thomson (1998 – 233,830,375) 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 Thomson is \$4 million (1998 – \$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 Thomson.

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

A holder of Thomson 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 Thomson held by such shareholder upon payment of one sterling penny for each share so acquired. In 1999, 12,500 (1998 – 600) 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 1999, 4,440 (1998 – 4,822) 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 Thomson rather than on the related TTCPLC common shares, such TTCPLC common shares will be redeemed by TTCPLC at par. During 1999, 1,202,863 (1998 – 1,159,872) TTCPLC common shares were redeemed in this way.

Dividends

Dividends on the Thomson common shares are declared and payable in US dollars. Dividends declared per common share in 1999 were 65.8 cents (1998 – 62.8 cents). Equivalent dividends of 40.2162 pence (1998 – 38.0850 pence) were paid per related common share of TTCPLC. Shareholders have the option of receiving dividends on the Thomson common shares in equivalent Canadian funds.

In the consolidated statement of cash flow, dividends paid on common shares are shown net of \$15 million (1998 – \$15 million) reinvested in common shares issued under the dividend reinvestment plan and \$136 million (1998 – \$128 million) by way of private placements of common shares with Thomson's major shareholders. These private placements, together with the dividend reinvestment plan, discharged the commitment of Thomson's major shareholders to participate in the plan to the extent of at least 50% of the dividends received on the Thomson common shares directly and indirectly owned by them. Thomson's major shareholders acquired these common shares on the same terms and conditions under which Thomson issues common shares to shareholders participating in the plan.

13. Post-employment benefit plans

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

	1999	1998
Aggregate defined benefit plan details:		
Pension expense for the year	2	1
Present value of accumulated benefit obligation as at December 31	726	755
Market value of plan assets as at December 31	892	792

Pension expense for the year in respect of defined contribution plans was \$52 million (1998 – \$45 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.

14. Contingencies and commitments

Contingencies

At December 31, 1999, certain lawsuits and other claims were pending against Thomson. 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 Thomson's consolidated financial statements.

Operating leases

Operating lease payments in 1999 were \$116 million (1998 – \$96 million). The future minimum operating lease payments are \$118 million in 2000, \$105 million in 2001, \$96 million in 2002, \$81 million in 2003, \$66 million in 2004 and \$168 million in 2005 and thereafter.

15. Restructuring costs

In the third and fourth quarters of 1999, management instituted a review of operations within its four segments, resulting in the approval of restructuring programs and related provisions within the framework of Thomson's strategic plan to rationalize product lines and sales channels, reduce personnel, enhance administrative efficiencies and focus on core product and service lines. Accordingly, a total charge for these restructuring activities of \$38 million was recorded in the current year in the following market segments:

	1999
Legal & Regulatory	10
Financial	16
Learning	8
Corporate and other	4
	38

The components of the total \$38 million charge include: \$19 million of capital asset write-offs and deferred charges to estimated net recoverable amounts; \$14 million for employee severance; and \$5 million for contract cancellation costs.

Of the \$38 million recorded in 1999, approximately \$19 million will result in cash expenditures and \$19 million are non-cash write-offs. Of the amounts which result in cash expenditures, \$7 million was paid in the current year; the remaining liability of \$12 million is included within Accounts payable and accrued expenses, as at December 31, 1999.

Management expects a majority of the strategies outlined in the restructuring programs to be completed in 2000.

16. Acquisitions and disposals of businesses and investments

Businesses and investments were acquired during the year for an aggregate cash consideration of \$374 million (1998 – \$822 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. The acquisitions and disposals included in Corporate and other represent long-term investments which are described in Note 10.

Details of net assets acquired are as follows:

	Legal & Regulatory	Financial	Scientific, Reference & Healthcare	Learning	Corporate and other	1999 total	1998 total
Working capital, including cash of \$37 million (1998 – \$11 million)	20	(1)	2	—	—	21	(32)
Property and equipment	4	—	—	—	—	4	47
Identifiable intangible assets	52	15	8	13	—	88	216
Goodwill	134	10	100	16	—	260	692
Other net assets (liabilities)	(22)	—	—	—	23	1	(101)
Total	188	24	110	29	23	374	822

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

The following summarizes major acquisitions:

On July 1, 1999, Thomson acquired Editorial Aranzadi SA for \$145 million. Aranzadi publishes a wide range of publications for legal practitioners and students in Spain.

On July 30, 1999, the acquisition of Macmillan Library Reference USA (MLR) was completed for \$88 million. MLR is a provider of encyclopedia-type publications.

On February 17, 1998, Thomson acquired the shares of Computer Language Research Inc. (CLR) for \$340 million. CLR is a provider of tax compliance software and products to accounting firms, corporations, financial institutions and government agencies.

In March 1998, Thomson acquired FT Law and Tax and Federal Publications for \$122 million. These businesses provide specialized information for the legal marketplace.

On April 13, 1998, Thomson acquired Technimetrics Inc. for \$123 million. Technimetrics provides information and related services to the global investor relations, financial institutions and business-to-business marketing communities.

In 1999, Thomson received \$412 million (1998 – \$165 million) cash consideration from the disposals of businesses and investments within the following segments:

	1999	1998
Legal & Regulatory	107	11
Financial	154	—
Scientific, Reference & Healthcare	70	20
Learning	38	134
Corporate and other	43	—
	412	165

17. Related party transaction

In June 1993, Thomson 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 Thomson. The transaction was reviewed by a committee of independent directors of Thomson 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 between June 1993 and June 1998 from the properties acquired.

18. Cumulative translation adjustment

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

	1999	1998
Balance at beginning of year	(84)	(306)
Realized from disposals of businesses	—	174
Translation and other	(26)	48
Balance at end of year	(110)	(84)

19. Stock-based compensation

Thomson has a Stock Appreciation Right (SAR) plan that provides for the granting of SARs to officers and key employees. The objective of this plan is to provide incentives to the holders of the SARs to promote superior long-term performance and earnings growth. The SAR provides the holder the opportunity to earn a cash award equal to the fair market value of the company's common stock less the price at which the SAR was issued. Compensation expense is measured based on the market price of Thomson's common stock at the end of the reporting period. The SARs outstanding under the plan have been granted at prices equal to the market value of Thomson's stock on the date of grant, vest over a three to eight year period, and expire four to eleven years after the grant date. The compensation expense is amortized over the applicable period. At December 31, 1999, the authorized number of SARs is 20,500,000. Compensation expense recorded in 1999 was \$16 million (1998 – \$6 million).

A summary of the status of Thomson's SAR plan as of December 31, 1999 and 1998, and changes during the years ending on those dates is as follows:

	1999		1998	
	SARs	Canadian \$ weighted-average exercise price	SARs	Canadian \$ weighted-average exercise price
Outstanding at beginning of year	6,843,987	\$27.30	6,727,676	\$21.77
Granted	17,500	44.09	2,152,500	36.94
Exercised	(711,958)	21.26	(990,739)	17.46
Expired	(241,675)	22.56	(1,045,450)	20.86
Outstanding at end of year	5,907,854	28.28	6,843,987	27.30
Exercisable at year-end	1,770,048	\$26.50	1,135,514	\$23.39

The following table summarizes information on SARs outstanding at December 31, 1999:

Range of exercise prices	SARs outstanding			SARs exercisable	
	Number outstanding at 12/31/99	Weighted-average remaining contractual life	Canadian \$ weighted-average exercise price	Number exercisable at 12/31/99	Canadian \$ weighted-average exercise price
\$14.00-19.125	303,754	2.7 years	\$16.48	263,815	\$16.44
\$21.77-32.125	3,111,600	4.3 years	\$22.71	930,433	\$23.72
\$33.50-44.50	2,492,500	7.8 years	\$36.66	575,800	\$35.61

On January 24, 2000, the Board of Directors approved the adoption of a stock incentive plan. Under the plan Thomson can grant stock options and other equity based awards to certain employees and members of Thomson's Board of Directors.

20. Changes in working capital and other items

Details of changes in working capital and other items are:

	1999	1998
Accounts receivable	(99)	(51)
Inventories	(11)	1
Prepaid expenses and other current assets	10	(52)
Accounts payable and accrued expenses	24	34
Deferred revenue	38	(22)
Other	(35)	(72)
	(73)	(162)

21. Year 2000

The technological significance of Year 2000 relates to a worldwide issue 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 have accurately recognized the turn of the century. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect Thomson, including those related to customers, suppliers or other third parties, have been fully resolved.

As Thomson incurred costs to address this issue, those relating to maintenance or modification were expensed as incurred, while the costs of new hardware and software with future benefits were capitalized and are being amortized over their useful lives. In 1999, Thomson expensed \$91 million (1998 – \$65 million) of such costs against continuing operations.

22. Subsequent events

On February 22, 2000, Thomson announced that it had reached a definitive agreement to sell Mitchell International, a division of the Scientific, Reference & Healthcare segment, and a leading supplier of information products and software to the automotive insurance and collision repair industries. Thomson expects the sale to be completed by the second quarter of 2000.

On March 3, 2000, Thomson acquired Prometric for \$775 million in cash. Prometric is a provider of computer-based testing and assessment services.

23. Segmented information

See pages 49 and 50.

Thomson's reportable segments are strategic business groups that offer products and services to target markets. Thomson's four reportable segments are as follows:

Legal & Regulatory

Provides information and solutions to legal, tax and accounting professionals.

Financial

Provides information and solutions to the global financial services industry. Additionally, *The Globe and Mail* provides financial and business news and information in Canada.

Scientific, Reference & Healthcare

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

Learning

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

Incorporation

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

Capital Stock

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

Shares outstanding at December 31, 1999:

Common	621,393,384
Series II preferred	6,000,000
Series V preferred	18,000,000

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

Listing of Capital Stock

Common shares listed on:

- The Toronto Stock 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 12, pages 58 and 59). Further information available from the registrars.

Annual Meeting

Thursday, May 18, 2000, 12.00 noon.
Roy Thomson Hall, 60 Simcoe Street,
Toronto, Ontario, Canada.

Dividend Reinvestment Plan

Thomson 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

Thomson has adopted an 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 Thomson'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: (020) 8650-4866.

Auditors

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

Further Information

Use www.thomson.com to reach the Thomson home page. The Thomson website gives access to over 200 other websites 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.

Summarized Quarterly Information

(unaudited)

	QUARTER ENDED MARCH 31		QUARTER ENDED JUNE 30		QUARTER ENDED SEPTEMBER 30		QUARTER ENDED DECEMBER 31	
	1999	1998	1999	1998	1999	1998	1999	1998
Sales								
Legal & Regulatory	448	403	573	517	590	528	739	732
Financial	333	283	365	325	353	324	392	359
Scientific, Reference & Healthcare	194	179	223	217	211	205	307	274
Learning	87	77	103	107	313	296	238	197
	1,062	942	1,264	1,166	1,467	1,353	1,676	1,562
Disposals ⁽¹⁾	80	86	84	88	74	104	45	97
	1,142	1,028	1,348	1,254	1,541	1,457	1,721	1,659
EBITDA⁽²⁾								
Legal & Regulatory	90	72	180	155	174	155	265	272
Financial	62	62	97	88	91	81	115	119
Scientific, Reference & Healthcare	24	23	47	43	36	38	98	87
Learning	(23)	(27)	(9)	5	132	136	86	61
Corporate and other	(25)	(22)	(30)	(25)	(23)	(14)	(17)	(20)
	128	108	285	266	410	396	547	519
Disposals ⁽¹⁾	(2)	5	8	9	22	16	9	23
	126	113	293	275	432	412	556	542
Operating profit⁽²⁾								
Legal & Regulatory	55	44	152	125	143	125	231	220
Financial	38	43	69	65	62	58	87	99
Scientific, Reference & Healthcare	13	12	36	35	25	29	87	76
Learning	(35)	(37)	(24)	(10)	103	105	59	38
Corporate and other	(25)	(22)	(30)	(25)	(23)	(14)	(17)	(20)
	46	40	203	190	310	303	447	413
Disposals ⁽¹⁾	(7)	(1)	6	3	12	12	4	18
	39	39	209	193	322	315	451	431
Earnings attributable to common shares								
- from continuing operations	(70)	(88)	59	65	176	112	244	225
- from discontinued operations	17	(5)	27	1,376	25	79	54	54
	(53)	(93)	86	1,441	201	191	298	279
Earnings per common share								
- from continuing operations	\$0.12)	\$(0.14)	\$0.10	\$0.11	\$0.29	\$0.18	\$0.39	\$0.36
- from discontinued operations	\$0.03	\$(0.01)	\$0.04	\$2.25	\$0.04	\$0.13	\$0.09	\$0.09
	\$0.09)	\$(0.15)	\$0.14	\$2.36	\$0.33	\$0.31	\$0.48	\$0.45
Supplemental information:								
Earnings from continuing operations, as above	(70)	(88)	59	65	176	112	244	225
Add back (deduct): Restructuring costs, net (gains) losses on disposals of businesses and investments, and Year 2000 costs, net of tax	19	9	23	13	(13)	39	23	29
Adjusted earnings	(51)	(79)	82	78	163	151	267	254
Adjusted earnings per common share	\$0.08)	\$(0.13)	\$0.14	\$0.13	\$0.27	\$0.25	\$0.42	\$0.41

(1) Disposals include the results of businesses sold or held for sale.

(2) Before amortization, restructuring charges and Year 2000 compliance costs.

Directors and Senior Management of 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*

Steven A Denning
*Managing Partner,
General Atlantic Partners, LLC*

William J DesLauriers
Partner, Torys

John F Fraser
Chairman, Air Canada

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

Roger L Martin
*Dean of the Joseph L Rotman School
of Management, University of Toronto*

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*

SENIOR MANAGEMENT

Robert S Christie
*Executive Vice President;
President/Chief Executive Officer,
Thomson Learning*

Robert D Daleo
*Executive Vice President
and Chief Financial Officer*

Stuart M Garner
*Senior Vice President;
President/Chief Executive Officer,
Thomson Newspapers*

Brian H Hall
*Executive Vice President;
President/Chief Executive Officer,
Thomson Legal & Regulatory*

Richard J Harrington
*President and
Chief Executive Officer*

Theron S Hoffman
*Executive Vice President
and Human Resources Officer*

Ronald H Schlosser
*Executive Vice President;
President/Chief Executive Officer,
Thomson Scientific, Reference &
Healthcare*

David H Shaffer
*Executive Vice President
and Chief Operating Officer*

Patrick J Tierney
*Executive Vice President;
President/Chief Executive Officer,
Thomson Financial*

OTHER OFFICERS

Michael S Harris
*Senior Vice President;
General Counsel and Secretary*

David J Hulland
Vice President, Finance

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

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