

Forward-looking statements

This presentation includes certain forward-looking statements relating to Reuters within the meaning of the United States Private Securities Litigation Reform Act of 1995. Certain important factors that could cause actual results to differ materially from those disclosed in such forward-looking statements are described in Reuters Annual Report and Form 20-F 2004 under the heading 'Risk Factors' and in Reuters Preliminary Results press release dated 23 February 2006 under the heading 'Forward-looking statements'.

Copies of the Annual Report and Form 20-F 2004 and Preliminary Results press release are available on request from Reuters Group PLC, South Colonnade, Canary Wharf, London E14 5EP.

Any forward-looking statements made by or on behalf of Reuters speak only as of the date they are made, and Reuters does not undertake to update any forward-looking statements.

Preliminary results – financial highlights

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REUTERS 

Definitions

“Reuters Group” refers to Reuters Group PLC and its subsidiary undertakings including Instinet Group Incorporated (“Instinet”). “Reuters” refers to Reuters Group excluding Instinet Group. Instinet Group now includes Bridge Trading Company. “Radianz” refers to Radianz Limited.

Use of non-GAAP measures

To supplement IFRS measures, Reuters undertakes further analysis to break these measures out into their component parts, which results in the creation of certain measures which differ from the IFRS headline indicators (‘non-GAAP measures’). The rationale for this analysis is outlined below, and reconciliations of the non-GAAP measures to IFRS measures are included within the review of results. These measures are used by management to assess the performance of the business and should be seen as complementary to, rather than replacements for, reported statutory results.

1. Underlying results

Period-on-period change in Reuters is measured in overall terms (i.e. actual reported results under IFRS) and sometimes in underlying terms as well. Underlying change is calculated by excluding the impact of currency fluctuations and the results of acquisitions and disposals, as these are factors that are not on a like-for-like basis between periods. This enables comparison of Reuters operating results on a like-for-like basis between periods.

- Variations in currency exchange rates impact the results because Reuters generates revenues and incurs costs in currencies other than its reporting currency. Year-on-year, currency exchange rate movements will influence reported numbers to a greater or lesser extent, and therefore they are discussed separately from underlying results to make clear their impact on the overall growth or decline in operations. Underlying results are calculated by restating the prior periods’ results using the current period’s exchange rates. This also reflects the variables over which management has control, as business units do not manage currency exposure, and business division operating performance is managed against targets set on a constant currency basis.
- Underlying results are calculated excluding the results of entities acquired or disposed of during the current or prior periods from the results of each period under review. Underlying results reflect the operating results of the ongoing elements of each business division, and measure the performance of management against variables over which they have control, without the year-on-year impact of a step change in revenue and costs that can result from acquisition or disposal activity.

2. Exclusion of restructuring charges

Reuters results are reviewed before and after the costs of Reuters business transformation plan (which includes the Fast Forward programme) and acquisition integration charges.

Under the Fast Forward programme Reuters incurred restructuring charges relating primarily to headcount reduction and rationalisation of the company’s property portfolio. Fast Forward is a three year programme implemented to accelerate and expand on Reuters five year business transformation plan which was launched in 2001; the programme completed in 2005, as originally envisaged.

The Fast Forward programme was centrally managed, and its performance against targets was evaluated separately from the ongoing Reuters business. Fast Forward restructuring charges are therefore excluded from certain profit and margin measures.

Acquisition integration costs are one-off charges associated with transaction activity which do not recur. As described above, the charges in respect of acquisition activity are excluded to enable better like-for-like comparison between periods.

Because of their time-limited and defined nature, Reuters believes that presenting these measures, both including and excluding restructuring charges, gives investors a more detailed insight into the performance of management and the business. In addition, Reuters management uses both measures to assess the performance of management and the business.

3. Exclusion of amortisation and impairment of intangibles acquired in a business combination, investment income, profit/(losses) from disposals, and fair value movements

For certain cost, profit, margin and earnings per share measures, Reuters analyses its results both before and after the impact of restructuring charges, amortisation and impairments of intangibles acquired in a business combination, investment income, profits and losses from disposals, and fair value movements. The adjusted measures are referred to as ‘Trading Profit’, ‘Trading Costs’ and ‘Trading Margin’. The rationale for isolating restructuring charges is explained above.

Amortisation and impairment of intangibles acquired in a business combination, investment income and profit/(losses) from disposals

Reuters isolates the impact of income and charges in respect of its investments. Income and charges from investments relate to impairments of goodwill, subsidiaries, associates and joint ventures; impairments and amortisation of other intangibles acquired in a business combination; income from investments; and pre-taxation profits and losses on disposal of subsidiaries, joint ventures, associates and other investments.

Such charges and income may arise from corporate acquisition and disposal activity, rather than the ongoing operations of the business divisions, with a reasonable allocation being determined for segmental reporting. These are analysed and reviewed separately from ongoing operations, as this is consistent with the manner in which Reuters sets internal targets, evaluates its business units and issues guidance to the investor community.

(Note: Amortisation and impairment charges in respect of software and research and development intangibles are included within operating costs)

Fair value movements

Reuters also isolates the impact of movements in the fair value of financial assets held at fair value through profit or loss, embedded derivatives, and derivatives used for hedging purposes (where those changes are reflected in the income statement).

Financial assets held at fair value through profit or loss included Reuters investment in SAVVIS convertible shares. This investment was sold as part of the acquisition consideration for Moneyline Telerate (MLT). Fair value movements for this investment have been analysed separately from the ongoing operations of the business units during 2005.

Embedded derivatives are foreign exchange contracts implicitly contained in some of Reuters revenue and purchase commitments. Changes in the fair value of embedded derivatives arise as a result of movements in foreign currency forward rates. The unpredictable nature of forward rates, the uncertainty over whether the gains or losses they anticipate will actually arise, and the volatility they bring to the income statement lead Reuters to consider that it is appropriate to analyse their effects separately from the ongoing operations of the business. This enables Reuters to undertake more meaningful period-on-period comparisons of its results, as well as to isolate and understand better the effect of future currency movements on revenue and purchase commitments. This separate analysis is also consistent with the manner in which Reuters sets its internal targets, evaluates its business divisions and issues guidance to the investor community.

The impact of fair value movements on derivatives relating to treasury hedging activity is also excluded, unless there is an equivalent offset in operating results. All derivatives undertaken provide effective economic hedges, but some may not qualify for hedge accounting and in these situations the reported impact of the underlying item and the hedge may not offset. The impact of treasury derivatives is mainly due to currency or interest rate movements and, as for the other items noted above, business division operating performance is managed against targets which exclude these factors.

Taxation

To ensure consistency, the non-GAAP EPS measure also eliminates the earnings impact of taxation charges and credits related to excluded items.

Dividend policy

Presenting earnings before the impact of restructuring charges, amortisation and impairment of intangibles acquired in a business combination, investment income, disposals and fair value movements also helps investors to measure performance in relation to Reuters dividend policy. In 2001, Reuters Group defined the long-term goal of its dividend policy to be a dividend cover of at least two times, based on Reuters UK GAAP earnings before amortisation of goodwill and other intangibles, impairments and disposals. Reuters dividend policy remains unaltered. With the adoption of IFRS, the equivalent earnings measure is Reuters earnings (after interest and taxation) before amortisation and impairments of intangibles acquired in a business combination, fair value movements and profits/(losses) on disposals.

4. Free cash flow

Reuters free cash flow is used as a performance measure to assess Reuters ability to pay its dividend from cash flow. Free cash flow is intended to measure all Reuters cash movements, other than those which are both discretionary in nature and unrelated to ongoing recurring operating activities such as purchase of shares by the Employee Share Option Trusts (ESOTs), loans with associates and joint ventures and dividends paid out by Reuters. Whilst Reuters believes that free cash flow is an important performance measure in respect of its cash flows, it is not used in isolation, but rather in conjunction with other cash flow measures as presented in the financial statements.

5. Net funds/debt

Net funds/debt represents cash and cash equivalents and short term investments, net of bank overdrafts and borrowings. This measure aggregates certain components of financial assets and liabilities and is used in conjunction with total financial assets and liabilities to manage Reuters overall financing position.

Reuters Group results



Financial headlines

- Positive trend in recurring and usage revenue continues
- Strong growth from strategic products
- Fast Forward delivered in full
- Trading profit of £334m, delivering 14% trading margin
- Total Group profit of £482m, including disposal profits
- £710m from disposals; £363m returned to shareholders



Reuters Group – financial performance

£m	2005	2004	Actual Change
CONTINUING OPERATIONS			
Revenue	2,409	2,339	3%
Operating profit	207	194	7%
Net finance costs	(12)	(12)	
Profit on disposal of associates and fixed asset investments	38	203	
Associates and joint ventures	5	11	
Profit before tax	238	396	(40%)
Taxation	(9)	(40)	
Profit for the year from continuing operations	229	356	(36%)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	253	19	
PROFIT FOR THE YEAR	482	375	28%
Basic EPS	32.6p	26.0p	25%
Reuters adjusted EPS*	13.8p	11.8p	17%



*Basic EPS from continuing operations before impairments & amortisation of business combination intangibles, investment income, profits on disposals, fair value movements and related taxation effects

Continuing operations – cash flow

£m	2005	2004	Movement
Trading profit	334	326	8
Non cash items			
- Amortisation / depreciation / impairments	113	159	(46)
- Share schemes	30	22	8
Capital investment	(178)	(117)	(61)
Restructuring	(147)	(100)	(47)
Property and other fixed asset disposals	3	49	(46)
Working capital	(46)	(92)	46
Taxation, Interest, Other	(21)	(39)	18
Free cash flow	88	208	(120)
Net disposals / (acquisitions)	673	361	312
Instinet dividend	37	-	37
Reuters dividend	(140)	(140)	-
Share buy-back	(223)	-	(223)
Other	(1)	8	(9)
Movements	434	437	(3)
Net funds / (debt)	253	(181)	434

REUTERS 

• Analysis of capital investment

£m	2005	2004
Tangible fixed assets	138	90
Purchase of software	11	4
Development capitalisation	29	23
Total capital investment	178	117

Trading performance



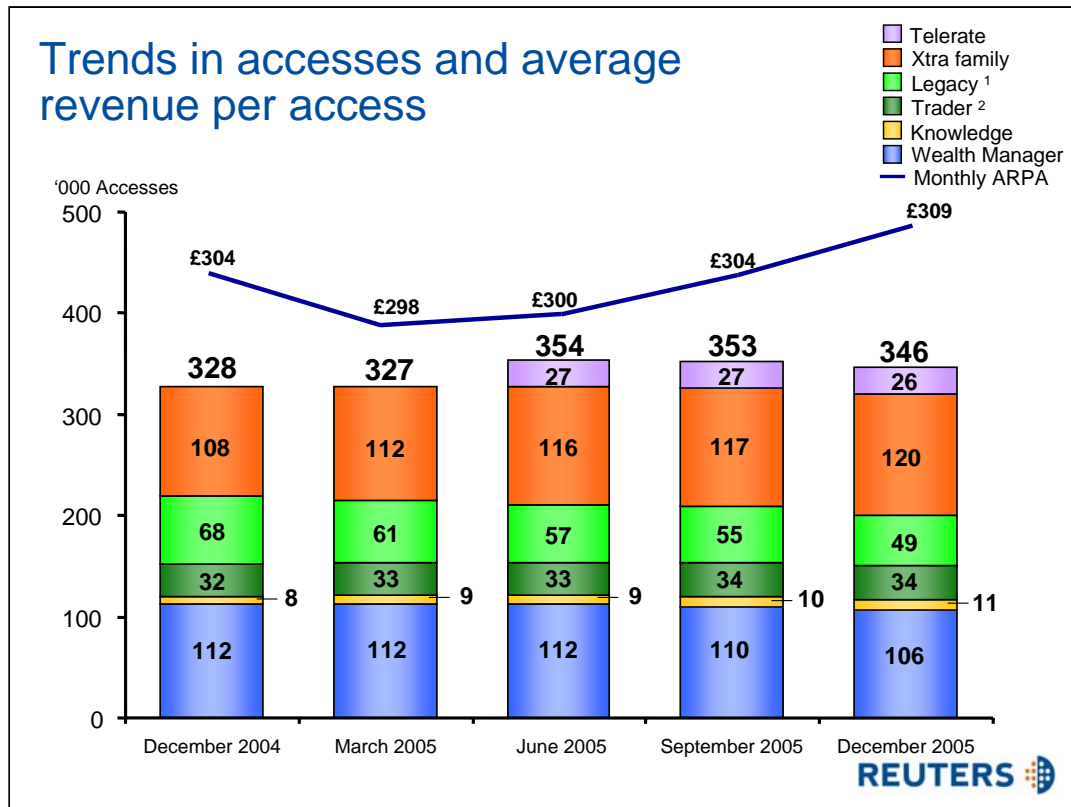
Trading performance

£m	2005	2004	Actual Change	Underlying Change
Recurring	2,242	2,164	4%	1%
Usage	97	86	13%	12%
Outright	70	89	(22%)	(23%)
Total revenue	2,409	2,339	3%	0%
Trading costs	(2,075)	(2,013)	3%	0%
Trading profit	334	326	2%	2%
Trading margin	14%	14%		



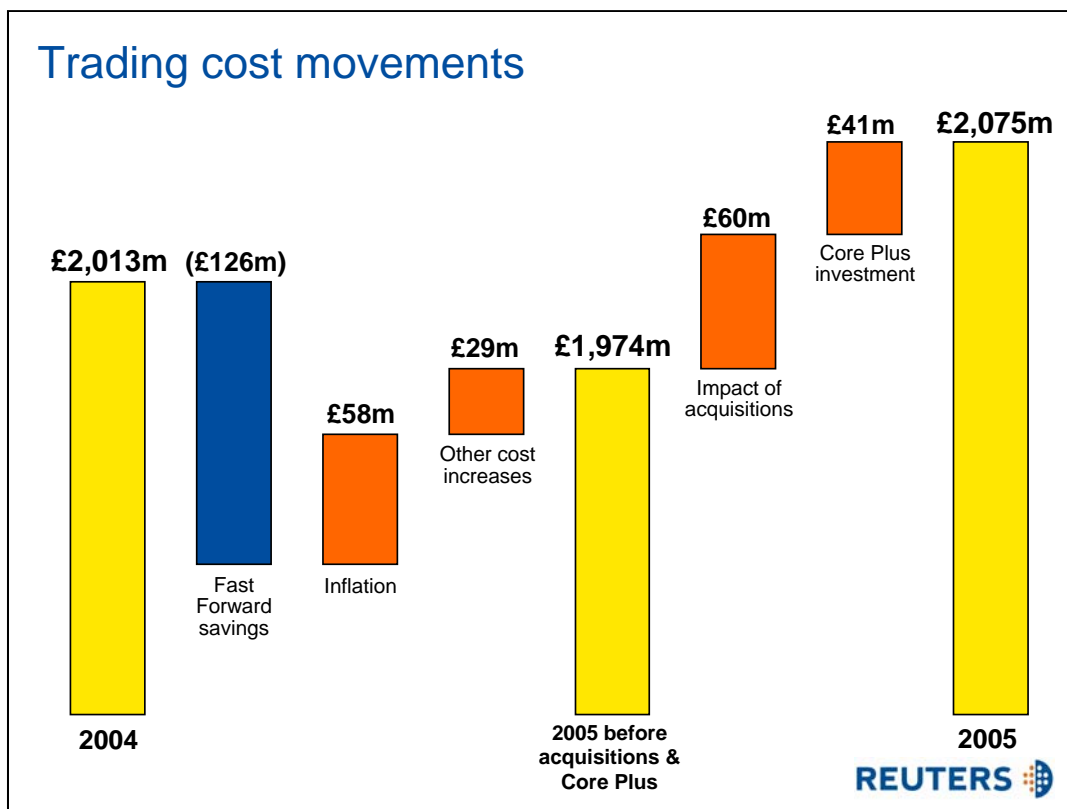
- Total revenue growth by geography

	2005 £m	2004 £m	Underlying change
UK and Ireland	379	374	(1%)
EMEA West	375	393	(4%)
EMEA East	576	577	(2%)
Americas	651	609	4%
Asia	428	386	3%
Total revenue	2,409	2,339	0%



• **Trader family products**

- ¹ 2000/3000, Domestic
- ² Bridgestation Mid-Tier, Reuters Trader for Commodities, Reuters Trader for Markets, Other Trader Domestic



- Other cost increases

	£m
Defined Benefit RPF pension charge	12
Currency impact	6
Operational gearing	2
Investment	15
Other	(6)
Other cost increases	29

Cost increase due to operational gearing is related to variable costs

Divisional performance



Sales & Trading

£m	2005	2004	Underlying change
Revenue	1,595	1,542	(1%)
Trading costs	(1,354)	(1,289)	0%
Trading profit	241	253	(5%)
Trading margin	15%	16%	

- Over 100,000 installed 3000 Xtra accesses
- Transactions based usage revenue up 10%
- Continuing migration of legacy products
- Investment in transformation and growth underway



• Sales & Trading revenue by type

£m	2005	2004	Underlying Change
Recurring	1,513	1,465	(1%)
Outright	6	8	(40%)
Usage	76	69	10%
Total revenue	1,595	1,542	(1%)

Research & Asset Management

£m	2005	2004	Underlying change
Revenue	268	262	3%
Trading costs	(288)	(269)	8%
Trading loss	(20)	(7)	n/a
Trading margin	(7%)	(3%)	

- Good growth in Knowledge family and Lipper
- Investment in
 - Product enhancements
 - Targeted sales campaigns



• Research & Asset Management revenue by type

£m	2005	2004	Underlying Change
Recurring	264	256	4%
Outright	2	3	(36%)
Usage	2	3	(41%)
Total revenue	268	262	3%

Enterprise

£m	2005	2004	Underlying change
Revenue	393	391	(1%)
Trading costs	(298)	(328)	(11%)
Trading profit	95	63	50%
Trading margin	24%	16%	

- Enterprise Information revenues up 11%
- RMDS migration at large clients nearly complete
- Fast Forward savings from scaling back Solutions business



• Enterprise revenue by type

£m	2005	2004	Underlying Change
Recurring	331	313	4%
Outright	62	78	(21%)
Total revenue	393	391	(1%)

Media

£m	2005	2004	Underlying change
Revenue	153	144	6%
Trading costs	(135)	(127)	7%
Trading profit	18	17	1%
Trading margin	12%	12%	

- Strong performance in TV, Pictures and reuters.com drives revenue growth
- Consumer investment funded through efficiency gains



• Media revenue by type

£m	2005	2004	Underlying Change
Recurring	134	130	3%
Usage	19	14	34%
Total revenue	153	144	6%

Outlook



Reuters – 2006 Outlook

- Total revenue, excluding currency effects, targeted to grow around 5%
- Trading profit
 - £80m of Fast Forward savings
 - £120m net impact of investment in Core Plus growth and transformation
- Cash flow
 - £220m of capital investment (£150m capex; £70m product development)
 - £90m fall in restructuring spend



Supplementary



SUPPLEMENTARY

SUPPLEMENTARY

This supplementary section provides the following:

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22	Expected 2006 currency weighting
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	Additional information
24	1) Restructuring charges
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24	3) Profit / (loss) from discontinued operations
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27-28	7) Reconciliation of cash flow

SUPPLEMENTARY

Supplementary – Reuters Group cash flow

£m	2005 Continuing	2005 Discontinued	2005 Reuters Group
Trading profit	334	(16)	318
Non cash items:			
- Amortisation / depreciation / impairments	113	3	116
- Share schemes	30	18	48
Capital investment	(178)	(7)	(185)
Restructuring	(147)	-	(147)
Property and other fixed asset disposals	3	-	3
Working capital	(46)	(32)	(78)
Taxation, Interest, Other	(21)	4	(17)
Free cash flow	88	(30)	58
Net disposals / (acquisitions)	673	(469)	204
Instinet dividend	37	(60)	(23)
Reuters dividend	(140)	-	(140)
Share buy-back	(223)	-	(223)
Other	(1)	52	51
Movements	434	(507)	(73)
Net funds	253	-	253

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• Analysis of Reuters Group net funds

£m	2005	2004
Short term investments	1	258
Cash and cash equivalents	662	578
Bank overdrafts	(25)	(17)
Borrowings	(385)	(493)
Net funds	253	326

Supplementary – expected 2006 currency weighting



* Primarily Japanese Yen and Swiss Francs



• Analysis of 2005 actual currency split

£m	Revenue	Trading profit / (loss)
Euro	643	372
US Dollar	1,099	189
Japanese Yen	144	83
Sterling	297	(257)
Other	226	(53)
Total	2,409	334

Supplementary – 2005 performance by division

£m	S&T	R&AM	Enterprise	Media	Total
Revenue	1,595	268	393	153	2,409
Trading costs	(1,354)	(288)	(298)	(135)	(2,075)
Trading profit / (loss)	241	(20)	95	18	334
Restructuring*	(76)	(11)	(17)	(8)	(112)
Impairments and amortisation of business combination intangibles	(13)	(3)	(5)	(1)	(22)
Investment income	1	-	-	-	1
Profit / (loss) on disposal of subsidiaries	7	(5)	1	1	4
Fair value movements	(3)	2	2	1	2
Operating profit / (loss)	157	(37)	76	11	207
Trading margin	15%	(7%)	24%	12%	14%



* Restructuring from Fast Forward and acquisition of MLT

SUPPLEMENTARY

Additional information

1) Restructuring charges

£m	2005	2004
Fast Forward:		
Staff reductions	56	61
Property rationalisation		
Canary Wharf	12	27
Other	7	8
Migration costs	11	7
Other	8	17
Total Fast Forward charges	94	120
MLT	18	-
Total restructuring charges	112	120

2) Share of associate and joint venture profits

£m	2005	2004
Factiva	4	5
TIBCO Software (part disposed February 2004)	-	3
GL Trade (disposed June 2004)	-	2
Other Reuters affiliates	1	1
Total Reuters associate and joint venture profits	5	11

3) Profit / (loss) from discontinued operations

£m	Profit after tax		Profit/(loss) after tax on disposal / re-measurement of assets		Total profit / (loss)	
	2005	2004	2005	2004	2005	2004
Instinet	68	30	191	(1)	259	29
Bridge Trading Company	1	9	(3)	(17)	(2)	(8)
Radianz	-	1	(4)	(3)	(4)	(2)
Total	69	40	184	(21)	253	19

SUPPLEMENTARY

Non-GAAP to IFRS reconciliations

1) 2005/2004 movement in revenue and trading profit – underlying to actual reconciliation

Total	Underlying	Currency	Acqn/Disp	Actual	Slide
Recurring	1%	0%	3%	4%	9
Outright	(23%)	1%	0%	(22%)	9
Usage	12%	0%	1%	13%	9
Total revenue	0%	0%	3%	3%	9
Trading profit	2%	(1%)	1%	2%	9

Sales & Trading	Underlying	Currency	Acqn/Disp	Actual	Slide
Recurring	(1%)	0%	4%	3%	13
Outright	(40%)	5%	0%	(35%)	13
Usage	10%	0%	0%	10%	13
Total revenue	(1%)	0%	4%	3%	13
Trading profit	(5%)	0%	0%	(5%)	13

Research & Asset Management	Underlying	Currency	Acqn/Disp	Actual	Slide
Recurring	4%	0%	(1%)	3%	14
Outright	(36%)	3%	0%	(33%)	14
Usage	(41%)	0%	0%	(41%)	14
Total revenue	3%	0%	(1%)	2%	14
Trading profit	n/a	n/a	n/a	n/a	14

Enterprise	Underlying	Currency	Acqn/Disp	Actual	Slide
Recurring	4%	1%	1%	6%	15
Outright	(21%)	1%	0%	(20%)	15
Total revenue	(1%)	1%	1%	1%	15
Trading profit	50%	1%	1%	52%	15

Media	Underlying	Currency	Acqn/Disp	Actual	Slide
Recurring	3%	0%	0%	3%	16
Usage	34%	(1%)	7%	40%	16
Total revenue	6%	0%	1%	7%	16
Trading profit	1%	4%	0%	5%	16

SUPPLEMENTARY

2) Reconciliation of actual percentage change to underlying change - revenue by geography

	Underlying	Currency	Acqn/Disp	Actual	Slide
UK and Ireland	(1%)	(1%)	3%	1%	9
EMEA West	(4%)	0%	(1%)	(5%)	9
EMEA East	(2%)	0%	2%	0%	9
Americas	4%	1%	2%	7%	9
Asia	3%	1%	7%	11%	9
Total revenue	0%	0%	3%	3%	9

3) Impact of currency movements on reported 2005 results

£m	Impact on revenue	Impact on trading costs	Impact on other operating costs and operating income	Impact on operating profit
Weaker Dollar	(7)	6	1	-
Stronger Euro	5	(2)	-	3
Other currencies	-	(1)	-	(1)
Reported exchange rate movements	(2)	3	1	2
Change in currency mix	6	(9)	2	(1)
Total currency movements	4	(6)	3	1

4) Operating profit to trading profit

£m	2005	2004
Operating profit	207	194
Operating margin	9%	8%
Restructuring	112	120
Impairments & amortisation of business combination intangibles	22	16
Investment income	(1)	-
Profit on disposal of subsidiaries	(4)	(4)
Fair value movements	(2)	-
Reuters trading profit	334	326
Trading margin	14%	14%

5) Reconciliation of adjusted tax charge on continuing operations to reported tax charge on continuing operations

£m	2005	2004
Adjusted tax charge	(22)	(40)
Tax on fair value movements	(5)	-
Tax on amortisation of intangibles	8	2
Tax on disposals	-	(2)
Tax benefit of impairments	10	-
Reported tax charge	(9)	(40)

SUPPLEMENTARY

6) Reconciliation of PBT/basic EPS from continuing operations to PBT/basic EPS from continuing operations before impairments & amortisation of business combination intangibles, investment income, profits from disposals, fair value movements and related taxation effects

	PBT £m		EPS	
	2005	2004	2005	2004
PBT / basic EPS from continuing operations	238	396	16.3p	25.4p
Impairments and amortisation of business combination intangibles	22	16	1.6p	1.1p
Investment income	(1)	-	(0.1p)	-
Profit on disposal of subsidiaries, associates & joint ventures	(42)	(207)	(2.9p)	(14.7p)
Fair value movements	(2)	-	(0.2p)	-
Profit / basic EPS from continuing operations before taxation, impairments & amortisation of business combination intangibles, investment income, profits on disposals and fair value movements	215	205	14.7p	11.8p
Adjusted tax charge / Tax effect	(22)	(40)	(0.9p)	-
<i>Adjusted tax rate / Average number of shares</i>	<i>10%</i>	<i>20%</i>	<i>1,396m</i>	<i>1,400m</i>
Profit / basic EPS from continuing operations before impairments & amortisation of business combination intangibles, investment income, profits on disposals, fair value movements and related taxation effects	193	165	13.8p	11.8p

7) Reconciliation of Cash Flow

These tables provide a reconciliation of the non-GAAP cash flow measures on slides 7 & 33 to the IFRS format of the cash flow shown in the Press Release.

Analysis of continuing operations net funds / (debt)

£m	2005	2004
Short term investments	1	248
Cash and cash equivalents	662	74
Bank overdrafts	(25)	(12)
Borrowings	(385)	(491)
Net funds / (debt)	253	(181)

Reconciliation of opening to closing net (debt) / funds

	Continuing	Discontinued	Group
Opening net (debt) / funds 1 Jan 2005	(181)	507	326
IAS39 transitional adjustments	(69)	-	(69)
Cash flow	468	(564)	(96)
Fair value movements	22	-	22
Other non cash movements	(7)	-	(7)
Exchange gains	20	57	77
Closing net (debt) / funds 31 December 2005	253	-	253

SUPPLEMENTARY

7) Reconciliation of Cash Flow continued

Reconciliation of Reuters Working Capital

£m	Continuing
Decrease in inventories	2
Decrease / (increase) in receivables	3
(Decrease) / increase in payables	(52)
(Decrease) / increase in provisions	(27)
Increase in pension provisions	9
Restructuring provision	35
Interim funding repayment	(18)
Movement in intra-group balance	2
Working capital	(46)

Reconciliation of Taxation, Interest, Other

£m	Continuing	Discontinued	Group
Dividends received	5	-	5
Net interest (paid) / received	(7)	13	6
Taxation (paid)	(11)	(13)	(24)
Profit on disposal of fixed assets	-	4	4
Foreign exchange gains	(8)	-	(8)
Taxation, Interest, Other	(21)	4	(17)

Reconciliation of Net Disposals / (Acquisitions)

£m	Continuing	Discontinued	Group
Cash proceeds from disposals	798	115	913
Cash disposed	-	(582)	(582)
Other net funds disposed	-	(2)	(2)
Net proceeds from 2005 disposals	798	(469)	329
Acquisitions	(137)	-	(137)
Cash acquired	20	-	20
Deferred payments on acquisitions	(8)	-	(8)
Net disposals / (acquisitions)	673	(469)	204

Reconciliation of Other

£m	Continuing	Discontinued	Group
IFRS transitional adjustment	(69)	-	(69)
Revaluation of net debt	20	57	77
Fair value movements in net debt	22	-	22
Other non cash movements in net debt	(7)	-	(7)
Proceeds from issue of shares	10	-	10
MLT funding repayment	18	-	18
Net repayment of funds from BTC	5	(5)	-
Other	(1)	52	51