

REUTERS PRELIMINARY RESULTS

Business performance*

- 2006 revenue of £2,566 million, up 6.5% (6.2% on a constant currency basis, ahead of company guidance). Underlying revenue growth (excluding acquisitions, disposals and currency) of 4.8%
- Trading profit* of £308 million, down 8%, including a net £77 million invested under Core Plus
- Operating profit of £256 million, up 24%, driven by reduction in restructuring charges
- Adjusted earnings per share* of 17.1p, up 24%
- Free cash flow* improvement to £225 million (2005: £88 million), after capital expenditure of £228 million (2005: £178 million)
- £661 million of cash returned to shareholders during the year via buybacks and dividends
- Final dividend of 6.9p, up 12%, bringing full year dividend to 11.0p and reflecting growing confidence in future business performance

Operating highlights

- Core Plus investments on track, including 1.3 percentage points of revenue growth. All four elements – transactions, high value content, enterprise solutions and new markets – now contributing to growth
- Telerate integration delivering according to plan, with user migrations completed in Europe and Asia
- FXMarketSpace has entered live testing with customers; launch expected at the end of March

Tom Glocer, Reuters Chief Executive, said: “In 2006 we achieved our immediate goal of restarting revenue growth as our Core Plus initiatives outperformed. We are off to a strong start in 2007, including the recently announced enterprise agreement with HSBC. I am determined to pursue my twin goals of growth and simplification under the Core Plus strategy. This will allow us to deliver strong, sustainable revenue growth and 17-20% trading margins over the medium term.”

UNAUDITED	Year to 31 December		% change
	2006	2005	
BUSINESS PERFORMANCE*	£m	£m	
Revenue	2,566	2,409	7%
Trading profit*	308	334	(8%)
Trading margin*	12%	14%	
Adjusted EPS*	17.1p	13.8p	24%
STATUTORY RESULTS			
Operating profit	256	207	24%
Profit before tax	313	238	32%
Profit for the year from discontinued operations	12	253	-
Profit for the year	305	482	(37%)
Basic earnings per share	23.6p	32.6p	(28%)
Dividend per ordinary share	11.0p	10.0p	10%

*This release includes certain non-GAAP figures which are business performance measures used to manage the business. See pages 23 to 37 for explanations and reconciliations to the most directly comparable statutory figures. Business performance measures are also reconciled to the statutory results at www.about.reuters.com in the Investors section under Financial Data.

Trading profit and trading margin are defined as operating profit from continuing operations before restructuring charges associated with Fast Forward and acquisitions, impairments & amortisation of intangibles acquired via business combinations, investment income, profits from disposals of subsidiaries and fair value movements.

Adjusted EPS is defined as basic EPS from continuing operations before impairments & amortisation of business combination intangibles, investment income, profit on disposals, fair value movements and related taxation effects.

Free cash flow is defined as cash movements, other than those which are either discretionary in nature or unrelated to ongoing recurring operating activities such as acquisitions and disposals and dividends.

GUIDANCE

Revenue

Reuters expects to deliver underlying revenue growth of 6% or better in 2007.

Trading margin

Reuters expects to increase trading margins to 13-14% in 2007, on track to achieve its medium term trading margin target of 17-20%.

Capital expenditure

Reuters will keep capital expenditure in 2007 at similar levels to 2006 in order to continue investing in service resilience.

CURRENCY

Although currency had a negligible effect on Reuters trading profit in 2006, the impact of Sterling strength against the Euro and the US dollar is expected to be more material in 2007 if current rates persist. This is because major sources of revenue growth – Reuters largest accounts worldwide, for example – are typically dollar priced while the size of Reuters dollar denominated cost base has reduced. At current exchange rates and currency mix, a 5 cent weakening in either the US dollar or the Euro would decrease Reuters trading profit by approximately £10 million, and vice versa.

CAPITAL STRUCTURE

Reuters will actively manage its capital structure to maintain a strong investment grade rating of BBB+ /Baa1 and, to the extent that it generates cash surplus to its needs, will continue to seek to return that cash to shareholders. Based on current investment plans, Reuters expects to increase the buyback during 2007 to £400 - £425 million, which includes the £250 million remaining of the £1 billion buyback announced in July 2005. In future, share buybacks will be considered periodically, based on business performance, investment opportunities and the BBB+ /Baa1 ratings target.

This announcement includes forward-looking statements. See page 38 for a description of risk factors.

REUTERS RESULTS – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

STATUTORY RESULTS (UNAUDITED)	Year to 31 December	
	2006 £m	2005 £m
Revenue	2,566	2,409
Operating profit	256	207
Net finance costs	(15)	(12)
Profit on disposal of associates, joint ventures & available-for-sale financial assets	76	38
Share of post-taxation (losses) / profits from associates & joint ventures	(4)	5
Profit before taxation	313	238
Profit for the year from continuing operations	293	229
Discontinued operations		
Profit for the year from discontinued operations	12	253
Profit for the year	305	482
Basic earnings per share	23.6p	32.6p
Dividend per ordinary share	11.0p	10.0p
Business Performance Measures* (unaudited)		
Operating profit	256	207
<i>Excluding:</i>		
Restructuring charges from Fast Forward and acquisition of Telerate	13	112
Impairments & amortisation of business combination intangibles	24	22
Investment income	-	(1)
Profit on disposal of subsidiaries	(4)	(4)
Fair value movements	19	(2)
Trading profit*	308	334
Trading margin*	12%	14%
Adjusted EPS*	17.1p	13.8p

* Refer to definitions of Business Performance Measures on page 1.

Revenue

Full year revenue grew 6.5% to £2,566 million (2005: £2,409 million). Constant currency revenue growth of 6.2% is ahead of company guidance.

Acquisitions (principally Telerate) contributed 1.4 percentage points of growth, in line with integration plans.

On an underlying basis, revenue grew by 4.8%, of which 1.3 percentage points (£32 million) came from Core Plus initiatives. All four elements of Core Plus – electronic transactions, high value content, enterprise solutions and new markets – are now contributing to revenue growth.

Excluding the effects of Core Plus, the core business saw underlying revenue growth of 3.5%, driven by the 2006 price increase, volume growth and recoveries (exchange fees and specialist data). The key drivers of volume growth are: new sales and migrations to Reuters premium 3000 Xtra product; Reuters Knowledge – principally on the buy side; Enterprise Datafeeds and Trade and Risk Management software.

Revenue grew in all geographic regions. The Americas saw underlying growth of 8%, driven by strong sales of Enterprise solutions and Media services and good progress with Reuters Knowledge. Asia grew 6% on an underlying basis, benefiting from improved trading conditions in Japan, market-leading positions in China and India and swift completion of the Telerate integration project. EMEA grew 3% on an underlying basis, with strong trading in the Nordic region, Russia and the Gulf counterbalanced by consolidation in the German, Swiss and Italian markets.

Trading Costs

Trading costs (including Core Plus investments for growth and transformation) totalled £2,258 million in 2006 (2005: £2,075 million). The increase in trading costs included new investment of £65 million to drive Core Plus growth initiatives and £49 million to drive transformation, partially offset by the early delivery of £5 million of Core Plus savings.

Trading Profit

Reuters delivered trading profit of £308 million (2005: £334 million). Trading profit was driven by revenue growth, the last tranche of Fast Forward savings, continued tight cost control and £10 million of benefit from acquisitions. These benefits were more than offset by £77 million net new investment to drive Core Plus. The business delivered trading margins of 12% after Core Plus investment.

Operating Profit

Operating profit rose by 24% to £256 million (2005: £207 million), after £13 million of Telerate restructuring charges. This growth reflects a substantial reduction in restructuring charges as the Fast Forward programme came to an end.

Profit before taxation

Profit before taxation was £313 million (2005: £238 million), boosted by profits from the sale of the majority of Reuters stake in Factiva.

Profit for the year

Statutory profit for the year was £305 million (2005: £482 million). 2005 profit was boosted by profits from the disposal of Instinet.

Adjusted earnings per share

Adjusted earnings per share rose by 24% to 17.1p (2005: 13.8p). The decline in trading profit was more than offset by the reduction in restructuring charges and reduced number of shares in issue.

Basic earnings per share

Basic EPS declined by 28% to 23.6p (2005: 32.6p), driven by the reduction in profits on disposal.

Cash Flow

Reuters had net debt of £333 million at 31 December 2006 (2005: net funds of £253 million), reflecting returns to shareholders via the dividend and ongoing share buyback, the payment of £187 million towards funding the deficit in two of Reuters UK defined benefit pension schemes and a net £2 million outflow from acquisitions and disposals, including £79 million from the disposal of Factiva.

Free cash flow totalled £225 million in 2006, a significant improvement over the £88 million delivered in 2005. This reflects lower cash restructuring charges and management action to improve working capital, which offset higher capital expenditure, cash tax and interest charges. Working capital was £111 million positive, although some of this improvement was due to timing around year-end cash flows, which will reverse in 2007. Cash conversion (i.e. trading cash flow divided by trading profit) in 2006 was 111%, with the increase in capital expenditure more than offset by working capital improvements.

2006 saw £228 million of capital expenditure (2005: £178 million). The increase was driven by investment in service resilience in Reuters data centres, transformation and new product development.

Share buyback

By 31 December 2006, Reuters had returned £750 million to shareholders through its on-market buyback programme, including £527 million in 2006.

Dividend

The Directors declared a final dividend of 6.9p per ordinary share, an increase of 12% over the prior year, reflecting Reuters continuing confidence in the future performance of its business. The total dividend payment for the year is 11.0p, an increase over 2005 of 10%.

Reuters is committed to maintaining a progressive dividend policy, which reflects its long-term earnings potential, while moving towards minimum dividend cover of at least two times based on adjusted earnings.

SALES & TRADING DIVISION RESULTS – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change Actual	% Change Underlying
	2006 £m	2005* £m		
Revenue	1,690	1,613	5%	3%
Trading costs	(1,476)	(1,373)	8%	6%
Trading profit	214	240	(10%)	(17%)
Trading margin	13%	15%		
Operating profit	174	155	13%	

**In 2006, Reuters made changes to the allocation of revenue and trading costs between business divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to increase Sales & Trading revenue by £18 million and trading costs by £19 million, and to reallocate £1million of amortisation on intangible assets arising on the acquisition of Telerate from Enterprise to Sales & Trading, in line with the allocation of revenues from Telerate products.*

Sales & Trading – Reuters largest business division – returned to underlying revenue growth in 2006 under a new management team led by Mark Redwood. Trading profit declined an underlying 17% as a result of significant investment in Core Plus initiatives such as transactions services and new customer administration systems, the effect of which was balanced to some extent by operating efficiencies across the division. These initiatives are expected to deliver further underlying revenue growth, and margin improvement, in 2007 and beyond.

The Sales & Trading division's strategic focus is to become the leading provider of content and transactions services for traders and salespeople, across the financial markets, globally. The key to delivering profitable growth is to focus on scaling the transactions businesses, exploiting opportunities in new and emerging markets and reducing the cost and complexity of technology platforms.

Recurring revenue from Sales & Trading grew 2% on an underlying basis. The biggest driver was Reuters flagship desktop product, Reuters 3000 Xtra, which saw subscription revenue grow by 8% on an underlying basis. While this increase was driven in part by migrations from other Reuters desktop products, the highest proportion came from new sales, benefiting from favourable market conditions, new sales into areas such as credit derivatives and customers wanting to trade on new transactions services. Reuters Trader for Commodities also saw excellent growth, reflecting volatile energy and commodities markets.

Strong foreign exchange markets, as well as new services such as prime brokerage, drove underlying growth in Sales & Trading usage revenues – of 23% to £93 million. Reuters conversational dealing service also saw underlying revenue growth driven by an active global FX market and emerging markets expansion. Reuters leading position in FX is creating significant new growth opportunities such as the FXMarketSpace joint venture with the Chicago Mercantile Exchange (CME).

Transactions services were the major area of growth-focused Core Plus investment in Sales & Trading during 2006. Reuters Trading for Foreign Exchange saw very encouraging volume growth, while Reuters Trade Notification Service is beginning to establish itself as an industry standard for post trade messaging among FX brokers and their clients. The launch of Reuters Trading for Exchanges (RTEx), which enables customers to transact exchange-traded instruments – was recently boosted by an agreement with BNY ConvergeX to offer its global trading services through this platform, bringing the number of brokers live on the platform to eight.

A key part of strengthening Reuters position in Sales & Trading in 2006 was to migrate former Telerate customers to the latest Reuters products. In line with the integration plan, the Telerate migration was completed in Europe and Asia by the end of 2006, and is due to be completed in the Americas and with Reuters largest global customers in 2007. Telerate profits are in line with the original acquisition plan.

RESEARCH & ASSET MANAGEMENT DIVISION RESULTS – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change Actual	% Change Underlying
	2006 £m	2005* £m		
Revenue	298	258	15%	12%
Trading costs	(305)	(276)	10%	8%
Trading loss	(7)	(18)	-	-
Trading margin	(2%)	(6%)		
Operating loss	(12)	(35)	-	

**In 2006, Reuters made changes to the allocation of revenue and trading costs between business divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to decrease Research & Asset Management revenue by £10 million and trading costs by £12 million.*

The Research & Asset Management division made progress towards profitability in 2006, with a 12% underlying revenue increase beginning to drive better scale economies. The business also saw substantial investments under the Core Plus programme in 2006, specifically in high value content. There was a smooth management transition at year end, with Michael Peace taking over responsibility for the division on the retirement of Julie Holland. In 2007 Research & Asset Management is expected to sustain its strong revenue growth, and improve profitability.

Research & Asset Management aims to provide independent content and insight to two distinct user communities: **Investment Banking, Investment Management & Corporates (IB&IM)** and **Wealth Management**.

Investment Banking, Investment Management & Corporates were the major revenue drivers for the division in 2006, with total revenues growing 22% on an underlying basis to £171 million. Revenues were driven by the addition of 3,000 standalone Reuters Knowledge positions (bringing the total to 14,000) and the sale of Reuters Knowledge embedded in Xtra and datafeeds. The superior quality of Reuters company fundamentals and estimates data was key to driving growth in both feeds and desktops. Reuters also benefited as customers broadened their global coverage, by providing in depth information on emerging markets such as China and India.

Revenue from the **Wealth Management** customer base grew 1% on an underlying basis to £127 million. Ongoing management actions to restructure the unprofitable low tier desktop business limited top line growth, but moved this part of the business closer to profitability. Customer demand is growing for datafeed and online solutions within their wealth management workflow and for Lipper funds information. Simplification will remain a key Wealth Management theme in 2007 with the beginning of convergence of several existing products onto the global Reuters Knowledge for Wealth Management platform.

The major areas of investment in Research & Asset Management during the year were in high value content and new functionality for Reuters Knowledge. With Reuters Knowledge now on a quarterly release cycle, new content can be released to customers more quickly. The 2005 acquisition of Ecowin also contributed profits in 2006. Other initiatives, such as the formation of a primary research group to create and sell proprietary content, are expected to deliver benefit over a longer time horizon, and are being received well in early client testing.

ENTERPRISE DIVISION RESULTS – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change Actual	% Change Underlying
	2006 £m	2005* £m		
Revenue	408	385	6%	6%
Trading costs	(323)	(291)	11%	10%
Trading profit	85	94	(10%)	(6%)
Trading margin	21%	24%		
Operating profit	79	76	3%	

**In 2006, Reuters made changes to the allocation of revenue and trading costs between business divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to decrease Enterprise revenue by £8 million and trading costs by £7 million, and to reallocate £1 million of amortisation on intangible assets arising on the acquisition of Telerate from Enterprise to Sales & Trading, in line with the allocation of revenues from Telerate products.*

The Enterprise division, under the leadership of Peter Moss, achieved a strong return to revenue growth in 2006 – 6% on an underlying basis. Although Core Plus investment reduced trading profit, trading margin remained above 20%. In 2007, Enterprise is targeting higher levels of revenue growth and improved profitability.

Reuters financial services customers are looking to grow revenues and cut costs through increased levels of business automation. The Enterprise division is well placed to help them achieve these goals, and has made significant progress during 2006.

Enterprise Information saw the best revenue growth within the Enterprise division. On an underlying basis, revenues grew 13% to £220 million. Financial services customers are consuming more and more data as they seek to provide a competitive edge for their customers, and become increasingly sophisticated in funds valuation and understanding of risk. The breadth, depth and reliability of Reuters Enterprise Information make it a market leader in these fields.

Trade and Risk Management also benefited from demand for business automation, and saw revenues grow 12% on an underlying basis to £92 million. The Kondor+ trade and risk management desktop product was significantly upgraded in the course of the year, and the launch of Kondor+ Trade Processing added front-to-back office trade management capabilities to further the automation of trading businesses. Application Networks was acquired and integrated during 2006. Although its initial contribution to revenues was small, the sales pipeline for 2007 is strong.

Information Management Systems (IMS) continued to see revenue declines – by 12% on an underlying basis - to £96 million driven by the move to desktop based solutions at smaller sites, withdrawal from the hardware business and the fact that the majority of customers have now migrated from legacy platforms onto Reuters Market Data System (RMDS). By the end of 2006, IMS had seen the majority of the flow-through effect of migrating customers from legacy TIB/Triarch systems to RMDS, as well as from exiting other legacy business. New Core Plus products such as Reuters Wireless Delivery System and Reuters Tick Capture Engine started to generate revenue in 2006, and are expected to make a larger contribution in 2007. Widespread customer use of RMDS as a platform for making information available throughout an enterprise is of key strategic importance to Reuters.

During 2006, the Enterprise division invested in a series of new initiatives under Core Plus to broaden its suite of business automation solutions. For example, Reuters Datafeed Direct, Reuters DataScope Tick History, Reuters Tick Capture Engine and Machine Readable News support evolving trends in automated trading.

MEDIA DIVISION RESULTS – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change Actual	% Change Underlying
	2006	2005		
	£m	£m		
Revenue	170	153	11%	10%
Trading costs	(154)	(135)	13%	12%
Trading profit	16	18	(5%)	1%
Trading margin	10%	12%		
Operating profit	15	11	43%	

The Media division delivered strong revenue growth in 2006 – 10% on an underlying basis. Trading profit remained stable on an underlying basis. A strong performance from the Agency business balanced investment in Core Plus to capitalise on the high growth potential in interactive media offerings. Chris Ahearn strengthened his team during the year by adding editorial, marketing, technology and advertising expertise. In 2007, the division is expected to maintain similar levels of growth, at improved margins, as it begins to realise scale advantages in the newer businesses and benefits from the increased functionality of its new web platform.

Revenue from **Agency Services** grew 6% on an underlying basis to £143 million, driven principally by strong new sales of TV subscriptions, particularly in the Middle East and Central and Eastern Europe, and increased customer use of pictures services. As publishers and broadcasters retrench and seek to control their direct editorial costs, new revenue opportunities for Reuters News Agency have opened and continue to be pursued. In addition, the demand for video for inclusion in the online properties of traditional newspaper clients has fuelled demand for Reuters television feeds.

Consumer Media revenue grew 39% to £27 million, driven principally by strong growth in online advertising on the reuters.com sites. Nielsen//NetRatings ranked Reuters as the fifth most visited financial news and information site in the US, ahead of Dow Jones Online and in the UK, Reuters is the fourth most visited site in the business and finance category, according to comScore Media Metrix.

Notes

Reuters (www.reuters.com), the global information company, provides indispensable information tailored for professionals in the financial services, media and corporate markets. Through reuters.com and other digital properties, Reuters now also supplies its trusted content direct to individuals. Reuters drives decision making across the globe based on a reputation for speed, accuracy and independence. Reuters has 16,900 staff in 94 countries, including 2,400 editorial staff in 196 bureaux serving 131 countries. In 2006, Reuters revenues were £2.6 billion.

Reuters and the sphere logo are the trade-marks of the Reuters group of companies.

Reuters Group preliminary results presentation for investors and analysts will be webcast live today from 10:00 GMT and available for replay from 13:00 GMT at <http://about.reuters.com/webcast/resultsq406>.

Reuters will hold a conference call for US investors at 15:00 GMT/10:00 EST. To participate, please register on-line at <http://registration.intercall.com/go/reutersir>. An e-mail confirmation, containing the dial-in details, will be sent by return.

Photographs are available at www.about.reuters.com/pressoffice/library/photos/senior.asp

This announcement includes forward-looking statements. See page 38 for a description of risk factors.

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FINANCIAL STATEMENTS

1) CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
Revenue	2,566	2,409
Operating costs	(2,351)	(2,251)
Other operating income	41	49
Operating profit	256	207
Finance income	72	41
Finance costs	(87)	(53)
Profit on disposal of associates, joint ventures & available-for-sale financial assets	76	38
Share of post-taxation (losses) / profits from associates & joint ventures*	(4)	5
Profit before taxation	313	238
Taxation**	(20)	(9)
Profit for the year from continuing operations	293	229
DISCONTINUED OPERATIONS		
Profit for the year from discontinued operations	12	253
PROFIT FOR THE YEAR	305	482
Attributable to:		
Equity holders of the parent	305	456
Minority interest	-	26
EARNINGS PER SHARE		
Basic	23.6p	32.6p
Diluted	23.1p	31.7p
EARNINGS PER SHARE FROM CONTINUING OPERATIONS		
Basic	22.6p	16.3p
Diluted	22.2p	15.9p

* Share of post-taxation (losses) / profits from associates and joint ventures includes a taxation charge of £2 million (2005: £1 million).

** The taxation charge of £20 million includes a credit for UK taxation of £34 million (2005: £16 million), and a charge for overseas tax of £54 million (2005: £25 million).

2) CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
Profit for the year	305	482
Actuarial gains / (losses) on defined benefit plans	6	(48)
Translation differences taken directly to reserves	(95)	118
Translation differences taken to the income statement on disposal of assets	-	(2)
Fair value gains / (losses) on available-for-sale financial assets	6	(15)
Fair value gains on available-for-sale financial assets taken to the income statement on disposal of assets	-	(73)
Fair value gains / (losses) on net investment hedges	34	(39)
Fair value gains taken to income statement on disposal of net investment hedges	-	(14)
Taxation on the items taken directly to or transferred from equity	(4)	14
Net losses not recognised in income statement	(53)	(59)
Total recognised income for the year	252	423
Attributable to:		
Equity holders of the parent	252	374
Minority interest	-	49

** Fair value gains and losses arise as a result of Reuters application of IAS 39 which was adopted from 1 January 2005. The adoption of IAS 39 resulted in an increase in equity at 1 January 2005 of £129 million, of which £2 million was attributable to the minority interest. Refer to the Consolidated Reconciliation of Changes in Equity on page 17.*

3) CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006 (UNAUDITED)

	At 31 December	
	2006	2005 Restated*
	£m	£m
ASSETS		
Non-current assets	1,314	1,179
Current assets	606	957
Non-current assets classified as held-for-sale	-	1
Total Assets	1,920	2,137
LIABILITIES		
Current liabilities	(913)	(797)
Non-current liabilities	(835)	(829)
Total Liabilities	(1,748)	(1,626)
NET ASSETS	172	511
SHAREHOLDERS' EQUITY		
Share capital	496	467
Other reserves	(1,738)	(1,692)
Retained earnings	1,414	1,736
TOTAL SHAREHOLDERS' EQUITY	172	511

*Reuters has reviewed its accounting policies in the context of emerging best practice and has revised its accounting policy for the share buyback programme to recognise irrevocable commitments put in place prior to the year end close period. During the close period following the 2006 year end, Reuters purchased 11.7 million shares (2005:13.5 million shares) under these commitments at a total cost of £53 million (2005: £59 million). The impact of the change in policy is to increase current liabilities and decrease net assets by £53 million (2005: £59 million). There is no impact on reported profit or cash flow. Share purchases under the buyback programme totalling £137 million for the period 1 January 2006 to 7 March 2006, which included the £59 million described above, were disclosed previously under Note 38 'Post balance sheet events' in the 2005 Annual Report and Form 20-F.

4) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
Cash flows from operating activities		
Cash generated from operations (page 18)	311	271
Interest received	42	55
Interest paid	(61)	(49)
Tax paid	(34)	(24)
Net cash flow from operating activities	258	253
Cash flows from investing activities		
Acquisitions, net of cash acquired	(67)	(124)
Disposals, net of cash disposed	65	246
Purchases of property, plant and equipment	(122)	(145)
Proceeds from sale of property, plant and equipment	5	3
Purchases of intangible assets	(106)	(40)
Purchases of available-for-sale financial assets	-	(1)
Proceeds from sale of available-for-sale financial assets	-	85
Dividends received	3	5
Net cash flow from investing activities	(222)	29
Cash flows from financing activities		
Proceeds from issue of shares	32	10
Share buyback	(527)	(223)
(Increase) / decrease in short-term investments	(196)	248
Increase / (decrease) in borrowings	270	(144)
Equity dividends paid to shareholders	(134)	(140)
Equity dividends paid to minority interests	-	(23)
Net cash flow from financing activities	(555)	(272)
Exchange (losses) / gains on cash and cash equivalents	(13)	66
Net (decrease) / increase in cash and cash equivalents	(532)	76
Cash and cash equivalents at the beginning of the year	637	561
Cash and cash equivalents at the end of the year	105	637

5) BASIS OF PREPARATION (UNAUDITED)

Except as noted below, the above financial information has been prepared on a basis consistent with the accounting policies set out on pages 52 to 57 of Reuters Group PLC 2005 Annual Report and Form 20-F.

Reuters has reviewed its accounting policies in the context of emerging best practice and has revised its accounting policy for the share buyback programme to recognise irrevocable commitments put in place prior to the year end close period and will now record the commitments as a current liability. During the close period following the 2006 year end, Reuters purchased 11.7 million shares (2005: 13.5 million shares) under these commitments at a total cost of £53 million (2005: £59 million). The impact of the change in policy is to increase current liabilities and decrease net assets by £53 million (2005: £59 million).

The preliminary financial information is unaudited. The financial information set out in this report does not constitute statutory accounts as defined by the Companies Act 1985. Financial information for the year ended 31 December 2005 included herein is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act

6) CONSOLIDATED RECONCILIATION OF CHANGES IN EQUITY (UNAUDITED)

	Year to 31 December	
	2006	2005 Restated*
	£m	£m
Balance at beginning of the year as previously reported	570	570
Prior year adjustment – share buyback programme	(59)	-
Transitional adjustment on first time adoption of IAS 39**	-	129
As restated and adjusted for IAS 39	511	699
Actuarial gains / (losses) on defined benefit plans	6	(48)
Translation differences taken directly to reserves	(95)	118
Translation differences taken to the income statement on disposal of assets	-	(2)
Fair value gains/ (losses) on available-for-sale financial assets	6	(15)
Fair value gains on available-for-sale financial assets taken to the income statement on disposal of assets	-	(73)
Fair value gains / (losses) on net investment hedges	34	(39)
Fair value gains taken to income statement on disposal of net investment hedges	-	(14)
Taxation on the items taken directly to or transferred from equity	(4)	14
Net expense recognised directly in equity	(53)	(59)
Profit for the year	305	482
Total recognised income for the year	252	423
Employee share schemes	30	49
Taxation on employee share schemes	1	11
Proceeds from shares issued to ordinary shareholders	32	10
Proceeds from shares issued to minority shareholders of Instinet	-	3
Repurchase of own shares	(467)	(224)
Shares to be repurchased	(53)	(59)
Dividends:		
- Prior year final paid to ordinary shareholders	(81)	(86)
- Current year interim paid to ordinary shareholders	(53)	(54)
- Share of Instinet's dividend paid to minority shareholders	-	(23)
Other movements	-	(1)
Minority interest in subsidiary disposed in year	-	(237)
Balance at the end of the year	172	511

* The prior year adjustment in respect of the share buyback programme is described on page 14

** The transitional adjustment on the balance sheet at 1 January 2005 primarily comprises recognition of the fair value of Reuters investments in SAVVIS (£45 million gain) and TSI (£86 million gain), offset by initial recognition of embedded derivatives (£14 million loss, plus £3 million tax credit).

7) NET CASH FLOWS FROM OPERATING ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
Net profit from continuing activities	293	229
Adjustments for:		
Depreciation	95	99
Impairment of associates and joint ventures	-	2
Impairment of intangibles	-	1
Amortisation of intangibles	46	33
Profit on disposal of property, plant and equipment	(2)	-
Employee share scheme charges	30	30
Foreign exchange gains	(14)	(8)
Fair value movements on derivatives	19	(18)
Fair value movements on other financial assets	-	16
Profits on disposals	(80)	(42)
Income from investments	-	(1)
Share of post-taxation losses / (profits) of associates and joint ventures	4	(5)
Finance income	(72)	(41)
Finance costs	87	53
Taxation	20	9
Movements in working capital:		
Decrease in inventories	-	2
Decrease in trade and other receivables	23	3
Increase / (decrease) in trade and other payables	51	(52)
(Decrease) / increase in pensions deficit	(176)	9
Decrease in provisions	(13)	(27)
Decrease in amounts payable to discontinued operations	-	(24)
Cash generated from continuing operations	311	268
Net cash generated from discontinued operations	-	3
Cash generated from operations	311	271

8) TAXATION (UNAUDITED)

The tax expense for the year of £20 million (2005: £9 million) comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

The effective tax rate for the period on profit from continuing operations before impairments and amortisation of business combination intangibles, investment income, profit on disposals and fair value movements is 20% (2005: 22%).

The tax expense includes a credit of £34 million in respect of UK taxation (2005: £16 million).

9) DIVIDENDS AND EARNINGS PER SHARE (UNAUDITED)

	Year to 31 December	
	2006	2005
	pence	pence
Dividend per share		
Prior year final paid	6.15	6.15
Current year interim paid	4.10	3.85

Basic earnings per share for the year is 23.6p (2005: 32.6p).

The weighted average number of ordinary shares used for the calculation of earnings per share was 1,297 million for the year ended 31 December 2006 (2005: 1,396 million). The total number of shares in issue, excluding treasury shares, was 1,253 million as at 31 December 2006 (2005: 1,352 million). The weighted average fully diluted number of shares in issue for the year ended 31 December 2006 was 1,321 million (2005: 1,437 million).

A final dividend in respect of 2006 of 6.90p per ordinary share, taking the full year dividend to 11.0p, is to be proposed at the AGM on 26 April 2007. This 2006 final dividend is payable on 3 May 2007 to ordinary shareholders on the register as at 16 March 2007. The final dividend is payable on 10 May 2007 to American Depositary Shareholders on the record at 16 March 2007. The ex-dividend date for ordinary shareholders and American Depositary Shareholders is 14 March 2007.

10) DISCONTINUED OPERATIONS (UNAUDITED)

The 'Profit for the year from discontinued operations' line within the income statement comprises the post-taxation profit of discontinued operations and the post-taxation profit on their disposal.

The Group has no activities which are required to be classified as discontinued operations in 2006. An additional gain of £12 million has been recognised in 2006 arising from the disposal of Instinet Group in 2005.

	Year to 31 December	
	2006	2005
	£m	£m
DISCONTINUED OPERATIONS		
Profits after taxation of subsidiaries (net of taxation of £nil, 2005: £20 million)	-	69
Profit on disposal of subsidiaries (net of taxation of £nil, 2005: £43 million)	12	184
Profit for the year from discontinued operations	12	253

REVENUE & ACCESSES

1) REVENUE BY DIVISION BY TYPE – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change	
	2006	2005*	Actual	Underlying
	£m	£m		
Recurring	1,593	1,531	4%	2%
Usage	93	76	22%	23%
Outright	4	6	(18%)	(13%)
Sales & Trading	1,690	1,613	5%	3%
Recurring	294	254	15%	12%
Usage	3	2	26%	27%
Outright	1	2	(39%)	(37%)
Research & Asset Management	298	258	15%	12%
Recurring	342	323	6%	6%
Outright	66	62	6%	7%
Enterprise	408	385	6%	6%
Recurring	134	127	6%	7%
Usage	36	26	36%	29%
Media	170	153	11%	10%
Recurring	2,363	2,235	6%	4%
Usage	132	104	26%	24%
Outright	71	70	3%	4%
Total revenue	2,566	2,409	7%	5%

**In 2006, Reuters made changes to the allocation of revenue between Business Divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to increase Sales & Trading revenue by £18 million, decrease Research & Asset Management revenue by £10 million and decrease Enterprise revenue by £8 million. 2005 comparatives have also been restated to reclassify £7 million of recurring revenue to usage revenue within the Media division.*

2) REVENUE BY DIVISION BY PRODUCT FAMILY – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change	
	2006	2005*	Actual	Underlying
	£m	£m		
Reuters Xtra	966	882	10%	7%
Reuters Trader	358	392	(9%)	(12%)
Recoveries	366	339	8%	7%
Sales & Trading	1,690	1,613	5%	3%
Reuters Xtra	85	67	25%	26%
Reuters Trader	10	9	4%	7%
Reuters Knowledge	76	57	33%	20%
Reuters Wealth Management	127	125	2%	1%
Research & Asset Management	298	258	15%	12%
Reuters Enterprise Information	220	195	13%	13%
Reuters Information Management	96	108	(11%)	(12%)
Reuters Trade and Risk Management	92	82	13%	12%
Enterprise	408	385	6%	6%
Agency Services	143	133	7%	6%
Consumer Media	27	20	38%	39%
Media	170	153	11%	10%
Total revenue	2,566	2,409	7%	5%

*In 2006, Reuters made changes to the allocation of revenue between Business Divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to increase Sales & Trading revenue by £18 million, decrease Research & Asset Management revenue by £10 million and decrease Enterprise revenue by £8 million.

Each Division consists of specific products. Each product falls into one Division except for 3000 Xtra and 2000/3000 products. Revenues at asset management clients are attributed to the Research & Asset Management Division by reference to activities at particular sites. All other revenues for these products are Sales & Trading revenues.

Where costs relate to a specific Division, they are mapped directly to that Division. Where costs are shared, Activity-Based Costing (ABC) techniques are used to appropriately apportion these costs between Divisions. These dynamic cost drivers (e.g. number of helpdesk calls, number of accesses, number of installations) are derived from various underlying source systems.

3) REVENUE BY GEOGRAPHY – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December		% Change	
	2006	2005*	Actual	Underlying
	£m	£m		
Europe, Middle East & Africa	1,396	1,330	5%	3%
Americas	709	651	9%	8%
Asia	461	428	7%	6%
Total revenue	2,566	2,409	7%	5%

* 2005 comparatives have been restated to combine UK and Ireland, EMEA West and EMEA East as one region to reflect the way Reuters was managed in 2006.

4) QUARTERLY NON-GAAP PRODUCT FAMILY STATISTICS (UNAUDITED)

	Three months ended			Underlying percentage change	
	December	September	December	Versus	Versus
	2006	2006	2005	September 2006	December 2005
Period end accesses (000s)					
3000 Xtra	112	108	100	3%	9%
Dealing	18	18	18	1%	2%
Other Xtra	2	2	2	2%	10%
Reuters Xtra	132	128	120	2%	8%
Legacy	55	64	74	(6%)	(12%)
Trader	45	44	42	2%	4%
Reuters Trader	100	108	116	(2%)	(5%)
Reuters Knowledge	14	13	11	8%	23%
Reuters Wealth Manager	96	96	99	(1%)	(4%)
Total period end accesses	342	345	346	-	1%
Access driven revenue (£m)					
Reuters Xtra	233	224	214	4%	8%
Reuters Trader	74	80	91	(4%)	(11%)
Reuters Knowledge & Wealth Manager	18	18	18	1%	6%
Total access driven revenue	325	322	323	2%	3%
Other recurring revenue	265	264	265	3%	6%
Recurring revenue	590	586	588	2%	5%
Average revenue per access (£)					
Reuters Xtra	585	590	593	-	(1%)
Reuters Trader	237	243	256	(2%)	(4%)
Reuters Knowledge & Wealth Manager	56	55	53	2%	10%
Total average revenue per access	311	310	305	1%	3%

USE OF NON-GAAP MEASURES

To supplement statutory 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 statutory headline indicators ('non-GAAP measures'). The rationale for this analysis is outlined below, and reconciliations of the non-GAAP measures to statutory 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 and constant currency results

Period-on-period change in Reuters is measured in overall terms (i.e. actual reported results) and sometimes in underlying or constant currency terms as well. Constant currency change is calculated by excluding the impact of currency fluctuations. Underlying change is calculated by excluding the impact of currency fluctuations as well as the results of acquisitions and disposals. This enables comparison of Reuters operating results on a like-for-like basis between periods.

- Constant currency results are calculated excluding the impact of currency fluctuations. 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. Constant currency 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 actively manage currency exposure, and business division operating performance is managed against targets set on a constant currency basis.
- Underlying results are calculated excluding the impact of currency fluctuations as well as 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 currency movements and acquisition or disposal activity.

2) Exclusion of restructuring charges

Reuters results are reviewed before and after the costs of Reuters business transformation plan (which included 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 was 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 that 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, cash flow 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', 'Trading Margin' and 'Trading Cash Flow'. 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 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 these changes are reflected in the income statement).

Financial assets held at fair value through profit or loss in 2005 included Reuters investment in SAVVIS convertible shares. This investment was sold as part of the acquisition consideration for Telerate. Fair value movements for this investment were 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 economic 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.

Adjusted EPS

Adjusted EPS is defined as basic EPS from continuing operations before impairments and amortisation of intangibles acquired via business combinations, fair value movements, investment income, disposal profits / losses and related tax effects.

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, investment income 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 either discretionary in nature or unrelated to ongoing recurring operating activities such as acquisitions and disposals 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.

RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

1) RECONCILIATION OF OPERATING PROFIT TO TRADING PROFIT (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
Operating profit from continuing operations	256	207
Excluding:		
Restructuring charges	13	112
Impairments & amortisation of business combination intangibles	24	22
Investment income	-	(1)
Profit on disposal of subsidiaries	(4)	(4)
Fair value movements	19	(2)
Trading profit*	308	334

2) RECONCILIATION OF OPERATING MARGIN TO TRADING MARGIN (UNAUDITED)

	Year to 31 December	
	2006	2005
	%	%
Operating margin from continuing operations	10%	9%
Excluding:		
Restructuring charges	-	4%
Impairments & amortisation of business combination intangibles	1%	1%
Fair value movements	1%	-
Trading margin*	12%	14%

* Trading profit and trading margin are defined as operating profit and margin from continuing operations before restructuring charges associated with Fast Forward and acquisitions, impairments & amortisation of intangibles acquired via business combinations, investment income, profits from disposals of subsidiaries and fair value movements.

3) RECONCILIATION OF OPERATING COSTS TO TRADING COSTS BY DIVISION (UNAUDITED)

	Year to 31 December	
	2006	2005*
	£m	£m
Continuing operations		
Sales & Trading		
Operating costs	1,543	1,495
Excluding:		
Restructuring charges	(12)	(76)
Impairments & amortisation of business combination intangibles	(17)	(14)
Fair value movements	(18)	(16)
Other income	(20)	(16)
Trading costs	1,476	1,373
Research & Asset Management		
Operating costs	315	293
Excluding:		
Restructuring charges	-	(11)
Impairments & amortisation of business combination intangibles	(3)	(3)
Fair value movements	(3)	-
Other income	(4)	(3)
Trading costs	305	276
Enterprise		
Operating costs	335	317
Excluding:		
Restructuring charges	(1)	(17)
Impairments & amortisation of business combination intangibles	(3)	(4)
Fair value movements	(3)	-
Other income	(5)	(5)
Trading costs	323	291
Media		
Operating costs	158	146
Excluding:		
Restructuring charges	-	(8)
Impairments & amortisation of business combination intangibles	(1)	(1)
Fair value movements	(1)	-
Other income	(2)	(2)
Trading costs	154	135

*In 2006, Reuters made changes to the allocation of trading costs between Business Divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to increase Sales & Trading trading costs by £19 million, decrease Research & Asset Management trading costs by £12 million and decrease Enterprise trading costs by £7 million. 2005 comparatives have also been restated to reallocate £1million of amortisation on intangible assets arising on the acquisition of Telerate from Enterprise to Sales & Trading, in line with the allocation of revenues from Telerate products.

4) RECONCILIATION OF OPERATING PROFIT TO TRADING PROFIT BY DIVISION (UNAUDITED)

	Year to 31 December	
	2006	2005*
	£m	£m
Continuing operations		
Sales & Trading		
Operating profit	174	155
Excluding:		
Restructuring charges	12	76
Impairments & amortisation of business combination intangibles	17	14
Investment income	-	(1)
Profit on disposal of subsidiaries	(3)	(7)
Fair value movements	14	3
Trading profit	214	240
Research & Asset Management		
Operating loss	(12)	(35)
Excluding:		
Restructuring charges	-	11
Impairments & amortisation of business combination intangibles	3	3
Loss on disposal of subsidiaries	-	5
Fair value movements	2	(2)
Trading loss	(7)	(18)
Enterprise		
Operating profit	79	76
Excluding:		
Restructuring charges	1	17
Impairments & amortisation of business combination intangibles	3	4
Profit on disposal of subsidiaries	-	(1)
Fair value movements	2	(2)
Trading profit	85	94
Media		
Operating profit	15	11
Excluding:		
Restructuring charges	-	8
Impairments & amortisation of business combination intangibles	1	1
Profit on disposal of subsidiaries	(1)	(1)
Fair value movements	1	(1)
Trading profit	16	18

*In 2006, Reuters made changes to the allocation of revenue and trading costs between Business Divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to increase Sales & Trading revenue by £18 million and trading costs by £19 million, decrease Research & Asset Management revenue by £10 million and trading costs by £12 million and decrease Enterprise revenue by £8 million and trading costs by £7 million. 2005 comparatives have also been restated to reallocate £1million of amortisation on intangible assets arising on the acquisition of Telerate from Enterprise to Sales & Trading, in line with the allocation of revenues from Telerate products.

5) RECONCILIATION OF OPERATING MARGIN TO TRADING MARGIN BY DIVISION (UNAUDITED)

	Year to 31 December	
	2006	2005*
Continuing operations		
Sales & Trading		
Operating margin	10%	10%
Excluding:		
Restructuring charges	1%	5%
Impairments & amortisation of business combination intangibles	1%	1%
Profit on disposal of subsidiaries	-	(1%)
Fair value movements	1%	-
Trading margin	13%	15%
Research & Asset Management		
Operating margin	(4%)	(13%)
Excluding:		
Restructuring charges	-	4%
Impairments & amortisation of business combination intangibles	1%	1%
Loss on disposal of subsidiaries	-	2%
Fair value movements	1%	-
Trading margin	(2%)	(6%)
Enterprise		
Operating margin	19%	20%
Excluding:		
Restructuring charges	-	4%
Impairments & amortisation of business combination intangibles	1%	1%
Fair value movements	1%	(1%)
Trading margin	21%	24%
Media		
Operating margin	9%	7%
Excluding:		
Restructuring charges	-	6%
Impairments & amortisation of business combination intangibles	1%	1%
Profit on disposal of subsidiaries	(1%)	(1%)
Fair value movements	1%	(1%)
Trading margin	10%	12%

*In 2006, Reuters made changes to the allocation of revenue and trading costs between Business Divisions, to reflect changes in the management of certain products. 2005 comparatives have therefore been restated to increase Sales & Trading revenue by £18 million and trading costs by £19 million, decrease Research & Asset Management revenue by £10 million and trading costs by £12 million and decrease Enterprise revenue by £8 million and trading costs by £7 million. 2005 comparatives have also been restated to reallocate £1million of amortisation on intangible assets arising on the acquisition of Telerate from Enterprise to Sales & Trading, in line with the allocation of revenues from Telerate products.

6) RECONCILIATION OF NON-GAAP BASIC EPS FROM CONTINUING OPERATIONS TO BASIC EPS (UNAUDITED)

	Year to 31 December	
	2006	2005
	pence	pence
Basic EPS from continuing operations	22.6	16.3
Excluding:		
Impairments & amortisation of business combination intangibles	1.8	1.6
Investment income	-	(0.1)
Profit on disposals	(6.3)	(2.9)
Fair value movements	1.5	(0.2)
Adjustment to taxation charge for taxation effects of excluded items	(2.5)	(0.9)
Adjusted EPS	17.1	13.8

7) RECONCILIATION OF NON-GAAP PROFIT BEFORE TAXATION TO PROFIT BEFORE TAXATION (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
Profit before taxation from continuing operations	313	238
Excluding:		
Impairments & amortisation of business combination intangibles	24	22
Investment income	-	(1)
Profit on disposals	(80)	(42)
Fair value movements	19	(2)
Profit before taxation from continuing operations before impairments & amortisation of business combination intangibles, investment income, profit on disposals and fair value movements	276	215

8) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE - REUTERS REVENUE BY DIVISION BY TYPE – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	% change versus year ended 31 December 2005			
	Underlying change	Impact of currency	Impact of Acquisitions & disposals	Actual change
Recurring	2%	1%	1%	4%
Usage	23%	(1%)	-	22%
Outright	(13%)	(5%)	-	(18%)
Sales & Trading	3%	1%	1%	5%
Recurring	12%	-	3%	15%
Usage	27%	(1%)	-	26%
Outright	(37%)	(2%)	-	(39%)
Research & Asset Management	12%	-	3%	15%
Recurring	6%	-	-	6%
Outright	7%	(2%)	1%	6%
Enterprise	6%	(1%)	1%	6%
Recurring	7%	(1%)	-	6%
Usage	29%	-	7%	36%
Media	10%	-	1%	11%
Recurring	4%	-	2%	6%
Usage	24%	-	2%	26%
Outright	4%	(2%)	1%	3%
Total revenue	5%	-	2%	7%

9) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE - REVENUE BY DIVISION BY PRODUCT FAMILY – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	% change versus year ended 31 December 2005			
	Underlying change	Impact of currency	Impact of acquisitions & disposals	Actual change
Reuters Xtra	7%	2%	1%	10%
Reuters Trader	(12%)	(1%)	4%	(9%)
Recoveries	7%	-	1%	8%
Sales & Trading	3%	1%	1%	5%
Reuters Xtra	26%	(1%)	-	25%
Reuters Trader	7%	(3%)	-	4%
Reuters Knowledge	20%	(1%)	14%	33%
Reuters Wealth Manager	1%	-	1%	2%
Research & Asset Management	12%	-	3%	15%
Enterprise Information	13%	-	-	13%
Information Management Systems	(12%)	-	1%	(11%)
Trade and Risk Management	12%	(1%)	2%	13%
Enterprise	6%	(1%)	1%	6%
Agency Services	6%	(1%)	2%	7%
Consumer Media	39%	(1%)	-	38%
Media	10%	-	1%	11%
Total revenue	5%	-	2%	7%

10) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE - REVENUE BY GEOGRAPHY – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	% change versus year ended 31 December 2005			
	Underlying change	Impact of currency	Impact of acquisitions & disposals	Actual Change
Europe, Middle East & Africa	3%	1%	1%	5%
Americas	8%	-	1%	9%
Asia	6%	(2%)	3%	7%
Total revenue	5%	-	2%	7%

11) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE – TRADING COSTS BY DIVISION – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	% change versus year ended 31 December 2005			
	Underlying change	Impact of currency	Impact of Acquisitions & disposals	Actual change
Sales & Trading	6%	1%	1%	8%
Research & Asset Management	8%	(1%)	3%	10%
Enterprise	10%	-	1%	11%
Media	12%	-	1%	13%
Total trading costs	7%	1%	1%	9%

12) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE – TRADING PROFIT BY DIVISION – YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	% change versus year ended 31 December 2005			
	Underlying change	Impact of currency	Impact of Acquisitions & disposals	Actual change
Sales & Trading	(17%)	2%	5%	(10%)
Research & Asset Management	-	-	-	-
Enterprise	(6%)	(2%)	(2%)	(10%)
Media	1%	(7%)	1%	(5%)
Total trading profit	(11%)	-	3%	(8%)

**13) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE - QUARTERLY NON-GAAP
PRODUCT FAMILY STATISTICS (UNAUDITED)**

	% change versus three months ended 30 September 2006			
	Underlying change	Impact of currency	Impact of acquisitions & disposals	Actual Change
Period end accesses				
3000 Xtra	3%	-	-	3%
Dealing	1%	-	-	1%
Other Xtra	2%	-	-	2%
Reuters Xtra	2%	-	1%	3%
Legacy	(6%)	-	(7%)	(13%)
Trader	2%	-	1%	3%
Reuters Trader	(2%)	-	(5%)	(7%)
Reuters Knowledge	8%	-	-	8%
Reuters Wealth Manager	(1%)	-	1%	-
Total period end accesses	-	-	(1%)	(1%)
Access driven revenue				
Reuters Xtra	4%	(1%)	1%	4%
Reuters Trader	(4%)	(1%)	(2%)	(7%)
Reuters Knowledge & Wealth Manager	1%	(1%)	-	-
Total access driven revenue	2%	(1%)	-	1%
Other recurring revenue	3%	(2%)	(1%)	-
Recurring revenue	2%	(1%)	-	1%
Average revenue per access				
Reuters Xtra	-	(1%)	-	(1%)
Reuters Trader	(2%)	(1%)	1%	(2%)
Reuters Knowledge & Wealth Manager	2%	(1%)	-	1%
Total average revenue per access	1%	(2%)	1%	-

14) RECONCILIATION OF ACTUAL PERCENTAGE CHANGE TO UNDERLYING CHANGE - QUARTERLY NON-GAAP
PRODUCT FAMILY STATISTICS (UNAUDITED)

	% change versus three months ended 31 December 2005			
	Underlying change	Impact of currency	Impact of acquisitions & disposals	Actual change
Period end accesses				
3000 Xtra	9%	-	2%	11%
Dealing	2%	-	-	2%
Other Xtra	10%	-	1%	11%
Reuters Xtra	8%	-	2%	10%
Legacy	(12%)	-	(13%)	(25%)
Trader	4%	-	4%	8%
Reuters Trader	(5%)	-	(8%)	(13%)
Reuters Knowledge	23%	-	-	23%
Reuters Wealth Manager	(4%)	-	-	(4%)
Total period end accesses	1%	-	(2%)	(1%)
Access driven revenue				
Reuters Xtra	8%	(1%)	2%	9%
Reuters Trader	(11%)	(4%)	(4%)	(19%)
Reuters Knowledge and Wealth Manager	6%	(5%)	2%	3%
Total access driven revenue	3%	(2%)	-	1%
Other recurring revenue	6%	(4%)	(2%)	-
Recurring revenue	5%	(3%)	(2%)	-
Average revenue per access				
Reuters Xtra	(1%)	(1%)	1%	(1%)
Reuters Trader	(4%)	(4%)	1%	(7%)
Reuters Knowledge and Wealth Manager	10%	(5%)	1%	6%
Total average revenue per access	3%	(2%)	1%	2%

15) COMPONENTS OF NET (DEBT) / FUNDS AT 31 DECEMBER 2006 (UNAUDITED)

	At 31 December	
	2006	2005
	£m	£m
Cash and cash equivalents	129	662
Bank overdrafts	(24)	(25)
	105	637
Short-term investments	198	1
Borrowings (excluding bank overdrafts)	(636)	(385)
Net (debt) / funds	(333)	253

16) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT) / FUNDS FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

	Year to 31 December	
	2006	2005
	£m	£m
(Decrease) / increase in cash and cash equivalents	(532)	76
Increase / (decrease) in short term investments	196	(248)
(Increase) / decrease in borrowings	(270)	144
Exchange gains on short term investments and borrowings	7	11
	(599)	(17)
Net funds arising on disposal	-	(2)
IAS 39 transitional adjustments	-	(69)
Fair value movements	17	22
Other non cash movements	(4)	(7)
Movement in net funds	(586)	(73)
Opening net funds	253	326
Closing net (debt) / funds	(333)	253

17) RECONCILIATION OF CASH GENERATED FROM OPERATIONS TO FREE CASH FLOW AND TRADING CASH FLOW (UNAUDITED)

	Year to 31 December 2006		
	Continuing operations	Discontinued operations	Reuters Group
	£m	£m	£m
Cash generated from operations	311	-	311
Interest received	42	-	42
Interest paid	(61)	-	(61)
Tax paid	(34)	-	(34)
Purchases of property, plant and equipment	(122)	-	(122)
Proceeds from sale of property, plant and equipment	5	-	5
Purchases of intangible assets	(106)	-	(106)
Pensions funding payment	187	-	187
Dividends received	3	-	3
Free cash flow	225	-	225
Interest received	(42)	-	(42)
Interest paid	61	-	61
Tax paid	34	-	34
Restructuring	52	-	52
Other	13	-	13
Trading cash flow	343	-	343
Cash conversion*	111%		

* Cash conversion = trading cash flow / trading profit

17) RECONCILIATION OF CASH GENERATED FROM OPERATIONS TO FREE CASH FLOW AND TRADING CASH FLOW (UNAUDITED) (CONTINUED)

	Year to 31 December 2005		
	Continuing operations	Discontinued operations	Reuters Group
	£m	£m	£m
Cash generated from operations	268	3	271
Interest received	42	13	55
Interest paid	(49)	-	(49)
Tax paid	(11)	(13)	(24)
Purchases of property, plant and equipment	(138)	(7)	(145)
Proceeds from sale of property, plant and equipment	3	-	3
Purchases of intangible assets	(40)	-	(40)
Interim funding repayment from Telerate	(18)	-	(18)
Dividends received	5	-	5
Repayment of funds to / (from) BTC	26	(26)	-
Free cash flow	88	(30)	58
Interest received	(42)	(13)	(55)
Interest paid	49	-	49
Tax paid	11	13	24
Restructuring	147	-	147
Other	3	(4)	(1)
Trading cash flow	256	(34)	222
Cash conversion*	77%		

* Cash conversion = trading cash flow / trading profit

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to Reuters Group's financial condition, results of operations and business, and management's strategy, plans and objectives for the Group. In particular, all statements that express forecasts, expectations and projections with respect to certain matters, including trends in results of operations, margins, growth rates, overall financial market trends, anticipated cost savings and synergies and the successful completion of restructuring programmes, strategy plans, acquisitions and disposals, are all forward-looking statements. These statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to:

- Reuters ability to realise the anticipated benefits of its transformation initiatives, including under its Core Plus growth strategy;
- unfavourable conditions in financial markets;
- the impact of currency and interest rate fluctuations on Reuters Group's reported revenue and earnings;
- difficulties or delays that Reuters Group may experience in developing or responding to new customer demands or launching new products;
- the dependency of Reuters Group on third parties for the provision of certain network and other services;
- any significant failures or interruptions experienced by the networks or systems of Reuters Group and such networks' ability to accommodate increased traffic;
- the impact of a decline in the valuation of companies in which it has invested;
- the impact of significant competition or structural changes in the financial information and trading communities;
- changes in the regulatory or competitive environment;
- adverse governmental action in countries where Reuters conducts activities;
- the ability of Reuters to realise the benefit of acquisitions, joint ventures, investments and dispositions;
- the increasingly litigious environment in which Reuters Group operates, especially in the area of patent and other intellectual property claims.

For additional information, please see "Risk Factors" in the Reuters Group PLC Annual Report and Form 20-F for the year ended 31 December 2005. Copies of the Annual Report and Form 20-F 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 Group speak only as of the date they are made. Reuters Group does not undertake to update any forward-looking statements.

Ends