

REUTERS

PRELIMINARY RESULTS

Thursday, 1 March 2007 – 10.00 hrs

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Miriam McKay: Ladies and gentlemen, good morning and welcome to Reuters preliminary results. It is my pleasure to introduce David Grigson, our CFO, who will take you through the numbers, and Tom Glocer, our CEO, who will give you the business update. Before we start, I need to remind you that our comments today may include forward-looking statements, and the risk factor section of our Annual Report and today's press release describe certain important factors which could cause actual results to change materially from our forward-looking statements today. You can get copies of our Annual Report from our website or from our Corporate Relations offices here in London or New York. With that, David, over to you.

David Grigson (CFO): Thank you, Miriam, and good morning everyone. As usual, I shall skip over the definitions of non-GAAP measures in the first two pages of your booklets and move straight to the presentation.

Headlines

The main headlines that I hope will come through from this presentation are: First, that we have seen good revenue momentum in 2006: underlying revenue growth was 4.8% in 2006 and we expect to see this accelerate to 6% or better in 2007. Second, Core Plus is delivering very much in line with the investment profile we indicated and we are now expecting to meet, or beat, our original projections for Core Plus. Third, while this year's investments in Core Plus revenue growth and transformation reduced trading profits by a net £77 million, adjusted earnings per share were up 24% because of an even greater reduction in restructuring costs. Fourth, despite the increased capex, our cash conversion was strong at over 100%. Last but not least, we are demonstrating our confidence in the profitable execution of our Core Plus strategy by raising our final dividend by 12%. Let's get into the detail.

Trading performance

Here are the top level numbers behind our full year trading profit. The main positive for me is that revenue momentum, helped by a growing contribution from Core

Plus, built steadily over the course of the year eventually delivering underlying growth of 4.8% - rounded up to 5% on the slide behind me.

Recurring revenue growth was driven by the 2006 price increase of around 2%, and a strengthening volume trend consistent with our sales performance. This was particularly evident in datafeed subscriptions, reflecting the fact that we are seeing faster growth from data consumption than from headcount.

Usage revenue continues to be a strong driver of overall revenue growth, thanks largely to growth in transactions activity – an area where we are investing under Core Plus.

Outright revenue also performed well, particularly in our Trade & Risk Management business, although it was more first half weighted than in previous years.

Trading costs are moving up slightly faster than revenue in underlying terms, due entirely to the investments we are making in Core Plus, and all this delivers a Trading Profit for the year of £308 million, in a year in which the significant investments we are making in Core Plus are showing good early returns.

Revenue tracker

Let us expand our focus from the 4.8 percentage points of underlying revenue growth to look at the 6.5 percentage points of actual growth, and where that is coming from.

The headline here, I think, is the performance of Core Plus. Core Plus contributed 1.3 percentage points (some £32 million) of revenue growth. We ended the year ahead of where we expected to be and with good momentum building into 2007.

This strong start from Core Plus complemented a solid performance from the core business, which contributed 3.5 percentage points of growth (or some £82 million) with price increases and significant volume gains for our premium desktops and enterprise information products being the main drivers.

Core and Core Plus between them make up the 4.8 percentage points of underlying revenue growth.

Add to this the 1.4 percentage points that comes from acquisitions – the major contributor here being Telerate – and the 0.3 of a percentage point that comes from currency, and you get to the 6.5% of total revenue growth for the year.

Revenue by division

Next let us look at revenue by division, which I have included here for completeness but will leave to Tom for more detailed discussion.

The trends look solid in all four business divisions, and growth is coming from areas where we have chosen to invest. Sales & Trading is picking up gradually, with the major driver being sales of our flagship product 3000 Xtra, which saw revenue increase 7%. While this growth is driven in part by migrations from other Reuters products, it also reflects new sales into areas like credit derivatives and commodities and energy – where we have been adding high value content under Core Plus. Sales & Trading also saw an excellent contribution from transactions-related revenues – a major area of investment under Core Plus, and we shall hear more from Tom later on the importance of our FX franchise in this space.

Research & Asset Management continues to see strong revenue growth on the back of a 20% increase in revenue from sales of Reuters Knowledge, mainly to the institutional buy side. This growth is being driven by the high value content investments that we are making under Core Plus.

Enterprise growth also continues to be strong, particularly in Enterprise Information, which saw a 13% revenue increase based on customer demand for machine readable data. The Core Plus initiatives in the Enterprise space focus on our customers' investment in business automation, some thing which Tom will talk more about later.

Media has also had a good year, although the comparatives did start to get a little harder in the second half. Our consumer media investments contributed well to our Core Plus revenue growth.

Revenue by geography

Let me spend a little longer looking at revenue by geography. To me, the headlines here are around continued strong performances in America and Asia, coupled with continuing signs of improvement in Europe. The Americas are now top of the geographic performance league. The new Americas management team has done a lot of good work to strengthen our service offering to mid-sized accounts, which contributed to the acceleration in underlying growth we saw in the Americas in the second half. This bodes well for 2007.

Asia also performed strongly, although the second half growth rate was tempered slightly by outright phasing and the distractions of Telerate migration. It is also good to see a balanced contribution from established and emerging markets here, with Japan now growing well, and China and India both growing at over 20%. Our Core Plus investments in these market s are performing well, with strong local content and a specialised sales force being key differentiators.

Europe continued to be the most challenging region for us in 2006, because of a mixed picture in terms of market conditions. We are definitely seeing the benefits of strong markets in areas like Nordic, Russia and the Gulf but, as in prior years, we are feeling the effect of consolidation in countries such as Switzerland, Germany and Italy. Over the course of 2006, we have strengthened and de-layered our management team in Europe and, with Telerate migration now complete, the European sales force will switch its focus to growth opportunities. We enter this year on an improving trend, which should drive stronger revenue performance in 2007.

Trading cost tracker

Next, the trading cost tracker. The headline here is that, in aggregate, our 2006 trading costs were bang in line with our 2006 budgets except for two areas - recoveries and Core Plus growth investment, both of which were matched or, indeed, in the case of Core Plus investment, exceeded by increased revenues.

As you can see on the slide behind me, we held our core cost growth to £41 million, including the extra investment in service resilience we flagged for 2006. Strip out the extra costs that result from higher recoveries, that were matched by equal amounts of revenue, and the actual increase in the cost base of our core business was just £16 million, which is well under 1%. This was helped, of course, by the delivery of the final £80 million of Fast Forward savings, but also by “business as usual” cost savings, which helped counteract salary inflation and the added costs that result from the continuing growth in the sheer volume of market data that we are having to handle.

Moving along to look at new investment, this totalled £114 million and there is a breakdown of this in the table below the graph in your booklet. We spent an incremental £65 million through the operating lines in growth initiatives in 2006, which is some £5 million more than we originally flagged, and from which we delivered £32 million of revenue, some £7 million more than we originally expected. As we have said previously,

if we see the opportunity to deliver faster revenue growth with quick payback, we will invest more.

Transformation opex came in at £49 million compared to our guidance of an incremental £44 million, but with an early £5 million of cost savings.

Finally, we saw £30 million of additional costs from acquisitions and a £3 million currency impact. I will talk more about that in a moment.

Let us now look at how these revenue and cost movements impacted our trading profit.

Trading profit tracker

First, core growth, which contributed £41 million of additional trading profit in 2006 at an incremental margin of over 70%, excluding both the revenue and cost of recoveries.

Second, investments, which reduced trading profits by £77 million compared to the £79 million we originally flagged. This reflects the £32 million of Core Plus revenue, the £5 million of savings and the £114 million of operating costs that I have already discussed.

Next, acquisitions, which delivered £10 million of additional profit benefit in 2006. This was almost entirely from Telerate, so let me just pause here for a minute, to draw a line under this acquisition.

We have performed well against the targets we set for Telerate, such that it is now nicely accretive to our operating margins. There will still be a revenue drag from Telerate in 2007 – we estimate about a percentage point – as we see the full year effect of the Europe and Asia migration that took place in the second half of last year, and as we finish the task in America and in our largest accounts. This will have no effect on 2007 profitability so it is good to conclude that we have executed cleanly on our plans here.

The last piece of this waterfall that I want to pause on for a moment is currency. Currency had a negligible effect on our 2006 trading profit as you can see from the slide. However, if current exchange rates persist, the effect on 2007 trading profit and margin will be much more material, driven by sterling strength against both the dollar and the euro. While we have always had a high exposure to the euro, our exposure to the dollar

has been increasing in recent years as our major sources of revenue growth – our largest accounts, for example – are dollar priced and as the size of our dollar denominated cost base has fallen.

At current exchange rates, a good rule of thumb is that a 5 cent movement in the US dollar causes a £10 million impact on our trading profit, as does a 5 cent movement in the euro. I know that many of you have recently made currency adjustments to your forecasts – at least to take into account dollar weakness – but you can rest assured that the margin outlook that we are presenting today is based on current exchange rates.

Trading profit by division

Let us move on now to look briefly at trading profits by division. As you would expect, each of the divisions saw a trading profit impact from investments. This was most significant in Sales & Trading, where the effect of investment in Core Plus initiatives like transactions and our new customer admin systems was balanced to some extent by operating efficiencies.

Enterprise kept its margins above 20% even including the Core Plus investments they are making there. Research & Asset Management made good progress towards profitability, despite making investments in high value content to drive sales of Reuters Knowledge. It was impressive, too, that Media managed to absorb investment in consumer and on-line businesses and keep profits level, thanks in part to a strong performance from the agency services business.

Tom will talk more about our divisional performance in just a few minutes.

Statutory results

Now let us look briefly at the key lines of our Statutory Income Statement. As you have seen, investment levels drove down our trading profit this year but elsewhere in our statutory P&L we saw some rather different movements. Operating profit grew 24%, driven by significant reductions in restructuring charges, signalling the end of Fast Forward. Profit before tax was up 32%, thanks to £76 million of profit from the sale of Factiva.

Meanwhile, profit for the period was down 37%, and basic EPS down 28%, reflecting last year's profits from discontinued operations, primarily the profit on the sale of Instinet.

The only other point I would like to mention from this slide is the adjusted tax rate, which was 20% for the year, helped by the release of a couple of small provisions. Looking forward, we see no reason why we cannot hold our adjusted tax rate at around 22% for the foreseeable future.

Trading cash flow from continuing operations

Moving on to look at cash flow, the main headline here is that our cash conversion for the year was a strong; 111%, despite the increased levels of capex, including capitalised new product development.

Improvements in the management of working capital contributed significant cashflow benefits into 2006 but I should point out that about £50 million of this improvement is timing differences around things like Core Plus restructuring provisions and will reverse in 2007. We are striving to achieve a profit into cash conversion of around 90% for 2006 and 2007 combined – the step-up years of our investment in Core Plus.

Capital investment

On the next slide I have given you a little more insight into our capital expenditure, which includes capitalised new product development.

As you can see from the chart, the increases in capital investment have been in areas where we can expect to deliver real benefit to customers – improved service resilience in our data centres, transformation initiatives such as new admin systems and platform convergence, and new product development, mainly new transaction systems.

Core maintenance capex is down year-on-year but this is entirely due to the non-repeat of the costs associated with the fit-out of this building in 2005.

You will see when we come to look at guidance that we expect 2007 capex to be at similar levels to 2006. This is higher than we previously envisaged mainly because we have decided to invest further in service resilience in our main data centres, primarily to make sure we maintain sufficient capacity as data volumes continue to rise and to meet our customers' ever more stringent demands for business continuity and disaster recovery.

Movement in net funds (debt)

This chart shows the movement from net funds at the end of 2005 to net debt of £333 million at the end of 2006. It should come as no surprise that the main drivers of this change are pensions funding, which we announced back in May, and funding of the share buyback, which is having the desired effect of increasing our leverage. As we have told you previously, there is another £40 million of pensions funding due to flow through in 2007.

The very small net £2 million outflow associated with acquisitions and disposals includes Applications Networks and Telerate distributors, balanced by the disposal of Factiva.

Share buyback and the dividend

A few words on the share buyback. We told you in July 2005 that we planned to return £1 billion over two years, and we have returned £750 million to date. For easy reference, I have given you the average number of shares in issue through 2006 and the year end position below this slide in your booklets.

Moving on to the dividend, we have increased the final dividend by 12% to 6.9p, thereby bringing the full year dividend up to 11p, to reflect our continued confidence in our growth prospects. We are aiming for a sustainable rate of dividend growth from here as we get closer to our stated target of a minimum of 2x cover. Through the combination of buyback and dividend, we have returned £661 million this year, equivalent to about 12% of our market capitalisation.

Capital structure

Now I would like to look at capital structure more broadly. We are committed to managing our capital structure proactively, to maintain the right balance between funding investment opportunities, managing the risk profile of our business and returning surplus cash to shareholders. The Board has reviewed our position and concluded that, given our stronger outlook and our ability to service debt, we can afford to maintain a lower credit rating than previously. So, from now on, Reuters will be targeting a strong investment grade rating of BBB+ or Baa1, which is below our previous rating of A-.

Based on current investment plans, this gives us scope to increase the 2007 buyback to between £400 and £425 million, including the £250 million remaining from the existing programme.

Going forward, we shall plan our buyback activity based on business performance, investment opportunities and our target credit rating.

Just to help you to get to the right conclusions on the amount of headroom we have, we have set out in the slides our target debt ratio, as defined by S&P, showing the level of cover needed to keep Reuters in its target BBB+ range. Moody's have yet to confirm their revised target. I know that many of you are used to looking at gearing on a "reported net debt to EBITDA basis", but remember that this does not take account of the adjustments for pensions and operating leases that are made by the rating agencies.

2007 Outlook

Finally, our outlook for 2007. First, we are targeting underlying revenue growth of 6% or better, including at least two percentage points from Core Plus, and including the point or so of drag from Telerate integration that I mentioned earlier. This represents good momentum from the 4.8% underlying growth we delivered in 2006.

Tom will talk to you in a minute about how our Core Plus initiatives will convert into profitable growth. We thought it was about time we underscored this commitment, and simplified our guidance, by giving you a trading margin target range, of 13-14% for 2007. Bear in mind that, if exchange rates had stayed at 2006 levels, this guidance would have been close to 100 basis points higher.

In the medium term, as the benefits of our growth and transformation initiatives really start to come through, we remain confident of getting back into our 17-20% target range.

Finally, as I told you earlier, we expect capital investment to stay at or around 2006 levels in 2007.

Conclusion

To conclude, the Reuters story from my perspective is all about delivering against our Core Plus targets to grow revenues and profits. We have delivered well in 2006 and are looking forward to seeing Core Plus drive both revenue and profit growth in 2007.

What that, I shall gently nod the ball over to Tom.

BUSINESS UPDATE

Tom Glocer (CEO): The eagle-eyed among you will have noticed that this is not John Terry and David is not about to get a kick in the head – certainly not from his Chief Executive!

The story so far

Let me start today with a very quick review of the story so far. When I first spoke to you as CEO some five and a half years ago, I announced an ambitious transformation plan to cut costs, restart growth and build margins. By the end of 2005, we had delivered on our promise to cut costs and we had begun to rebuild margins.

In 2006 we delivered the final £80 million instalment from Fast Forward, taking our total to date from all savings programmes to close to £900 million.

Our next challenge then was to restart growth and, as many of you reminded me at the time, that is never an easy thing. Well, we have now delivered 6.5% revenue growth at actual rates and 4.8% underlying in 2006, and we are forecasting even stronger underlying growth going into 2007.

But, I want you to know that I am not satisfied yet, and I still plan to deliver you trading margins in the 17% to 20% range, along with strong and sustainable revenue growth. Today, I want to give you a sense of what we are planning to do in 2007, to move us towards these goals.

Simplification and growth

To do this, I want to return to the themes that I used at last year's Interims – namely, simplification and growth.

Simplification

First, simplification. The opportunity to simplify and strengthen our business runs across all four of our business divisions and is on track to drive out the £150 million in annual savings promised under Core Plus by 2010.

2007 Agenda

In 2007, we have five key areas of focus. Let me give you a couple of words on each of these.

First, data centres. We started with a complex tangle of over 250 data centres, which cost a fortune to run and limited our ability to improve service resilience. In 2007, our key task is to connect more products and more customers to the state-of-the-art IP network that BT has been building for us, which will enable us to keep reducing the number of data centres we operate towards a goal of less than 10 worldwide.

In software development, we have been running a change programme to improve our organisation and move to a smaller number of larger sites in more strategic locations and we have already made some really good progress here. In 2006, we moved our Development organisation into the Business Divisions, to bring them closer to our customers, and we have already moved over 40% of our developers to Asia, including our new strategic centre in Beijing.

In Content, we are investing in the automation of content production and in quality improvements, as we concentrate our English language activities into Bangalore, and continental European languages in Gdansk.

On customer administration, we are building new systems that will help us to simplify how we manage the services we provide to our customers. We are integrating administration into our products in more of a straight-through process which will, over time, enable us to shut down old administration systems and improve productivity both for us and for our customers.

In our desktop business, we currently deploy products over multiple infrastructures. In 2007, we will accelerate the process of consolidating many of these infrastructures onto a common platform, with the goal of releasing the first products on the new platform in 2008.

What we have underway is more fundamental than just chipping away at the old cost base. We are making a real step change at Reuters. There is a lot of work to do but our solid plans and experienced managers give me confidence that we are on the right track.

Growth

Now let me shift over and talk about my second theme: growth. As David has shown you, we are becoming increasingly confident in our ability to boost top line growth through the Core Plus initiatives. I can now clearly see our way to get more of this growth down to the bottom line. The reason why I am confident about delivering this

profitable growth is because each of our business divisions is positioned to capitalise on market sweet spots. Let us look at each one in turn.

Sales & Trading (1)

First, Sales & Trading. In 2006, this was a 3% underlying revenue growth business, where we are the Number 1 or Number 2 player across all asset classes, delivering 13% trading margins. The keys here are pointing our business towards higher margin transactions-related revenues and rationalising our desktop platforms as I have just described.

Why do I think we can accelerate growth? Everything we have seen during 2006 confirms our Core Plus plan of developing new transactions services and turbo-charging our existing ones, like Dealing. We saw record volumes on our Matching system in January and we have added capacity to cope with increased demand for prime brokerage.

Cross asset class trading is also on the increase, and only Reuters can make this an easy task. So, for example, if you are a commodities trader with FX exposure, you can use your Reuters screen to trade oil futures on NYMEX and they lay off your FX via Reuters.

The work that we have underway is proceeding well, both in developing new transactions services and in adding the content that traders need to use them successfully.

So, for example, the launch of our newest transactions service, Reuters Trading for Exchanges, was boosted recently with the news that the Bank of New York's ConvergEx unit has switched to Reuters as its primary supplier and is encouraging its customers to use RTEEx over all other systems to trade global equities with it. This initiative alone could lead to the sale of several thousand new positions of 3000 Xtra, and demonstrates the potential of transaction services to drive desktop growth.

Sales & Trading (2)

Top of the Sales & Trading agenda for 2007 are the items that you see on the slide behind me.

- To drive profitable growth from our investments in content, transactions and service;

- To achieve the first major delivery of the common platform, and
- To provide customers with a strong end-to-end workflow solution, from pre-trade through to post-trade.

And if we get all of this right?

Sales & Trading (3)

Medium term, I can see Sales & Trading becoming a mid single-digit revenue growth, 17-20% trading margin business.

FX Franchise

Before I leave Sales & Trading, I just wanted to dwell for a moment on our successful FX franchise. Just to remind you, it is a £300 million revenue, 18,000 screen trading community, plus a network of some 100,000 users of our FX information. In short, the FX markets are hot again. According to a recent Celent study, FX market volumes are set to grow from their current close to \$3 trillion a day to \$4 trillion a day by 2010.

We see two main drivers for this growth. First, there are the emerging markets, where access to the Reuters Dealing community is a pre-requisite for cross-border trading. During 2006, we have seen Dealing positions added in Hong Kong, Israel, Singapore, India, the Gulf, Russia, China and so on. In China itself, we have built the foreign exchange trading system used by the CFETS and all its member banks, which is the only electronic FX market in China.

The second major driver is a huge expansion in the number of new participants, with the highest growth area being of course hedge funds. Here, we are moving with the market as it evolves, for example by adding prime brokerage capabilities to our FX Matching system. But our ambitions go further than this. With FXMarketSpace, our joint venture with the CME, we are looking to play an innovative role in defining future market structure, by launching the world's first anonymous, centrally cleared FX market. This venture itself is firmly on track. The system is in live trading with about 25 institutions, including clearers, prop desks and hedge funds, and it is due to launch at or a little ahead of schedule by the end of this month.

So, to conclude, in FX, we have a strong and growing franchise, with excellent potential for future expansion.

Research & Asset Management (1)

Let me turn now to Research & Asset Management. In 2006, this was a 12% underlying revenue growth business making good progress towards profitability, where we're currently the Number 3 position in terms of market share.

We have two key goals here. The first is delivering new content in the format that users want, and this should help us to drive market share growth, and the second is in simplifying our business, principally by rationalising the number of product platforms that we operate to reduce our costs.

Again, 2006 has been a good year. Reuters Knowledge is building scale nicely and drove a 22% underlying increase in revenues from our Investment Banking, Investment Management and Corporates unit, which was just a little over half of the Division's total revenue base. Our key advantages here lie in the quality of our global data, which is driving sales of desktops *and* feeds, and in our global coverage. Our in-depth coverage of emerging markets such as China and India is a great selling point for customers intent on broadening their global reach, or intent on trying to understand what has been happening over the last couple of days in emerging markets, for that matter.

In the Wealth Management side of the business, customer demand is growing for our global feed and online solutions, as customers do more of the integration work themselves. This, together with the plan to converge our wealth management desktops onto a single platform, will help us drive profitable growth.

Research & Asset Management (2)

On the slide you can see the Research & Asset Management agenda for 2007:

- Accelerating sales of Reuters Knowledge;
- Achieving sustainable differentiation through proprietary content, including primary research that we are focusing on under Core Plus, and
- Driving profitability through top line growth and product rationalisation.

And if we get this right?

Research & Asset Management (3)

Medium term, Research & Asset Management is a double-digit revenue growth business, at double-digit margins.

Enterprise

Let us know move on to the Enterprise division. This is where we move away from desktops to machine readable data. Reuters Enterprise solutions are linked to an important market trend, the move towards business automation. At this point, I am going to take a break and bring one of our customers to the room – at least on video. Have a listen to Kevin Bourne, who is Global Head of Equities Execution at HSBC.

[Video shown]

That was a firsthand account of how Reuters Enterprise is playing to customer needs. It will not have escaped your notice that this was from a customer with whom we have just signed an important revenue boosting enterprise agreement. I am glad we have also now found somebody else in the world who uses the word 'tick data', other than me!

While we are on the subject of important new partnerships, let me make a quick mention of another important alliance that we announced this morning. We are working with IBM to integrate their Websphere back office platform, and our Reuters Market Data System in the front office. As Kevin Bourne has just told us, automation of trades across the enterprise is a key area of focus for our customers. This alliance will help them achieve it. What you will be able to do now is that if you are taking in Reuters Market Data realtimeand historical data in your front office through RMDS, you will be able to draw upon it directly through the existing IBM infrastructure which is so dominant in the mid and back offices.

Enterprise (1)

In 2006, Enterprise was a 6% underlying revenue growth business, which delivered 21% trading margins.

Enterprise (2)

The Enterprise division in 2007 is focussing on satisfying five key customer needs through the Core Plus initiatives, which you can see on the screen.

Enterprise (3)

By continuing to build on our position as the number 1 supplier of machine readable data, I think that over the medium term, the Enterprise division can move to double digit growth at mid 20% margins.

Media

Let me turn last to Media. Media grew revenues at 10% underlying in 2006, and delivered margins of 10%. This reflects our continued strong presence and brand in the Agency business, and growing exposure to the expanding advertising market through our interactive units, which include the reuters.com sites, mobile services and IPTV.

The division had an excellent year. We saw good growth coming from TV subscriptions, online syndication and advertising sales. As Western publishers and broadcasters continued to retrench and pull their journalists back to home base, and newspapers, in particular, scrambled to add video to their websites, our agency services are in high demand.

This trend then is complemented by growing domestic demand in places like Asia and the Middle East.

Media (2)

On the agenda for 2007,

- Grow our audience engagement and revenues while maintaining profitability;
- Improve customer experience and add new content and functionality on the back of an all new web platform, the so-called G3 platform that the Media division has just launched; and
- Continue our innovative efforts at integrating both user-generated content and professional content, for example, on the new Africa web site that the Media division launched last week.

Media (3)

If we get this right in the medium term, Media maintains its double digit revenue growth and double digit margins, whilst continuing to invest in expanding its direct-to-consumer business.

Leadership Team

A word next about an aspect of our business which occupies a great deal of my time, which is making sure that we have the right mix of people.

Reuters is an exciting place to work these days, and it has become much easier for us to attract top talent. In the past year, we have brought in a new CTO, a new HR director, a new Chief Marketing Officer, and a new Head of Strategy, among others. Our growing workforces in Bangalore, Gdansk and Beijing are also important sources of new skills and mindsets, as are the talented people who joined us through acquisitions like Application Networks, Telerate and HedgeWorld. We have interwoven these new people with strong managers promoted from within the firm to form a diverse but close knit team.

New to the leadership team this year are David Schlesinger as Editor in Chief; Joerg Floeck to head our European business; Susan Taylor Martin to leader our UK business; Jon Robson to run the Americas as well as Global Accounts; Michael Peace to head Research & Asset Management; and Mark Redwood to head Sales & Trading. This is the team that I am going to be working with to deliver on our promises for 2007 and beyond.

Culture change does take time, but we have made real progress in building a performance culture at Reuters.

2007 and Beyond

What I hope I have done this morning is to give you a sense of how determined we are to move Reuters from being just a good company, to being a great company. It is about accelerating our revenue growth, beating down the cost base and banishing mediocrity, be it in service, in margins or in people.

2006 was a good year with 4.8% underlying growth; Core Plus ahead of target; key new hires; a 10% dividend increase. But, 2007 will be better. We will see stronger revenue growth and more of these revenues brought down to the bottom line in profits.

As we continue, the combination of growth and simplification will take us through strong and sustainable revenue growth and 17-20% margins. I am looking forward to taking a stronger and hungrier Reuters into the future.

With that, I will hand it back to Miriam, and David and I will be more than happy to take your questions.

Question & Answer Session

Polo Tang (UBS): I have a couple of different questions. The first one is, you said 17-20% margins medium term. Can you just define for us what you mean by 'medium term'? Also, when you talk about the different divisions, if you actually pan out what you are saying, you want double digit revenue growth for Enterprise Media, etc., you want x, y, z margins. If you add it all up together, it sounds like what you are striving for in the business, longer term, is something that is going to give you high single digit revenue growth, but if you add up the margin side, it sounds as if the margins will be less than 20%, so could you just clarify that this is what you are saying and what you think about the relationship between revenue and margins.

A final question: could you just talk about the capex profile over the next couple of years, because obviously it is quite high in 2007, but what is the profile a bit further out. Thanks.

Tom Glocer: I will take the meat in your sandwich, the middle question about aspiration, and let David jump in on capex and what does medium term mean.

I agree with you in terms of the implication for revenue growth for the firm overall. I think we can push for higher growth in the business and you have seen us invest a bit more this year as we are more confident. I certainly do not think we put a 20% cap on margins. We continue to look, as David said, at the trade-off between investment through the P&L and revenue growth, and where we see an opportunity to have a higher exit rate and revenue growth with the important implications for long term value, we will go for it. I very much think that with an Enterprise division growing strongly, and producing mid-20s and plus margins, and Sales & Trading, which is the largest division, in the 17-20% range, we can get above that if we want to.

David Grigson: Polo, I do not want to be too prescriptive about what we mean by medium term because that would mean defining it in the context of 2008/09. The really important point to make in this context is that we are seeing margin progression. As I said in my speech, if it was not for currency, we would see even more margin progression in 2007 than in 2006 and that is clearly pointing towards the 17-20% range.

Another point to make here is that seeing margin in isolation from revenue growth is not the way to do it. Let me draw to your attention to the very significant margin impacts that even in 2006 are £5 million of extra investment in Core Plus, from which we delivered £7 million of extra revenue and £2 million of additional profit. That minor alteration against our original objective contributed nearly 25 basis points of margin decline in that year, so please look at margin in the context of growth and margin rather than as margin in isolation, and we are moving in the right direction. Generally, we are pretty happy with the consensus view that you have in this context around absolute amounts of revenue and profit, but do not focus too heavily on margin in isolation from revenue.

Finally, on capex, as I said we are spending more in 2007 than we might have expected a couple of years ago when we gave some indication that we expected the hump to start tailing off. There are a couple of reasons for this. It is taking us longer and proving to be more expensive to get our data centre upgrades in place, however that is close to being behind us now if not, in some instances, firmly behind us. We have had to do more remedial work and also, at the same time, the data volumes keep growing and we have had to invest behind that and, clearly, we are also investing behind our Core Plus initiatives as well.

From here, capex starts to move towards investment to drive towards a more modern, more efficient - space efficient and cost efficient - more supportable kind of data centre and delivery platform, which will, in time, start to drive the profile of capex down. The right way to look at it, given that some of our capex is fuelling revenue growth, is not in absolute terms but in percentage of revenue terms. It was 8.9% in 2006 which we believe represents the peak, and longer term that should come down to something closer to 7% - that is the kind of profile that we would expect to see over the next few years but without being specific beyond 2007.

Polo Tang: One follow-up question for clarification. If you are going to get higher revenues, that will lead to lower margins, is that what you are saying?

David Grigson: Assuming the higher revenues come at a cost. I just used the 2006 example because I can talk specifically to the cost number and the revenue number: That is the trade-off we are trying to make. It is driving profitability in this business which is about making the right trade-off between margin and revenue growth, rather than just focusing exclusively on margin.

Colin Tennant (Lehman Brothers): Coming back to the margin point and a little on core costs, you said before that you are trying to keep core cost inflation under 3%. Obviously, this extra cost for revenue is discretionary cost I guess, so can you comment on that 3% number: is it still intact and within the overall fixed cost base is there still something you can do to reduce the overall cost?

Secondly, on Core Plus when it was originally put forward, I believe 2008 was the year that those projects were going to move into profit. Is that still on track for the original group of projects?

Tom Glocer: Do you want to share this or jump in first?

David Grigson: Let me take the inflation one. We said that there is an underlying inflationary pressure on the business which has been about 3%. It was not hugely different in 2006 going into 2007, although the hot market for people is kind of nudging up some of the salary inflation pressures that we are seeing there. We have started to manage that sensibly but not at the expense of bringing in anything but the best possible talent, and then look for ongoing productivity and efficiency drives in the core business, which do not feature under any banner of transformational programme to bring that back closer to 3%. We achieved that in 2006 and I believe we can achieve it again in 2007, and hope to go on achieving it.

Under the broader picture of what is possible, it is laid out in our transformation agenda under Core Plus where the initiatives that Tom talked about are intended to take cost savings worth £5 million in 2006, which, from the original programme, are expected to be £20 million in 2007 and drive that to £150 million by 2010. Tom has talked specifically about the key initiatives that will underpin that, and we are confident that we shall deliver that.

Colin Tennant: What about Core Plus moving to profit in '08?

David Grigson: The original plan was that it would pretty well break even, and it is too early to say whether we shall be exactly at that level or perhaps slightly better. The view we are taking is that, if we are going to invest more, it has to deliver higher revenue growth and quickly to get good payback on it. Therefore, hitting those targets and that profile for Core Plus is imperative to us. What we would really like to do is drive exactly the profile we promised for Core Plus but deliver in the longer term

a higher sustainable exit rate on revenue, which would be a really good outcome. So, yes, I believe we can still achieve that breakeven number in 2008 on Core Plus, and hopefully we can do better.

Mark Braley (Deutsche Bank): I have three unrelated questions. First, on the extra capex, to what extent is this cost one that eventually you will be able to pass on to customers, so it is down to the increase in volume requirements which the customers should pay for, rather than catch-up to fix your systems that have historically been under-invested? Secondly, are you happy with the revenue performance in Asia, do you think it is strong enough and how do you think it compares to that of your main competitor? Third, an accounting question: in relation to the sterling costs, will it be possible materially to reduce those, or are they so big relative to the size of your UK business because of the accounting for the capex?

Tom Glocer: Why don't I take the first two? In terms of our ability to pass on cost, everyone is struggling with the issue of very high data update rates, and we have been able to achieve a somewhat stronger price increase into 2007 than in the year before. We are also working very hard on ways to deploy technology to change the equation. Coming back to Colin's question, one of the things we are looking at is whether we can scale the architecture on a horizontal basis in a better way so that we are not just constantly having to respond and build out networks.

On Asia, as David said, in the second half of the year they slowed down a little as far as new revenue growth. Overall, Asia did about 6%, we did closer to 25% in India and China, so we are getting our fair share of growth. We probably could have done a little more had we not been so focused on completing the integration of Telerate by year end, because it takes a fair amount of front line effort to do that. However, Asia still looks strong and the nice thing is that Japan, which is a very large component of it, is contributing to growth.

David Grigson: I'll jump in on the sterling cost issue, because Tom's usual response to this is let's move the corporate centre to New York!

The fact is that we have reduced our sterling costs just as we have been reducing our dollar costs, and just as we have been reducing our euro costs. A lot of the drive through Fast Forward was about taking costs out of high cost centres and moving

them to more efficient but more quality-based, and indeed more consolidated centres in Bangalore, Bangkok, now Beijing and more recently Gdansk as well. That has had the effect of taking costs out of high cost centres including the UK.

We run a global company and we shall put our activities in the places where they need to be, or where we get the best delivery from them. Our front line operations absolutely need to be where our customers are. This is our corporate centre, so we shall run our business from here which carries a cost with it but, where we can, we shall consolidate development activity, data gathering activity, in centres where we can re-engineer the processes, put really top quality assurance processes in place on top of that and get a real benefit from it, even if it means increasing our currency exposures as a consequence. We shall manage our currency exposures, do the normal things, make sure our debt is in the currencies where we have profit exposure. We have more than 100% of our debt, as an example, carried in US dollars, so that gives us some and, as we leverage up further, that will, of course, give us more mitigation against that particular exposure. We shall continue to do that and to drive for profitability on that basis.

John Clarke (Brewin Dolphin): Could I just pursue the cost question a bit further. Is it possible to quantify what the proportion of costs in emerging markets is now and perhaps what you think it will be in two years' time, or perhaps what it was two or three years ago. I am not talking here about exact dates but obviously I am talking much more about trends.

The other thing I would like to know a little about is market share, because you did not say very much about that in your presentation. I appreciate that there are difficulties involved, but I think there were two categories really. There are the obvious competitors in Bloomberg and Thomson, and also in-house competition from banks and financial institutions – in a sense, people who are clients as well as competitors.

Tom Glocer: You are right that we did not talk about market share, mostly because we have now got into the cycle of talking about market share when we release our annual market share study, which is at the time of our first quarter trading statement. Actually, now is the time when our analysts are hard at work, trying to amass the data from last year, but let me try to give you a little indication.

We certainly think that we are doing well at the large sell-side firms, which are growing nicely and have put out great results – whether it is an enterprise agreement, as we just did with HSBC or with Citi, or more generally with the big accounts. Anecdotally, I think we are doing well. The only datapoint I have - since I do not really get to see Bloomberg data – is Thomson, and I looked at their results which they announced a couple of weeks ago. In Q4, they did 6% total growth in constant financial, of which 2% was organic. I lay that against our 6.5%/4.8% organic, and that should tell me that we are taking share, but we are certainly holding our own there.

The final point of your question is very valid. We see a trend among all our customers, not so much to go in and compete in our business but to do more of the work themselves. Since we provide our information in more modular form, in feeds, or even allow applications like parts of Reuters Knowledge to be decomposed and sold on a unit basis, we are managing to prosper, even as our customers do more of the work themselves.

David Grigson: To pick up on costs in Asia, before we started on the Fast Forward programme, about 17% of our revenues and about 15% of our costs were in Asia. If we look forward from where we are now, we could have as many as 3,000 people in Bangalore, we have 1,000 people in Bangkok, and we had zero people in any of these centres three or four years ago. Beijing is 250 people by the end of this year, and rising. Gdansk will turn out to be something of a similar scale in the next two or three years. There is clearly a significant shift in the kind of focus of where our people are and therefore some level of the cost that goes with that has shifted to Asia.

I cannot give you an end-state in terms of cost as a proportion of total and of course, part of the reason for doing that is not because of all the quality issues and the efficiency issues, but because of the ability to get more bangs for your bucks by investing in those regions. That is what I mean by running a global company – we can afford to do that and deliver the benefits from it.

Paul Sullivan (Merrill Lynch): I have three questions, if I may. First, could you talk about the cycle and where you think we are in it at the moment?

Secondly, could you talk about revenue growth through the first quarter, and any phasing issues that we should be aware of? Then could you provide a breakdown of your target for the full year, between recurring, outright and usage?

Finally, could you update us on where you think you are with regard to your acquisition strategy, going forward? Should we expect more from you over the next 12 to 18 months?

Tom Glocer: Let me start with cycle and acquisitions. In terms of the cycle, the environment is generally very favourable – certainly in Asia. I have already mentioned Japan, and Singapore is doing well, and India and China are doing very well. Our US business performed well, and our Brazilian business performed well. Russia and the Middle East grew by 20%. Even in continental Europe where, as David mentioned, we are seeing some drag on performance from consolidation, they managed to contribute more this year.

How much longer can this go on, and what are the implications if it does not? The year 2007 has started off very strongly, and we have January and February sales under our belt. As you go further into the year, in a subscription business, it tends to have less of an effect, obviously, on this year. I am not quite at the point, after two months, to declare victory, but 2007 feels strong. In the conversations that I am having with all of your firms, people are more worried about the second half and, therefore, for us, that is 2008. Something I would point to, more than the turbulence in the emerging markets is the slowdown in the US – the revision downwards – in GDP. Whether or not we have a soft landing, and what the implications for the US economy in 2008 are, that is what I will watch during the year but, for 2007, we are looking quite good.

In terms of acquisitions, we have been careful over the last few years. We have had a bias towards dispositions. I have never wanted to sit on assets like Factiva, since I think Reuters probably could have and should have been more active on assets like Instinet and Tibco earlier.

We look at the same three things as everyone else probably does for growth. One is organic, and I am especially pleased to see us investing there and getting return there. The second is partnering, and I think Reuters is a better partner than we have been at any point in the recent past. A deal like the CME shows that we are not content just to sit on even some of our strongest assets in FX.

In terms of acquisitions, we have tended to do small to medium sized bolt-on acquisitions. For us, the key issue is that I do not believe that you can buy growth, but you pay for it in capital. So you have to have an angle and there has to be a reason as to, 'Why am I a better buyer than KKR for a given asset?' I can strongly answer that question on things like Multex, which we bought at a time when no one was buying. I can certainly answer it on Telerate, where we uniquely were able to get cost synergies out and add capabilities. However, we will not just throw money at growth, and I do not think we need to.

David Grigson: Just to pick up on the other questions, with Q1, as we sit here, we do not see any particular significant quarter-by-quarter distortions. Last year, of course, we had the Telerate effect coming through, positive in the first half and negative in the second half, and we had some timing issues around outright. At this point, I cannot predict the outright timing exactly – and that is the nature of the beast – but we do not see any major quarter-to-quarter deviations that you need to be aware of.

On the breakdown of our guidance by recurring transactions or usage and outright, clearly usage will be our fastest growing revenue stream, and Tom talked about the record-breaking volumes we have seen, for instance in January, which support that. By implication, this means that both recurring and outright will be growing slightly more slowly than our aggregate underlying revenue growth. You saw the pick-up in recurring through last year, 3%, 4%, just under 4%, just over, and just under 5%, on a nice trend. That gives you some suggestion for how we see that going through next year as well.

Rogan Angelini-Hurll (Citigroup): Just following up on that question, Tom alluded to 2008, but did not say anything about what the growth rate might be. Historically, you have talked about 2-4% for core, and then 3% for Core Plus but, if you strip out Telerate, you will be doing 7% in 2007. Is it just the worries about the US economy that are holding you back from saying a little more about 2008? Or is there anything else that we should be thinking about?

Then I have a very quick question for David, which is about the Core Plus revenues. Could you split those out between recurring usage and outright, please?

Tom Glocer: What is holding me back? I agree with the trend that you have identified and, in particular, that our growth would be stronger were it not for the Telerate effect in the year in which we are giving you guidance.

We are somewhat unique, given how much of our revenues come from financial services. I do not know too many of your institutions that will even give this level of guidance in the current year, but to look out to two years of revenue guidance is going too far. We want to leave you a little bit of room to do your job as well! *[Laughter]*

David Grigson: On the Core Plus revenue growth, rather than talking about this under recurring usage and outright, perhaps I should pick it up under the headings of Core Plus. The biggest driver was transactions which, was a little less than a third of the £32 million. The driver behind high value content sales was Knowledge., there was the Enterprise activity under Peter Moss, and the activity in new markets, in consumer media, as well as what is going on in new geographic markets such as China and India. These three were all contributing roughly the same and making up the balance.

Transactions is a combination of usage – mostly usage, particularly the kind of prime brokerage – but also driving some sales of 3000 Xtra, insofar as we can judge that discreetly as being a consequence of the transaction system being built into the desktop. That is the best way of looking at that.

Rogan Angelini-Hurll: If you could perhaps share my job, if I provide the economic environment, would you provide the rest of it? *[Laughter]* If we thought there was not going to be a slow down, is there any reason why the 2008 growth, given that you have an extra percentage point from Core Plus, should not be better than the 2007 growth?

Tom Glocer: So you want me to hold economic conditions as they are today? This is an easy one because the implications of a subscription business are that, as long as I have positive net sales this year, I will have a flow-through effect into next. If you tell me that the conditions will stay the same – i.e., I will not suddenly have negative net sales in 2008 – then the answer is yes, that the revenue should go up. However, that is more maths than it is anything else.

Rogan Angelini-Hurll: Will growth accelerate?

Tom Glocer: If you are holding my net sales rate constant next year, and giving me the flow through effect of this year, then the answer is yes.

Rogan Angelini-Hurll: I will try my best!

Paul Gooden (ABN Amro): Can you talk a little about the Enterprise Licence Agreements, and give us a sense of what exactly these agreements allow your customers to do that they could not do previously? How many customers will sign up to this?

Tom Glocer: We are more than willing to have the discussion with ABN. Ultimately, there is nothing that customers cannot do in one form or another but the issue is that what they would otherwise have to do would be to go to multiple sources and manage multiple relationships and do a huge amount of heavy lifting themselves. Among the advantages are that, if you are taking data into the house in your front office, and you can use the same datasource, the same prices and the same data model in your middle and back office, then you just cut out (a) the cost of having to do all sorts of reconciliations, front to back, and you can write an application once – hence the interest of our IBM relationship – and populate it right across your enterprise.

There are some things which only Reuters does. The ability to go out of the Reuters FX trading system, have your deal position captured directly into Kondor+, and then go into middle and back office for settlement – I do not know anybody who offers that entire chain, and that is very appealing to customers. We are seeing more and more interest in this sort of arrangement.

It is based on very open technology and also on an open commercial model, where we are saying to clients that we will not just force the product onto you. If what you want to do is to engage with us and, for instance, use our permissioning system, and use our symbology deep inside the enterprise, there is a price at which we are willing to provide those things. That is showing good growth. Once you get in, it is very nice business because you really become – as Kevin Bourne said – integral to their operation.

Simon Baker (Credit Suisse): I have two questions, one on revenues and one on margins. First, as far as the revenue outlook, Tom you said that towards the end of 2006 you were feeling more optimistic about Reuters itself but perhaps wary of the outlook into 2007. I just wonder whether you can update us on your thoughts there, given the fact that on your guidance for '07, if we strip out the 2%+ for Core Plus out of the 6%+ for overall organic revenue growth, you have 4%+ compared to the 2-4% previously for medium term guidance for Core?

Secondly, on margins I want to understand the moving parts there into 2008. If we are still sticking to the Core Plus and transformation margin improvement that would come through from your original target, that is more than 6 percentage points, so even if we allow for 1% as FX drag, surely that is an 18% or so margin in 2008. I wonder whether there are any other moving parts there that we should allow for?

Tom Glocer: As far as relative wariness or caution, my parents sent me into the world with portable wariness, so if in 2006 I was worried about 2007, I have moved that worry into 2008 not because of anything specific but just because the world is a complicated place and stuff happens. It has always been a good discipline for us to plan our cost base not on everything going perfectly and then, if the party continues, that is great, we shall bring more of it to the bottom line. I am feeling optimistic about 2007 with, I hope, some justification.

David Grigson: Without clarity on revenue for 2008, it is very hard to be specific about margins, because those two things are connected. As with the answer to Colin's question, what we are confident of doing is delivering the P&L consequences of the Core Plus programme that we led out in 2005, so that is why we are happy with where the consensus is for those future years now. How that translates into revenue and margin is a product of how fast we want to invest behind market opportunities, partly looking more attractive because of general market conditions, and partly because we see new opportunities opening up in front of us. Machine readable data is one such example, which was not originally in the plans for Enterprise but certainly something that Peter does intend to invest in this year from which he expects to see revenue emerging quite quickly. Therefore, the revenue margin equation has to be answered in aggregate rather than independently, and that is a really important point to understand.

Simon Wallis (Collins Stewart): I have one question. Of the £1.4 billion revenue from the EMEA region, can you give a rough idea what kind of proportion would come from German, Swiss and Italian banks?

David Grigson: I am doing some mental arithmetic while Miriam sees if she can uncover the answer. From German and Swiss, I would say it is about 18-19% of EMEA revenue.

Simon Wallace: And Italian?

David Grigson: Add about another 7%. On those, we have seen positive sales performance in each of those geographies in 2006, which bodes well for seeing growth in those countries in 2007 underpinning the improving momentum in EMEA. One last question from Colin in the front row – it is unusual for us to give someone two bites of the cherry.

Colin Tennant: Thank you very much. It is a bigger picture one really. We are coming off the back of a very strong period in the market and we have had a bit of a wobble over the last couple of days. If we do see a turnaround in banking fortunes and, heaven forbid, we are all making losses in a year's time, how is the business set up now in terms of more machine readable stuff, less desktop: are you better placed than perhaps you were? Also which bits would you look to cut back on immediately and how much flexibility do you have in the event of that?

Tom Glocer: I am glad you asked about the bigger picture, I was afraid you were going ask for our Andorra revenue – of which we have some.

I believe that we are better positioned because we are more tied to volume of trading activity and somewhat less reliant on headcount. Heads have certainly been added but not as much on trading desks as in other parts, including corporate finance in the big banks. Therefore, we are both positioned much better as far as sweet spots – our Enterprise Information data, the direct feed. People will continue to trade, they need to continue to evaluate portfolios and price, so my bottom line is that it will still hurt but it will be a headache as opposed to meningitis.

David Grigson: Thank you all very much indeed.

- Ends -