# Preliminary Results

# Financial Highlights



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REUTERS

# Financial headlines – Reuters excluding Instinet

- Full year revenue of £2,664m, down 11.0%; recurring revenue of £2,456m, down 9.3%
- Profit before taxation of £95m (2002: loss of £123m)
- EPS of 5.0p

## Other business performance measures

- Underlying full year revenue down 11.7%, with recurring revenue down 10.2%
- Operating profit before amortisation of subsidiary goodwill and intangibles, impairments and restructuring of £404m, delivering 15.2% operating margin
- EPS before amortisation, impairments & disposals up 9% to 11.8p
- Dividend held at 10.0p
- Free cash flow of £197m; dividend cash cover of 1.4 times
- Disposals in 2004 reduced year end net debt position of £610m by some £300m

# Financial headlines – Instinet and Group

## Instinet

- Revenue of £540m, down 9%
- Strong fourth quarter performance from both Instinet (Institutional Broker) and INET (Alternative Trading System)
- Headcount reduced by 267 since the start of 2003, down 18%
- Operating loss of £48m in 2003 versus a loss of £339m in 2002
- Cash positive and strong balance sheet

## Reuters Group

- Revenue of £3.2bn, down 11%
- Operating profit of £126m
- Profit before taxation of £49m versus a loss of £493m in 2002

# Reuters - financial performance

| £m | 2003 | 2002 | Actual Change |
|---|---|---|---|
| **Revenue** | **2,664** | **2,992** | **(11%)** |
| Operating costs before restructuring, amortisation and impairment of subsidiary intangibles | (2,260) | (2,599) | (13%) |
| **Operating profit before restructuring, amortisation and impairment of subsidiary intangibles** | **404** | **393** | **3%** |
| Restructuring | (134) | (112) | |
| Amort / impairment of subs intangibles | (96) | (86) | |
| **Operating profit** | **174** | **195** | **(11%)** |
| **Operating margin** | **6.5%** | **6.5%** | |
| **Operating margin before restructuring, amortisation and impairment of subsidiary intangibles** | **15.2%** | **13.1%** | |

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# Reuters - financial performance

| £m | 2003 | 2002 | Actual Change |
|---|---|---|---|
| **Operating profit** | **174** | **195** | **(11%)** |
| Affiliates / investment income | (28) | (61) | |
| Net interest | (34) | (26) | |
| Amort / impairment of affiliate intangibles | (20) | (201) | |
| Disposals | 3 | (30) | |
| **Profit before taxation** | **95** | **(123)** | |
| **EPS** | **5.0p** | **(12.5p)** | |
| **EPS before amortisation, impairments & disposals** | **11.8p** | **10.8p** | **9%** |
| **Dividend** | **10.0p** | **10.0p** | |

# Reuters – impact of currency movements

| £m | Impact on Revenue | Impact on Operating Profit |
|---|---|---|
| Weaker Dollar | (95) | (1) |
| Stronger Euro | 64 | 35 |
| Other currencies | 10 | 5 |
| **Exchange rate movements** | **(21)** | **39** |
| Change in currency mix | 2 | (11) |
| **Total currency movements** | **(19)** | **28** |

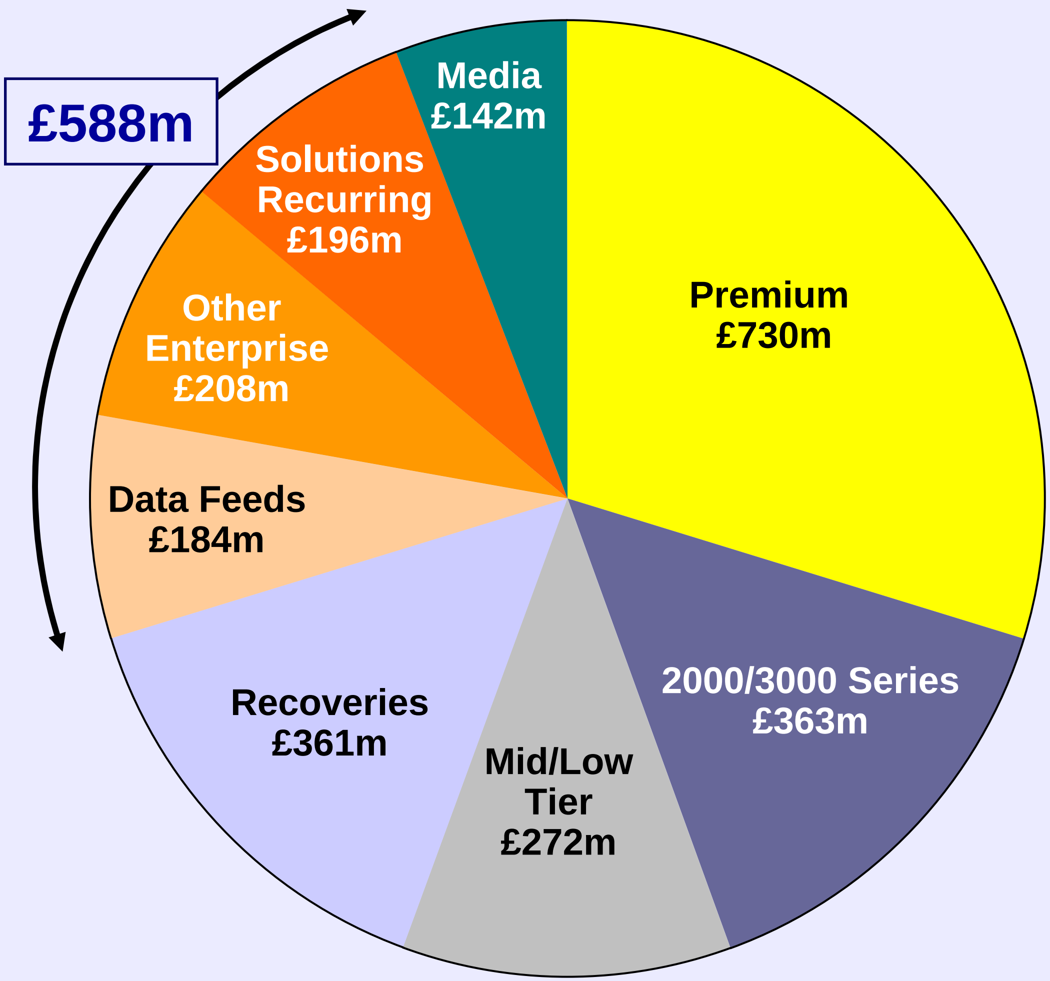
- Dollar weakened by 9.3%, Euro strengthened by 8.8% on average against Sterling
- Net impact on operating margin before restructuring, amortisation and impairment of subsidiaries was 1.2% favourable

# Reuters - revenue by type

| £m | 2003 | Change<br>Actual | Change<br>Underlying |
|---|---|---|---|
| Recurring | 2,456 | (9%) | (10%) |
| Outright | 105 | (36%) | (39%) |
| Usage | 103 | (15%) | (10%) |
| **Total** | **2,664** | **(11%)** | **(12%)** |

- Underlying recurring revenue decline of 9.8% in Q4
- Outright revenue declined 39% driven by tightly constrained IT budgets and our decision to focus the solutions business
- Usage revenue down 10% due to volume decline at Bridge Trading, partly offset by strong performance in FX and Forwards Matching

# Reuters – recurring revenue by product

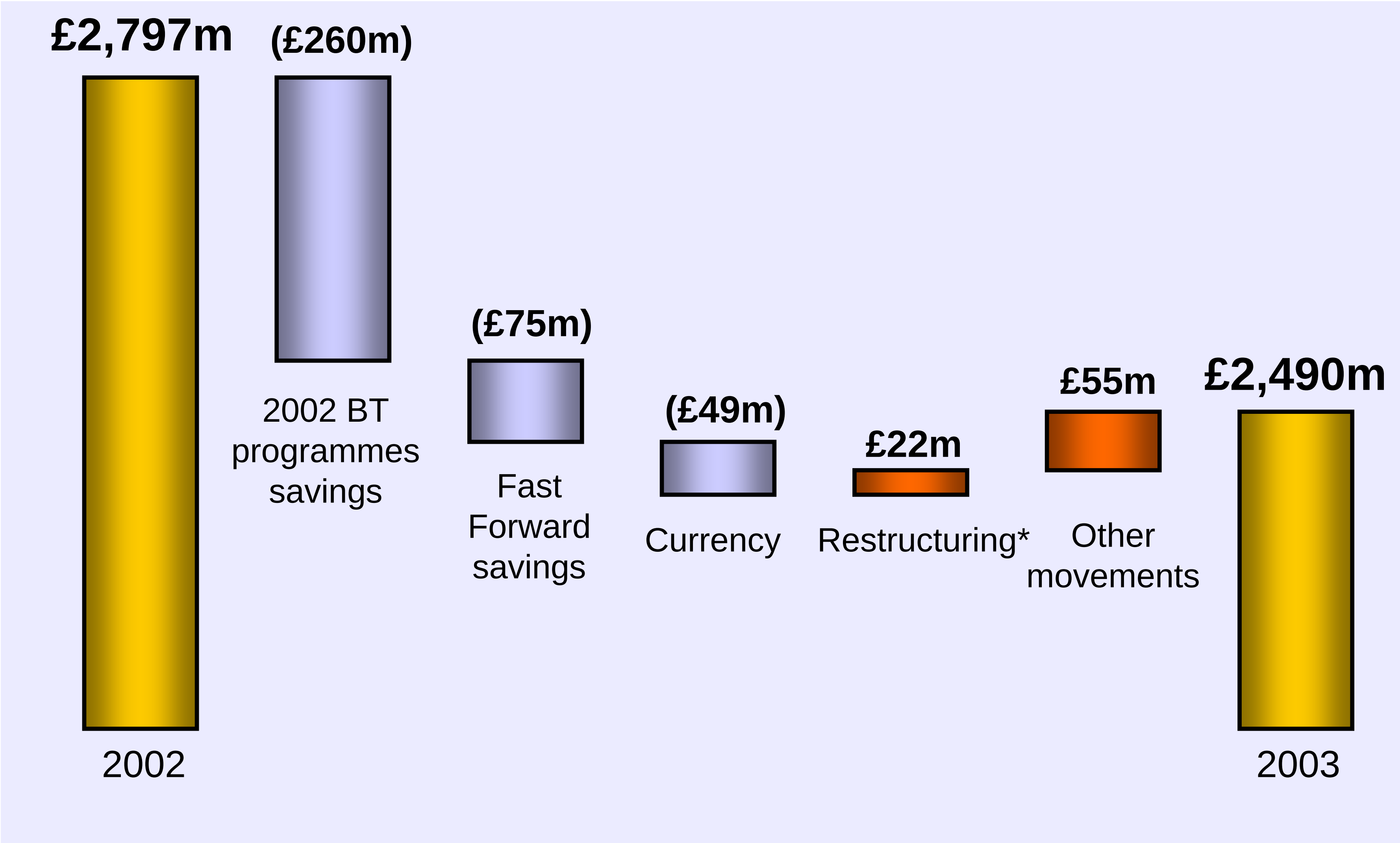



- Premium products revenue up 9%
- 3000 Xtra accesses up 35%
- Average revenue per access holding steady
- New enterprise wide information products performing well

# Reuters - revenue by customer segment

| £m | 2003 | Change Actual | Change Underlying |
|---|---|---|---|
| Treasury | 1,018 | (10%) | (10%) |
| Investment Banking | 712 | (15%) | (17%) |
| Asset Management | 630 | (11%) | (12%) |
| Corporates & Media | 304 | (4%) | (5%) |
| **Total** | **2,664** | **(11%)** | **(12%)** |

# Reuters – operating cost movements




*Includes an unfavourable currency effect of £2m

# Reuters Group - financial performance

| £m | 2003 | 2002 | Actual Change |
|---|---|---|---|
| **Revenue** | **3,197** | **3,575** | **(11%)** |
| **Operating profit** **before restructuring, amortisation and impairment of subsidiary intangibles** | **425** | **379** | **11%** |
| Restructuring | (178) | (208) | |
| Amort / impairment of subs intangibles | (121) | (315) | |
| **Operating profit** | **126** | **(144)** | |
| Affiliates / investment income | (28) | (62) | |
| Net interest | (29) | (20) | |
| Amort / impairment of affiliate intangibles | (22) | (239) | |
| Disposals | 2 | (28) | |
| **Profit/(Loss) before taxation** | **49** | **(493)** | |

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# Reuters Group – cash flow

| £m | 2003 Reuters | 2003 Instinet | 2003 Reuters Group |
|---|---|---|---|
| **Operating profit** **before restructuring, amortisation and impairment of subsidiary intangibles** | **404** | **21** | **425** |
| Depreciation | 150 | 43 | 193 |
| Capex | (123) | (8) | (131) |
| Working capital | (52) | 9 | (43) |
| Restructuring | (89) | (45) | (134) |
| **Operating cash flow** | **290** | **20** | **310** |
| Taxation, Interest, Other | (93) | 44 | (49) |
| **Free cash flow** | **197** | **64** | **261** |
| Reuters dividend | (140) | - | (140) |
| Net acquisitions | (101) | (2) | (103) |
| Revaluation of net debt | 18 | (47) | (29) |
| **Movements** | **(26)** | **15** | **(11)** |
| **Net (debt)/funds** | **(610)** | **533** | **(77)** |

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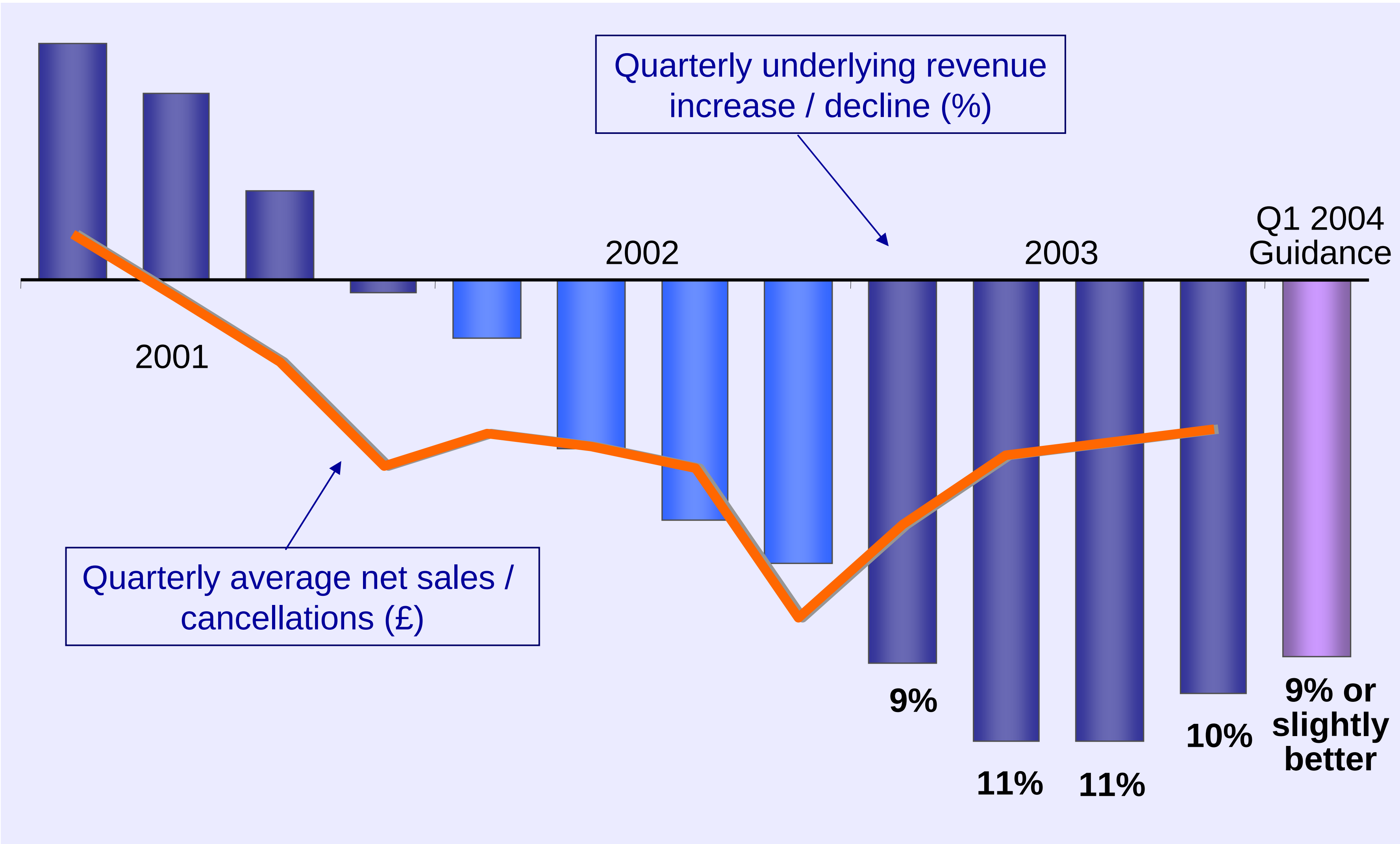
# Trend in Reuters net sales & recurring revenue



# Reuters – 2004 Outlook

- Q1 underlying recurring revenue decline expected to be 9%, or slightly better, in line with our January statement
- Further gradual improvement in rate of decline expected in Q2
- Further £145m of Fast Forward cost savings with restructuring charge of approximately £125m