

REUTERS GROUP PLC – THIRD QUARTER REVENUE STATEMENT
for the three months to 30 September 2004

19 October 2004

20/04

REUTERS Q3 REVENUE STATEMENT

London -- This statement refers to Reuters core revenues only. Instinet Group, the electronic brokerage in which Reuters has a 62% stake, will report its third quarter results on 26 October, after which Reuters will publish a consolidated Group revenue statement including a US to UK GAAP reconciliation for Instinet Group revenues.

Financial highlights

- Q3 revenue of £570 million (2003: £658 million), down 5% on an underlying basis (13% on an actual basis)
- Q3 recurring revenue of £528 million (2003: £609 million), down 4.4% on an underlying basis, ahead of Reuters forecast underlying decline of around 5%

Business highlights

- Q3 gross sales* outpaced cancellations for the first time since Q1 2001
- New product line-up continues to take shape – **Xtra family** users top 100,000; *Trader* users almost double this quarter to close to 3,000; over 7,500 users of *Reuters Knowledge*
- For the first time, legacy 2000/3000 series access losses offset by growth in new products

Guidance

- Full year underlying recurring revenue expected to decline by close to 5.5%, implying a Q4 decline of around 3%
- Recent trend of gradual improvement expected to continue into 2005.

Tom Glocer, Reuters Group Chief Executive, said: "Reuters made good progress towards recovery this quarter. Despite uncertain market conditions, gross sales* outpaced cancellations during the quarter for the first time since Q1 2001. More and more customers are seeing Reuters at our best as they migrate from old to new products, and this is reflected in rising sales and customer satisfaction levels."

Notes to Analysts

** There is an important timing difference between subscription sales and subscription (recurring) revenue. Reuters recognises a sale on receipt of a signed order from a customer. Revenue is recorded when a sold product is installed, a process which typically takes between one and three months.*

Reuters reports performance for four customer segments: Sales & Trading; Research & Asset Management; Enterprise; Media. Background information and financial data on these segments can be found at <http://www.about.reuters.com>, with financial data now updated to include Q3 revenues and accesses.

Underlying percentage change excludes acquisitions and disposals since 1 January 2003 and is stated at constant exchange rates.

This release includes certain non GAAP figures which are performance measures used to manage the business. Reconciliations to equivalent UK GAAP figures can be found at www.about.reuters.com, in the Investors section under Financial Data.

Revenue review

Reuters revenue for the three months to 30 September 2004 was £570 million, a decrease of 13% compared to the same period in 2003. On an underlying basis, adjusting for exchange rate movements and the impact of acquisitions and disposals, the decline was 5%, with six percentage points of the difference between actual and underlying declines being caused by exchange rate movements.

Recurring revenue, which represented 93% of Reuters revenue for the three months to 30 September 2004, was £528 million, a decline of 4.4% on an underlying basis. This was ahead of Reuters forecast underlying decline of around 5% because of lower cancellations and a better than expected installation rate.

Sales & Trading segment

Revenue from Sales & Trading was £285 million, 50% of total revenue for the quarter, down 12% compared to the same period last year (6% on an underlying basis).

The key performance driver in this segment continues to be migration of customers from legacy to new products. With the release of a new version of *Reuters Trader* in Europe in early September, customers now have two viable migration options – to upgrade to the **Reuters Xtra family** or to move across to the **Reuters Trader family**. Early indications are that migration is proceeding well. Access numbers for new *Reuters Trader* products almost doubled during the quarter to close to 3,000 and Reuters flagship product family, **Reuters Xtra**, now has over 100,000 users. For the first time, legacy *2000/3000* series access losses this quarter were fully offset by growth in new products.

Reuters Treasury business continued to perform strongly despite a summer slowdown in FX market volumes, with the *Reuters Dealing* population holding steady at around 18,000 positions. This quarter has seen the launch of several significant new initiatives to address areas of potential growth in the Treasury market. Beta testing will begin by the end of this year of a ground-breaking initiative with the Chicago Mercantile Exchange (CME) to link the Reuters interbank FX liquidity pool with the CME eFX futures market, where hedge funds and other buy side participants play a major role. In China, Reuters has signed an agreement with the China Foreign Exchange Trade System (CFETS) to build an FX trading platform for multi-currency trading among its 300 member banks.

Research & Asset Management segment

Revenue from Research & Asset Management, 10% of revenue for the quarter, was £56 million, up 5% on an underlying basis compared to the same period last year. The 26% actual decline in revenues was driven by a combination of currency movements and the disposals earlier this year of TowerGroup, Yankee Group and ORT SAS Group, as part of the Fast Forward programme.

With the product line-up in this segment now substantially complete, Reuters is currently running a focused global sales campaign to grow revenues on the buy side. Early results are encouraging.

The *Reuters Knowledge* desktop continues to sell well, with 7,500 positions now installed. Customer feedback is positive, focusing on depth and quality of company fundamentals and estimates data, as well as ease of use. *Reuters Knowledge* is now also available as a fully integrated add-on to Reuters flagship **Xtra family** products, which creates new opportunities to sell to analysts and portfolio managers who need in-depth company information as well as real-time access to the market.

In the **Reuters Wealth Manager** family, the 20,000 *Reuters Plus* US retail equities positions secured at Citigroup at the end of June contributed to underlying revenue growth of 5% this quarter. In Europe, a new *Reuters Wealth Manager* product was launched at the beginning of September. Its key selling points are ease of use, lower total cost of ownership and a strong, integrated data set, including mutual fund screening capabilities from Reuters Lipper

subsidiary. Two major European customers have already agreed to migrate over 2,500 positions to the new product – including 1,800 positions at Credit Suisse.

Enterprise segment

Enterprise revenue, 20% of total revenue for the quarter, was £115 million, a decline of 6% on an underlying basis (13% on an actual basis). This decline continues to be driven in part by large customers consolidating their use of Reuters datafeeds and market data systems into major centres, but is also linked to pro-active initiatives Reuters is undertaking. For example, smaller customers are being encouraged to reduce their total cost of ownership by migrating to newer, lighter-weight desktop-based Reuters offerings that do not require heavy enterprise infrastructure.

Newer business areas for Reuters within the Enterprise segment continued to perform well this quarter. Risk Management grew 20% compared to the same period last year, and Enterprise Information Products (EIP) grew by 81% on the same basis, albeit off a small base.

Media segment

Media revenue was £36 million, down 1% on an underlying basis (6% on an actual basis) compared to the same period last year. Reuters is in the process of restricting access to its news from other financial news websites in order to strengthen its competitive advantage in the financial markets, and as a pre-requisite to developing a consumer-based media business. As expected, this process has had a short term revenue impact in the agency business and is the key driver behind this quarter's underlying recurring revenue decline.

Currency

The difference between average currency rates in the third quarters of 2003 and 2004 had the effect of reducing revenues by £39 million (6%), with the primary driver being US dollar weakness against Sterling.

Reuters prospects

Reuters expects the underlying decline in recurring revenue for 2004 to be close to 5.5%, implying a Q4 decline of around 3%. The recent trend of gradual improvement is expected to continue into 2005.

1a. Reuters Revenue by Segment by Type – three months to 30 September 2004

	Three months to 30 September		% Change	
	2004 £m	2003 £m	Actual	Underlying
Recurring	264	297	(12%)	(6%)
Outright	1	1	(29%)	-
Usage	20	24	(15%)	(5%)
Sales & Trading	285	322	(12%)	(6%)
Recurring	54	76	(27%)	5%
Outright	1	1	10%	8%
Usage	1	-	-	-
Research & Asset Management	56	77	(26%)	5%
Recurring	99	111	(11%)	(3%)
Outright	16	21	(23%)	(21%)
Usage	-	-	(14%)	(7%)
Enterprise	115	132	(13%)	(6%)
Recurring	33	36	(11%)	(3%)
Usage	3	2	90%	52%
Media	36	38	(6%)	(1%)
Recurring	78	89	(12%)	(6%)
Recoveries	78	89	(12%)	(6%)
Recurring	528	609	(13%)	(4%)
Outright	18	23	(22%)	(16%)
Usage	24	26	(6%)	(1%)
Total Reuters Revenue	570	658	(13%)	(5%)

1b. Reuters Revenue by Segment by Type – nine months to 30 September 2004

	Nine months to 30 September		% Change		Year to 31 December 2003 £m
	2004 £m	2003 £m	Actual	Underlying	
Recurring	814	911	(10%)	(6%)	1,200
Outright	2	4	(47%)	(27%)	7
Usage	65	70	(7%)	5%	93
Sales & Trading	881	985	(11%)	(5%)	1,300
Recurring	174	215	(19%)	-	288
Outright	2	1	60%	63%	2
Usage	2	-	-	-	-
Research & Asset Management	178	216	(18%)	-	290
Recurring	297	354	(16%)	(9%)	464
Outright	45	61	(26%)	(23%)	96
Usage	1	-	-	-	-
Enterprise	343	415	(18%)	(11%)	560
Recurring	97	108	(10%)	(4%)	143
Usage	9	7	34%	(3%)	10
Media	106	115	(8%)	(4%)	153
Recurring	239	276	(13%)	(9%)	361
Recoveries	239	276	(13%)	(9%)	361
Recurring	1,621	1,864	(13%)	(6%)	2,456
Outright	49	66	(26%)	(22%)	105
Usage	77	77	-	6%	103
Total Reuters Revenue	1,747	2,007	(13%)	(6%)	2,664

2. Reuters Revenue by Segment by Product Family – three months to 30 September 2004

	Three months to 30 September		% Change	
	2004 £m	2003 £m	Actual	Underlying
Reuters Xtra	192	185	3%	10%
Reuters Trader	93	137	(32%)	(27%)
Sales & Trading	285	322	(12%)	(6%)
Reuters Xtra	15	16	1%	9%
Reuters Trader	3	4	(37%)	(32%)
Knowledge	13	31	(57%)	40%
Wealth Manager	25	26	(4%)	5%
Research & Asset Management	56	77	(26%)	5%
Enterprise	115	132	(13%)	(6%)
Media	36	38	(6%)	(1%)
	492	569	(14%)	(4%)
Recoveries	78	89	(12%)	(6%)
Total Reuters Revenue	570	658	(13%)	(5%)

3. Reuters Revenue by Geography – three months to 30 September 2004

	Three months to 30 September		% Change	
	2004 £m	2003 £m	Actual	Underlying
Europe, Middle East, Africa	322	363	(11%)	(5%)
Americas	153	189	(19%)	(5%)
Asia	95	106	(10%)	(2%)
Total Reuters Revenue	570	658	(13%)	(5%)

4. Reuters quarterly Product Family statistics

	Three months ended			Underlying Percentage Change	
	30 September 2004	30 June 2004	30 September 2003	Versus June 2004	Versus September 2003
Period end accesses (000s)					
3000 Xtra	83	79	63	5%	31%
Dealing	18	18	17	-	2%
Other Xtra	2	2	1	7%	24%
Reuters Xtra	103	99	81	4%	25%
2000/3000	50	55	77	(8%)	(34%)
Other Trader	57	56	80	1%	(14%)
Reuters Trader	107	111	157	(3%)	(25%)
Knowledge & Wealth Manager	117	117	114	-	2%
Total period end accesses	327	327	352	-	(4%)
Access driven revenue (£m)					
Reuters Xtra	183	181	174	1%	11%
Reuters Trader	87	99	132	(12%)	(30%)
Knowledge & Wealth Manager	20	19	20	3%	9%
Total access driven revenue	290	299	326	(3%)	(6%)
Other recurring revenue	238	238	283	1%	(2%)
Total recurring revenue	528	537	609	(1%)	(4%)
Average revenue per access (£)					
Reuters Xtra	606	627	727	(3%)	(11%)
Reuters Trader	264	287	269	(8%)	(5%)
Knowledge & Wealth Manager	56	59	60	(4%)	7%
Total average revenue per access	294	312	305	(5%)	(1%)

Accesses outside the **Reuters Xtra, Reuters Trader, Knowledge or Wealth Manager Product Families** are not included in the above analysis.

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 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 "Fast Forward" transformation programme
- 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 significant competition in the financial information and trading communities
- changes in the regulatory or competitive environment
- adverse governmental action in countries where Reuters conducts reporting activities
- the ability of the Group to realise the benefits of acquisitions
- any changes in accounting policies that are required for the Group to comply with International Financial Reporting Standards (effective 1 January 2005).

For additional information, please see "Risk Factors" in the Reuters Group PLC Annual Report and Form

20-F for the year ended 31 December 2003. Copies of the Annual Report and Form 20-F are available on request from Reuters Group PLC, 85 Fleet Street, London EC4P 4AJ. 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.

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Notes

Reuters (www.about.reuters.com), the global information company, provides indispensable information tailored for professionals in the financial services, media and corporate markets. Our information is trusted and drives decision making across the globe based on our reputation for speed, accuracy and independence. As of June 2004, Reuters has 14,700 staff in 92 countries, including some 2,400 editorial staff in 197 bureaux serving approximately 130 countries, making us the world's largest international multimedia news agency. In 2003, the Reuters Group had revenues of £3.2 billion.

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Reuters will be holding conference calls today at 09:30 BST and 15:00 BST / 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 upon registration.

Photographs are available in the Media Library at www.about.reuters.com.

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