

REUTERS GROUP PLC – FIRST QUARTER REVENUE STATEMENT

for the three months to 31 March 2005

20 April 2005

REUTERS Q1 2005 REVENUE STATEMENT

London -- This statement refers to Reuters core revenues only. Instinet Group, the electronic brokerage firm in which Reuters has a 62% stake, is scheduled to report its first quarter results on 25 April, after which Reuters will publish a consolidated Group revenue statement including a US GAAP to IFRS reconciliation for Instinet Group revenues.

Financial highlights

- Q1 recurring revenue of £530 million (2004: £556 million), down 1.4% on an underlying basis, compared to Reuters forecast underlying decline of around 1.5%
- Q1 total revenue of £561 million (2004: £598 million), down 6.2%; underlying decline reduced to 2.5% compared to 8.2% in the same period in 2004.

Business highlights

- Improving quarterly sales trend – three consecutive months of positive net sales for the first time since Q1 2001
- Steady progress on new products – *3000 Xtra* users up 4,000; *Reuters Knowledge* and *Wealth Manager* users up 2,000; *Reuters Trader* users up 1,000.

Market Share 2004

- Reuters 2004 revenue share of its total financial information and services market remained stable
- In the premium tier, Reuters gained one percentage point of share in both revenue and accesses.

Guidance

- Q2 2005 underlying recurring revenue change is likely to be close to zero.

Tom Glocer, Reuters Group Chief Executive, said: “We have made a good start to the year, with positive net sales in every month and new product launches including *Reuters Trading for Fixed Income* and *Reuters Trader for China*.

“We have also made good progress on strategic initiatives. Our network services agreement with BT, including the planned sale of Radianz, is another key step towards completing our Fast Forward programme and the pending purchase of Moneyline Telerate will accelerate our push into the fixed income market.”

Instinet

Reuters announced in November that it was considering opportunities to realise value from its holding in Instinet Group. Since then, Instinet Group and its advisors have had extensive discussions with parties interested in acquiring the business. These negotiations are continuing but are not yet complete. A further announcement will be made if any transaction is agreed.

Notes to Analysts

Underlying percentage change excludes acquisitions and disposals since 1 January 2004 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 IFRS figures can be found at www.about.reuters.com, in the Investors section under Financial Data.

Notes to Analysts continued

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 but is often dependent on customer and product roll-out schedules.

Reuters reports performance for four divisions: Sales & Trading, Research & Asset Management, Enterprise and Media. Background information and financial data on these divisions can be found at <http://www.about.reuters.com>, with financial data now updated to include Q1 revenues and accesses.

Revenue review

Reuters revenue for the three months to 31 March 2005 was £561 million, a decrease of 6.2% compared to the same period in 2004. On an underlying basis, adjusting for exchange rate movements and the impact of acquisitions and disposals, the decline was 2.5%. Exchange rate movements accounted for 1.4 of the 3.7 percentage point difference between actual and underlying declines, an £8 million reduction in revenues.

Recurring revenue, which represented 94% of Reuters revenue for the three months to 31 March 2005, was £530 million, a decline of 1.4% on an underlying basis (4.7% on an actual basis), marginally better than Reuters guidance of a 1.5% decline.

Usage revenue in Q1 was £24 million, up 11% on an underlying basis, following a strong performance in Treasury transactions, principally *Dealing Matching*. The decline of 6% on an actual basis was driven by Bridge Trading, the sale of which to Instinet closed on 31 March 2005. Bridge Trading revenue in 2004 was £21 million.

Outright revenue in Q1 was £7m. This reflects the naturally uneven flow of once-off sales, as well as Reuters withdrawal from the bespoke solutions business as part of its Fast Forward business simplification.

In Q1, Reuters realigned external revenue reporting to reflect certain changes in the way revenue is managed internally. The net effect of this realignment is to reduce Q1 2005 Enterprise revenue by £19 million and increase Research & Asset Management by £7 million and Sales & Trading by £12 million. Recoveries have been incorporated into Sales & Trading. Throughout this release, 2004 comparables have been restated to reflect these changes.

Sales & Trading

Revenue from Sales & Trading was £379 million, 67% of total revenue for the quarter, down 3% on an underlying basis (5% on an actual basis) compared to the same period last year.

Reuters top tier information products in the **Reuters Xtra family** continued to perform strongly across Sales & Trading and Research & Asset Management. Revenue was up 10% on an underlying basis (8% on an actual basis) with 4,000 positions of *Reuters 3000 Xtra* installed during the quarter. The new version of *Reuters Station* further improved Reuters ability to sell enterprise-wide in the US. The increase in **Reuters Xtra family** positions was a 75:25 mix of migrations and new business, with competitive displacements particularly prevalent in larger accounts.

In the **Reuters Trader family**, domestic versions of *Reuters Trader* are now on sale in the US, UK, Germany, the Euronext markets, Latin America, China and Japan. These provide a migration path for users of legacy Reuters products as well as competitive displacement opportunities at regional customers who focus on activity in their home market. The number of new *Reuters Trader* positions continues to increase gradually, with 5,300 now installed. Reductions in legacy positions continue to be the main drag on **Reuters Trader family** revenue.

* Two years of restated quarterly back history is available in the analysts' workbook on the website

Reuters Treasury business launched two key initiatives in Q1 to harness new opportunities in the transactions market. Reuters and the Chicago Mercantile Exchange (CME) launched *CME FX on Reuters* in March, providing the first major linkage between sell-side traders in the interbank FX market and electronic CME FX futures market. Interest is strong in this new initiative and five more clearing firms joined the existing seven on *CME FX on Reuters* earlier in April. Reuters also launched *Reuters Trading for Fixed Income (RTFI)*, allowing banks and financial institutions to trade fixed income securities through their Reuters desktop.

Research & Asset Management

Revenue from Research & Asset Management, 11% of revenue for the quarter, was £60 million, up 1% on an underlying basis compared to the same period last year. The 17% actual decline in revenue was driven by the disposals in 2004 of TowerGroup, Yankee Group and ORT SAS Group, as part of the Fast Forward programme.

With the product line-up in this division now substantially complete, Reuters started a global sales campaign in the fourth quarter of 2004 focused on growing revenue in investment management firms and hedge funds. The benefits of this campaign are starting to be recognised, with **Reuters Knowledge** revenue up 1% on an underlying basis and a strong sales pipeline.

In the **Reuters Wealth Manager family**, revenue was flat on an underlying basis. Reuters Lipper fund information subsidiary continued to grow, and in early March it acquired Hedgeworld and the TASS Research database business, two highly regarded assets in hedge fund research. These additions help Reuters realise its ambition to become the leading supplier of investment intelligence and are integral to Reuters strategy in the Research & Asset Management division.

Enterprise

Enterprise revenue, 15% of total revenue for the quarter, was £86 million, a decline of 5% on an underlying basis (6% on an actual basis).

As part of this quarter's realignment, Enterprise revenue is split into three product lines.

Reuters Enterprise Information includes real-time and end-of-day datafeed products – *Reuters Datafeed* and *Reuters Datascope*. **Reuters Enterprise Information** revenue grew an underlying 9% in Q1 to £48 million, driven largely by revenue increases from *Reuters Datascope*.

In the real-time datafeeds market, Reuters new initiative to provide customers with low latency feeds direct from exchanges is proceeding well, with encouraging customer feedback from the early access programme. The launch is expected in the first half of this year.

Reuters Information Management comprises infrastructure products such as *Reuters Market Data Systems*. Revenue shrank by 22% on an underlying basis in Q1 to £24 million, driven mainly by Reuters withdrawal from bespoke infrastructure development as part of the Fast Forward programme.

Reuters Trade and Risk Management includes *Reuters Kondor Risk Management*, *Trade Processing*, *Global Limits* and *Value at Risk* products. While recurring revenue from maintenance contracts grew, overall revenue was down 10% on an underlying basis to £14 million. Fewer outright sales of Risk software closed in the quarter after a strong finish to 2004, but the pipeline remains strong.

Media

Media revenue grew by an underlying 5% (3% on an actual basis) in Q1 to £36 million, driven principally by revenue growth across Reuters core agency business (text, pictures and TV).

Usage revenue in both Agency and Consumer Media also grew, reflecting the build-out of the reuters.com site and an increase in advertising revenue across Reuters online products, as well as an event-driven rise in demand from coverage of the Asian Tsunami.

2004 Market Share

Reuters 2004 revenue share of its total financial information and services market remained stable, with an improving trend evident in the second half of the year. This improved performance was driven by share gains in the Americas; at Reuters largest customers; on the buy side and in new business areas such as end-of-day price feeds.

In the premium tier, where Reuters competes directly with Bloomberg, Reuters gained one percentage point of both revenue and access share.

For purposes of comparison to prior periods, Reuters also calculates market share on a basis which makes estimates to try to eliminate currency fluctuations and limits its scope to real-time market data products. On this basis, Reuters market share declined by 1% in 2004 compared to a 2% decline in 2003, and revenue share totalled 36% and accesses 37%.

Pensions

A triennial actuarial valuation of Reuters largest pension fund as at December 2004 was conducted on behalf of the Trustees, and received on 18 April 2005. The provisional results indicate a past service deficit of £115 million. As is the case for other FTSE companies, changes in actuarial assumptions since 2001 (including equity market returns, falling long-term interest rates and increased life expectancy) are having an impact on potential scheme liabilities. Reuters has commenced discussions with the Reuters Pension Fund Trustees concerning the ongoing changes in pensions legislation and an appropriate funding plan.

Reuters prospects

Reuters expects that the year on year change in underlying recurring revenue will be close to zero in Q2 2005.

1. Reuters Group Revenue by Division by Type – three months to 31 March 2005 (unaudited)

	Three months to 31 March		% Change	
	2005	2004	Actual	Underlying
	£m	£m		
Recurring	359	376	(5%)	(3%)
Usage	19	22	(11%)	8%
Outright	1	1	(76%)	(76%)
Sales & Trading	379	399	(5%)	(3%)
Recurring	59	71	(16%)	2%
Usage	1	1	(34%)	(32%)
Outright	-	-	-	-
Research & Asset Management	60	72	(17%)	1%
Recurring	80	77	4%	5%
Outright	6	15	(56%)	(55%)
Enterprise	86	92	(6%)	(5%)
Recurring	32	32	-	1%
Usage	4	3	38%	44%
Media	36	35	3%	5%
Recurring	530	556	(5%)	(1%)
Usage	24	26	(6%)	11%
Outright	7	16	(59%)	(58%)
Total Reuters revenue[†]	561	598	(6%)	(3%)

[†] In Q1, Reuters realigned external revenue reporting to reflect certain changes in the way revenue is managed internally, including the incorporation of Recoveries into Sales & Trading. The effect of this realignment on Q1 2005 revenue at actual rates is as follows: Sales & Trading up £12 million (Q1 2004, up £17 million), Research & Asset Management up £7 million (Q1 2004, up £7 million) and Enterprise down £19 million (Q1 2004, down £24 million).

2. Reuters Revenue by Division by Product Family – three months to 31 March 2005 (unaudited)

	Three months to 31 March		% Change	
	2005	2004	Actual	Underlying
	£m	£m		
Reuters Xtra	210	193	9%	11%
Reuters Trader	90	124	(28%)	(26%)
Recoveries	79	82	(2%)	(1%)
Sales & Trading	379	399	(5%)	(3%)
Reuters Xtra	16	15	5%	4%
Reuters Trader	2	3	(17%)	(19%)
Reuters Knowledge	12	24	(50%)	1%
Reuters Wealth Manager	30	30	(1%)	-
Research & Asset Management	60	72	(17%)	1%
Enterprise	86	92	(6%)	(5%)
Media	36	35	3%	5%
Total Reuters revenue	561	598	(6%)	(3%)

3. Reuters Revenue by Geography – three months to 31 March 2005 (unaudited)

	Three months to 31 March		% Change	
	2005	2004	Actual	Underlying
	£m	£m		
Europe, Middle East, Africa	319	342	(7%)	(5%)
Americas	149	161	(7%)	1%
Asia	93	95	(2%)	1%
Total Reuters revenue	561	598	(6%)	(3%)

4. Reuters quarterly Product Family statistics (unaudited)[‡]

	Three months ended			Underlying percentage change	
	March 2005	March 2004	December 2004	Versus March 2004	Versus December 2004
Period end accesses (000s)					
3000 Xtra	92	76	88	22%	5%
Dealing	18	18	18	(1%)	(1%)
Other Xtra	2	1	2	57%	13%
Reuters Xtra	112	95	108	19%	4%
2000/3000	39	60	44	(35%)	(12%)
Other Trader	55	58	56	(4%)	(2%)
Reuters Trader	94	118	100	(20%)	(6%)
Reuters Knowledge & Reuters Wealth Manager	121	101	120	20%	1%
Total period end accesses	327	314	328	4%	-
Access driven revenue (£m)					
Reuters Xtra	195	180	193	10%	3%
Reuters Trader	78	104	86	(24%)	(8%)
Reuters Knowledge & Reuters Wealth Manager	19	19	19	4%	2%
Total access driven revenue	292	303	298	(2%)	-
Other recurring revenue	238	253	245	-	(2%)
Recurring revenue	530	556	543	(1%)	(1%)
Average revenue per access (£)					
Reuters Xtra	591	656	613	(9%)	(2%)
Reuters Trader	268	278	278	(2%)	(2%)
Reuters Knowledge & Reuters Wealth Manager	54	58	54	(6%)	1%
Total average revenue per access	298	310	304	(3%)	-

[‡] Accesses outside the Reuters Xtra, Reuters Trader, Reuters Knowledge and Reuters 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
- any decline in the valuation of companies in which Reuters Group has invested
- 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 benefit of acquisitions and/or disposals
- any issues with controls over financial reporting that may be identified by Reuters Group as a result of implementation of its project to achieve compliance with section 404 of the Sarbanes-Oxley Act
- any impact on Reuters Group's financial reporting due to compliance with International Financial Reporting Standards (effective 1 January 2005) or other changes mandated by regulatory authorities.

For additional information, please see "Risk Factors" in the Reuters Group PLC Annual Report and Form 20-F for the year ended 31 December 2004. 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

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Reuters will be holding conference calls today at 09:30 BST and 15:00 BST / 10:00 EDT. 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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