

REUTERS GROUP PLC – THIRD QUARTER REVENUE STATEMENT
for the three months to 30 September 2005

27 October 2005

REUTERS Q3 2005 REVENUE STATEMENT

London -- This statement refers to Reuters revenue only. Instinet Group, which is treated as a discontinued operation in anticipation of its planned disposal, reports separately on 2 November 2005.

Financial highlights

- Q3 total revenue of £611 million (Q3 2004: £566 million), up 8% on an actual basis (1% on an underlying basis)
- Q3 recurring revenue of £574 million (Q3 2004: £528 million), up 9% on an actual basis (1.5% on an underlying basis).

Business highlights

- Third consecutive quarter of positive net sales, sustaining the encouraging trend seen throughout this year
- Strong growth in transactions revenue, up 14% on an actual basis (13% on an underlying basis) compared to the same period last year
- Moneyline Telerate integration proceeding well, with strong revenue performance in first full quarter since acquisition
- Launch of important new versions of *Reuters 3000 Xtra*, *Reuters Knowledge* and *Reuters Datafeeds* to enhance ease of use, breadth of data and speed
- Good early progress on new growth initiatives – electronic trading; high value content; new enterprise approach; new markets.

Guidance

- Reuters confirms that it expects underlying recurring revenue to grow between 1% and 2% in the second half of 2005, in line with guidance issued at its interim results in July.

Tom Glocer, Reuters Chief Executive, said: "Today's results reflect a solid third quarter performance for our core business. We have further enhanced the core by releasing significant product upgrades this quarter that prepare us well for 2006. I am also encouraged by the good start we have made on our Core Plus agenda to accelerate growth. We are boosting our content offering by agreeing to acquire EcoWin with its in-depth macroeconomic data, adding liquidity to our fixed income and foreign exchange trading systems and making progress in emerging markets such as China and Brazil."

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.

Revenue review

Reuters revenue for the three months to 30 September 2005 was £611 million, an increase of 8% on an actual basis compared to the same period in 2004. On an underlying basis, adjusting for exchange rate movements and the impact of acquisitions and disposals, the increase was 1%. Exchange rate movements accounted for a percentage point of the difference between the actual and underlying increase, and the impact of acquisitions, principally Moneyline Telerate, accounted for the remaining six points.

Moneyline Telerate integration is proceeding well, contributing £32 million of revenue in its first full quarter since acquisition.

Recurring revenue^{*}, which represented 94% of Reuters revenue for the three months to 30 September 2005, was £574 million, an increase of 9% on an actual basis. On an underlying basis, the increase was 1.5%, in line with Reuters second half guidance issued in July.

Reuters total user accesses stood at 353,000 at the end of the third quarter, with the number of Reuters positions (excluding Moneyline Telerate) remaining broadly stable. While the number of Moneyline Telerate positions fell, the positions lost so far during integration have been fewer than expected. Average revenue per access grew 3% on an underlying basis compared to the same period in 2004, as the number of premium tier accesses in the total product mix continued to increase and the modest price increase from earlier this year began to show through.

Usage revenue[†] in Q3 was £26 million, up 21% on an actual basis (20% on an underlying basis). This reflects strong growth from *Reuters Dealing Matching*, advertising revenue from Reuters media services and new sources of usage revenue such as *Reuters Electronic Trading* and *Reuters Order Routing for Equities*.

Outright revenue[‡] in Q3 was £11 million, down 36% on an actual basis (37% on an underlying basis). This decline reflects Reuters withdrawal from software consulting services as part of Fast Forward, longer lead times for risk management sales as the business focus shifts to larger clients, and fewer upgrades to large market data systems. A good pipeline of risk management sales awaiting installation should narrow but not eliminate the overall year-on-year decline.

Sales & Trading

Revenue from Sales & Trading, 67% of total revenue in the third quarter, was £409 million (Q3 2004: £373 million), up 10% on an actual basis (1% on an underlying basis) compared to the same period last year.

Headcount growth, emerging markets expansion in Europe and Asia, competitive wins at large accounts and migrations from legacy products to *Reuters 3000 Xtra* contributed to underlying growth in Sales & Trading revenue. These positive factors were partially offset by continued contraction in mid-tier and domestic markets, where Reuters will become better positioned over time as momentum builds on *Reuters Trader* and its local variants.

Sales & Trading usage revenue grew 14% year-on-year on an actual basis (12% on an underlying basis), driven primarily by Reuters foreign exchange business. Spot volumes on *Reuters Dealing* continue to grow across all regions driven by volatile markets, the participation of hedge funds and the increasing number of automated trading engines linked into *Reuters Matching*. The hosted *Reuters Electronic Trading* platform has seen usage revenue increase as the number of banks using the system continues to build, and trade volumes increase.

* Reuters recurring revenue refers to the sale of subscription products

† Usage revenue is principally derived from Reuters transaction products, where revenue is based on trading volumes, and from advertising from Reuters media services such as Reuters.com

‡ Outright revenue is principally derived from the sale of software and hardware solutions

Research & Asset Management

Revenue from Research & Asset Management, 11% of revenue in the third quarter, was £68 million (Q3 2004: £63 million), up 8% on an actual basis compared to the same period last year (flat on an underlying basis).

Reuters Xtra family revenue in Research & Asset Management grew 7% on an actual basis (5% on an underlying basis). A significant revenue driver was the introduction of the combined *Reuters 3000 Xtra* and *Reuters Knowledge* offering, which integrates sophisticated research functionality with real time markets coverage.

Reuters Knowledge family revenue grew 11% in the quarter on an actual basis (10% on an underlying basis), supported by a good performance from Reuters Knowledge and Reuters company fundamentals and estimates products. *Reuters Knowledge* added over 700 accesses in the quarter and was enhanced by additional content included in a new version launched in August.

Reuters Wealth Manager family actual revenue increased 9% following the acquisition of Moneyline Telerate, Fitzrovia International plc., HedgeWorld and the TASS hedge fund research database. On an underlying basis, revenue was down 4%. Reuters new *Wealth Manager* product gained close to 500 positions in the quarter, including the sale of 220 positions at ING, but these gains were more than counterbalanced by the loss of legacy product positions in domestic markets.

Enterprise

Enterprise revenue, 16% of total revenue for the quarter, was £95 million (Q3 2004: £94 million), up slightly on an actual basis but showing an underlying decline of 3%.

The Enterprise division comprises three product groupings, offering customers fully integrated business solutions.

Reuters Enterprise Information includes real-time and end-of-day datafeed products - *Reuters Datafeed* and *Reuters Datascope*. Revenue for these products grew by 10% at actual rates, 8% on an underlying basis, compared to Q3 2004. This was driven by increased demand for datafeed services from existing customers and new users such as hedge funds. There has also been encouraging growth in *Reuters Datascope Real-Time*, which is used by customers to fuel programme trading, risk management and portfolio valuation systems.

Reuters launched a new version of its *Reuters Datafeed Direct* service in the third quarter, which allows customers to take low latency feeds direct from exchanges. Interest in the new version has been good and is expected to increase in 2006 as exchange coverage expands.

Reuters Information Management, which comprises infrastructure products such as *Reuters Market Data Systems (RMDS)*, saw revenue shrink by 1% on an actual basis and 8% on an underlying basis. Revenue from *RMDS* maintenance grew slightly but was more than offset by a combination of the continued impact of the withdrawal from software consulting services as part of Fast Forward and lower revenue from *RMDS* upgrades, with focus having moved from large to mid-sized clients. Growth opportunities are building following the expansion of the product line, including the roll out of *Reuters Wireless Delivery System (RWDS)*, a new product that permits delivery of market data to handheld BlackBerry® devices. UBS has recently contracted to take this service.

Revenue from **Reuters Trade and Risk Management** business fell by 21% on an actual basis, and 22% in underlying terms. Maintenance revenue generated from outright sales of risk software grew slightly on an underlying basis, but was more than offset by the fall in once-off outright revenue from new installations. This reflects the more complex sales and installation cycle associated with selling to the larger financial institutions now being targeted. Longer term prospects for Trade and Risk Management remain good.

Media

Revenue from Reuters Media business division, 6% of total revenue for the quarter, was £39 million (Q3 2004: £36 million), up 13% on an actual basis (12% on an underlying basis). The core agency business continued to perform well across all media, supported by strong performance in the TV business due to new clients, the establishment of a new Middle East service and strong demand for coverage of major news events. Usage revenue was boosted by continuing increases in advertising across Reuters digital media platform, including web, mobile, outdoor and internet delivered TV.

Core Plus

In July, Reuters announced plans to accelerate revenue growth in four key markets, adjacent to its existing core business. Known as "Core Plus", Reuters has made progress on each of the key initiatives.

1. Electronic trading

Reuters multi-asset trading products are starting to gain traction. This week Reuters announced that two of the five biggest banks in FX trading – Barclays Capital and Deutsche Bank - have joined *Reuters Trading for Foreign Exchange*, which now has six price makers and about 150 price takers on the service. *Reuters Trading for Fixed Income* currently has eight price makers and 400 price takers. There has been good early progress on commodities and equities trading capabilities as Reuters focuses on these areas. In addition, demand is increasing for Reuters new trade confirmation system, announced on Monday, which has been selected by several customers including ICAP, RP Martin Brokers, Calyon and Lehman Brothers.

2. High value content

Structural changes in the financial markets continue to create demand for new types of content. The recently launched Reuters Global Filings, available through the Reuters Knowledge product, permits users to navigate easily from financial data to a 10 year global repository of underlying company reports and prospectuses. Reuters is also increasing its range of economic data, illustrated by the pending acquisition of EcoWin, a leading provider of global macroeconomic data and analysis.

3. New Enterprise Approach

Reuters has started to implement its strategy to group components together to satisfy growing customer needs in areas like portfolio valuation and algorithmic trading. Components including *RMDS*, *Reuters Kondor+*, *Reuters Datafeed Direct*, *Reuters Datascope Realtime*, *Reuters Tick Capture Engine* and *Reuters Wireless Delivery System (RWDS)* are being assembled into complete customer solutions. There is particular interest in two elements - *Reuters Tick History*, a ten year history database of tick-by-tick data which allows algorithmic traders to back-test their algorithms, and *RWDS*.

4. New markets

This month, Reuters became the first foreign company to launch a range of reference rates on China's bond market. *Reuters Bond Reference Rates, China*, help meet the global and domestic markets' vast appetite for reliable, benchmark quality data on Chinese bonds and builds on Reuters growing involvement in the development of China's fixed income and foreign exchange markets. In Brazil, Reuters is partnering with large clients, such as American Express and Universo Online, a leading Brazilian internet service provider, for joint sales of *Reuters Trader* – creating a new sales channel in the country.

Pensions

In its Q1 trading statement in April Reuters disclosed that the provisional results of the triennial actuarial valuation of Reuters Pension Fund (RPF) indicated a past service deficit of £115m as at 31 December, 2004. The RPF is an unusual scheme in that it is a fixed cost scheme providing defined benefits. Reuters has previously accounted for this scheme on the basis of a fixed level of contribution. Following conversations with the Trustees, Reuters has concluded that it will now account for RPF as a defined benefit scheme and will record a balance sheet liability, net of tax, of approximately £110m (based on a 31 December 2004 actuarial valuation). Reuters is considering the appropriate dates and basis for recording this liability under applicable reporting frameworks. Reuters will continue its dialogue with the Trustees of the RPF to secure an equitable outcome for both the scheme members and the company.

Second half guidance

Reuters confirms that it expects underlying recurring revenue to grow between 1% and 2% in the second half of 2005, in line with guidance issued at its interim results in July.

1) Reuters revenue from continuing operations by Division by type – three months to 30 September 2005 (unaudited)

	Three months to 30 September		% Change	
	2005 £m	2004 £m	Actual	Underlying
Recurring	388	355	10%	1%
Outright	1	2	(43%)	(47%)
Usage	20	16	14%	12%
Sales & Trading	409	373	10%	1%
Recurring	68	61	9%	1%
Outright	-	1	(57%)	(57%)
Usage	-	1	(25%)	(23%)
Research & Asset Management	68	63	8%	-
Recurring	85	79	7%	3%
Outright	10	15	(33%)	(34%)
Enterprise	95	94	-	(3%)
Recurring	33	33	8%	7%
Usage	6	3	64%	64%
Media	39	36	13%	12%
Recurring	574	528	9%	2%
Outright	11	18	(36%)	(37%)
Usage	26	20	21%	20%
Total Reuters revenue	611	566	8%	1%

2) Reuters revenue from continuing operations by Division by type – nine months to 30 September 2005 (unaudited)

	Nine months to 30 September		% Change	
	2005 £m	2004 £m	Actual	Underlying
Recurring	1,115	1,098	2%	(1%)
Outright	3	4	(41%)	(44%)
Usage	55	50	7%	9%
Sales & Trading	1,173	1,152	2%	(1%)
Recurring	191	193	(2%)	3%
Outright	1	2	(52%)	(52%)
Usage	1	3	(50%)	(49%)
Research & Asset Management	193	198	(3%)	1%
Recurring	246	233	5%	4%
Outright	25	43	(40%)	(40%)
Enterprise	271	276	(2%)	(3%)
Recurring	99	97	3%	4%
Usage	14	9	47%	50%
Media	113	106	7%	8%
Recurring	1,651	1,621	2%	-
Outright	29	49	(41%)	(41%)
Usage	70	62	10%	13%
Total Reuters revenue	1,750	1,732	1%	-

3) Reuters revenue from continuing operations by Division by product family – three months to 30 September 2005 (unaudited)

	Three months to 30 September		% Change	
	2005 £m	2004 £m	Actual	Underlying
Reuters Xtra	222	197	12%	11%
Reuters Trader	99	98	1%	(21%)
Recoveries	88	78	13%	2%
Sales & Trading	409	373	10%	1%
Reuters Xtra	17	15	7%	5%
Reuters Trader	2	3	(20%)	(23%)
Reuters Knowledge	14	13	11%	10%
Reuters Wealth Manager	35	32	9%	(4%)
Research & Asset Management	68	63	8%	-
Enterprise	95	94	-	(3%)
Media	39	36	13%	12%
Total Reuters revenue	611	566	8%	1%

Reuters product revenues are classified into product families, which are aligned to the Divisions as shown in the table above. Product families map directly to one Division with two exceptions. Reuters Xtra family and Reuters Trader family revenues are attributed either to the Sales & Trading Division or to Research & Asset Management depending on where users are classified.

4) Reuters revenue from continuing operations by geography – three months to 30 September 2005 (unaudited)

	Three months to 30 September		% Change	
	2005 £m	2004 £m	Actual	Underlying
UK and Ireland	96	90	7%	3%
EMEA West	91	92	-	(3%)
EMEA East	145	140	3%	-
Americas	165	149	12%	3%
Asia	114	95	19%	2%
Total Reuters revenue	611	566	8%	1%

5) Reuters quarterly product family statistics (unaudited)

	Three months ended			Underlying percentage change	
	September 2005	June 2005 (restated)*	September 2004	Versus June 2005	Versus Sept 2004
Period end accesses (000s)					
3000 Xtra	97	96	83	2%	18%
Dealing	18	18	18	-	(2%)
Other Xtra	2	2	2	(8%)	22%
Reuters Xtra	117	116	103	2%	15%
2000/3000	35	37	50	(5%)	(33%)
Other Trader	73	73	57	(1%)	(5%)
Reuters Trader	108	110	107	(3%)	(18%)
Knowledge & Wealth Manager	128	128	117	-	3%
Total period end accesses	353	354	327	-	-
Access driven revenue (£m)					
Reuters Xtra	208	202	183	2%	13%
Reuters Trader	92	81	87	(6%)	(19%)
Knowledge & Wealth Manager	23	20	20	1%	1%
Total access driven revenue	323	303	290	-	2%
Other recurring revenue	251	244	238	(1%)	-
Recurring revenue	574	547	528	-	2%
Average revenue per access (£)					
Reuters Xtra	595	590	606	-	(3%)
Reuters Trader	281	285	264	(3%)	(1%)
Knowledge & Wealth Manager	60	56	56	2%	(1%)
Total average revenue per access	304	300	294	-	3%

* Q2 Moneyline Telerate accesses have been restated to align access recognition with the methodology used at Reuters

6) Forward-looking statements

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

- Reuters ability to realise the anticipated benefits of its "Fast Forward" transformation programme or the strategies outlined in its press releases dated 26 July 2005
- 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 significant declines in the valuation of companies in which Reuters 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 activities
- the ability of the Group to realise the benefit of acquisitions and disposals
- any issues identified with controls over financial reporting in the project to achieve compliance with Sarbanes Oxley Act, section 404
- the impact that evolutionary changes in or interpretations of the new IFRS accounting standards, or changes in accounting for the Reuters Pension Fund, may have on figures previously reported and/or projected

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, South Colonnade, Canary Wharf, London E14 5EP. Any forward-looking statements made by or on behalf of Reuters Group speak only as of the date they are made. Reuters Group does not undertake to update any forward-looking statements.