

## REUTERS GROUP PLC – THIRD QUARTER REVENUE STATEMENT

for the three months to 30 September 2006

18 October 2006

### REUTERS Q3 2006 REVENUE STATEMENT

#### Financial highlights

- Q3 total revenue of £631 million (Q3 2005: £611 million), up 3.3%
- Constant currency revenue growth of 4.6%
- Revenue growth of 5.3% on an underlying basis (which excludes the effects of currency, acquisitions and disposals)
  - 4.0 percentage points of underlying growth from core business
  - 1.3 percentage points of underlying growth from Core Plus initiatives

#### Business highlights

- Strongest net sales quarter so far this year
- All four elements of Core Plus are now generating revenue
  - New electronic trading systems are contributing transaction fees and stimulating sales of desktop software: 20% underlying growth across transactions revenues in Q3
  - New software tools in Reuters Knowledge are helping customers to make better use of high value content: 2,000 positions of Reuters Knowledge added in Q3
  - Growth in algorithmic trading is stimulating demand for high speed datafeeds
  - Advertising revenues are continuing to build in online consumer media
- FXMarketSpace gaining broad market acceptance, with over 40 key market participants now signed up for the Early Adopter Program
- £654 million returned to shareholders via £1 billion share buy-back
- Reuters to sell its 50% stake in Factiva to Dow Jones for \$160 million (see separate press release)
- Nandan Nilekani, CEO and co-founder of Infosys, to join the Reuters Board as a Non-Executive Director (see separate press release)

#### Outlook

In July, Reuters gave full year 2006 revenue guidance of 5%-6% on a constant currency basis. Continuing revenue momentum in the third quarter means that Reuters now expects full year 2006 revenue to be at the top end of this range.

**Tom Glocer, Reuters Chief Executive**, said: "I am pleased with our progress in the third quarter, which was our strongest quarter of net sales so far this year. Our underlying revenue growth of 5.3% demonstrates that Reuters core business is responding well to generally favorable market conditions, and we are seeing good growth from our Core Plus initiatives."

#### Notes to Analysts

*\* Underlying percentage change excludes acquisitions and disposals since 1 January 2005 and is stated at constant exchange rates. Reconciliations to equivalent IFRS figures can be found at [www.about.reuters.com](http://www.about.reuters.com), in the Investors section under Financial Data.*

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## **Notes**

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Reuters will hold a conference call today at 09:30 BST. To participate, please register online at <http://registration.intercall.com/go/reutersir>. An email confirmation containing dial-in details will be sent by return.

Photographs are available at [www.about.reuters.com/pressoffice/library/photos/senior.asp](http://www.about.reuters.com/pressoffice/library/photos/senior.asp)

This announcement includes forward-looking statements. See page 10 for a description of risk factors.

## REVENUE REVIEW

Reuters revenue for the three months to 30 September 2006 was £631 million, an increase of 3.3% over the same period in 2005.

Currency, and in particular the weaker US dollar, reduced third quarter revenue growth by 1.3 percentage points, giving constant currency growth of 4.6%.

Acquisitions (principally Telerate) caused a further 0.7% reduction. As expected in the Telerate integration plan, revenues were lower in the third quarter compared to 2005 as Telerate positions used as back-up to Reuters services were removed.

On an underlying basis, revenue increased by 5.3% in the third quarter. This includes £8 million of revenue from Core Plus, with all four elements - electronic transactions, high value content, enterprise solutions and new markets – now contributing to revenue growth.

Revenue in Reuters core business grew 4% on an underlying basis, driven by the 2006 price increase, volume growth and recoveries (exchange fees and specialist data). The key drivers of volume growth are new sales and migrations to Reuters premium 3000 Xtra product, *Reuters Knowledge* - principally on the buy-side, enterprise datafeeds and Trade and Risk Management software.

Revenue continued to grow in all regions in the third quarter, led by Asia and the Americas. Revenue in Asia grew 8%\* on an underlying basis, with growth rates accelerating in both Japan and China. Underlying revenue growth of 7% in the Americas was driven by the strong performance of Reuters largest accounts. Revenue in Europe, Middle East and Africa rose 4% overall on an underlying basis, led by growth of 7% in the UK and Ireland.

Year to date revenue growth at constant currency stands at 7.4%.

Looking forward to the fourth quarter, subscription and transactions revenues are expected to continue to drive revenue growth. However, outright revenue from software sales is unlikely to be as strong as in the fourth quarter of 2005 because new business has been more evenly phased this year. The revenue reduction from acquisitions is expected to become more pronounced in Q4, as the migration of Telerate positions enters its final phase. Negative currency effects from a weaker US dollar are also expected to have a greater impact.

## BUSINESS DIVISIONS REVIEW

### Sales & Trading

Revenue from Sales & Trading was £418 million, an increase of 1% (4% on an underlying basis) compared to the third quarter of 2005. The difference between actual and underlying growth was driven by the acquisition of Telerate in June 2005, and by currency effects. The key drivers of revenue performance were

- A 7% rise in *Reuters 3000 Xtra* revenue within Sales & Trading to £142 million. This arose from sales of new desktop accesses, customer migration from legacy 2000/3000 series and Telerate products, and the 3000 Xtra price increase implemented at the start of this year.
- Increasing revenue momentum from Reuters trading and post-trade products, as growth in electronic trading continued to gather pace. Usage revenue grew by 20% in the quarter, with strong FX market activity driving revenue increases in *Reuters Dealing Matching* and 71% growth in *Reuters Electronic Trading*, a hosted dealing system used by banks to trade electronically with their customers. *Reuters Conversational Dealing* revenue grew 2%, with growth in user numbers in Asia, Africa and Eastern Europe more than offsetting minor consolidation in more mature markets.

\* Note: Unless otherwise stated, all percentage changes shown in the revenue commentary are calculated on an underlying basis (stated on a constant currency basis and excluding acquisitions and disposals). Reconciliations to equivalent IFRS figures can be found at [www.about.reuters.com](http://www.about.reuters.com), in the Investors section under Financial Data.

The key contributors to Core Plus revenue within Sales & Trading were *Prime Brokerage*, which gives hedge funds electronic access to the interbank FX market, and *Reuters Trading for FX*, which is also now handling significant trade volumes. *Reuters Trade Notification System* delivered its first revenues during the quarter. This service is showing rapid growth in user numbers and message traffic as customers see scope to realise trade processing efficiencies by implementing it alongside Reuters suite of FX trading products.

## Research & Asset Management

Revenue from Research & Asset Management was £74 million, an increase of 15% (14% on an underlying basis) compared to the third quarter of 2005.

Reuters Research & Asset Management business serves two distinct user communities – **Investment Banking and Investment Management (IB & IM)** and **Wealth Management**.

**IB & IM** revenue grew 22% to £42 million, driven by the continued success of the *Reuters Knowledge* family of products. The *Reuters Knowledge* installed base (standalone and embedded in other Reuters products) now totals 17,000, an increase of 2,000 positions since the end of the previous quarter. Revenue from high-value fundamentals and estimates content integrated with customers' own applications also increased.

**Wealth Management** revenue grew 5% to £32 million as the loss of revenue from the planned withdrawal from legacy low tier business was more than offset by revenue growth of 16% from Lipper. During the third quarter, Lipper extended its hedge fund coverage, adding 500 European and Asian hedge funds to bring the total number of funds covered to over 7,000.

The key contribution to Core Plus revenue in Research & Asset Management came from high value content enhancements and tools in the *Reuters Knowledge* family, including business graphics and data visualisation.

## Enterprise

Enterprise revenue rose 6% (8% on an underlying basis) to £98 million.

Revenue from **Enterprise Information**, which includes Reuters real time and reference datafeeds businesses, grew 11% to £55 million. *Reuters Datascope* real time and reference datafeeds were the key drivers of revenue growth, as demand continued for machine-readable data to serve customer applications and to meet compliance requirements.

Revenue from **Trade and Risk Management** climbed 26% to £21 million, driven by outright sales of software in Asia and EMEA, including to the DBS Group, the largest bank in South East Asia.

Revenue from **Information Management**, which includes the *Reuters Market Data Systems*, declined 10% to £22 million, mainly due to lower maintenance revenues as Reuters continued its planned exit from the hardware business.

The most significant contribution to Core Plus revenue from Enterprise came from *Reuters Datafeed Direct* and *Reuters Datascope Tick History*, which are seeing demand from large sell-side firms and hedge funds.

## **Media**

Media revenue was £41 million, an increase of 3% on an actual and underlying basis, with growth being driven by a strong performance from Consumer Media.

Agency revenue declined 1%, driven by weaker TV usage revenues in the quarter relative to a strong performance in Q3 2005. TV revenue growth trends remained solid, supported by new products such as the Middle East and Central European TV services. Revenue from pictures also increased, reflecting last year's investment in product enhancements to the Reuters Pictures Archive. Text revenue grew 1%, reflecting price increases and new business. On an actual basis, agency revenue was flat, with the TV revenue decline being offset by revenue from Action Images, the photographic agency acquired by Reuters in September 2005.

The key contributor to Core Plus revenue from Media was Consumer revenue, which grew 26% in the quarter. Consumer Media's online syndication business showed strong growth, with major clients increasing their spending.

1) REUTERS REVENUE FROM CONTINUING OPERATIONS BY DIVISION BY TYPE – THREE MONTHS TO 30 SEPTEMBER 2006 (UNAUDITED)

	Three months to 30 September		% Change	
	2006 £m	2005 £m	Actual	Underlying
Recurring	395	395	-	3%
Usage	22	20	16%	20%
Outright	1	1	51%	59%
<b>Sales &amp; Trading</b>	<b>418</b>	<b>416</b>	<b>1%</b>	<b>4%</b>
Recurring	74	64	15%	14%
Usage	-	-	-	-
Outright	-	-	-	-
<b>Research &amp; Asset Management</b>	<b>74</b>	<b>64</b>	<b>15%</b>	<b>14%</b>
Recurring	84	82	3%	5%
Outright	14	10	36%	34%
<b>Enterprise</b>	<b>98</b>	<b>92</b>	<b>6%</b>	<b>8%</b>
Recurring	33	32	2%	4%
Usage	8	7	5%	(4%)
<b>Media</b>	<b>41</b>	<b>39</b>	<b>3%</b>	<b>3%</b>
<b>Recurring</b>	<b>586</b>	<b>573</b>	<b>2%</b>	<b>4%</b>
<b>Usage</b>	<b>30</b>	<b>27</b>	<b>13%</b>	<b>13%</b>
<b>Outright</b>	<b>15</b>	<b>11</b>	<b>32%</b>	<b>31%</b>
<b>Total Reuters revenue*</b>	<b>631</b>	<b>611</b>	<b>3%</b>	<b>5%</b>

\* In Q1 Reuters re-aligned external revenue reporting to reflect certain changes in the way revenue is managed internally. The impact of this realignment has been reflected in the 2005 comparatives.

2) REUTERS REVENUE FROM CONTINUING OPERATIONS BY DIVISION BY TYPE – NINE MONTHS TO 30 SEPTEMBER 2006 (UNAUDITED)

	Nine months to 30 September		% Change	
	2006	2005	Actual	Underlying
	£m	£m		
Recurring	1,200	1,128	6%	2%
Usage	66	55	22%	19%
Outright	3	3	7%	9%
<b>Sales &amp; Trading</b>	<b>1,269</b>	<b>1,186</b>	<b>7%</b>	<b>3%</b>
Recurring	216	184	16%	11%
Usage	2	1	26%	24%
Outright	-	1	(60%)	(60%)
<b>Research &amp; Asset Management</b>	<b>218</b>	<b>186</b>	<b>16%</b>	<b>10%</b>
Recurring	256	240	7%	6%
Outright	37	25	44%	43%
<b>Enterprise</b>	<b>293</b>	<b>265</b>	<b>11%</b>	<b>9%</b>
Recurring	101	95	7%	6%
Usage	27	18	43%	28%
<b>Media</b>	<b>128</b>	<b>113</b>	<b>13%</b>	<b>10%</b>
<b>Recurring</b>	<b>1,773</b>	<b>1,647</b>	<b>8%</b>	<b>4%</b>
<b>Usage</b>	<b>95</b>	<b>74</b>	<b>27%</b>	<b>21%</b>
<b>Outright</b>	<b>40</b>	<b>29</b>	<b>37%</b>	<b>36%</b>
<b>Total Reuters revenue*</b>	<b>1,908</b>	<b>1,750</b>	<b>9%</b>	<b>5%</b>

\* In Q1 Reuters re-aligned external revenue reporting to reflect certain changes in the way revenue is managed internally. The impact of this realignment has been reflected in the 2005 comparatives.

**3) REUTERS REVENUE FROM CONTINUING OPERATIONS BY DIVISION BY PRODUCT FAMILY – THREE MONTHS TO 30 SEPTEMBER 2006 (UNAUDITED)**

	Three months to 30 September		% Change	
	2006	2005	Actual	Underlying
	£m	£m		
Reuters Xtra	238	222	8%	7%
Reuters Trader	89	106	(16%)	(10%)
Recoveries	91	88	4%	9%
<b>Sales &amp; Trading</b>	<b>418</b>	<b>416</b>	<b>1%</b>	<b>4%</b>
Reuters Xtra	22	17	26%	27%
Reuters Trader	2	2	13%	18%
Reuters Knowledge	18	14	29%	16%
Reuters Wealth Manager	32	31	2%	5%
<b>Research &amp; Asset Management</b>	<b>74</b>	<b>64</b>	<b>15%</b>	<b>14%</b>
<b>Enterprise</b>	<b>98</b>	<b>92</b>	<b>6%</b>	<b>8%</b>
<b>Media</b>	<b>41</b>	<b>39</b>	<b>3%</b>	<b>3%</b>
<b>Total Reuters revenue</b>	<b>631</b>	<b>611</b>	<b>3%</b>	<b>5%</b>

Each Division sells specific products. Each product falls into one Division except for 3000 Xtra and 2000/3000 products. Revenue at asset management clients is attributed to the Research & Asset Management Division by reference to activities at particular sites. All other revenue for these products is Sales & Trading revenue.

**4) REUTERS REVENUE FROM CONTINUING OPERATIONS BY GEOGRAPHY – THREE MONTHS TO 30 SEPTEMBER 2006 (UNAUDITED)**

	Three months to 30 September		% Change	
	2006	2005	Actual	Underlying
	£m	£m		
UK and Ireland	103	96	9%	7%
EMEA West	93	91	2%	-
EMEA East	148	145	3%	3%
Europe, Middle East & Africa	344	332	4%	4%
Americas	173	165	3%	7%
Asia	114	114	-	8%
<b>Total Reuters revenue</b>	<b>631</b>	<b>611</b>	<b>3%</b>	<b>5%</b>

## 5) REUTERS QUARTERLY PRODUCT FAMILY STATISTICS (UNAUDITED)

	Three months ended			Underlying % Change	
	September	June	September	Versus June	Versus September
	2006	2006	2005	2006	2005
<b>Period end accesses (000s)</b>					
3000 Xtra	108	105	97	3%	9%
Dealing	18	18	18	-	1%
Other Xtra	2	2	2	1%	(4%)
<b>Reuters Xtra</b>	<b>128</b>	<b>125</b>	<b>117</b>	<b>2%</b>	<b>8%</b>
Legacy *	64	68	81	(3%)	(15%)
Trader **	44	43	42	1%	1%
<b>Reuters Trader</b>	<b>108</b>	<b>111</b>	<b>123</b>	<b>(1%)</b>	<b>(8%)</b>
<b>Reuters Knowledge</b>	<b>13</b>	<b>12</b>	<b>10</b>	<b>4%</b>	<b>28%</b>
<b>Reuters Wealth Manager</b>	<b>96</b>	<b>100</b>	<b>103</b>	<b>(3%)</b>	<b>(7%)</b>
<b>Total period end accesses</b>	<b>345</b>	<b>348</b>	<b>353</b>	<b>-</b>	<b>(1%)</b>
<b>Access driven revenue (£m)***</b>					
Reuters Xtra	224	224	206	2%	7%
Reuters Trader	80	83	96	(3%)	(10%)
Reuters Knowledge	6	6	4	1%	39%
Reuters Wealth Manager	12	13	12	1%	(1%)
<b>Total access driven revenue</b>	<b>322</b>	<b>326</b>	<b>318</b>	<b>-</b>	<b>3%</b>
Other recurring revenue	264	269	255	-	6%
<b>Recurring revenue</b>	<b>586</b>	<b>595</b>	<b>573</b>	<b>-</b>	<b>4%</b>
<b>Average revenue per access (£)***</b>					
Reuters Xtra	590	604	590	-	(1%)
Reuters Trader	243	247	257	(2%)	(1%)
Reuters Knowledge	156	162	149	(2%)	7%
Reuters Wealth Manager	42	43	41	2%	5%
<b>Total average revenue per access</b>	<b>310</b>	<b>313</b>	<b>300</b>	<b>-</b>	<b>4%</b>

\* Legacy Trader products – 2000/3000 series; Telerate; domestic products

\*\* Trader products - BridgeStation mid tier; TraderWeb; Reuters Trader for Commodities; Reuters Trader for Markets; other Trader domestics.

\*\*\* In Q3 there has been a minor realignment of Access driven revenue and Average revenue per access for prior periods, to reflect movement of a small amount of Reuters Dealing datafeed revenue from access driven to non-access driven revenue.

Reductions in revenue and average revenue per access between June and September 2006 were driven by currency effects.

## 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 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 the transformation initiatives undertaken through its "Fast Forward" transformation programme and its Core Plus growth strategy
- unfavourable conditions in financial markets
- the impact of currency and interest rate fluctuations on Reuters reported revenue and earnings
- difficulties or delays that Reuters may experience in developing or responding to new customer demands or launching new products
- the dependency of Reuters 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 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 or structural changes 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 Reuters to realise the benefit of existing or future acquisitions, disposals or joint ventures
- any issues identified with controls over financial reporting, including as a result of the project to achieve compliance with Sarbanes Oxley Act, section 404
- the increasingly litigious environment in which Reuters operates, especially in the area of patent and other intellectual property claims.

For additional information, please see "Risk Factors" in the Reuters Group PLC Annual Report and Form 20-F for the year ended 31 December 2005. Copies of the Annual Report and Form 20-F are available on request from Reuters Group PLC, South Colonnade, Canary Wharf, London E14 5EP and on Reuters website at [www.about.reuters.com/data/companyreports](http://www.about.reuters.com/data/companyreports). Any forward-looking statements made by or on behalf of Reuters speak only as of the date they are made. Reuters Group does not undertake to update any forward-looking statements.