

REUTERS PRELIMINARY RESULTS

Statutory results (unaudited)	Year to 31 December		% change Actual
	2004	2003	
	£m	Restated* £m	
Reuters	2,361	2,664	(11%)
Instinet Group	530	578	(8%)
Group revenue**	2,885	3,235	(11%)
Reuters	169	178	(5%)
Instinet Group	29	(48)	-
Group operating profit	198	130	52%
Profit before taxation	438	56	
Earnings per share (EPS)	25.2p	3.6p	
Dividend per ordinary share	10.0p	10.0p	

* 2003 results have been restated following adoption of UITFs 17 and 38 (see note 1 on page 14). The impact on profit before tax (PBT) is a decrease of £2 million in the year to 31 December 2004 and an increase of £7 million in the year to 31 December 2003. 2003 results have also been reclassified for recently issued SEC guidance (see note 1 on page 14) to gross up Instinet Group's transaction-related revenues and costs, with no impact on PBT. For the years ended 31 December 2004 and 2003, the increases are £30 million and £38 million respectively.

** After elimination of £6 million intra-group revenues (December 2003: £7 million).

Reuters (excluding Instinet Group) - other performance measures***

Revenue decline slowing

- Reuters recurring revenue of £2,164 million, down 11.9% of which 4.5% was due to currency; underlying decline reduced to 5.4% compared to 10.2% in 2003
- Q4 recurring revenue of £543 million, down 8.2% (2.3% on an underlying basis).

Fast Forward savings ahead of target; margins remain above 15%

- £234 million of cumulative savings delivered in 2004 compared to original target of £220 million
- Reuters operating profit (before amortisation of goodwill and intangibles, impairments and restructuring) of £357 million (2003: £408 million), at a margin of 15.1% (2003: 15.3%).

Profits up

- Profit before tax up £280 million to £382 million, driven mainly by profits on disposals
- EPS before amortisation of goodwill and intangibles, impairments and disposals of 13.0p (2003: 12.1p).

Net debt reduced

- Net debt of £169 million (2003: £610 million).

Reuters business highlights

- Usage revenues up an underlying 11% to £108 million, driven by growth in transactions products
- 328,000 user positions at year end; 1,000 new positions added in Q4
- Average revenue per access up 2% on an underlying basis to £304 per month in Q4.

Reuters guidance

- Q1 guidance confirmed for underlying recurring revenue - decline expected to be around 1.5%; further gradual improvement expected in Q2 following good January net sales
- Cumulative Fast Forward savings of £340 million expected by end 2005 with further restructuring charges in 2005 of £80 million.

*** This release includes certain non-GAAP figures which are performance measures, used to manage the business. See page 15 note 3 for explanations and reconciliations to equivalent UK GAAP figures. Reconciliations of underlying change, which is stated at constant exchange rates and excludes acquisitions and disposals, to actual measurements, can be found at www.about.reuters.com in the Investors section under Financial Data. See page 14 note 2 for definition of Group names.

Tom Glocer, Reuters Group Chief Executive, said: "Reuters and Instinet both performed well in 2004, as our focus on the core Reuters business and attention to creating value in the portfolio was reflected in strong EPS growth. Improving customer relationships, more competitive products and continued strong cost discipline position us well for 2005.

"Reuters goes into the last year of Fast Forward transformation with a strong delivery record, and our top priority is to finish what we have started. In parallel, we continue to invest in the quality and resilience of our service to customers and in promising areas of growth such as electronic trading and enterprise datafeeds. 2005 will be an exciting year for Reuters, as we begin to look beyond recovery to growth."

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Notes

Reuters (www.reuters.com), the global information company, provides indispensable information tailored for professionals in the financial services, media and corporate markets. Its trusted information drives decision making across the globe based on a reputation for speed, accuracy and independence. Reuters has 14,500 staff in 91 countries. This includes 2,300 editorial staff in 196 bureaux serving 129 countries, making Reuters the world's largest international multimedia news agency. In 2004, Reuters Group revenues were £2.9 billion.

Reuters and the sphere logo are the trade-marks of the Reuters group of companies.

Reuters Group preliminary results presentation for investors and analysts will be webcast live today from 09:30 GMT and available for replay from 12:00 GMT at www.reuters.com/webcast/resultsq404.

Reuters will hold a conference call for US investors at 15:00 GMT/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 by return.

Photographs are available at www.about.reuters.com/pressoffice/library/photos/senior.asp

This announcement includes forward-looking statements. See page 29 for a description of risk factors.

Review of 2004 results

Reuters Group

Reuters Group (RTR.L; RTRSY.O) pre-tax profit increased to £438 million from £56 million in 2003 and EPS rose from 3.6p to 25.2p. The major drivers of this improvement were a solid operating performance at Reuters, a return to profit at Instinet Group, and profits on disposals of £223 million at Reuters and £20 million at Instinet Group.

Reuters Group was cash positive at the end of December 2004, with £326 million of net funds (2003: £77 million net debt). Instinet Group held £495 million of net funds and Reuters carried £169 million of net debt (December 2003: £610 million). The reduction in Reuters net debt position over the course of the year was driven primarily by net proceeds from disposals of £434 million. In the second half of 2004, Reuters increased its debt slightly to finance the acquisition of Equant's share in Radianz, as a precursor to the planned sale of the whole of Radianz to BT.

The dividend remains unchanged at 10p per share.

Reuters

Reuters revenue was £2,361 million, a decrease of 11% compared to the previous year. On an underlying basis, adjusting for exchange rate movements and the impact of acquisitions and disposals, the decline was 5% compared to 12% in 2003. Exchange rate movements accounted for 4.7 of the 6 percentage point difference between actual and underlying declines in 2004.

Recurring revenue, which represented 92% of Reuters revenue in 2004, was £2,164 million. Fourth quarter recurring revenues were £543 million, a decline of 8.2% (2.3% on an underlying basis) compared to the same period last year. The fourth quarter out-turn was better than expected because of once-off benefits such as retrospective billing adjustments.

Operating profit before amortisation of goodwill and intangibles, impairments and restructuring charges was £357 million (2003: £408 million), a fall of 13%. Costs fell at broadly the same rate as revenues, with the result that margins held relatively steady at 15.1% (2003: 15.3%).

Reuters took a restructuring charge related to Fast Forward within operating profit of £120 million in 2004 (2003: £134 million net of a £10 million release of legacy programme provisions), principally to cover staff reductions and the early surrender of leases to facilitate the relocation of the company's London operations to Canary Wharf. Staff will start to move into the new building in May 2005.

Reuters operating profit was £169 million (2003: £178 million).

Reuters share of profits and losses from affiliates improved to a profit of £5 million (2003: loss of £28 million), largely driven by a significantly improved performance at Radianz. Reuters announced in October that it is in exclusive discussions with BT to secure a long-term agreement for the provision of network services, which would involve the sale of Radianz to BT.

Reuters profit before tax increased to £382 million (2003: £102 million), driven mainly by £223 million of profits on disposals, which included the majority of Reuters stake in TIBCO Software Inc. as well as its holdings in GL TRADE, RiskMetrics, TowerGroup and ORT SAS Group.

Reuters generated earnings per share before amortisation of goodwill and intangibles, impairments, disposals and non-recurring tax items of 13.0p (2003: 12.1p) and free cash flow of £212 million (2003: £197 million).

Revenue review

Sales & Trading segment

Revenue from Sales & Trading, 50% of Reuters 2004 revenues, was £1,180 million, an underlying decline of 4% compared to last year (9% on an actual basis).

During 2004, the key priorities in Sales & Trading moved on from upgrading customers on legacy products and defending the Treasury franchise to include new initiatives such as electronic trading.

Reuters made good progress on migrating customers to new products in the course of the year. By the end of 2004, two thirds of all Reuters desktop customers were using a product from Reuters new segmented product line and overall average revenue per access increased by 2% on an underlying basis.

At year end there were 108,000 installed positions of **Reuters Xtra family** products. 80% of the 20,000 positions added during the course of the year were migrations; the remainder were new business. Installations accelerated in the fourth quarter, largely due to take-up of *Reuters 3000 Xtra* with major customers.

In the **Reuters Trader family**, a third of Reuters customers are using one of Reuters latest Trader products, the majority of them in the US. The roll out of *Reuters Trader* in Europe has been slower than expected. Post launch product issues have now been fixed, and further work is under way to optimise overall product performance. There are 4,300 positions of *Reuters Trader* now installed.

Reuters Treasury business performed strongly throughout 2004 despite increased competition. Growth in brokerage systems continued in the fourth quarter, with US dollar weakness and increased trading in emerging markets currencies driving a 16% underlying increase in Treasury usage revenues.

In November, Reuters announced plans to extend its transactional capabilities from foreign exchange into equities, commodities, derivatives and fixed income to provide cross asset trading capability. The acquisition of Moneyline Telerate, announced in December but still subject to regulatory approval, will support this initiative, particularly in the fixed income market.

Research & Asset Management segment

Revenue from Research & Asset Management, 10% of Reuters 2004 revenues, was £235 million, up 2% compared to last year on an underlying basis. The 19% actual decline in revenues was driven by a combination of currency movements and the disposals of TowerGroup, Yankee Group and ORT SAS Group.

On an underlying basis, the **Reuters Knowledge family** grew revenues by 56% in 2004. This growth accelerated in the fourth quarter, driven by a global buy side sales campaign designed to raise awareness in investment management firms and hedge funds of the deeper company data, research and estimates information Reuters now offers. Reuters Knowledge now has 8,400 positions installed, and there have been substantial new sales since the year end including 350 positions at ABN AMRO Asset Management.

Revenue from the **Reuters Wealth Manager family** grew by 2% on an underlying basis in 2004. The major drivers of growth were the *Reuters Plus* US retail equities product, and Lipper mutual fund analysis. Lipper has recently strengthened its offering by acquiring Fitzrovia International plc, which analyses mutual fund fees and expenses. Reuters new European product, *Reuters Wealth Manager*, now has 4,400 positions sold. As with *Reuters Trader*, work is under way to optimise overall product performance.

Enterprise segment

Enterprise revenue, 20% of Reuters 2004 revenues, was £481 million, an underlying decline of 9% compared to last year (14% on an actual basis). The Enterprise segment comprises four product lines, offering customers fully integrated business solutions. **Risk Management** and **Enterprise Information Products** both have good potential for growth, and account for 24% of total Enterprise revenues. **Datafeeds** and **Market Data Systems** are more established businesses with strategically vital capabilities, that sit at the heart of Reuters new transactions markets.

Enterprise Information Products grew by 57% on an underlying basis in 2004, driven by a solid product offering and renewed market focus on data usage compliance. **Risk Management** acquired 30 new customers during 2004, including a major win at ING Group, and continues to show good potential despite a 2% underlying decline in revenues this year. Further new products and operational improvements are planned for **Risk Management** to help it realise the potential generated from having the largest installed base in the market, at 550 sites.

Datafeeds and **Market Data Systems** showed annual declines of 15% and 10% respectively on an underlying basis. These declines were driven by Reuters withdrawal from its consulting business as part of Fast Forward, major customers consolidating systems into larger centres and an aggressive campaign by Reuters to migrate small and medium sized customers to newer, desktop-based offerings. Nevertheless, Reuters continues to be uniquely placed to supply sophisticated enterprise solutions to customers with technology-intensive businesses. The fourth quarter saw excellent uptake of the next generation *Reuters Market Data System*, as customers invested to address areas of industry-wide concern such as increasing data rates and service resilience. Further enhancements are planned in these areas including the launch of *Reuters Datafeed Direct*, which combines the ultra high speed of direct exchange connections with Reuters market standard programming interfaces and data model.

Media segment

Media revenue was £144 million, an underlying decline of 2% (6% on an actual basis) compared to last year. The main driver of this decline was Reuters decision to restrict access to its news from third party websites, in order to strengthen the competitive advantage of Reuters professional and consumer offerings. This initiative has started to deliver benefit, with strong growth in consumer services offered via online, mobile and ipTV platforms, albeit from a small base.

Operating costs

Cost reductions kept pace with revenue declines in percentage terms in 2004, with an overall reduction of £294 million, giving total operating costs for the year of £2,192 million. The major drivers of cost reduction were Fast Forward savings, currency fluctuations, disposals and operational gearing linked to revenue decline. This cost decrease was achieved while also increasing investment in product and service capabilities.

Reuters recorded an additional £159 million of Fast Forward savings in 2004, to keep the cumulative total ahead of target at £234 million. Around half of the cumulative savings are headcount related, with the remainder coming from property rationalisation and reduced spend on communications. The Fast Forward restructuring charge in 2004 was slightly lower than expected at £120 million. Headcount reduced by over 1,000 in 2004 to end the year at less than 14,500, despite adding 850 new positions in customer facing departments, in data analysis in Bangalore and in product development in Bangkok.

Cash flow

Reuters generated free cash flow of £212 million in 2004 (2003: £197 million), driven in part by lower levels of capital expenditure (£90 million in 2004 vs £123 million in 2003). In 2005 Reuters expects an increase in capital expenditure to reflect approximately £30 million of fit-out costs for the company's new London headquarters in Canary Wharf and an additional £30 – 40 million to build data centre capacity and improve service resilience.

Fast Forward progress review

As Reuters enters the final year of its Fast Forward programme, it continues to make good progress on transforming itself into a more competitive, less complex, more service-driven and more efficient business.

Reuters drive to become more competitive delivered a successful defence of its Treasury franchise, new sales of its segmented product line to the buy side, and new initiatives to respond to market trends in transactions and the Enterprise segment.

Reuters continues to become less complex to do business with and less complex to manage, with the number of products sold now reduced by two thirds (a reduction of 826 products), on the way to 50 financial information desktop products grouped into four carefully targeted families.

Reuters annual survey of 12,000 customers demonstrates that customer satisfaction improved overall in 2004 compared to 2003. However, a power outage at Reuters UK Docklands data centre on 12 October 2004 caused a setback in the fourth quarter. Reuters immediately took corrective action to improve data centre resilience and will continue to invest in 2005 to make service resilience a competitive advantage.

Efficiency gains are also accelerating, with cost savings ahead of schedule and a greater proportion of staff now in customer facing roles.

Reuters expects great service, competitiveness, simplicity and efficiency to be fundamental to the way it continues to do business post the completion of Fast Forward.

Instinet Group

Instinet Group (INGP.O), the electronic brokerage firm in which Reuters has a 62% stake, made good progress in 2004, delivering operating profits of £29 million compared to a loss of £48 million last year.

Revenue was £530 million, 8% lower than last year but 2% higher if adjusted to reflect the negative impact of a weaker US dollar. Revenue rose in the fourth quarter both at Instinet, the institutional broker, and INET, the electronic market place, reflecting higher equity market volumes.

Operating costs continued to fall, driven by a 17% reduction in headcount to 1,000 people at year end. Further cost savings initiatives are planned at Instinet Group in 2005.

Instinet Group profit before tax of £56 million includes profits of £20 million from the disposals of stakes in Euronext, the London Stock Exchange and Archipelago.

Reuters said in November 2004 that it will consider opportunities to extract value from its holding in Instinet Group. Reuters and Instinet Group are considering strategic alternatives, including a possible sale, merger or other business combination or corporate transaction. Reuters does not intend to provide any further updates regarding a transaction involving Instinet Group until such time as it deems appropriate.

Impact of currency movements

At Reuters, changes in currency rates caused a £123 million reduction in revenues during 2004, the primary driver being the weakening of the US dollar. This was counterbalanced by a £118 million reduction in operating costs, with the result that currency movements had only a small effect on operating profits.

If current exchange rates were to persist for the rest of 2005, the effects of a slightly weaker US dollar and a slightly stronger Euro would largely balance each other out at Reuters operating profit level, limiting the impact of currency movements.

If the weakening of the US dollar intensifies, it is likely to have a more significant effect on Reuters operating profits in 2005 than in the past, because a higher proportion of these profits are expected to be US dollar denominated.

Reuters prospects

Reuters confirms its revenue guidance issued on 13 January 2005 that it expects underlying recurring revenues for the first quarter of 2005 to decline by around 1.5% compared to the same period in 2004. With net sales off to a good start in January, the company expects further gradual improvement in recurring revenues in the second quarter.

Reuters will continue to reshape its cost base in 2005, with a further £105 million of cost savings expected to be delivered under the Fast Forward transformation programme this year. This will bring the cumulative total to approximately £340 million by the end of 2005, on track to realise the full £440 million of promised savings by the end of 2006. The Fast Forward restructuring charge for 2005 is expected to be £80 million. This figure is higher than originally expected because it now includes once-off expenditure associated with completing the move of the company's London operations to Canary Wharf.

Reuters will report its 2005 results under International Financial Reporting Standards (IFRS), and will give more details on the impact of IFRS changes at a seminar on 10 March 2005.

Summarised financial statements for the year ended 31 December 2004 (unaudited)

1) Consolidated profit and loss account for the year to 31 December 2004 (unaudited)

	Year to 31 December	
	2004	2003
	£m	Restated* £m
Group revenue	2,885	3,235
Operating costs	(2,687)	(3,105)
Operating profit	198	130
Share of operating profits/(losses) of associates and joint ventures	4	(35)
Impairment of investments in associates and joint ventures	-	(9)
Profit on disposal of subsidiary undertakings	10	3
Loss on deemed partial disposal of subsidiary undertaking	(1)	-
Profit on disposal of associates and joint ventures	206	10
Share of profit on disposal of a business by joint venture	9	-
Loss on disposal of fixed assets	-	(17)
Profit on disposal of other fixed asset investments	19	6
Income from fixed asset investments	1	-
Amounts written off investments	(4)	(3)
Net interest payable	(4)	(29)
Profit on ordinary activities before taxation	438	56
Taxation on profit on ordinary activities	(73)	(22)
Profit on ordinary activities after taxation	365	34
Equity minority interest	(13)	16
Profit attributable to ordinary shareholders	352	50
Dividend		
- Interim	(54)	(54)
- Final	(86)	(86)
Retained profit/(loss) for the period	212	(90)
Basic earnings per ordinary share	25.2p	3.6p

** Reported results for 2003 have been restated following adoption of UITF 38 'Accounting for Employee Share Ownership Plan Trusts' and UITF 17 'Employee Share Schemes' and to reflect recently issued SEC guidance on accounting for transaction-related regulatory fees at Instinet Group. (See note 1 on page 14).*

2) Consolidated statement of total recognised gains and losses for the year to 31 December 2004 (unaudited)

	Year to 31 December	
	2004	2003
	£m	Restated* £m
Profit attributable to ordinary shareholders	352	50
Translation differences taken directly to reserves	(25)	(113)
Tax on translation differences taken directly to reserves	(10)	-
Total recognised gains and losses relating to the period	317	(63)
Prior period adjustment (see note 1 on page 14)	151	
Total gains and losses since last annual report	468	

** Reported results for 2003 have been restated following adoption of UITF 38 'Accounting for Employee Share Ownership Plan Trusts' and UITF 17 'Employee Share Schemes'. (See note 1 on page 14).*

The prior period adjustment reflects the impact of the change in accounting treatment on the total gains and losses recognised since the last annual report. This primarily relates to the reversal of prior year impairment charges, because Employee Share Ownership Trust (ESOT) shares are now held at cost.

3a) Consolidated cash flow statement for the year to 31 December 2004 (unaudited)

	Year to 31 December	
	2004	2003
	£m	£m
Net cash inflow from operating activities	254	429
Dividends received from associates	4	3
Returns on investments and servicing of finance		
Interest received	19	17
Interest paid	(30)	(45)
Income from fixed asset investments	1	-
Net cash outflow from returns on investments and servicing of finance	(10)	(28)
Taxation paid	(43)	(33)
Capital expenditure and financial investments		
Purchase of tangible fixed assets	(109)	(131)
Sale of tangible fixed assets	66	13
Purchase of fixed asset investments	(1)	(3)
Sale of fixed asset investments	25	11
Net cash outflow on capital expenditure and financial investments	(19)	(110)
Acquisitions and disposals (including joint ventures and associates)	361	(106)
Equity dividends paid	(140)	(140)
Cash inflow before management of liquid resources and financing	407	15
Management of liquid resources		
Net increase in short-term investments	(164)	(99)
Financing		
Proceeds from issue of shares	6	-
Net decrease in borrowings	(225)	(13)
Net cash outflow from financing	(219)	(13)
Increase/(decrease) in cash	24	(97)

3b) Reconciliation of net cash flow to movement in net funds/(debt) for the year ended 31 December 2004 (unaudited)

	Year to 31 December	
	2004	2003
	£m	£m
Increase/(decrease) in cash	24	(97)
Movement in borrowings	225	13
Movement in liquid resources	164	99
Change in net funds resulting from cash flows	413	15
Net funds (disposed)/arising on acquisitions	(1)	3
Non-cash movements	5	-
Translation differences	(14)	(29)
Movement in net funds/(debt)	403	(11)
Opening net debt	(77)	(66)
Closing net funds/(debt)	326	(77)

3c) Net cash inflow from operating activities for the year ended 31 December 2004 (unaudited)

	Year to 31 December	
	2004	2003
	£m	Restated £m
Operating profit	198	130
Depreciation	133	193
Amortisation and impairment of goodwill and other intangibles	75	121
Increase in stocks	(1)	(1)
Decrease in debtors	141	316
Decrease in creditors	(333)	(316)
Loss on disposal of tangible fixed assets	3	-
Employee share schemes charge/(credit)	18	(16)
Other, principally translation differences	20	2
Net cash inflow from operating activities	254	429

4) Consolidated balance sheet at 31 December 2004 (unaudited)

	As at 31 December	
	2004	2003 Restated
	£m	£m
Fixed assets	735	1,192
Stock	3	2
Debtors	784	981
Investments	108	-
Cash and short-term investments	836	694
Creditors	(1,263)	(1,766)
Net current assets/(liabilities)	468	(89)
Total assets less current liabilities	1,203	1,103
Long-term creditors	(348)	(425)
Provisions	(242)	(271)
Net assets	613	407
Capital and reserves		
Called-up share capital and share premium	455	449
Other reserve	(1,717)	(1,717)
Capital redemption reserve	1	1
Profit and loss account reserve	1,674	1,479
Shareholders' equity	413	212
Equity minority interest	200	195
Capital employed	613	407

**5) Reconciliation of movement in shareholders' equity for the year to 31 December 2004
(unaudited)**

	Year to 31 December	
	2004	2003 Restated
	£m	£m
Retained profit/(loss) for the period	212	(90)
Translation differences taken directly to reserves	(25)	(113)
Tax on translation differences taken directly to reserves	(10)	-
Shares issued during the period	6	-
Amounts credited/(charged) in respect of employee share schemes	18	(13)
Net movement in shareholders' equity	201	(216)
Opening shareholders' equity as previously stated	286	496
Prior year adjustment (See note 1 on page 14)	(74)	(68)
Opening shareholders' equity as restated	212	428
Closing shareholders' equity	413	212

Notes to the preliminary results for the year ended 31 December 2004 (unaudited)

1. Basis of preparation

With the exception of accounting for Employee Share Ownership Trusts (ESOTs) and employee share schemes and accounting for transactions-related regulatory fees, as described below, the above financial information has been prepared on a basis consistent with the accounting policies set out on pages 72 and 73 of Reuters Group PLC 2003 Annual Report and Form 20-F.

The preliminary results for 2004 are unaudited. The financial information set out in this announcement does not constitute statutory accounts for 2004 or 2003 as defined by the Companies Act. Financial information for 2003 is derived from the statutory accounts for that year, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or section 237(3) of the Companies Act 1985. The statutory accounts for 2004 will be finalised in due course.

Revised accounting for ESOTs and employee share schemes

UITF 38 'Accounting for ESOP Trusts' has been adopted for the 2004 financial statements. As a result, shares in Reuters Group PLC held by ESOTs have been reclassified from Fixed Asset Investments and are now treated as a deduction from Shareholders' Equity. No new shares have been acquired by the ESOTs during the year. In addition, revisions to UITF 17 'Employee Share Schemes' have changed the basis on which the costs of employee share schemes are charged to the profit and loss account.

The impact of both these changes in accounting treatment has resulted in prior period adjustments and previously reported figures have been restated accordingly. The reclassification of shares acquired by the Reuters ESOTs from Fixed Asset Investments to Shareholders' Equity has reduced net assets by £74 million as at 31 December 2003. The impact of adopting the amendment to UITF 17 was to decrease profit before tax by £2 million in the year to 31 December 2004 and to increase profit before tax by £7 million in the year to 31 December 2003.

Revised accounting for transaction-related regulatory fees – Instinet Group

Following recently issued Securities and Exchange Commission (SEC) guidance, Reuters Group has determined that transaction-related regulatory fees are more appropriately shown gross within revenue, rather than offset within brokerage, clearing and exchange fees. For the years ended 31 December 2004 and 31 December 2003, the regulatory fee expenses were £30 million and £38 million, respectively. This adjustment has no impact on profit before taxation.

2. Definition of Group names

In this release, "Reuters Group" and "Group" refer to Reuters Group PLC and its subsidiary undertakings including Instinet Group Incorporated (Instinet Group). "Reuters" refers to Reuters Group excluding Instinet Group.

3. Use of non-GAAP measures

To supplement UK GAAP measures, the Group undertakes further analysis to break out GAAP measures into their component parts, which result in the creation of certain non-GAAP measures. The rationale for this analysis and reconciliations to UK GAAP measures are set out below. These measures are used by management to measure the performance of the business and should be seen as complementary to, rather than replacements for, reported statutory results.

A more detailed explanation of the use of non-GAAP measures is set out on pages 27 and 28 of Reuters Group PLC 2003 Annual Report and Form 20-F.

a) Underlying results

Period-on-period change in Reuters is measured in overall terms (i.e. actual reported results under UK GAAP) and in underlying terms. Underlying change is calculated by excluding the impact of currency fluctuations and the results of acquisitions and disposals, as these are factors that are not on a like-for-like basis between periods. This enables comparison of Reuters operating results on a like-for-like basis between periods.

Underlying results reflect the operating results of the ongoing elements of each business unit, and measure the performance of management against variables over which they have control, without the impact of changes in rates of foreign exchange, and without the year-on-year impact of a step change in revenue and costs that can result from acquisition or disposal activity.

Underlying figures also allow investors to compare the reported Reuters results with the forward-looking guidance issued by Reuters to the investor community. Because it is not able to forecast currency movements or the exact timing and impact of acquisition and disposal activity, Reuters communicates its revenue guidance to investors on an underlying basis. Therefore, providing the underlying results in addition to the actual reported results assists investors in making their own assessments of company performance against the guidance given by management.

Reconciliation between actual percentage changes and underlying percentage changes can be found at www.about.reuters.com in the Investors section under Financial Data.

b) Exclusion of restructuring charges

Reuters results are viewed before and after the costs of Reuters business transformation plan, which includes the Fast Forward programme. Under the Fast Forward programme, Reuters is incurring restructuring costs, relating primarily to headcount reduction and rationalisation of the company's property portfolio. Fast Forward is a three year programme implemented to accelerate and expand on Reuters five year business transformation plan which was launched in 2001; the programme is scheduled to complete in 2005 as originally envisaged.

The Fast Forward programme is centrally managed, and its performance against targets is evaluated separately from the ongoing Reuters business. Fast Forward restructuring charges are therefore excluded from certain profit and margin measures. Because of their time-limited and defined nature, Reuters believes that presenting these measures both including and excluding restructuring charges gives

investors a more detailed insight into the performance of management and the business. In addition, Reuters management uses both measures to assess the performance of management and the business.

c) Exclusion of amortisation of goodwill and other intangibles, impairments and disposals

For certain cost, profit, margin and earnings per share measures, Reuters analyses its results before and after the impact of restructuring, amortisation of goodwill and other intangibles, impairments of subsidiaries, associates and joint ventures as well as amounts written off fixed asset investments and disposals. The non-GAAP EPS measure also eliminates the earnings impact of non-recurring tax charges and credits related to impairments, reorganisation and disposals.

The rationale for isolating restructuring charges is explained above. The other charges and income arise from corporate acquisition and disposal activity, rather than the ongoing operations of the business units. They are analysed and reviewed separately from ongoing operations as this is consistent with the manner in which Reuters sets internal targets, evaluates its business units and issues guidance to the investor community. Acquisition and disposal activity does not form part of the operations controlled by business unit management, and decisions around such activity are usually determined centrally.

Presenting earnings before amortisation of goodwill and other intangibles, impairments and disposals and the above non-recurring tax items also helps investors measure performance in relation to the Group's dividend policy. In October 2001, Reuters Group defined the long term goal of its dividend policy to be a dividend cover of at least two times, based on Reuters earnings before amortisation of goodwill and other intangibles, impairments and disposals.

d) Free cash flow

Reuters free cash flow is used as a performance measure and to assess the extent of the Group's dividend cover from a cash perspective. Free cash flow is intended to measure all Reuters cash movements other than those which are both discretionary in nature and unrelated to ongoing operating activities such as purchase of shares by the ESOTs, loans with associates and joint ventures and dividends paid out by the Group. Whilst Reuters believes that free cash flow is an important performance measure in respect of its cash flows, it is not used in isolation, but rather in conjunction with other cash flow measures as presented in the financial statements.

e) Reconciliation of non-GAAP measures (unaudited)

Reconciliation of non-GAAP operating profit

	Year to 31 December	
	2004	2003 Restated
	£m	£m
Reuters Group operating profit	198	130
Exclude Instinet Group operating (profit)/loss	(29)	48
Reuters operating profit	169	178
Exclude:		
Restructuring charges	120	134
Amortisation of goodwill and other intangibles	55	89
Impairment of goodwill and other intangibles	13	7
Reuters operating profit before amortisation of goodwill and other intangibles, impairments and restructuring	357	408

Reconciliation of non-GAAP operating margin

	Year to 31 December	
	2004	2003 Restated
	%	%
Reuters Group operating margin	6.9%	4.0%
Exclude Instinet Group operating margin	(5.4%)	-
Reuters operating margin	7.2%	6.7%
Exclude:		
Restructuring charges	5.1%	5.0%
Amortisation of goodwill and other intangibles	2.3%	3.3%
Impairment of goodwill and other intangibles	0.5%	0.3%
Reuters operating margin before amortisation of goodwill and other intangibles, impairments and restructuring	15.1%	15.3%

Reconciliation of non-GAAP profit before taxation

	Year to 31 December	
	2004	2003 Restated
	£m	£m
Reuters Group profit before taxation	438	56
Exclude:		
Amortisation of goodwill and other intangibles	63	108
Impairments	17	32
Disposals	(243)	(2)
Reuters Group profit before taxation, amortisation of goodwill and other intangibles, impairments and disposals	275	194
Reuters Group profit before taxation	438	56
Exclude Instinet Group (profit)/loss before tax	(56)	46
Reuters profit before taxation	382	102
Exclude:		
Amortisation of goodwill and other intangibles	56	96
Impairments	17	17
Disposals	(223)	(3)
Reuters profit before taxation, amortisation of goodwill and other intangibles, impairments and disposals	232	212

Reconciliation of EPS

	Year to 31 December	
	2004	2003
	pence	Restated pence
Reuters Group EPS	25.2	3.6
Exclude:		
Amortisation of goodwill and other intangibles	4.5	7.7
Impairments	1.2	2.3
Disposals	(17.4)	(0.1)
Adjustment to tax charge for non-recurring tax effects of impairments, reorganisations and disposals	0.6	(1.4)
Adjustment to equity minority interest for effect of amortisation of goodwill and other intangibles, impairments and disposals	0.2	(0.7)
Reuters Group EPS before amortisation of goodwill and other intangibles, impairments, disposals and non-recurring tax effects of impairments, reorganisations and disposals	14.3	11.4
Reuters Group EPS	25.2	3.6
Exclude Instinet Group EPS	(1.6)	1.9
Reuters EPS	23.6	5.5
Exclude:		
Amortisation of goodwill and other intangibles	4.0	6.8
Impairments	1.2	1.3
Disposals	(15.9)	(0.2)
Adjustment to tax charge for non-recurring tax effects of impairments, reorganisations and disposals	0.1	(1.3)
Reuters EPS before amortisation of goodwill and other intangibles, impairments, disposals and non-recurring tax effects of impairments, reorganisations and disposals	13.0	12.1

Reconciliation of free cash flow

	Year to 31 December 2004		
	Reuters £m	Instinet Group £m	Reuters Group £m
Net cash inflow/(outflow) from operating activities	288	(34)	254
Dividends received from associates	4	-	4
Returns on investment and servicing of finance	(19)	9	(10)
Taxation paid	(38)	(5)	(43)
Capital expenditure and financial investments	(41)	22	(19)
Interim funding payment	18	-	18
Free cash flow	212	(8)	204

4. Share and dividend data

The weighted average number of ordinary shares used for the calculation of earnings per share was 1,400 million for the year to December 2004 (December 2003: 1,396 million).

The final dividend of 6.15 pence per share is payable on 28 April 2005 to ordinary shareholders on the register as at 11 March 2005. The final dividend is payable on 5 May 2005 to American Depository Shareholders on the record at 11 March 2005. The ex-dividend date for ordinary shareholders and American Depository Shareholders is 9 March 2005.

5. Segmental analysis

The tables 5a-d below show a segmental analysis of revenue, costs and results which reflect the way Reuters has been managed since 1 January 2004, and the management of Instinet Group as a separate business within the Reuters Group.

Reuters product revenues are classified into product families, which are aligned to the customer segments as shown in table 5c. Product families map directly to one segment with two exceptions. Reuters Xtra family and Reuters Trader family revenues are initially fully attributed to the Sales & Trading customer segment. Those revenues earned from Research & Asset Management customers are then re-allocated to that customer segment by reference to the activities at particular customer sites.

Recoveries revenue arises where Reuters recharges costs, primarily exchange fees and communication costs, to customers. The revenues received from customers almost exactly match the exchange fees and communication costs incurred within Channel costs.

Prior periods have been restated to reflect changes in the segmentation of revenues and minor changes in the management of the cost base for Reuters, and the reclassification of Instinet Group transaction-related regulatory fees.

5a. Segmental analysis for the year to 31 December 2004 (unaudited)

Revenue	Year to 31 December		% Change	
	2004	2003	Actual	Underlying
	£m	Restated £m		
Sales & Trading	1,180	1,300	(9%)	(4%)
Research & Asset Management	235	290	(19%)	2%
Enterprise	481	560	(14%)	(9%)
Media	144	153	(6%)	(2%)
Recoveries	321	361	(11%)	(7%)
Reuters	2,361	2,664	(11%)	(5%)
Instinet Group	530	578	(8%)	2%
Intra-Group revenue	(6)	(7)	22%	19%
Group revenue	2,885	3,235	(11%)	(4%)
Costs				
Customer Segments	166	250	(33%)	(14%)
Channels	822	940	(12%)	(8%)
Operations and Technology	630	674	(7%)	-
Content	262	278	(6%)	(1%)
Corporate Services / Other	124	114	8%	15%
Reuters	2,004	2,256	(11%)	(4%)
Instinet Group	486	557	(13%)	(3%)
Intra-Group costs	(6)	(7)	22%	19%
	2,484	2,806	(11%)	(4%)
Restructuring costs - Reuters	120	134	(11%)	(8%)
- Instinet Group	8	44	(82%)	(83%)
	2,612	2,984	(12%)	(5%)
Goodwill and other intangibles:				
Amortisation - Reuters	55	89	(38%)	(38%)
- Instinet Group	7	12	(37%)	(37%)
Impairment - Reuters	13	7	78%	78%
- Instinet Group	-	13	-	-
Group operating costs	2,687	3,105	(13%)	(7%)
Group operating profit	198	130	52%	63%

5b. Reuters Revenue by Segment by Type for the year to 31 December 2004 (unaudited)

	Year to 31 December		% Change	
	2004	2003	Actual	Underlying
	£m	£m		
Recurring	1,084	1,200	(10%)	(5%)
Outright	5	7	(19%)	1%
Usage	91	93	(3%)	9%
Sales & Trading	1,180	1,300	(9%)	(4%)
Recurring	230	288	(20%)	2%
Outright	3	2	55%	67%
Usage	2	-	-	-
Research & Asset Management	235	290	(19%)	2%
Recurring	399	464	(14%)	(8%)
Outright	81	96	(16%)	(12%)
Usage	1	-	-	-
Enterprise	481	560	(14%)	(9%)
Recurring	130	143	(9%)	(3%)
Usage	14	10	40%	16%
Media	144	153	(6%)	(2%)
Recurring	321	361	(11%)	(7%)
Recoveries	321	361	(11%)	(7%)
Recurring	2,164	2,456	(12%)	(5%)
Outright	89	105	(15%)	(10%)
Usage	108	103	5%	11%
Total Reuters revenue	2,361	2,664	(11%)	(5%)

5c. Reuters Revenue by Segment by Product Family for the year to 31 December 2004 (unaudited)

	Year to 31 December		% Change	
	2004	2003	Actual	Underlying
	£m	£m		
Reuters Xtra	775	725	7%	12%
Reuters Trader	405	575	(29%)	(25%)
Sales & Trading	1,180	1,300	(9%)	(4%)
Reuters Xtra	62	61	2%	9%
Reuters Trader	11	18	(45%)	(43%)
Knowledge	65	108	(39%)	56%
Wealth Manager	97	103	(5%)	2%
Research & Asset Management	235	290	(19%)	2%
Enterprise	481	560	(14%)	(9%)
Media	144	153	(6%)	(2%)
	2,040	2,303	(11%)	(5%)
Recoveries	321	361	(11%)	(7%)
Total Reuters revenue	2,361	2,664	(11%)	(5%)

5d. Reuters Revenue by Geography for the year to 31 December 2004 (unaudited)

	Year to 31 December		% Change	
	2004	2003	Actual	Underlying
	£m	£m		
Europe, Middle East, Africa	1,344	1,501	(11%)	(7%)
Americas	631	733	(14%)	(2%)
Asia	386	430	(10%)	(3%)
Total Reuters revenue	2,361	2,664	(11%)	(5%)

6. Reuters quarterly Product Family statistics (unaudited)

	Three months ended			Underlying percentage change	
	December 2004	September 2004	December 2003	Versus September 2004	Versus December 2003
Period end accesses (000s)					
3000 Xtra	88	83	69	6%	27%
Dealing	18	18	18	-	1%
Other Xtra	2	2	1	12%	51%
Reuters Xtra	108	103	88	5%	23%
2000/3000	44	50	68	(13%)	(35%)
Other Trader	56	57	65	(2%)	(11%)
Reuters Trader	100	107	133	(7%)	(24%)
Knowledge & Wealth Manager	120	117	117	3%	2%
Total period end accesses	328	327	338	-	(3%)
Access driven revenue (£m)					
Reuters Xtra	193	183	177	4%	13%
Reuters Trader	86	87	118	(1%)	(24%)
Knowledge & Wealth Manager	19	20	20	2%	9%
Total access driven revenue	298	290	315	2%	(2%)
Other recurring revenue	245	238	277	1%	(3%)
Recurring revenue	543	528	592	2%	(2%)
Average revenue per access (£)					
Reuters Xtra	613	606	692	-	(9%)
Reuters Trader	278	264	272	4%	-
Knowledge & Wealth Manager	54	56	58	-	6%
Total average revenue per access	304	294	303	2%	2%

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

7. Reuters cost by type for the year to 31 December 2004 (unaudited)

	Year to 31 December		% Change	
	2004	2003	Actual	Underlying
	£m	Restated £m		
Staff	903	1,005	(10%)	(3%)
Services	422	456	(8%)	1%
Depreciation	112	150	(25%)	(21%)
Data	247	279	(11%)	(7%)
Communications	302	348	(13%)	(4%)
Space	176	201	(13%)	(6%)
Amortisation and impairment of subsidiary goodwill and other intangibles	68	96	(29%)	(29%)
Recharges	(38)	(49)	23%	12%
Operating costs	2,192	2,486	(12%)	(5%)

8. Summary of financial results for the year to 31 December 2004 in US dollars (unaudited)

The following information is provided for the convenience of US shareholders. Summary headline figures from the financial results for the year to 31 December 2004, as prepared under UK GAAP and in sterling, have been translated into US dollars. For convenience all figures (including comparatives) have been converted at £1 = US\$1.82, the average rate for the twelve months to 31 December 2004.

	Year to 31 December	
	2004	2003
	\$m	Restated \$m
Sales & Trading	2,148	2,366
Research & Asset Management	428	528
Enterprise	875	1,019
Media	262	278
Recoveries	583	657
Reuters	4,296	4,848
Instinet Group	965	1,052
Intra-Group	(10)	(12)
Revenue	5,251	5,888
Reuters	308	323
Instinet Group	52	(86)
Operating profit	360	237
Reuters	696	186
Instinet Group	102	(84)
Profit on ordinary activities before taxation	798	102

9. Reconciliation of Instinet Group results for the year to 31 December 2004 (unaudited)

The following is a reconciliation of the unaudited results for the year to 31 December 2004 under US GAAP as released by Instinet Group to the numbers that will be reported by Reuters under UK GAAP. Comparative numbers for the year to 31 December 2003 are also shown.

	Revenue		Profit/(loss) after taxation	
	Year to 31 December 2004	2003 restated*	Year to 31 December 2004	2003
Per Instinet Group's results – US GAAP (US\$m)	1,187	1,156	54	(74)
Adjustments to UK GAAP				
- Soft dollar commission	(215)	(212)	-	-
- Interest	(7)	(11)	-	-
- Investments / impairments	-	9	21	5
- Amortisation of intangibles	-	-	3	5
- Stock compensation	-	-	(2)	1
- Restructuring	-	-	(3)	6
- Tax	-	-	(9)	(17)
- Other, including currency translation	-	-	-	3
Instinet Group's results – UK GAAP (US\$m)	965	942	64	(71)
Instinet Group's results – UK GAAP (£m)	530	578	35	(43)

**Following recently issued Securities and Exchange Commission guidance, 2003 revenue has been reclassified to reflect the grossing up of transaction-related regulatory fees within transaction revenue and brokerage, clearing and exchange fees. These fees had previously been recorded as a reduction in the corresponding transaction revenue and shown on a net basis. For the years ended 31 December 2004 and 31 December 2003, the regulatory fee expenses were \$53 million and \$61 million, respectively. This adjustment has no impact on profit/(loss) after taxation. (See note 1 page 14.)*

Exchange rates of US\$1.82/£1.00 and US\$1.63/£1.00 have been used, being the average rates for the twelve months to 31 December 2004 and the twelve months to 31 December 2003 respectively.

Explanation of adjustments

Revenue

A significant part of the adjustment from US GAAP to UK GAAP relates to soft dollars, primarily relating to the purchase of third party research products, as well as payments made as part of Instinet Group's commission recapture services. Under US GAAP, Instinet Group reports its transaction fee revenue from these businesses on a gross basis. Under UK GAAP, these revenues and costs are not grossed up but are netted against each other.

The other 2004 revenue adjustment relates to net interest income, which is not reported as revenue under UK GAAP.

Instinet Group included various items related to investments within revenue in 2003, but in 2004 reclassified these as a component of total expenses. These items are not reported as revenue under UK GAAP, and are reconciling items in 2003 only.

Profit/(loss) after taxation

Adjustments to net profit/(loss) after taxation include the reversal of mark-to-market adjustments, profits and losses on disposal of investments based on historical cost, reversal of amortisation of intangible assets, impairment of investments held at the balance sheet date, stock based compensation costs, restructuring charges, currency translation differences and the tax impact of these adjustments.

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 acquisitions, disposals and 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 benefit of acquisitions: in particular the ability of the Group to complete the transactions with Moneyline Telerate and QUICK Corp. and realise the anticipated benefits is subject to: the risks that the conditions to such transactions will not be satisfied, including that necessary regulatory approvals are not obtained; risks related to the integration of the companies' operations and products following completion, including achieving expected synergies; and general risks associated with the companies' businesses
- the ability of the Group to realise the benefit of disposals: in particular the ability of the Group to complete the sale of Radianz to BT and realise the anticipated benefits is subject to the parties agreeing to a satisfactory price and other terms and the assumption that BT's acquisition and operation of Radianz results in the anticipated benefits and efficiencies to Reuters. There can be no assurance that Reuters will successfully sell all or any part of its stake in Radianz or that it will receive any particular price for it
- any changes in accounting policies that are required for the Group to comply with International Financial Reporting Standards (effective 1 January 2005) or other changes mandated by regulatory authorities that impact the Group's financial reporting.

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.

Ends