



Proposed Return of Cash to Shareholders

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- Capital reorganisation to return £1.5 billion capital to shareholders
- Reuters to maintain ongoing programme of market repurchases
- A new holding company, Reuters Group PLC, to acquire Reuters Holdings PLC
- Shareholders receive 13 new ordinary shares plus £13.60 for every 15 shares held
- Holders of American Depositary Shares (ADSs) receive 13 new ADSs plus US dollar equivalent of £81.60 for every 15 ADSs held
- Comparability of share price and UK GAAP earnings per share maintained
- Shareholder value enhanced through a reduction in Reuters cost of capital
- Continued investment in attractive growth opportunities
- Reuters Trust principles and commitment to independent news provision maintained

London, 4 December 1997 - Reuters announced today its intention to implement a capital reorganisation which will return £1.5 billion of surplus capital to shareholders. The reorganisation will involve the creation of a new holding company, Reuters Group PLC, which will acquire Reuters Holdings PLC in a Court approved scheme of arrangement.

Reuters will continue to return surplus capital to shareholders through an ongoing repurchase strategy and will continue with its previously announced programme to spend up to £200 million buying back its shares. The aim is to complete this by the end of 1998.

Ordinary shareholders will receive 13 shares in Reuters Group PLC plus £13.60 in cash for every 15 shares held. ADS holders will receive 13 new ADSs plus the US dollar equivalent of £81.60 in cash for every 15 ADSs held.

The return of surplus capital reflects the continuing success of Reuters policy of focusing on the existing business. The Company continues to believe that its markets - primarily the different segments of the wholesale finance industry worldwide - are already sufficiently broad and demanding and that a focused approach remains essential to success. The Company believes growth prospects in these markets are good and that it retains sufficient access to funds to allow it to maintain necessary levels of investment, and to increase them if the continuing rapid pace of technological development so demands.

Reuters continues to expect underlying revenue growth for 1997 at comparable exchange rates to be around 8%, the level achieved for the first nine months of the year.

The reorganisation of Reuters capital structure will enhance shareholder value through a reduction in the Company's cost of capital from the return of £1.5 billion of surplus equity capital. In the UK market the cost of equity is generally accepted as being above 10 per cent per annum compared with the current after-tax cost of debt of around 5 per cent per annum.

One-off tax and other costs relating to the return of capital to shareholders, principally the costs of remitting funds from overseas subsidiaries, will amount to around £30 million, which will be charged against 1997 earnings. The number of new shares issued is intended to facilitate comparability of past performance of both UK GAAP earnings per share and the ordinary share price.

The Company has received clearances from the Inland Revenue in respect of the transaction, which will also require court and shareholder approval. Documentation will be sent to shareholders later in December in advance of a shareholder meeting in January 1998. The reorganisation is expected to become effective, payment made and the new shares listed in February 1998. The record date will be shortly before completion. The 1997 final dividend will be paid on Reuters Group PLC shares.

The powers of the Reuters Trust will remain unchanged. Certain additional consents to the reorganisation will be required to effect this. The principal purpose of the Reuters Trust is to preserve the Company's independence from factional control.

Reuters has generated net cash, after paying dividends and tax, of £568 million in the three years to 31 December 1996. At 30 June 1997, Reuters had net cash of £1,121 million. Accordingly, the Board believes it is appropriate to return capital to shareholders at this time. The return of £1.5 billion will create net debt in Reuters for the first time since 1981.

The net cash generated in the three years to 31 December 1996 was after around £1,272 million spent on capital equipment and acquisitions. Development expenditure in that period amounted to £552 million. Recent programmes to develop the business have included those for the 3000 series products and a wide range of products for Internet and Intranet delivery.

The Chairman said: "A focused business philosophy is not new to the Company, which pioneered a return of cash in 1993 at a time when it was considered unusual to do so in the UK. Since then profits have increased substantially.

"Whilst Reuters welcomes the expected abolition of Advance Corporation Tax (ACT) in 1999, it believes that it should be returning surplus capital to shareholders before then. The Company remains strongly cash generative."

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Additional Notes

Summary of the Tax Position for Shareholders

1. UK Tax Position

UK shareholders will be treated as making a part disposal of their existing Reuters Holdings shares to the extent they receive cash under the reorganisation. This part disposal may give rise to a liability to UK taxation of chargeable gains. The proportion of any chargeable gain inherent in the Reuters Holdings shares that is realised on the part disposal will be dependent on the market value of Reuters Group shares at the date of issue of the shares.

To the extent UK shareholders receive shares in Reuters Group they will not be treated as disposing of Reuters Holdings shares.

2. US Tax Position

In general, no gain or loss will be recognised by shareholders that are US persons in respect of the exchange of their Reuters Holdings shares for new shares under the reorganisation. The amount of any cash received by such shareholders pursuant to the reorganisation will, however, be treated as dividend income received from foreign sources.

Further details of the tax position of shareholders will be set out in the documentation sent to shareholders later in December. Shareholders should consult their professional advisor regarding their individual tax position.

Settlement arrangements for ADS holders

Dollar amounts paid to ADS holders by the US Depository will depend on the sterling/dollar exchange rate at the time of payment, as for regular dividend payments.

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