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PRESENTATION

Anthony Habgood *- Reed Elsevier plc - Chairman*

Ladies and gentlemen, thank you very much for coming, for battling a way in this morning, and for those of you on the webcast, thank you for listening in.

It gives me particular pleasure today that we're reporting first-half results which are showing growth in sales and profits for all five of our businesses. With underlying revenues in constant currency growing on aggregate at 5%, earnings per share for the parent companies grew at 11% for plc and 18% for NV. These are record results and mark an important step for us in that they really reaffirm our positive momentum. We're also reaffirming our commitment to continuing to dispose of businesses that no longer fit our strategy and to do this for the benefit of our shareholders. Our increase in dividends of 6% for plc and 18% for NV reflect the earnings increases and our confidence in the future.

The evolution of our Boards is continuing with our announcement today that Linda Sanford will be joining us in December. As Senior Vice President of Enterprise Transformation and IT of IBM Corporation, Linda has over 35 years' experience in technological businesses, and in particular in leveraging technology to achieve business transformation. She has also been a Non-Executive Director of ITT for almost 15 years and I'm sure she will bring valuable experience to our Boards.

Mark will now take you through the results and Erik will describe the forward momentum in the businesses in more detail.

Mark Armour *- Reed Elsevier plc - CFO*

Thank you Chairman and good morning. I'm pleased to report a very strong set of results. Underlying revenue growth was 5%. Excluding a 2% benefit from biennial exhibitions cycling in, that is exhibitions that took place this year but not last year, underlying revenue growth was 3%. Underlying operating profit growth was 7%. Including acquisitions and disposals, overall revenue was up 5% at constant currencies and in sterling. In euros overall revenues were up 12%, reflecting the weakening of the euro first half on first half. Adjusted operating margin increased 1.1 percentage points to 27.7%.

Adjusted earnings per share were up 11% for Reed Elsevier plc at 24.7p and up 18% for Reed Elsevier NV at EUR0.47. And it's good to hear the band chime in. At constant currencies adjusted earnings per share were up 10%. The growth in reported EPS, that is including amortization of acquired intangible assets and disposal gains, was 52% for Reed Elsevier plc and 57% for Reed Elsevier NV.

Cash flow was strong, with a 52% conversion of adjusted operating profits into cash in the first half and 94% on a last 12-month basis. Our balance sheet is in good shape, with net debt to EBITDA of 2.3 times on a pensions and lease-adjusted basis or 1.7 times on an unadjusted basis. The interim dividend is up 6% for Reed Elsevier plc and up 18% for Reed Elsevier NV. The significantly higher increase for Reed Elsevier NV reflects the weakening of the euro against sterling since last year's interim dividend announcement.

I'm presenting the figures today as usual in sterling. The same charts with euro figures can be found in the appendices to the presentation. Reported revenues and adjusted operating profits were up 5% and 9% respectively in sterling, and up 5% and 8% respectively at constant currencies. Interest expense was lower, principally reflecting the redemption of debt at the beginning of the year, giving adjusted pre-tax profits up 11% in sterling and at constant currencies. In euros they were up 18%. The effective tax rate was up 40 basis points, reflecting increased profits and geographic mix. Adjusted net profit was up 11% in sterling and 10% at constant currencies. The increase in euros was 18%.

Focusing on revenue, profit and margin, as said earlier, underlying revenue growth was 5% and operating profit, underlying operating profit growth was 7%, with each of our businesses contributing underlying revenue and profit growth. The 110-basis-point increase in operating margin included 40 basis points from portfolio change, including the effect of low-margin disposals in the prior year as well as this year. The margin increase also included 10 basis points from currency effects, with a positive impact from the multiyear subscription currency hedging program in Elsevier, mostly offset by unfavorable currency translation mix effects. The impact of currency hedging and translation effects in Elsevier is set out in appendix.

The underlying margin improvement of 60 basis points reflects the revenue growth and improvement in operating efficiency, while we continue to invest in new product initiatives, sales and marketing and market expansion.

Our 5% underlying revenue growth came from Elsevier, up 2%, Risk Solutions up 5%, Legal & Professional up 1%, Reed Exhibitions up 23%, and RBI up 1%. The difference between the underlying change and the constant rate changes reflects acquisitions and disposals. Of note are the reported growth rates in Risk Solutions, which overall was flat following last year's disposal of the insurance software business, and in Legal & Professional, which was 1% lower, reflecting some small disposals last year.

Reported growth in Reed Exhibitions was boosted by our buyout at the beginning of the year of the Brazilian joint venture which has now consolidated and other acquisitions. Excluding cycling, Reed Exhibitions was up 12% in underlying revenue growth in the first half. Of this 12%, 4% of this was due to a shift in timing of some annual shows, i.e. shows that took place in the second half last year that took place in the first half this year. An analysis of the Reed Exhibitions growth rate between acquisitions and disposals, underlying growth and currency effects, and cycling is set out in the appendix.

RBI now includes a full contribution from the Accuity and Ascend businesses acquired last year, but in revenue terms this is largely offset by business disposals. Erik will talk later on the performance of each business and our outlook.

Turning to adjusted operating profit, the 7% underlying increase came from Elsevier up 4%, Risk Solutions up 5%, Legal & Professional 2%, Reed Exhibitions up 30% and RBI up 10%. The net effect of acquisitions and disposals, while having little overall effect on revenue, has increased profits by 1 percentage point.

This next chart sets out how the underlying operating profit performance is derived from the underlying revenue growth and cost increases.

In Elsevier, underlying cost grew 2% from business growth and spending on new product and market initiatives, mitigated by ongoing process efficiencies and procurement savings. At Risk Solutions, underlying cost growth also reflects business growth and continued investment in new product initiatives and market expansion. In Legal & Professional, cost increases from the product development program and in sales and marketing are largely offset by operational efficiencies. In Reed Exhibitions, the 20% increase in cost is driven by volume and investment in emerging markets, new launches and global platforms. At RBI underlying costs were 1% lower reflecting the cost actions taken to reposition the business and improve its profitability.

This next chart shows how the Reed Elsevier net profit is divided between Reed Elsevier plc and Reed Elsevier NV. With the average number of shares in issue largely unchanged, the 11% increase in adjusted net profit in sterling and the 18% increase in euros flow through to the growth in adjusted earnings per share.

This chart reconciles the adjusted figures, which are used as key performance measures, to the reported IFRS pre-tax figures. The adjustments relate to the amortization of acquired intangibles, acquisition integration costs, the reclassification of tax in joint ventures and disposal gains. Of note is the reduction in the acquisition-related costs following the ChoicePoint integration and more significantly the net gain on disposals, including Totaljobs. There were no exceptional restructuring costs in either year, with all restructuring costs included within adjusted operating profit.

Adjusted operating cash flow represented 92% of adjusted operating profit. CapEx was similar to the prior first half, with an increased level expected in the second half, reflecting project timing. We expect CapEx to be approximately 6% of revenues for the full year.

With higher operating profits and a slightly increased cash flow conversation rate, adjusted operating cash flow increased by 12%. Free cash flow as up 18% before paying last year's final dividend. With this year's interim dividend to pay in the second half rather than the much larger prior-year final, the majority of our annual free cash flow arises in the second half rather than the first half.

Turning to the balance sheet, no major changes. The net pension obligations are higher than at the beginning of the year due to the reduction in discount rates, which has increased pension liabilities. And net debt is GBP115m lower at GBP3.3b. This reduction in net debt stems from the free cash flow, partly absorbed by the small net cash outflow from portfolio change. This includes some cash flows in respect of prior-year transactions, such as deferred consideration. Currency translation effects are minor. Net debt to EBITDA was 2.3 times on a pensions and lease-adjusted basis. This is the same as at the beginning of the year, reflecting the seasonality of the free cash flow. On a non-adjusted basis net debt to EBITDA was 1.7 times.

During the first half of the year we have completed a number of disposals and further disposals are planned, including Variety and RBI Australia. These disposals are mildly dilutive to earnings per share, with a full-year effect in 2013. And it's our intention to mitigate this through applying the gross proceeds of divestments made this year to share buybacks. The proceeds of disposals completed in the first half amounted to GBP158m. And it is intended that the proceeds of disposals completed in the second half will be similarly applied to buybacks. Reed Elsevier plc and Reed Elsevier NV will buy back shares proportionately with a reference to equalization ratio and their respective issued share capitals.

The first-half gross proceeds exceed the net disposal proceeds of GBP124m seen in the cash flow in the previous chart, with the difference reflecting the separation in transaction costs, pension scheme contributions related to the disposals, as well as residual adjustments in respect of prior-year transaction.

A brief heads-up on a prospective change in IFRS accounting standards on pensions accounting that will be introduced next year. The principal change affecting Reed Elsevier relates to the calculation of a net pension financing credit which, in the first half, amounted to GBP13m currently included in operating profit.

So what is the annual net pension finance and credit or charge? It's the difference between the expected returns for the year on pension scheme assets less the interest cost of unwinding the discount on pension scheme liabilities. From next year the return on assets will be calculated by reference to the discount rate used to discount the liabilities, irrespective of the asset allocation of the pension schemes. As you might expect, this will likely result in reducing the amount to be included for asset returns.

From 2013 we will include the net pension financing credit or charge within net finance expenses rather than operating profit. And given the potentially greater volatility of the amount due to the vagaries of the discount rate, the annual credit or charge will be excluded from our adjusted earnings measures. This accounting change will have no impact on Reed Elsevier's balance sheet nor on our cash flows.

Had the new accounting standard been in place for 2012, the effect would have been a reduction in adjusted pre-tax profits of GBP13m in the first half. And this will be included in the restatement of comparatives required when the 2013 figures are reported. The full-year effect is double that of the first half. And I've set out an appendix, an analysis of the net pension financing credit and the pro-forma effects of this prospective accounting change.

Returning to the real world of economic effects, I am pleased to report that the equalized interim dividends are up 6% for Reed Elsevier plc to 6p and up 18% for Reed Elsevier NV to EUR0.13. The euro/sterling exchange rate used in determining the equalized interim dividends is EUR1.27 to GBP1, which compares with EUR1.14 to GBP1 a year ago, and this gives rise to the difference in growth rates. If the exchange rates remain where they are for the final dividend announcement next February, the effect will be less marked because the euro/sterling exchange rate used for last year's final was EUR1.20 to GBP1. The equalization calculations for the interim dividends are set out in appendix.

Now let me pass over to Erik.

Erik Engstrom - *Reed Elsevier plc - CEO*

Good morning everybody. Again thank you for coming and for taking the time to be here today. As you've seen this morning, we continued to make good progress in the first half of the year. Our financials are improving despite the difficult macroeconomic environment and we're continuing to transform our asset base and its earnings quality through organic development and by systematically evolving our portfolio towards higher underlying revenue growth and profitability.

In terms of operating performance, our first-half online revenue growth has recovered from an all-time low in 2009 to 5% growth this year on an underlying as-reported basis. And if you exclude the effect of biennial exhibition cycling from each of the past four years, like-for-like underlying revenue growth has recovered to 3%. Our first-half underlying profit growth, without any adjustment for exhibition cycling has recovered to 7% and our first-half earnings per share growth at constant currencies has recovered to 10%.

And despite increasing the organic investment in our business and completing a few acquisitions, we've taken our net debt to EBITDA ratio back into a range that we're very comfortable with, now at 2.3 times on a pension and lease-adjusted basis. And as you saw from Mark, in the first half this year all five business areas delivered underlying revenue growth. And all five business areas delivered underlying profit growth. So let's take a brief look at each one of them.

Elsevier grew 2%, with good unit volume growth across science and health, particularly from emerging markets. Throughout the first half we saw double-digit growth in usage and in article submissions. We also saw strong revenue growth in databases and tools and double-digit revenue growth in electronic revenues across health markets, offset by print declines. Going forward, we expect the first-half trends to continue generating modest underlying revenue growth.

Now -- sorry, I'm going to stay on this one for a second. Now this may be a good time actually to step back and just comment briefly on the public policy statements that have been made in the UK and the EU over the past few weeks.

Elsevier has always been here to serve the scientific community by providing them with information tools that help them make better decisions, get better results and be more productive. One of the ways that we do this is through the digital publishing of scientific articles. Over the past 15 years we have invested many hundreds of millions of dollars to transform this business and to serve our customers better through the application of technology. And over that time period we've also seen some growth of alternative payment models to the traditional subscription model.

And our perspective has been and continues to be that we're open to serving the scientific community under any payment model that can sustainably provide researchers with the critical information tools that they need. Over the past several years we have been actively engaged in publishing under all of the different payment models that have been commented on in the public policy statements recently. And we expect to continue to do so going forward.

For example, while our primary business model is subscriber pays. We have offered an author pays or author's funder pays, if you want to look at it that way, sponsored article option in over 1,200 of our journals. And we've launched and operated several author-pays journals. At present, this represents a small share of Elsevier's total articles published, around 1%. But if based on these recently announced initiatives, and perhaps others to come, market demand for this or any other payment model grows at a faster rate than over the past 10 years we will scale up our involvement in the payment models that our customers request.

Moreover, we believe that with our global reach and leading technology platforms, we'll be able to offer services that are at least at valuable to our customers as the services that other companies can provide. And we believe that we will be able to do so with lower operating costs than other providers based on our global scale and our process efficiencies.

LexisNexis Risk Solutions grew 5%, with strong growth in insurance driven by product extension across insurance carriers' workflow. Business solutions grew well, driven by financial services and corporate markets. Screening grew modestly, and government markets were mixed. Margins were up due to efficiencies and portfolio changes. Going forward, we expect continued good growth insurance and business services while the government outlook remains mixed.

LexisNexis Legal & Professional grew 1%, with good growth in new sales and usage in law firms and corporate customers. Overall we saw double-digit growth in online searches, but print declines continued. The new releases of Lexis Advance and other products have continued as planned and have been well received by our customers. Margins recovered slightly as process efficiencies more than offset continued development costs. Going forward, we expect our customer markets to remain subdued, limiting near-term upside to revenue growth and further margin expansion.

Reed Exhibitions grew 23% on an underlying basis or 12% excluding biennial show cycling, with positive timing, as Mark mentioned, of H1 shows contributing about 4% to this underlying growth rate. We continue to drive organic growth through new launches, primarily in high-growth markets and geographies, leveraging global sector groups and technology platforms. And as you already know, we completed the buyout of our Brazilian joint venture and a few other small acquisitions. Going forward we continue to expect strong underlying revenue growth, excluding cycling, albeit somewhat moderated from the double-digit growth achieved in the first half.

Reed Business Information grew 1%, with continued strong growth in data services, most of them growing in double digits, and last year's data services acquisitions performing slightly ahead of plan. Only the US construction data business remained weak. We completed a few disposals and announced a couple of others, as you know. And we again achieved record margins driven partly by continued efficiencies and partly by portfolio reshaping. Going forward, we expect good growth in data services, stable leading brands and continued declines in other magazines and services.

For Reed Elsevier for the full year, the macroeconomic environment remains uncertain, but based on our good first-half results we expect to deliver underlying revenue and profit growth for the full year in line with expectations.

During the first half we also continued to make progress in the strategic direction that we laid out in February this year towards becoming a true professional information solutions company, a company that delivers improved outcomes to professional customers, that is help them make better decisions, get better results and be more productive, by leveraging deep customer understanding and combining content and data with analytics and technology in global platforms. And builds leading positions in long-term global growth markets, primarily through organic investment, leveraging our institutional skills, assets and resources across Reed Elsevier, both to build solutions for our customers and to pursue cost efficiencies.

Now we said we would systematically migrate towards this type of business across all of Reed Elsevier through organic investment in transforming our current core business, through organic build-up of new products and solutions in adjacent markets and geographies, through selective acquisitions only where we are the natural owner and can accelerate our strategy with good returns, and through continued divestments where we're not able to migrate an asset in this direction or we do not see significant future value creation. And in the first half we made progress on all four of these.

We continue to invest in organically transforming our current core businesses, extending our solution sets across customer workflows, launching new products and rolling out new technology platforms, and we continue to build up new products into adjacent markets and new geographies. And you can see some of those examples here.

In terms of portfolio, we limited our acquisitions to small natural owner opportunities, such as a buyout of our Brazilian exhibition joint ventures and some small data services and content sets across divisions. And we accelerated our disposals somewhat, completing the sales of Totaljobs, MarketCast and a few other small publishing and services businesses. We announced plans to see Variety and RBI Australia. And as you would expect, we plan to make further disposals of businesses of similar scale. These disposals by themselves would be mildly dilutive to EPS, but we plan to use the sales proceeds to buy back shares this year, as Mark mentioned, mitigating this dilution.

Now I've shown you before how, as a result of both our organic development and our portfolio changes, we're continuing to drive our format migration to a point where now less than 20% of Reed Elsevier is now in print format. And I've also shown you how we're evolving our geographic footprint so that revenues outside North America and Europe are now approaching 20% of our revenues, almost exactly the same share as Continental Europe.

But I think it's also important to point out that by migrating towards this type of business that we're talking about, we're also changing our mix of revenue streams. And you can see one example here. Advertising has fallen from 14% of our revenues four years ago to about 6% in the first half.

But what does this mean for Reed Elsevier's business profile? It means that we're improving the quality of our earnings.

In the near term our business will continue to be influenced by the macroeconomic environment and its impact on our customer markets. But since we're focusing on evolving the fundamentals of our business, we believe that over time we will improve its business profile throughout economic cycles and deliver more predictable revenues through better revenue mix and geographic balance, a higher growth profile by expanding in higher-growth markets, exiting structurally challenged businesses and gradually reducing the drag from the print format declines. And last but not least, improving returns by focusing on organic development, with strong cash generation and by selective acquisitions limited to assets where we are the natural owner.

So with that I think we're ready to go to questions. Yes, let's start up.

QUESTIONS AND ANSWERS

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you. Good morning Erik. Good morning everybody. This is Sami at Exane BNP Paribas. Three questions if I may. First of all on the scientific publishing front, we've seen an acceleration in organic revenue growth at S&T to 5%. Can you comment a little bit on what's driving that? Is it emerging market? Is it SciVal or other drivers noteworthy?

Secondly, in the current publishing, scientific publishing model, you reject around two-thirds of the articles you receive. In a theoretical world where global open access and article processing charges were to dominate, do you believe that it could monetize the 700,000 articles that today you reject, for instance, for submission fees or other types of payments?

And lastly on Exhibition, should we still expect margins to come down by, say, around 100bps because of the Alcantara and [Acado] acquisition or do you think that their top-line growth and the operating leverage may offset that dilution? Thank you.

Erik Engstrom - *Reed Elsevier plc - CEO*

Okay. Let me take those. I may get back to Mark on the last one a bit on specific acquisition-related dynamics there on exhibition margin. You said first the acceleration, the slight acceleration of revenue growth in S&T. Last year we operated about 4% and now it's moved up slightly to 5%.

The main high-growth areas and except -- in addition to the fact that we have double-digit usage growth and submission growth across science and health, and research, the main drivers of that slight tick-up are emerging markets growth as well as strong revenue growth for databases and tools. SciVal, as you mentioned, is a small piece of that. It's the higher growth of the larger existing databases and tools that are probably the bigger impact of that up-tick. Of course Scopus is one of them, but we have several other specific databases and tools as well.

You asked secondly that if the payment model evolves in some way faster than it has over the last 10 years, is there something we would be doing with the volume that comes in. Clearly the way we see it, as I said, is that we're open to serving the scientific community under any of these payment models if that is what they would like us to do and we believe that with our scale, and on global scale our technology platforms and things that we offer that we'll be able to do that at least as well as others.

So if you look at it today, one of the things that we have of course, as you said is, we have essentially 1m articles that are submitted to us today and two-thirds of those we don't publish under today's model, and that's exactly what you're pointing. And you could see scenarios where payment models evolve based on what our customers want, where they want us to behave slightly differently with those. And we would adjust and serve them that way and that might actually, as you said, mean that there are some alternative revenue streams that then grow a little more than they have so far. At this point I told you that roughly 1% of our volume is currently under some form of author pays or author's funder pays, so those are clearly things that we will be open to looking at.

The last piece, Exhibition margins, I think you're getting into the specific math on the joint venture buyout so maybe Mark wants to comment on that.

Mark Armour - *Reed Elsevier plc - CFO*

Yes, you're right in that the acquisition of the remaining 50% of the joint venture means that we now consolidate 100% of revenues, you're almost equity accounting for 50% of the profits. So we've got 100% of the revenue but only 50% of the profit so it is dilutive to margin, but that was true in the first half because we bought at the beginning of the year, but also will be true for the second half as a whole. So you can see that the margin in the first half was increased by 0.4 percentage points and that's after absorbing that effect in the first half and so you'll see a similar effect in the second.

Sami Kassab - *Exane BNP Paribas - Analyst*

Thank you gentlemen.

Erik Engstrom - *Reed Elsevier plc - CEO*

Why don't we just move back on this side first?

Andrea Beneventi - *CA Cheuvreux - Analyst*

Good morning. It's Andrea Beneventi from Cheuvreux. Two questions if I may. First, could you please shed a light on the advancement of the rollout of Lexis, of the new Lexis, the share of customers that have moved to the new product please?

And secondly regarding the 6% of revenues coming from advertising, what are the key verticals contributing to it.

Erik Engstrom - *Reed Elsevier plc - CEO*

Okay, let me do it first. You said Lexis Advance, as you know, the way we're rolling out Lexis Advance is different functionality sets, different customer sets, different users, user groups in different slices. So it's slightly different from just having one big thing that's being rolled out.

But if you ask, your specific question was what share of our customers are currently active, if you say what share of our number of customers today, if you do total across large and small customers, today have an agreement that's active where somebody is using some feature set or some slice, we're probably today at about a quarter of our customer base in terms of customer account. So let's call it a quarter, about 25%. Clearly the share will be higher in the larger accounts, the larger customers that have therefore had some use in some periphery rather than the smaller ones, but that's the total number.

The second question you asked was, in advertising what are the verticals? The advertising, the print advertising is primarily in RBI but there's also of course some pharma promotional advertising in Elsevier and there's some advertising, also different formats primarily electronic actually, inside LexisNexis.

So there's some that are discipline-specific, pharma-related in those and legal, but if you look at the bulk, the vast bulk in RBI stretches across several different segments. These are the main, these are the advertising streams that exist in our major leading brands, which are of course the larger, the brands that you're aware of in the UK, Netherlands and so on. And it's also a subset of several smaller journals that serve a wide range of industries whether that's agriculture or aerospace or real estate and others. So it actually spreads along several industry segments.

Andrea Beneventi - *CA Cheuvreux - Analyst*

Thank you.

Erik Engstrom - *Reed Elsevier plc - CEO*

Let's go back there.

Alastair Reid - *UBS - Analyst*

Thanks a lot. It's Alastair Reid from UBS. Firstly, just asking Sammi's question in a slightly different way, you said that if your customers want you to do different models for open access and how they pay for it, that you will. When you speak to them do you think that they actually do -- given all the submissions you actually reject, if the author was actually paying for them it might suggest that there's slightly less incentive to reject quite as many of them and thus have some issues in terms of the quality control, if you like?

And then secondly, you talked about in the presentation in terms of legal margins for this year, that the tough market environment would limit the upside for further margin expansion, it is right to assume that the margin expansion we've had in the first half is viable for the full year?

Erik Engstrom - *Reed Elsevier plc - CEO*

Okay. The first one you said, I believe that where we are today, today in terms of payment models for scientific publishing, article publishing, reflects what the customers in the market have asked for. And it's these models that we're talking about, the alternative models, there's several different ones, that have been around for essentially over a decade. And they have evolved based on market demands and needs and I think it will continue to do so. They have seen some growth and the growth rate will depend on where people go as customers in the future.

Clearly there are always pluses and minuses of every one model and what you mention is a concern that some people have had, but I think quite frankly those are balances that you have to work with in all types of scientific publishing and all types of journals, you have to try to figure out how is that you publish in that journal, how do you manage quality, how do you manage the positioning of the journal and the brand in the marketplace.

The second question was legal margins. The reported margin in the first half this year is a fair reflection of how we operate in this business this year, how we have operated it so far and how we will continue to operate it. Whether the yearend margin will be exactly that on that run rate relative to the previous year or not, we don't know at this point, but clearly we are operating so far in this business with a slightly higher run rate margin than we did a year ago. I think that's basically what you're asking. There's no one-off or time shift or something that made it funny in the first half, I think is the way I should answer it.

Alastair Reid - *UBS - Analyst*

Great, thanks. Okay.

Erik Engstrom - *Reed Elsevier plc - CEO*

Let's move over to the back of that side then and then we'll come forward. Yes.

Nick Dempsey - *Barclays Capital - Analyst*

Yes, it's Nick Dempsey from Barclays. Two questions please. Just the first one, Exhibitions clearly going well in the first half. That's a very fragmented market. Do you have a decent pipeline in terms of bolt-ons in the exhibition area because that would presumably look like a good use of your capital at the moment?

And the second question, you've done good work on cost. Given that depreciation is likely to increase over the next few years as your CapEx has gone up as a percentage of sales, are you confident that you can keep on delivering increases in operating profit margin over the next few years even if revenue growth is still fairly slow?

Erik Engstrom - *Reed Elsevier plc - CEO*

Okay. Yes, let's start with acquisitions in Exhibitions. Exhibitions, as you've seen, is a high-growth business in organic terms and the main strategy in Reed Exhibitions is to continue to drive high organic growth primarily by launching in high-growth segments and high-growth geographies and by leveraging their global industry sector groups and their global technology platforms that they're rolling out so you can get that organic growth machine continuing to drive organic growth over time.

We are supporting that, as you know, by small acquisitions, primarily in high-growth sectors and markets pursuing the same strategy, when there are individual exhibitions up for sale or when there are partnerships where we can leverage our global scale and expertise to help a local partner and buyout a part of it or the whole thing, as we ended up doing in Brazil. That continues to be our strategy.

In the first half we did a few small acquisitions in addition to the joint venture buyout in Brazil. We bought small exhibitions in Brazil and China, for example. And we continue to look at a pipeline of those at this point and we will continue going forward. We do not see a dramatic change in that pipeline or acceleration or slowdown, but we do think it's a good use of capital to do those when we can plug them into our global strategy, our sector and geographic strategy that already exists and we can leverage our scale and capabilities to do so.

The second question was depreciation increase. Yes, as we've gradually increased CapEx, we've increased it a little bit in several different areas but primarily in legal of course, as you know, over time you will then see depreciation increasing coming through the P&L. And you asked about its impact on margins.

We do not see margins by themselves as an objective. We see driving organic growth and driving process efficiency as our combined objective. Inherently if we continue to drive process innovation and cost efficiencies so that we can keep cost growth in our ongoing businesses below the rate of revenue growth, you will actually see a gradual expansion in the ongoing underlying margin organically in those businesses. We also have portfolio changes around Reed Elsevier, as you know, that may also impact the reported margin.

But the way we look at it is to say that what we're spending to build out our business will create value in the future. That's why we are doing it. And therefore we believe that over time that mission will continue so that we will invest to drive organic revenue growth and that the cost growth including depreciation over time throughout cycles should be lower than the average revenue growth throughout cycles. So that philosophy should continue.

Yes, let's keep going from the back and we'll come forward.

Alex DeGroote - *Panmure Gordon - Analyst*

Thanks guys. Morning everybody. It's Alex De Groot here at Panmure Gordon. Just on the share buyback news today I just wondered if maybe this is hinting that the fact that you think that the shares themselves are undervalued. And if I look at your free cash flow in H1 doing 175, going to do more in the second half, you seem relatively comfortable with leverage ratios now. I just wondered if this is just a short-term policy response to the disposal program or whether or not we could expect this to maybe roll into next year as you grow evermore confident in the outlook.

Erik Engstrom - *Reed Elsevier plc - CEO*

The way we see it is this, is that our leverage ratio we're at today, a net debt to EBITDA ratio of 2.3 times on a pension and lease adjusted basis, that is comfortable range to be in for the Company. And at this point we think that's where we are as an on-going operation. So separately we are running a slightly accelerated effort this year of disposing of assets. And as a part of that disposal process we are saying that we don't want to sit on that cash and have the dilution from it, but as a part of the disposal efforts we're reinvesting that cash by buying back our own shares. So you should see it as a part of our disposal effort.

Alex DeGroote - *Panmure Gordon - Analyst*

Thanks.

Erik Engstrom - *Reed Elsevier plc - CEO*

Move forward.

Richard James - *Goldman Sachs - Analyst*

Hi. It's Richard James at Goldman Sachs. Firstly just on legal, I'm just wondering how you could characterize the conditions in the legal market at the moment, if you've seen any signs of any improvement there.

And then secondly on that what you think is happening with market shares at the moment in legal.

And then secondly on disposals, you talk a lot about selective disposals. I was just wondering how you think about any kind of bigger potential disposals of any of the major segments and just how you would think about that.

Erik Engstrom - *Reed Elsevier plc - CEO*

Firstly the legal market situation, the legal market, if you start with the US where there's the most available public data of course and the largest market, US legal market of course had a big downturn in 2009 and since then had been going, they've been pretty stable but subdued are probably the words that people use. They stabilized and in the first half this year that general theme has continued.

The first half this year looked a bit like there was some small increase perhaps in total legal employment and a little bit of increase here in some of the law firm revenues, but it's very slow and very low. Therefore you'd say it looks like the legal market's continued to be stable, perhaps with some small growth. And we've seen some positive signs of course in usage and other things on our product, but the market itself I think is very slow growth at this point.

You asked about market shares, as I've said before, we've operated in this market for a very long time and we've had essentially the same large player as the other main competitor in that market for a long period of time. And underlying organic growth rate in like-for-like markets seem to be very similar over the years in the US market and therefore market share has stayed similar. We think that has basically continued in the recent past and we don't see any significant changes in that market share dynamic or that growth rate dynamic, even though it can always fluctuate a little bit. So half year-on-half year or year-on-year we don't see any fundamental shift in shares.

I think if you look at some of the international markets we operate in it would appear that perhaps we are holding up a little bit better than some of the other players, as you can see probably from our growth rates right at this time. But again, if you look at fundamental market share shifts or major differences I don't think you will see many.

The disposals, the way we're looking at it is by migrating our businesses systematically towards a type of business regardless of which division they are in or what they're called. It's migrating towards a type of business, towards professional information solutions business where you'll leverage content and data in global technology platforms to help customers improve results. And we're migrating towards that type of business primarily through organic transformation.

The disposals take place when we don't see an asset as likely to make it or we don't see significant future value creation, so in that asset. Therefore the assets that we look at for disposal are those that fit those criteria or you should say that don't fit the strategic criteria that we're looking for, and therefore we gradually look to exit those. At this point you talked about the major business areas or umbrella divisional names, we believe that within all of those the major value drivers are migrating systematically in that direction and that we're making good progress.

Yes, let's keep going forward.

Ian Whittaker - *Liberum Capital - Analyst*

Thanks. It's Ian Whittaker from Liberum. Just three questions. First of all, just in terms of your science and technology part within Elsevier, you talked about fast to grow markets boosting your organic revenue growth there. Can you just say what that growth was in the fast to grow markets? It leads on from Sammi's question talking about the 5% growth in the first half.

The second thing is, we had the Finch Report talk about, I think it was a price point of GBP1,350 for open access articles. Have you run some sort of scenario analysis based on that seeing what would happen to your margins in the Elsevier business if you were to move to an open access model under that revenue price point?

And then the third thing just on Risk Solutions and the potential margin growth that you could expect there, you've obviously had very good like-for-like growth coming through. It's the sort of business which should be an operationally geared business and you should get higher drop through rates of revenue growth down to profitability. Can you give us an idea of what your thoughts are on the progression of margins from now?

Erik Engstrom - *Reed Elsevier plc - CEO*

Can I just make sure I understood, the third question relates to what business?

Ian Whittaker - *Liberum Capital - Analyst*

Sorry, the third question was just on Risk Solutions.

Erik Engstrom - *Reed Elsevier plc - CEO*

On Risk Solutions, yes, okay. First on the growth in scientific research in fast growth markets, what you can look at is, as I said, the revenue growth there over the last couple of years has been in the 4% to 5% range, now ticking up to 5% right now in the first half. And a large part of the volume growth and spend growth comes from what you can call high-growth markets or emerging markets.

The definition actually in science is a little trickier because in many of those high-growth markets are not so emerging any more. They emerged a long time ago and are very clear global leaders right now that are higher growth markets. And I think there are many of those that you wouldn't call emerging in the scientific world. They're very, very important global leaders and they contribute at the same quality level and the same scale as a, what you would traditionally call a developed market. I think that's slightly different from how you would look at those countries from a consumer, retailer or GDP basis.

So therefore it depends on what you want to include. The way we think it about it is that the markets that are showing significant increases often show increases in spend with us and on science that is not too different from their GDP growth over time. So if you look at countries that have high-single-digit growth in GDP it's typically likely that they operate a similar revenue growth for us, if we're a broad-based scientific solutions provider supplying information tools for the research sector. Sometimes it's higher than that when they're catching up and sometimes it's a bit lower than that, but that gives you a good indication.

The Finch Report, you talked about price points for author-pay or author-funder-pays articles. These business models have been around now for a long period of time. There are lots of different providers, including us, that have serviced this market for many, many years and there are many different price points in that market just as there are in any other industry in any other service level. So even today you find a very wide range of price point for different types of journals, for different types of publishing services, for different platforms and so on.

And we quite frankly expect that that will continue just like there's segmentation today of different types of journals and different types of services, different types of publishing, different types of peer review etc. I think that will continue and you will see this industry, if it grows, to continue to be segmented and have different tiers.

And as you asked us have we done scenarios on these different prices, we've been involved in this business for a very long time and we've done very deep and thorough scenarios on all different price points at all the different segments that we operate in. So the answer to that is very clearly, yes.

The last question is in Risk Solutions. Yes, with the cost structure that we have there today, this is a machine that operates a very, very large database with a very large-scale technology platform on top, with applications on top of the platform. If you just stuck with your current business, your current markets, your current targets, and you let volume grow and prices, even if they didn't grow much, you'd have revenue growth and therefore you would get some gearing inherently for a period of time.

However, the key thing in the risk business for us, as this is a fairly early-stage professional information service if you look at others that are more mature globally, is to continue to drive organic revenue growth in our current markets with our current customers by extending products across the workforce, and by extending our service into adjacent markets and adjacent geographies. Therefore, in order to drive long term organic growth we're going to continue to invest and spend to build up new products, new solutions, new services to drive revenue growth.

And therefore our primary objective is not to try to capture gearing and drive margins up. The margins I think are high in this business and they reflect the efficiency with which we operate it, but our objective is not to maximize margin. Our objective here is to drive long-term sustainable organic growth that is higher than what you'd find in the average professional information business. That's the objective for us.

Erik Engstrom - *Reed Elsevier plc - CEO*

let's keep going forward here.

Mark Braley - *Deutsche Bank - Analyst*

Thank you. It's Mark Braley at Deutsche Bank. Just two questions. On screening within Risk, can you just remind us of effectively when you'll get the visibility on this year's hiring season and when you'll be able to tell us whether screening is going to have a good year or not?

The other one was for Mark. In terms of thinking about the 2013 and 2014 debt maturities, how do you think about that? Do you do that from existing cash and free cash flow, do you term out the debt to take advantage of the fact that it's relatively easy to raise money for a good credit at the moment. What's the thinking and actually when do you have to make a decision on the 2013 one?

Erik Engstrom - *Reed Elsevier plc - CEO*

Screening, of course we service to a large extent a broad-based set of industries in screening and it's a US business, I think all of you know. But the industry areas that we are more really correlated to than others in terms of new hirings is actually retail industries and the industries supporting retail, not directly into retail but the industries that are related to retail growth.

And then you can say, you said this year's hiring season, I think of it more as actually having two hirings. There's a spring hiring season that we think of. We keep going throughout the year but then there's another fall hiring season. And at this point we clearly have lived through the spring hiring season. And if you look at it that way it was probably occurring a little bit earlier this year than last year. I think some of that has to do with how holidays for and weather and other things. But in total the run rate in screening in the first half -- the growth rate I should say, the growth rate in screening this year was similar to the kind of growth rate we ended up with for the full year last year.

But if you look at is into the full hiring season, so the next hiring season, the new hires coming in there, it's too early for us to express any view on what might happen in the future.

I'm going to let Mark talk about the --

Mark Armour - *Reed Elsevier plc - CFO*

Yes, we will be coming to market later on in the year to refinance '13 maturities. With our free cash flow and ready access to commercial paper markets there's no liquidity need to do so, but it's a good piece of maturity planning.

Erik Engstrom - *Reed Elsevier plc - CEO*

Alright. Keep coming forward here.

Jonathan Helliwell - *Berenberg Bank - Analyst*

Thanks. It's Jonathan Helliwell at Berenberg here. We haven't said much about health today. I wondered if you'd just give us a feel if there's any change to market conditions across the segments there, particularly with the patent cliff coming in and so on.

And the second thing is just on Exhibitions. If we look at the -- if we take 8% as the underlying rate ex biennials, ex phasing in the first half, what are you seeing in forward order books? Is there any reason to expect anything other than 8%-ish H2 and forwards from there?

Erik Engstrom - *Reed Elsevier plc - CEO*

Yes. Let me just make sure I understand what you said, I didn't hear the words you used when you said, in health you said there was something coming in?

Jonathan Helliwell - *Berenberg Bank - Analyst*

The patent cliff people talk about, just the big pharma companies being --

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Erik Engstrom - *Reed Elsevier plc - CEO*

Yes, now I know what you're talking about, yes. Yes, in health market, for us the way our health markets operate, very similar to what we've seen over the last 12, 18 months. There's basically no change, which is that we continue to see in medical research the same trends as we see in other disciplines of research. So similar trends across and we talked about those already.

And when it comes to the rest of health we're basically seeing continued and fast-moving format transition since that business is now in sort of the mid-range of formats. So we're half, getting very close to half print, half electronic. You are in rapid format transition from the old print world to the new electronic world. And we saw electronic revenue growth across all health markets essentially in double-digits, offset of course then by print declines.

And print declines were particularly severe, if you want to look at that, or particular high, just like before and like they have been for the last couple of years now in print book sales to individuals, in particular in Europe, Continental Europe, as well as in print pharma promotion, print pharma advertising.

And, as you pointed out, there are a lot of, I shouldn't say a lot, but there's an increasing number of branded drugs that are coming off patent. They have been coming off and continue to do so and that pace continues over the next -- this year and will continue. So there are several of those coming off and therefore we don't expect those general trends to change.

Now clearly the overall level that you transition from print to electronic in one of these businesses is dependent on where the general economy is and what's going on in the market trends. And in health right now we're doing that transition in a low-growth environment, in particular in Continental Europe but also in some of the markets that we're serving, such as pharma in the US.

Now second you talked about Reed Exhibitions. Yes, as we said, the first half growth rates and how you dissect down what's like for like, you've done it correctly, which means we somehow laid it out well or that we got there anyway. But the forward-looking side, we don't think there's any one number that is sort of forward-looking number that is meaningful inside the business. It's not how we see it. But it's rather a booking curve and it's a ramp-up depending on the market, depending on the time and depending on the show and so on, and the cycle you go into a specific show. So it's not one number I can give you.

But at this point if you look at the current run rate of our business and how it is we're working into the shows that are coming in now and coming in the future, the like for like incoming right now are very similar to the like for like that we saw in the first half. So we haven't seen any major indication of that shifting for the better or for the worse. And it could always change a little bit but not materially, which I think is what you're looking for.

Okay, thank you very much for taking the time to be here today. I know it's a busy day and I'll look forward to seeing you again soon.
