



Reed Elsevier Interim Results 2013
Erik Engstrom, CEO
Duncan Palmer, CFO

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. These statements are subject to a number of risks and uncertainties that could cause actual results or outcomes to differ materially from those currently being anticipated. The terms "outlook", "estimate", "project", "plan", "intend", "expect", "should be", "will be", "believe" and similar expressions identify forward-looking statements. Factors which may cause future outcomes to differ from those foreseen in forward-looking statements include, but are not limited to, competitive factors in the industries in which Reed Elsevier operates; demand for Reed Elsevier's products and services; exchange rate fluctuations; general economic and business conditions; legislative, fiscal, tax and regulatory developments and political risks; the availability of third party content and data; breaches of our data security systems and interruptions in our information technology systems; changes in law and legal interpretations affecting Reed Elsevier's intellectual property rights and other risks referenced from time to time in the filings of Reed Elsevier with the US Securities and Exchange Commission.

Duncan Palmer, CFO

H1 2013 financial highlights

- Underlying revenue growth +2% (+3% excluding biennial exhibition cycling)
- Underlying adjusted operating profit growth +6%
- Adjusted EPS: +7% at constant currencies; PLC +9% to 26.5p; NV +4% to €0.48
- Reported EPS: PLC -6% to 22.0p; NV -9% to €0.42
- Interim dividend: PLC +11% to 6.65p; NV +2% to €0.132
- Net debt £3.3bn; 2.1x LTM EBITDA pensions and lease adjusted (1.7x unadjusted)

Profit and loss

6 months to 30 June	2013 £m	2012 £m	change	change underlying
Revenue	3,025	3,053	-1%	+2% / +3%*
Adjusted operating profit	870	832	+5%	+6%
<i>Adjusted operating margin</i>	<i>28.8%</i>	<i>27.3%</i>		
Adjusted net finance costs	(92)	(107)		
Adjusted profit before tax	778	725	+7%	
Tax	(183)	(171)		
<i>Tax rate %</i>	<i>23.5%</i>	<i>23.6%</i>		
Minority interests	(3)	(2)		
Adjusted net profit	592	552	+7%	
Reported net profit	509	552	-8%	

*Excluding biennial exhibition cycling

Adjusted figures are stated before amortisation of acquired intangible assets, acquisition related costs, disposal gains / losses and anomalous tax effects; underlying change excludes results of all acquisitions and disposals made in year and prior year and assets held for sale. Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Reconciliation of net profit Reported to adjusted

6 months to 30 June	2013 £m	2012 £m	change
Reported net profit	509	552	-8%
Adjustments (after tax):			
Amortisation of acquired intangible assets	60	126	
Net financing cost on pension schemes	6	4	
Acquisition related costs	14	6	
Disposals and other non operating items	3	(136)	
Adjusted net profit	592	552	+7%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Revenue

Underlying growth in all business areas

6 months to 30 June	2013 £m	2012 £m	change constant currency	change underlying
Scientific, Technical & Medical	1,008	978	0%	+2%
Risk Solutions	473	462	0%	+8%
Business Information	286	347	-19%	+3%
Legal	773	780	-3%	+1%
Exhibitions	485	486	+1%	+1% / +7%*
Reed Elsevier	3,025	3,053	-3%	+2% / +3%*

* Excluding biennial exhibition cycling

Adjusted operating profit

Underlying growth in all business areas

6 months to 30 June	2013 £m	2012 £m	change constant currency	change underlying
Scientific, Technical & Medical	372	352	+2%	+3%
Risk Solutions	212	191	+8%	+11%
Business Information	55	63	-13%	+14%
Legal	103	100	+2%	+5%
Exhibitions	151	151	+2%	+4%
Corporate costs	(23)	(25)		
Reed Elsevier	870	832	+2%	+6%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Adjusted operating cash flow conversion

6 months to 30 June	2013 £m	2012 £m
Adjusted operating profit	870	832
Capital expenditure	(152)	(150)
Depreciation	127	113
Working capital and other items	(106)	(17)
Adjusted operating cash flow	739	778
Cash flow conversion rate	85%	94%
EBITDA	997	945

- Cash conversion: receivables phasing over period end; expected to reverse in H2 to exceed 90% for FY 2013

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Free cash flow

6 months to 30 June	2013 £m	2012 £m
Adjusted operating cash flow	739	778
Cash interest paid	(86)	(100)
Cash tax paid	(170)	(126)
Acquisition integration / other*	(12)	(32)
Free cash flow before dividends	471	520
Dividends	(395)	(377)
Free cash flow after dividends	76	143

**Net of cash tax repayments / relief*

Uses of free cash flow

6 months to 30 June	2013 £m
Free cash flow after dividends	76
Acquisitions	(85)
Net disposal proceeds	226
Share buybacks	(300)
Other*	51
Currency translation	(180)
Movement in net debt	(212)

* Includes net share option exercise proceeds

Debt management

Maintaining ample access to liquidity

	Net Debt	Gross debt
Debt as at 30 June 2013:	\$5.1bn (£3.3bn)	\$5.8bn (£3.8bn)

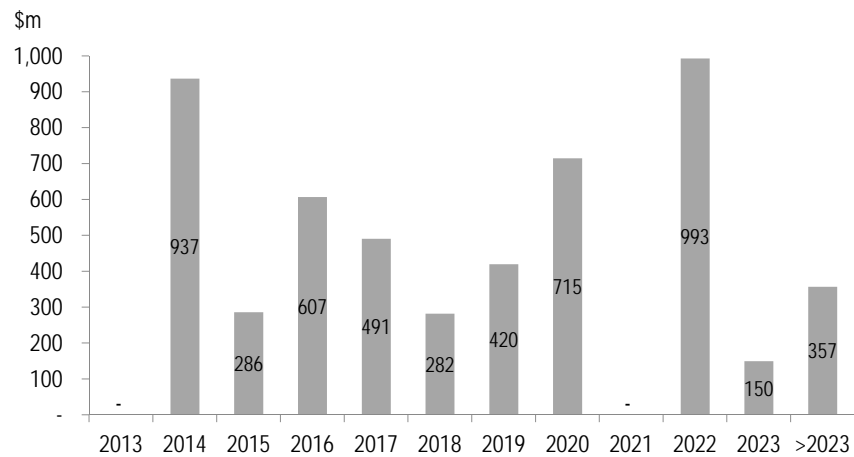
Continued refinancing activity in H1 2013

- Issued \$282m of Swiss Franc 1.0% 2018 notes
- Issued \$389m of 3.125% 2022 notes in exchange for \$309m of 8.625% 2019 notes
- Renewed \$2.0bn revolving credit facility to 2018, at lower cost
- H1 2013 adjusted net finance cost* of £92m (H1 2012: £107m)
- H1 2013 blended cost of interest on gross debt 4.9% (FY 2012: 5.6%)

* Excluding net pension financing charge included within reported net interest under IAS19 – Employee Benefits (revised) (H1 2013: £10m; H1 2012: £6m)

Debt maturities

At 30 June 2013



Term debt translated at 30 June 2013 exchange rates, stated at par value

Balance sheet

	30 June 2013 £m	31 Dec 2012 £m
Goodwill & acquired intangible assets	7,540	7,173
Internally developed intangible assets	723	647
Property, plant & equipment and investments	462	443
Net assets held for sale	63	201
Net pension obligations	(381)	(466)
Working capital	(1,108)	(1,139)
Net capital employed	7,299	6,859

Summary of other financial matters

		H1 2013 average	At 30 June
FX rates	£:\$	1.54	1.52
	£:€	1.18	1.17

		H1 2013 average	At 30 June
Shares outstanding	Reed Elsevier PLC:	1,180m	1,174m
	Reed Elsevier NV:	721m	719m

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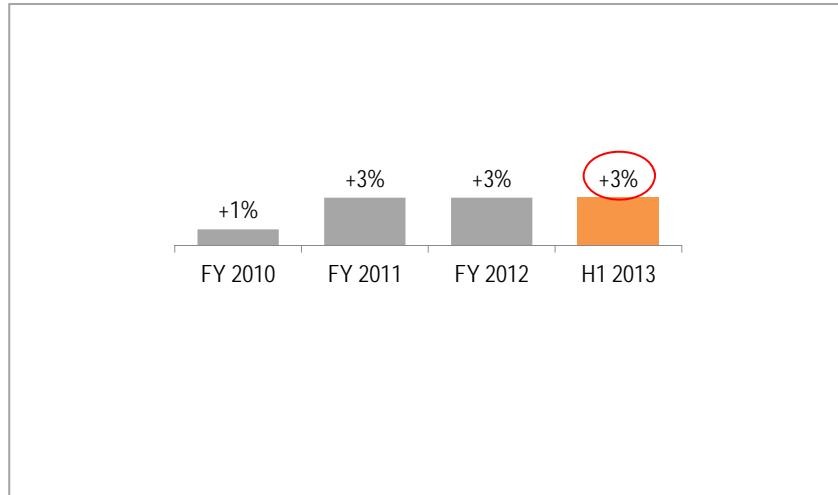
Erik Engstrom, CEO

Reed Elsevier H1 2013 progress

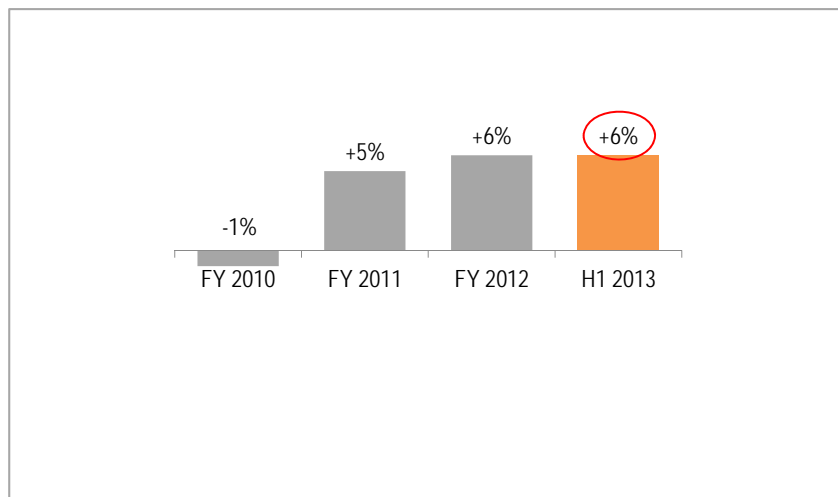
- Positive operating momentum maintained
 - Good growth in underlying revenue across Reed Elsevier
 - Improved profitability through process innovation
- Further improvement in business profile and earnings quality
 - Organic development of platforms and expansion in high growth markets
 - Continued portfolio reshaping

Underlying revenue growth

Excluding biennial exhibition cycling

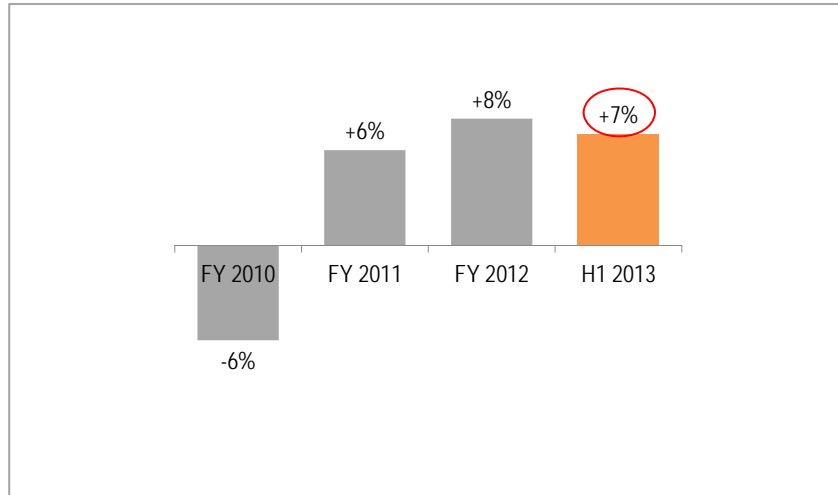


Underlying adjusted operating profit growth



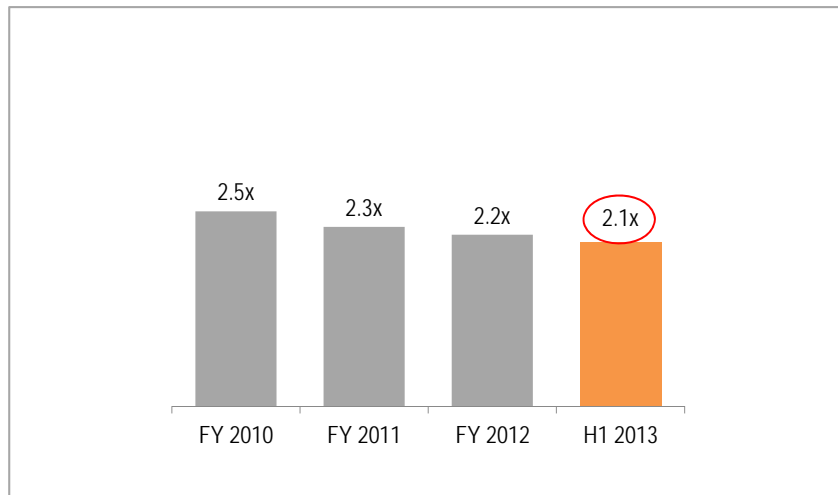
Earnings per share growth

Constant currency



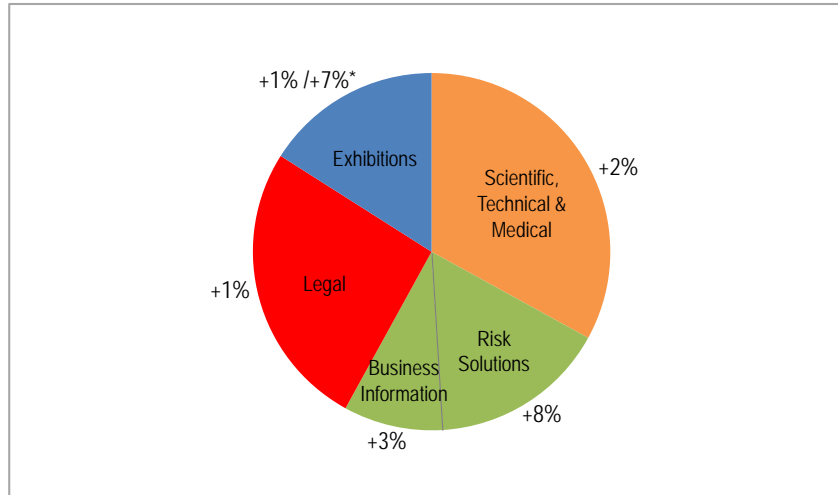
Gradual reduction in net debt / EBITDA

12 months trailing



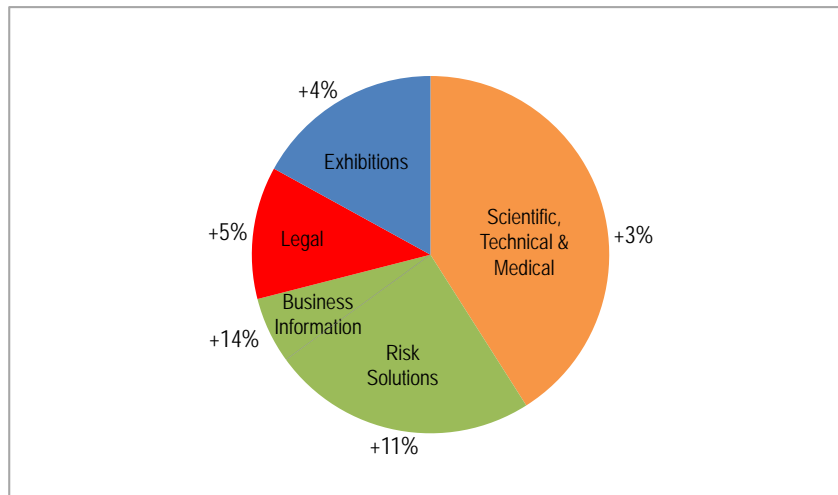
Pensions and lease adjusted; calculated in US dollars; H1 2013 unadjusted net debt / EBITDA 1.7x

Underlying revenue growth across business areas

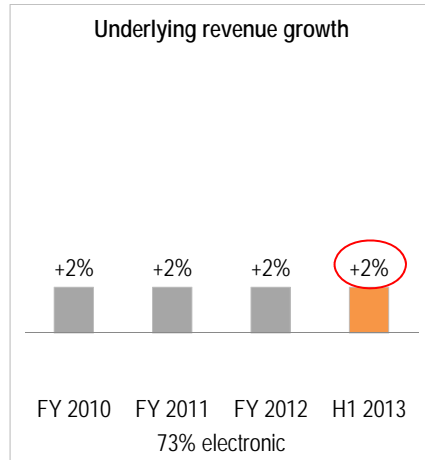


*excluding biennial exhibition cycling

Underlying adjusted operating profit growth across business areas



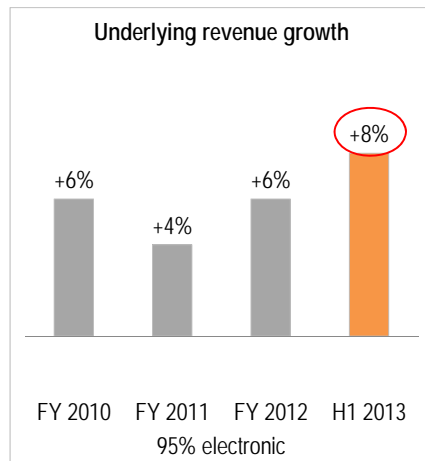
Scientific, Technical & Medical



- Strong growth in article submissions and usage
- Solid subscription renewals and new sales, particularly in emerging markets
- Good growth in databases & tools and electronic clinical solutions
- Continued decline in print book sales to individuals and pharma promotion

FY 2013 Outlook: On track to deliver modest underlying revenue growth for the full year 2013

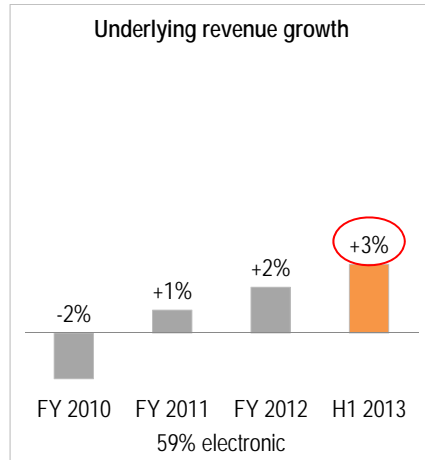
Risk Solutions



- Positive underlying revenue momentum
- Insurance: volume growth; new products; expansion in adjacent segments
- Business Services: Identity authentication and fraud detection solutions; some potentially temporary positive effects in financial services
- Government: Good growth in federal and state & local markets

FY 2013 Outlook: Good growth in insurance to continue, some uncertainty remains in financial services and government markets

Business Information

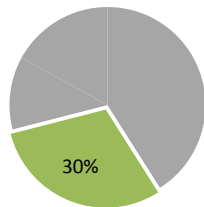


- Strong growth in Major Data Services driven by BankersAccuity and ICIS
- Stable Leading Brands and Other Business Magazines & Services
- Print advertising markets remain weak
- Margin expansion of 1.1% points reflects process efficiency and portfolio reshaping

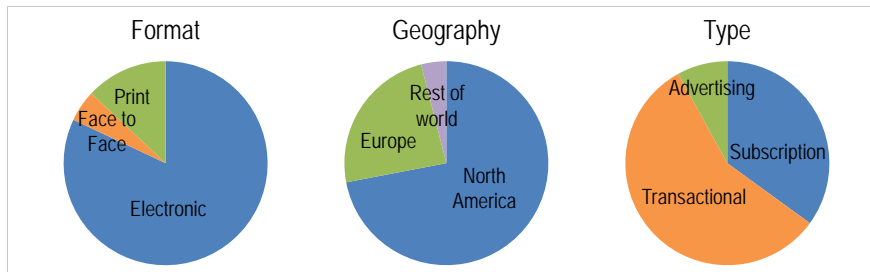
FY 2013 Outlook: Continued good growth in Major Data Services, stable Leading Brands, and weak print advertising markets

Risk Solutions and Business Information

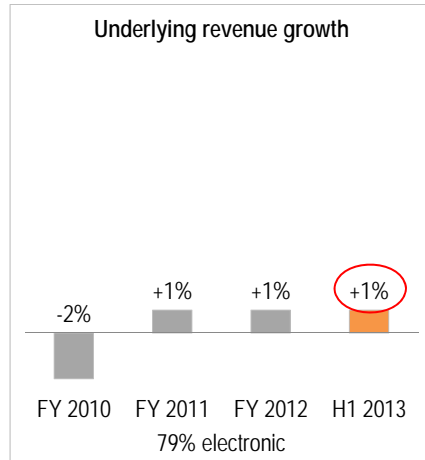
Reed Elsevier operating profit share H1 2013 Profile



- Underlying revenue growth +6%
- Underlying profit growth +12%
- Adjusted operating margin 35%



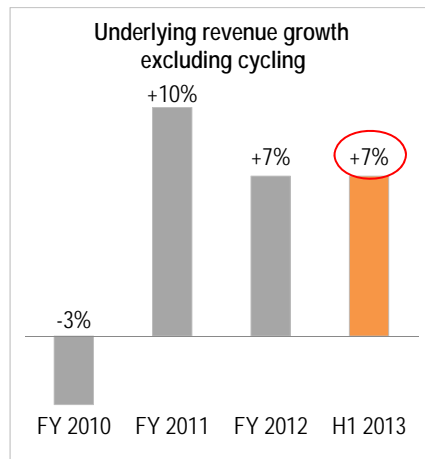
Legal



- US and European markets subdued
- Good growth in electronic revenues; continued print declines
- Continued roll out of new platforms and products
- Margin expansion of 0.6% points reflects process improvement, initial decommissioning

FY 2013 Outlook: Customer markets remain subdued, limiting the scope for growth

Exhibitions



- Strong growth in visitor numbers and revenues in the US
- In Europe good growth in international events; softness in domestic events
- Good growth in Japan; strong growth in Brazil and China
- 16 new events launched in H1 2013, primarily in high growth geographies and sectors

FY 2013 Outlook: We continue to expect growth to be good in the US and Japan, limited in Europe, and strong in other markets

Reed Elsevier strategic direction

Where we are going

- Deliver improved outcomes to professional customers
- Combine content & data with analytics & technology in global platforms
- Build leading positions in long term global growth markets
- Leverage institutional skills, assets and resources across Reed Elsevier

How we are getting there

- Organic investment in transforming core business
- Organic build-out of new products into adjacent markets and geographies
- Selective acquisitions
- Selective divestments

Implications for Reed Elsevier business profile
Improving quality of earnings

- More predictable revenues
- Higher growth profile
- Improving returns

Reed Elsevier

Reed Elsevier

Reed Elsevier

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Organic transformation

Underlying revenue growth rates*

Format

Format	Growth Rate
Electronic	+5-6%
Face to Face	+7%
Print	-5-7%

Geography

Geography	Growth Rate
North America	+3%
Europe	+1-2%
Rest of world	+5-7%

Type

Type	Growth Rate
Transactional	+2-3%
Subscription	+4%
Advertising	-5-7%

*LTM growth rates excluding biennial exhibition cycling

Reed Elsevier

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Portfolio reshaping

H1 2013

Acquisitions:

- 8 transactions; total consideration £109m
- Including Verid, Mendeley, Expo Ferretara

Disposals:

- 11 transactions; total consideration £280m
- Including Pre-employment Screening, RBI Australia, RBI France, Spanish exhibitions, some Elsevier Italian assets

Implications for use of cash

- Strong balance sheet and cash flow characteristics
- Average acquisition spend comfortably covered by free cash flow
- Pragmatic approach to ensuring value compounding translates into shareholder value

2013

- Extending share buybacks to £600m, £200m beyond gross disposal proceeds
- £300m deployed on share buybacks in H1; further £300m to be deployed in H2

Summary

H1 2013

- Positive underlying growth trends maintained
- Further improvement in business profile

FY 2013 Outlook

- *"The outlook for the macro environment, and its impact on our customer markets, remains mixed, and 2013 is a cycling out year for our exhibitions business. However, the operating momentum in our business remains positive as we enter the second half, and we continue to expect full year 2013 to be another year of underlying revenue, profit, and earnings growth."*

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Further information

Revenue Year over year change

6 months to 30 June	£m	% change	€m	% change
2012 Revenue	3,053		3,725	
Underlying growth	67	+2%	82	+2%
Acquisitions	31	+1%	38	+1%
Disposals	(177)	-6%	(218)	-6%
Currency effects	51	+2%	(57)	-1%
2013 Revenue	3,025	-1%	3,570	-4%

Adjusted operating profit

Year over year change

6 months to 30 June	£m	% change	€m	% change
2012 Adjusted operating profit	832		1,015	
Underlying growth	48	+6%	59	+6%
Acquisitions	5	+1%	6	+1%
Disposals	(35)	-5%	(43)	-5%
Currency effects	20	+3%	(10)	-1%
2013 Adjusted operating profit	870	+5%	1,027	+1%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

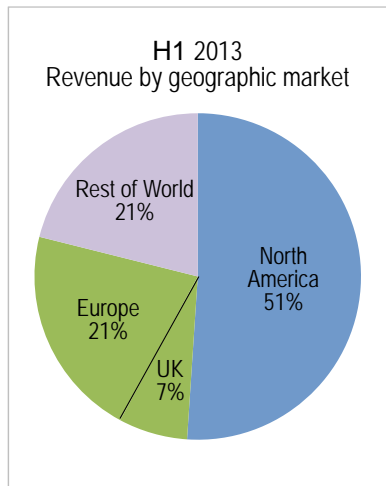
Dividend equalisation

	Interim		
	2013	2012	% change
Reed Elsevier PLC (p)	6.65	6.00	+11%
UK tax credit rate	10%	10%	
Reed Elsevier PLC (p) (gross)	7.39	6.67	
Equalisation ratio	1.538	1.538	
Exchange rate (€:£)	1.16	1.27	
Reed Elsevier NV (€)	0.132	0.130	+2%

Exhibitions: cycling impact

Revenue growth %	2009	2010	2011	2012	H1 2013
Total	-21%	+9%	+1%	+25%	+1%
Impact of acquisitions / divestments	+1%	+1%	+1%	+10%	0%
Underlying	-22%	+8%	0%	+15%	+1%
Impact of cycling shows	-7%	+11%	-10%	+8%	-6%
Underlying excluding cycling	-15%	-3%	+10%	+7%	+7%

Currency profile



Average rates for period:	Half year		Full year
	2013	2012	2012
£			
US dollar	1.54	1.58	1.59
Euro	1.18	1.22	1.23
€			
US dollar	1.31	1.30	1.29
Sterling	0.85	0.82	0.81
Period end rates:			
	2013	2012	2012
£			
US dollar	1.52	1.57	1.62
Euro	1.17	1.24	1.23
€			
US dollar	1.30	1.27	1.32
Sterling	0.86	0.81	0.81

Credit metrics

	LTM 30 June 2013	LTM 30 June 2012
Net debt / EBITDA	2.1x*	2.3x*
Free operating cash flow / net debt	28.2%	26.0%
Retained cash flow / net debt	24.5%	21.7%
Net interest cover	7.9x	7.0x
Long term credit rating (S&P / Moody's / Fitch)	BBB+ / Baa1 / A- BBB+ / Baa1 / A-	

*Pensions and lease adjusted; calculations in US dollars
* Unadjusted: H1 2013: 1.7x / H1 2012: 1.7x*

Cost of borrowings

Debt predominantly denominated in US dollars at 30 June 2013

- 70% of gross debt (FY 2012: 66%)
- 75% of net debt (FY 2012: 77%)

Majority of debt fixed at 30 June 2013

- 60% of gross debt (H1 2012: 64%)

Blended interest rate on average gross debt (including amortising costs, swaps, redemption premium, etc):

- H1 2013 average 4.9% (FY 2012 average 5.6%)

Percentage of debt in US dollars and fixed rate debt stated including impact of swaps

H1 2013 Share buybacks

Total spend: £300m

Shares acquired	Shares	Average price paid
Reed Elsevier PLC	22.6m	724p
Reed Elsevier NV	13.1m	€12.25

Shares outstanding	H1 Average	At 30 June
Reed Elsevier PLC	1,180m	1,174m
Reed Elsevier NV	721m	719m

Impact of IAS19 (revised) – effective 1 January 2013 (£)

	Adjusted earnings measures			Reported figures		
	Six months to 30 June 2012			Six months to 30 June 2012		
	Former IAS19 £m	Pro forma change £m	Revised IAS19 £m	Former IAS19 £m	Pro forma change £m	Revised IAS19 £m
Operating profit	845	(13)	832	670	(13)	657
Net finance costs	(107)	-	(107)	(107)	(6)	(113)
Disposals and other non-operating	-	-	-	103	-	103
Profit before tax	738	(13)	725	666	(19)	647
Net profit after tax	561	(9)	552	565	(13)	552
Earnings per share: PLC (p)	24.7		24.3	24.0		23.4

<u>Calculation of net pension financing credit / (charge)</u>	Six months to 30 June 2012	
	Former IAS19 £m	Revised IAS19 £m
	Expected return on scheme assets	111
Interest on pension obligations	(98)	(98)
	13	(6)

Financial information in Euros

Profit and loss

6 months to 30 June	2013 €m	2012 €m	change	change underlying
Revenue	3,570	3,725	-4%	+2% / +3%*
Adjusted operating profit	1,027	1,015	+1%	+6%
<i>Adjusted operating margin</i>	<i>28.8%</i>	<i>27.3%</i>		
Adjusted net finance costs	(109)	(131)		
Adjusted profit before tax	918	884	+4%	
Tax	(217)	(208)		
<i>Tax rate %</i>	<i>23.5%</i>	<i>23.6%</i>		
Minority interests	(3)	(3)		
Adjusted net profit	698	673	+4%	
Reported net profit	601	673	-11%	

**Excluding biennial exhibition cycling*

Adjusted figures are stated before amortisation of acquired intangible assets, acquisition related costs, disposal gains / losses and anomalous tax effects; underlying change excludes results of all acquisitions and disposals made in year and prior year and assets held for sale

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Reconciliation of net profit

Reported to adjusted

6 months to 30 June	2013 €m	2012 €m	change
Reported net profit	601	673	-11%
Adjustments (after tax):			
Amortisation of acquired intangible assets	71	154	
Net financing cost on pension schemes	7	5	
Acquisition related costs	16	7	
Disposals and other non operating items	3	(166)	
Adjusted net profit	698	673	+4%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Revenue

Underlying growth in all business areas

6 months to 30 June	2013 €m	2012 €m	change constant currency	change underlying
Scientific, Technical & Medical	1,190	1,193	0%	+2%
Risk Solutions	558	564	0%	+8%
Business Information	338	423	-19%	+3%
Legal	912	952	-3%	+1%
Exhibitions	572	593	+1%	+1% / +7%*
Reed Elsevier	3,570	3,725	-3%	+2% / +3%*

** Excluding biennial exhibition cycling*

Adjusted operating profit

Underlying growth in all business areas

6 months to 30 June	2013 €m	2012 €m	change constant currency	change underlying
Scientific, Technical & Medical	439	430	+2%	+3%
Risk Solutions	250	233	+8%	+11%
Business Information	65	77	-13%	+14%
Legal	122	122	+2%	+5%
Exhibitions	178	184	+2%	+4%
Corporate costs	(27)	(31)		
Reed Elsevier	1,027	1,015	+2%	+6%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Adjusted operating cash flow conversion

6 months to 30 June	2013 €m	2012 €m
Adjusted operating profit	1,027	1,015
Capital expenditure	(179)	(183)
Depreciation	150	138
Working capital and other items	(126)	(21)
Adjusted operating cash flow	872	949
Cash flow conversion rate	85%	94%
EBITDA	1,177	1,153

- Cash conversion: receivables phasing over period end; expected to reverse in H2 to exceed 90% for FY 2013

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)

Free cash flow

6 months to 30 June	2013 €m	2012 €m
Adjusted operating cash flow	872	949
Cash interest paid	(101)	(122)
Cash tax paid	(201)	(154)
Acquisition integration / other*	(14)	(39)
Free cash flow before dividends	556	634
Dividends	(466)	(460)
Free cash flow after dividends	90	174

*Net of cash tax repayments / relief

Uses of free cash flow

6 months to 30 June	2013 €m
Free cash flow after dividends	90
Acquisitions	(100)
Net disposal proceeds	266
Share buybacks	(354)
Other*	60
Currency translation	(22)
Movement in net debt	(60)

* Includes net share option exercise proceeds

Balance sheet

	30 June 2013 €m	31 Dec 2012 €m
Goodwill & acquired intangible assets	8,825	8,823
Internally developed intangible assets	843	796
Property, plant & equipment and investments	540	545
Net assets held for sale	74	247
Net pension obligations	(446)	(573)
Working capital	(1,297)	(1,401)
Net capital employed	8,539	8,437

Impact of IAS19 (revised) – effective 1 January 2013 (€)

	Adjusted earnings measures			Reported figures		
	Six months to 30 June 2012			Six months to 30 June 2012		
	Former IAS19 €m	Pro forma change €m	Revised IAS19 €m	Former IAS19 €m	Pro forma change €m	Revised IAS19 €m
Operating profit	1,031	(16)	1,015	817	(16)	801
Net finance costs	(131)	-	(131)	(131)	(7)	(138)
Disposals and other non-operating	-	-	-	127	-	127
Profit before tax	900	(16)	884	813	(23)	790
Net profit after tax	685	(11)	673	689	(16)	673
Earnings per share: NV (€)	0.47		0.46	0.47		0.46
<u>Calculation of net pension financing credit / (charge)</u>						
	Six months to 30 June 2012					
	Former IAS19 €m	Revised IAS19 €m				
Expected return on scheme assets	135	112				
Interest on pension obligations	(119)	(119)				
	16	(7)				