Reed Elsevier 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

2013 financial highlights

- Underlying revenue growth +2% (+3% excluding biennial exhibition cycling)
- Underlying adjusted operating profit growth +5%
- Adjusted EPS: +7% at constant currencies; PLC +9% to 54.0p; NV +5% to €0.99
- Reported EPS: PLC +9% to 48.8p; NV +5% to €0.91
- Proposed full year dividend: PLC +7%; NV +8%
- Return on invested capital up 0.4% to 12.1%
- Net debt / EBITDA: 2.1x* (2012: 2.2x)
- Cash flow conversion: 97%

** Pensions and lease adjusted; calculated in US dollars; unadjusted: 1.6x (2012: 1.7x)*

Profit and loss

Year to 31 December	2013 £m	2012 £m	change	change constant currency	change underlying
Revenue	6,035	6,116	-1%	-3%	+2% / +3%*
Adjusted operating profit	1,749	1,688	+4%	+1%	+5%
Adjusted operating margin	*29.0%*	*27.6%*			
Net interest expense	(177)	(216)			
Adjusted profit before tax	1,572	1,472	+7%	+4%	
Tax	(370)	(346)			
Tax rate %	*23.5%*	*23.5%*			
Minority interests	(5)	(5)			
Adjusted net profit	1,197	1,121	+7%	+4%	
Reported net profit	1,110	1,044	+6%	+3%	

**Excluding biennial exhibition cycling*
Adjusted figures are stated before amortisation of acquired intangible assets, acquisition related costs, disposal gains / losses, pension financing costs 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

Year to 31 December	2013 £m	2012 £m	change
Reported net profit	1,110	1,044	+6%
Adjustments (after tax):			
Amortisation of acquired intangible assets	325	336	
Net financing cost on pension schemes	13	8	
Acquisition related costs	31	16	
Disposals and other non operating items	18	(103)	
Other deferred tax credits and prior year tax items	(300)	(180)	
Adjusted net profit	1,197	1,121	+7%

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

Adjusted earnings and dividends per share

	Reed Elsevier PLC		Reed Elsevier NV	
Adjusted earnings per share	54.0p	+9%	€0.99	+5%
Full year dividend per share*	24.6p	+7%	€0.506	+8%
Dividend cover	2.2x		2.0x	

** Proposed equalised dividends per share; interim dividends equalised at €1.16:£1 (2012: €1.27:£1); final dividends equalised at €1.22:£1 (2012: €1.16:£1); average exchange rate for 2013 €1.18:£1 (2012: €1.23:£1)*

Revenue
Underlying growth in all business areas

Year to 31 December	2013 £m	2012 £m	change constant currency	change underlying
Scientific, Technical & Medical	2,126	2,063	+1%	+2%
Risk Solutions	933	926	-1%	+8%
Business Information	547	663	-19%	+4%
Legal	1,567	1,610	-4%	+1%
Exhibitions	862	854	+2%	+2% / +7%*
Reed Elsevier	6,035	6,116	-3%	+2% / +3%*

** Excluding biennial exhibition cycling*

Adjusted operating profit
Underlying growth in all business areas

Year to 31 December	2013 £m	2012 £m	change constant currency	change underlying
Scientific, Technical & Medical	826	780	+2%	+3%
Risk Solutions	414	392	+4%	+8%
Business Information	107	119	-11%	+14%
Legal	238	234	+1%	+5%
Exhibitions	213	210	+4%	+4%
Unallocated items	(49)	(47)		
Reed Elsevier	1,749	1,688	+1%	+5%

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

Adjusted operating profit
Revised allocation of corporate and shared costs

	Adjusted operating profit		Margin	
	New method	Old method	New method	Old method
Year to 31 December 2013	£m	£m		
Scientific, Technical & Medical	787	826	37.0%	38.8%
Risk Solutions	401	414	43.0%	44.4%
Business Information	106	107	19.3%	19.5%
Legal	250	238	15.9%	15.2%
Exhibitions	210	213	24.4%	24.7%
Unallocated items	(5)	(49)		
Reed Elsevier	1,749	1,749	29.0%	29.0%

- Previously unallocated items will be attributed to the business areas
- Other business costs relating to shared activities and resources will be allocated between businesses on the basis of usage and benefits derived

Adjusted operating cash flow conversion

Year to 31 December	2013 £m	2012 £m
Adjusted operating profit	1,749	1,688
Capital expenditure	(308)	(333)
Depreciation	249	227
Working capital and other items	13	21
Adjusted operating cash flow	1,703	1,603
Cash flow conversion rate	97%	95%
EBITDA	1,998	1,915

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

Capital expenditure by business area

Year to 31 December	2013 £m	2013 % of revenues	2012 £m	2012 % of revenues
Scientific, Technical & Medical	87	4%	102	5%
Risk Solutions	25	3%	21	2%
Business Information	18	3%	17	3%
Legal	163	10%	168	10%
Exhibitions	15	2%	25	3%
Total capital expenditure	308	5.1%	333	5.5%
Depreciation total	249	4.1%	227	3.7%

Free cash flow

Year to 31 December	2013 £m	2012 £m
Adjusted operating cash flow	1,703	1,603
Cash interest paid	(195)	(224)
Cash tax paid	(347)	(281)
Acquisition integration / other*	(30)	(23)
Free cash flow before dividends	1,131	1,075
Dividends	(549)	(521)
Free cash flow after dividends	582	554

*Net of cash tax relief

Uses of free cash flow

	2013 £m	2012 £m
Free cash flow after dividends	582	554
Disposals: total consideration	331	242
Acquisitions	(230)	(323)
Share buybacks	(600)	(250)
Cash taxes on disposals	(25)	26
Other*	(31)	(50)
Currency translation	28	107
Movement in net debt	55	306
Net debt at 31 December	(3,072)	(3,127)
Net debt / EBITDA (pensions and lease adjusted)	2.1x	2.2x
Net debt / EBITDA (unadjusted)	1.6x	1.7x

** Includes option proceeds, disposal transaction costs and timing effects*

Debt management

Debt as at 31 December 2013

- Gross debt: $5.4bn (£3.3bn)
- Net debt: $5.1bn (£3.1bn)

Debt management activity in 2013

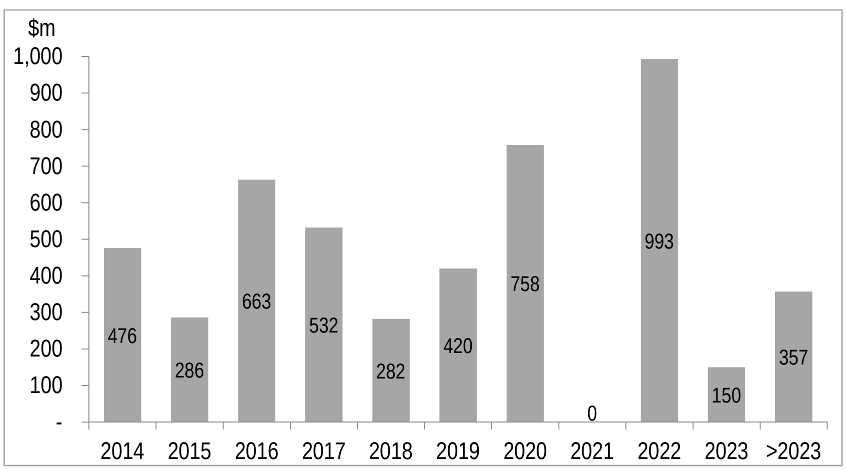
- Reduced cash balance from $1.2bn to $0.3bn
- Issued $282m of Swiss Franc 1.0% 2018 notes
- Issued $389m of 3.125% 2022 notes in exchange for $309m of 8.625% 2019 notes
- Redeemed $461m of term debt maturing January 2014
- Renewed $2.0bn revolving credit facility to 2018, at lower cost

2013 outcomes

- Net interest expense of £177m (2012: £216m)
- Interest rate on gross debt of 4.8% (2012: 5.6%)

Debt maturities

At 31 December 2013



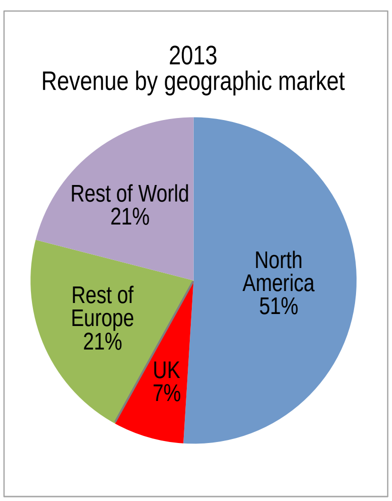
Term debt translated at 31 December 2013 exchange rates, stated at par value

Balance sheet

	2013 £m	2012 £m
Goodwill & acquired intangible assets	6,980	7,173
Internally developed intangible assets	720	647
Property, plant & equipment and investments	454	443
Net assets held for sale	18	201
Net pension obligations	(379)	(466)
Working capital	(1,156)	(1,139)
Net capital employed	6,637	6,859
Cumulative amortisation and other adjustments*	4,312	4,287
Invested capital at 2013 average exchange rates	10,949	11,146

** Other adjustments: currency movements and exclusion of deferred tax gross up to goodwill*

Currency profile



- 1/3 of Rest of World revenues in US dollars
- 3-year rolling hedge programme smooths FX impact on subscription contracts
- Impact of 1% strengthening of US dollar on adjusted profit before tax: around £7m / €9m

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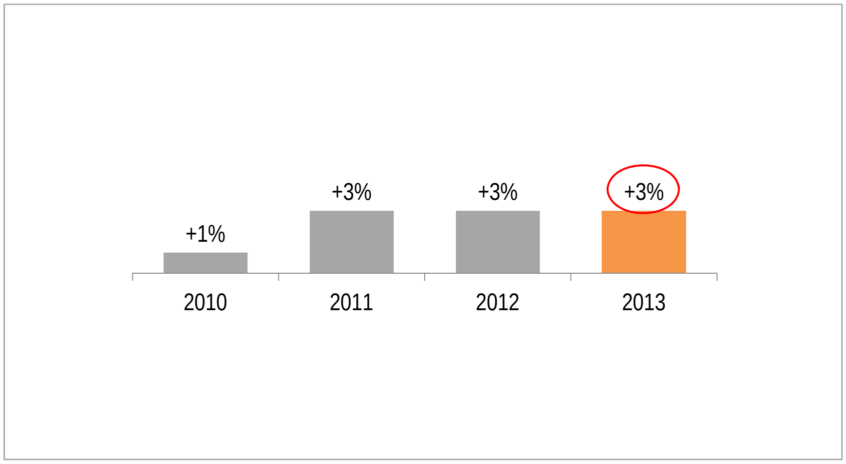
Erik Engstrom, CEO

Reed Elsevier 2013 progress

- Continued positive operating and financial momentum
  - Underlying revenue growth trends sustained
  - Improved profitability through process innovation
  - Strong cash generation
- Further transformation of business profile and improvement in earnings quality
  - Organic development of technology platforms; expansion in high growth markets
  - Continued portfolio reshaping
  - Improved revenue and profit mix

Underlying revenue growth
Excluding biennial exhibition cycling



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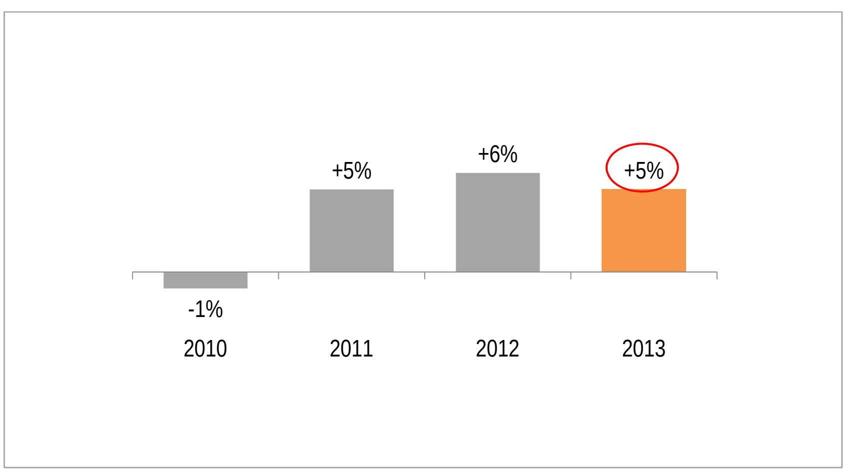
Underlying adjusted operating profit growth



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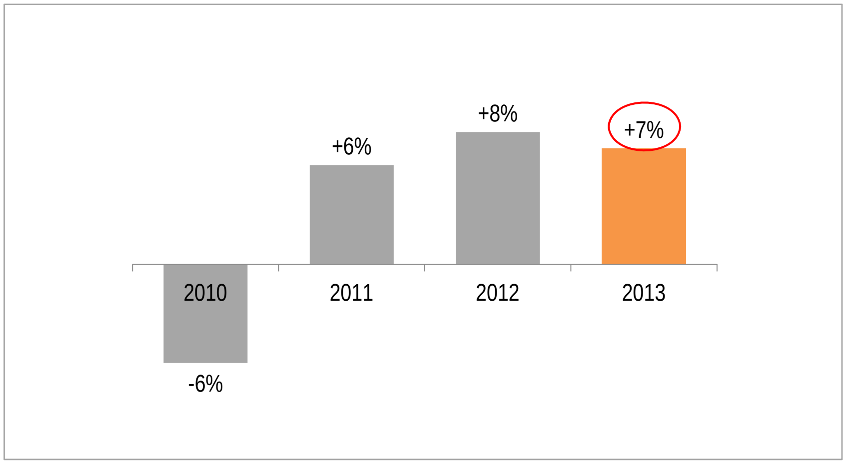
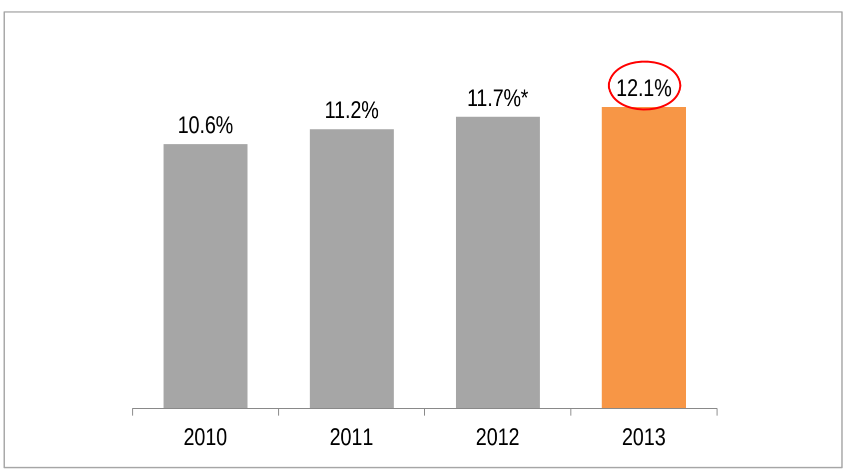
Earnings per share growth
Constant currency

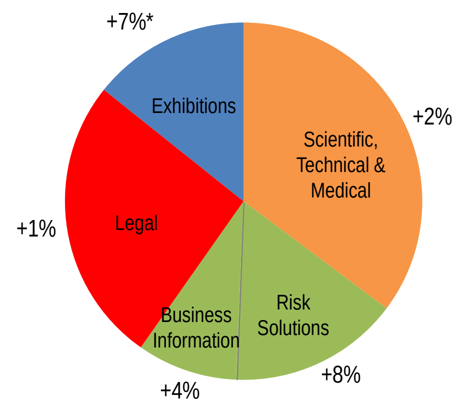


Increased return on invested capital



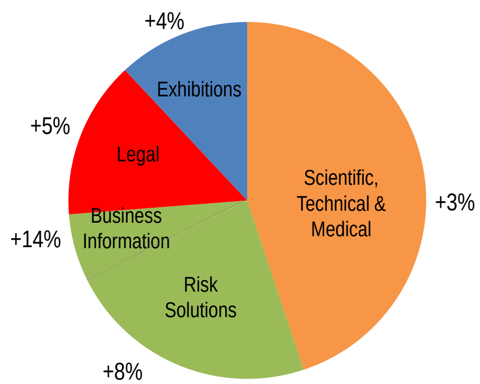
2012 ROIC restated post IAS19 Employee Benefits (revised)

Underlying revenue growth
across business areas



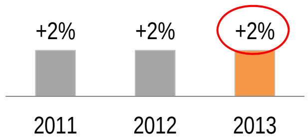
*excluding biennial exhibition cycling

Underlying adjusted operating profit growth
across business areas



Scientific, Technical & Medical

Underlying revenue growth



72% electronic

- Strong growth in research article submissions and usage; further improvement in journal quality metrics
- Solid journal subscription renewals and new sales; continued growth in "author pays" or "author's funder pays" volumes from small base
- Product innovation driving growth in scientific and clinical databases & tools
- Continued declines in print book sales and pharma promotion

2014 Outlook: Continued volume growth and strong demand for electronic products and solutions; continued declines in print book and pharma promotion revenues; modest underlying revenue growth overall

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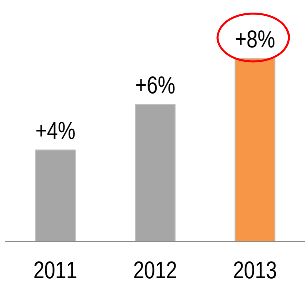
Risk Solutions

Underlying revenue growth



96% electronic

- Acceleration in underlying revenue growth
- Strong growth across all business segments
- Insurance: solid volume growth, good take up of new products, expansion in new verticals and geographies
- Business Services: strong demand for identity authentication and fraud detection solutions; slowdown in mortgage refinancing
- Government: strong new product sales; Q4 slowdown in federal segment
- Margin improvement reflects portfolio changes, underlying cost growth in line with revenue growth

2014 Outlook: Federal government and mortgage refinancing markets uncertain; fundamental growth drivers strong. Overall, good underlying revenue growth across market segments

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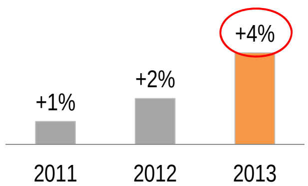
Business Information

Underlying revenue growth



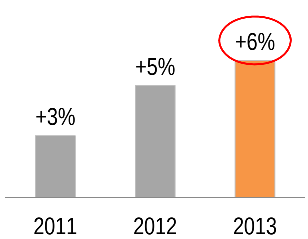
60% electronic

- Further acceleration in underlying revenue growth
- Strong growth in Major Data Services driven by Accuity, ICIS and XpertHR
- Modest growth in Leading Brands and Other Business Magazines & Services
- Continued portfolio transformation and alignment with Risk Solutions
- Margin improvement reflects organic transformation

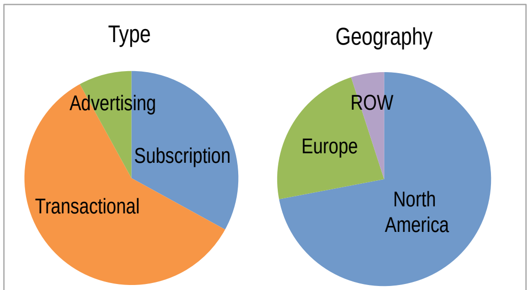
2014 Outlook: Good underlying growth in Major Data Services, stable in Leading Brands and Other Business Magazines & Services

Risk Solutions and Business Information combined

Underlying revenue growth



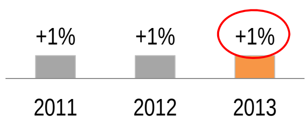
82% electronic



- Almost 30% of Reed Elsevier operating profit
- Underlying profit growth +9%
- Adjusted operating margin 35.2%

Legal

Underlying revenue growth



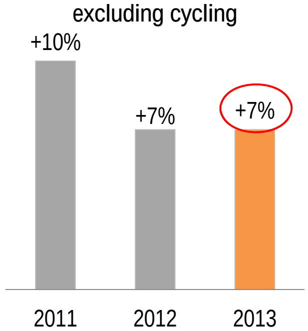
76% electronic

- Underlying revenue growth maintained
- Subdued US and European markets
- Growth in electronic product usage and revenues; continued print declines
- Roll out of new platforms and products progressing well
- Margin expansion reflects process innovation and initial decommissioning of old infrastructure

2014 Outlook: Continued roll out of new platforms and products and focus on process improvement. Customer markets remain subdued, limiting scope for underlying revenue growth

Exhibitions

Underlying revenue growth excluding cycling



- Strong underlying revenue growth excluding cycling maintained
- US, Japan, Brazil, China, and emerging markets all grew well
- In Europe, good growth in international events; domestic events weak in continental Europe
- 37 new events launched in high growth geographies and sectors; continued investment in new technology platforms
- Biennial cycling effect reduced to 5%

2014 Outlook: Good underlying growth in the US and Japan, limited in Europe. Strong growth in other markets, albeit at slightly lower rate. 2014 is a cycling-in year; cycling effects further reduced to around 2%

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

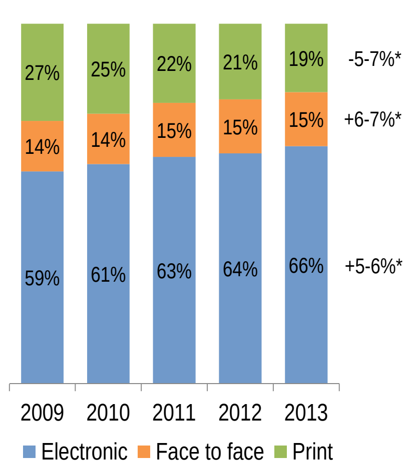
How we are getting there

- Organic development: Investment in transforming core business; build-out of new products
- Portfolio reshaping: Selective acquisitions; selective divestments

Implications for business profile: Improving quality of earnings

- More predictable revenues
- Higher growth profile
- Improving returns

Organic development
Revenue by format

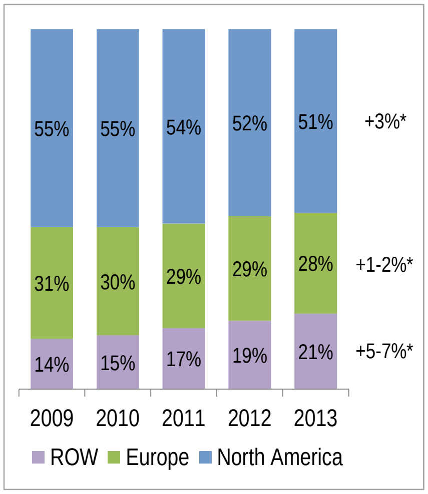


- Organic transformation #1 priority
- Investing in new technology platforms
- Launching new products and services
- Reformatting print reference into electronic reference
- Transforming electronic reference into electronic decision tools

**24 month underlying growth (excluding biennial exhibition cycling)*

Organic development

Revenue by geography



- Transformation to decision tools driving growth in developed markets
- Leveraging institutional skills, assets and resources to extend reach in adjacent markets
- Continuing to build leading positions in long term growth markets outside US/Europe despite short term volatility

**24 month underlying growth (excluding biennial exhibition cycling)*

Portfolio reshaping

2013

Acquisitions:

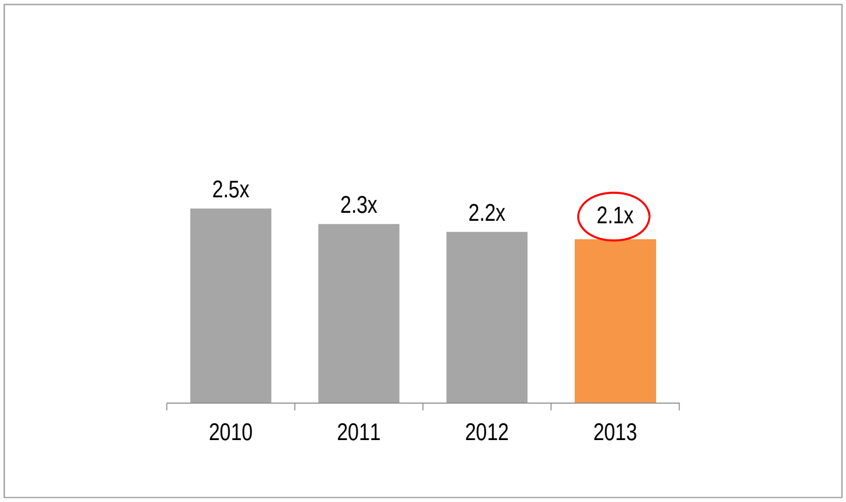
- 20 transactions; total consideration £230m
- Including Enclarity, Mapflow, Verid, World Compliance, Mendeley, Expo Ferretera, Capsule, IPSA

Disposals:

- 26 transactions; total consideration £331m
- Including Screening Solutions, Martindale Hubbell, RBI Australia, France and Italy, Elsevier Business Intelligence, Exhibitions Spain

Leverage maintained in recent range

Net debt / EBITDA*



** Pensions and lease adjusted; 2013 unadjusted net debt / EBITDA 1.6x*

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

- Long term dividend growth in line with earnings per share growth
- £600m of share buybacks completed in 2013
- £600m total share buybacks planned in 2014

Summary

2013

- Continued positive operating and financial momentum
- Further transformation of business profile and improvement in earnings quality

2014 Outlook

- *"Early trends across our business in 2014 remain broadly consistent with full year 2013, with some small variations by market and geography. We are confident that, by continuing to execute on our strategy, we will deliver another year of underlying revenue, profit, and earnings growth in 2014".*

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Appendices

Contents

Further information

Revenue
Year over year change

Year to 31 December	£m	% change	€m	% change
2012 Revenue	6,116		7,523	
Underlying growth	136	+2%	167	+2%
Acquisitions	69	+1%	86	+1%
Disposals	(362)	-6%	(446)	-6%
Currency effects	76	+2%	(209)	-2%
2013 Revenue	6,035	-1%	7,121	-5%

Adjusted operating profit
Year over year change

Year to 31 December	£m	% change	€m	% change
2012 Adjusted operating profit	1,688		2,076	
Underlying growth	75	+5%	92	+5%
Acquisitions	11	0%	13	0%
Disposals	(62)	-4%	(75)	-4%
Currency effects	37	+3%	(42)	-2%
2013 Adjusted operating profit	1,749	+4%	2,064	-1%

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

Depreciation

Year to 31 December	2013 £m	2012 £m	2013 €m	2012 €m
Scientific, Technical & Medical	95	82	112	101
Risk Solutions	22	23	26	28
Business Information	10	14	12	17
Legal	108	92	127	113
Exhibitions	14	16	17	20
Total	249	227	294	279

Dividend equalisation

	Interim			Final		
	2013	2012	% change	2013	2012	% change
Reed Elsevier PLC (p)	6.65	6.00	+11%	17.95	17.00	+6%
UK tax credit rate	10%	10%		10%	10%	
Reed Elsevier PLC (p) (gross)	7.39	6.67		19.94	18.89	
Equalisation ratio	1.538	1.538		1.538	1.538	
Exchange rate (€:£)	1.16	1.27		1.22	1.16	
Reed Elsevier NV (€)	0.132	0.130	+2%	0.374	0.337	+11%

Scientific, Technical & Medical
Growth and currency analysis

	Underlying	Acquisitions / disposals	Constant currency	Year on year change in hedge rates	Other currency	Total
Year to 31 December 2013						
Revenue	+2%	-1%	+1%	+1%	+1%	+3%
Adjusted operating profit	+3%	-1%	+2%	+2%	+2%	+6%
Adjusted operating margin	+0.4%	0%	+0.4%	+0.3%	+0.3%	+1.0%
Year to 31 December 2012						
Revenue	+2%	-1%	+1%	+1%	-2%	0%
Adjusted operating profit	+4%	-3%	+1%	+3%	-2%	+2%
Adjusted operating margin	+0.4%	-0.3%	+0.1%	+0.7%	-0.3%	+0.5%

Exhibitions: cycling impact

Revenue growth %	2010	2011	2012	2013
Total	+9%	+1%	+25%	+2%
Impact of acquisitions / divestments	+1%	+1%	+10%	0%
Underlying	+8%	0%	+15%	+2%
Impact of cycling shows	+11%	-10%	+8%	-5%
Underlying excluding cycling	-3%	+10%	+7%	+7%

Return on invested capital

	2013 £m	2012 £m
Invested capital at 2013 average exchange rates	10,949	11,146
Average invested capital	11,048	10,978
Adjusted operating profit after tax*	1,338	1,290
Return on average invested capital	12.1%	11.7%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)
** Adjusted operating profit taxed at adjusted effective rate*

Summary of other financial matters

		At 31 December 2013	Average 2013	Average 2012
FX rates	£:$	1.66	1.56	1.59
	£:€	1.20	1.18	1.23
Shares outstanding	Reed Elsevier PLC:	1,157m	1,172m	1,201m
	Reed Elsevier NV:	710m	718m	734m

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Financial information in Euros

Profit and loss

Year to 31 December	2013 €m	2012 €m	change	change constant currency	change underlying
Revenue	7,121	7,523	-5%	-3%	+2% / +3%*
Adjusted operating profit	2,064	2,076	-1%	+1%	+5%
Adjusted operating margin	*29.0%*	*27.6%*			
Net interest expense	(209)	(265)			
Adjusted profit before tax	1,855	1,811	+2%	+4%	
Tax	(436)	(426)			
Tax rate %	*23.5%*	*23.5%*			
Minority interests	(6)	(6)			
Adjusted net profit	1,413	1,379	+2%	+4%	
Reported net profit	1,310	1,284	+2%	+3%	

**Excluding biennial exhibition cycling*
Adjusted figures are stated before amortisation of acquired intangible assets, acquisition related costs, disposal gains / losses, pension financing costs and anomalous tax effects; underlying change excludes results of all acquisitions and disposals made in year and prior year and assets held for sale
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Reconciliation of net profit
Reported to adjusted

Year to 31 December	2013 €m	2012 €m	change
Reported net profit	1,310	1,284	+2%
Adjustments (after tax):			
Amortisation of acquired intangible assets	384	413	
Net financing cost on pension schemes	15	10	
Acquisition related costs	37	20	
Disposals and other non operating items	21	(127)	
Other deferred tax credits and prior year tax items	(354)	(221)	
Adjusted net profit	1,413	1,379	+2%

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

Revenue
Underlying growth in all business areas

Year to 31 December	2013 €m	2012 €m	change constant currency	change underlying
Scientific, Technical & Medical	2,509	2,538	+1%	+2%
Risk Solutions	1,101	1,139	-1%	+8%
Business Information	645	815	-19%	+4%
Legal	1,849	1,980	-4%	+1%
Exhibitions	1,017	1,051	+2%	+2% / +7%*
Reed Elsevier	7,121	7,523	-3%	+2% / +3%*

** Excluding biennial exhibition cycling*

Adjusted operating profit
Underlying growth in all business areas

Year to 31 December	2013 €m	2012 €m	change constant currency	change underlying
Scientific, Technical & Medical	975	960	+2%	+3%
Risk Solutions	489	482	+4%	+8%
Business Information	126	146	-11%	+14%
Legal	281	288	+1%	+5%
Exhibitions	251	258	+4%	+4%
Unallocated items	(58)	(58)		
Reed Elsevier	2,064	2,076	+1%	+5%

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

Adjusted operating cash flow conversion

Year to 31 December	2013 €m	2012 €m
Adjusted operating profit	2,064	2,076
Capital expenditure	(363)	(409)
Depreciation	294	279
Working capital and other items	15	26
Adjusted operating cash flow	2,010	1,972
Cash flow conversion rate	97%	95%
EBITDA	2,358	2,355

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

Capital expenditure by business area

Year to 31 December	2013 €m	2013 % of revenues	2012 €m	2012 % of revenues
Scientific, Technical & Medical	103	4%	125	5%
Risk Solutions	29	3%	26	2%
Business Information	21	3%	21	3%
Legal	192	10%	206	10%
Exhibitions	18	2%	31	3%
Total capital expenditure	363	5.1%	409	5.5%
Depreciation total	294	4.1%	279	3.7%

Free cash flow

Year to 31 December	2013 €m	2012 €m
Adjusted operating cash flow	2,010	1,972
Cash interest paid	(230)	(275)
Cash tax paid	(409)	(346)
Acquisition integration / other*	(35)	(27)
Free cash flow before dividends	1,336	1,324
Dividends	(648)	(641)
Free cash flow after dividends	688	683

**Net of cash tax relief*

Uses of free cash flow

	2013 €m	2012 €m
Free cash flow after dividends	688	683
Disposals: total consideration	390	298
Acquisitions	(272)	(398)
Share buybacks	(708)	(308)
Cash taxes on disposals	(30)	32
Other*	(35)	(62)
Currency translation	127	28
Movement in net debt	160	273
Net debt at 31 December	(3,686)	(3,846)
Net debt / EBITDA (pensions and lease adjusted)	2.1x	2.2x
Net debt / EBITDA (unadjusted)	1.6x	1.7x

** Includes option proceeds, disposal transaction costs and timing effects*

Balance sheet

	2013 €m	2012 €m
Goodwill & acquired intangible assets	8,376	8,823
Internally developed intangible assets	864	796
Property, plant & equipment and investments	545	545
Net assets held for sale	21	247
Net pension obligations	(455)	(573)
Working capital	(1,387)	(1,401)
Net capital employed	7,964	8,437
Cumulative amortisation and other adjustments*	4,966	4,715
Invested capital at 2013 average exchange rates	12,930	13,152

** Other adjustments: currency movements and exclusion of deferred tax gross up to goodwill*

Return on invested capital

	2013 €m	2012 €m
Invested capital at 2013 average exchange rates	12,930	13,152
Average invested capital	13,041	13,503
Adjusted operating profit after tax*	1,579	1,586
Return on average invested capital	12.1%	11.7%

Comparative information has been restated following the adoption of IAS19 - Employee Benefits (revised)
** Adjusted operating profit taxed at adjusted effective rate*

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