

Financial highlights

for the six months ended 30 June 2002

REED ELSEVIER COMBINED BUSINESSES

Year ended 31 December			Six months ended 30 June		Six months ended 30 June		Change at constant currencies %
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m	
4,560	7,342	Turnover	2,467	2,036	3,972	3,258	+22%
990	1,594	Adjusted operating profit	505	438	813	701	+16%
848	1,365	Adjusted profit before tax	398	410	641	656	-3%
624	1,005	Adjusted profit attributable	293	303	472	485	-3%
1,006	1,620	Adjusted operating cash flow	160	278	258	445	-43%
3,229	5,296	Net borrowings	3,296	530	5,076	880	
21.7%	21.7%	Operating margin	20.5%	21.5%	20.5%	21.5%	
102%	102%	Operating cash flow conversion	32%	63%	32%	63%	
7	7	Interest cover (times)	5	16	5	16	

The Reed Elsevier combined businesses encompass the businesses of Reed Elsevier Group plc and Elsevier Reed Finance BV, together with their two parent companies, Reed Elsevier PLC and Reed Elsevier NV.

The financial highlights presented refer to 'adjusted' profit and cash flow figures. These figures are used by the Reed Elsevier businesses as additional performance measures and are stated before the amortisation of goodwill and intangible assets, exceptional items and related tax effects.

The percentage change at constant currencies refers to the movements at constant exchange rates, using 2001 full year average rates.

PARENT COMPANIES

Reed Elsevier PLC

Year ended 31 December			Six months ended 30 June		Change %
2001 £m			2002 £m	2001 £m	
330	Adjusted profit attributable	155	160	-3%	
26.1p	Adjusted earnings per share	12.3p	12.7p	-3%	
10.5p	Dividend per share	3.2p	3.1p	+3%	

Reed Elsevier NV

Year ended 31 December			Six months ended 30 June		Change %
2001 €m			2002 €m	2001 €m	
503	Adjusted profit attributable	236	243	-3%	
€0.64	Adjusted earnings per share	€0.30	€0.31	-3%	
€0.30	Dividend per share	€0.09	€0.09	-	

The results of Reed Elsevier PLC reflect its shareholders' 52.9% economic interest in the Reed Elsevier combined businesses. The results of Reed Elsevier NV reflect its shareholders' 50% economic interest in the Reed Elsevier combined businesses. The respective economic interests of the Reed Elsevier PLC and Reed Elsevier NV shareholders take account of Reed Elsevier PLC's 5.8% interest in Reed Elsevier NV.

The first half of 2002 saw continued good progress across our businesses despite the challenging economic environment. Growth momentum was maintained in our Science and Legal businesses, whilst our Business division suffered, as expected, from depressed advertising markets and comparison with a more buoyant prior year first half. The Harcourt Education and STM businesses acquired last year are performing well and, with sales and profits seasonally weighted to the second half, we are confident that they will have a good outturn for the year.

We remain firmly on track to deliver on our key financial targets of above market revenue growth and double digit adjusted earnings per share growth at constant exchange rates for 2002 and beyond.

FINANCIAL RESULTS

In the six months to 30 June 2002, revenues were up 21% to £2,467m/22% to €3,972m. This includes the contribution of the Harcourt Education and STM businesses acquired in July last year.

Adjusted pre-tax profits were 3% lower at £398m/2% lower at €641m, primarily due to comparison against a strong first half in 2001 in the Business division and dilution from portfolio changes. This is in line with the statements made in our Trading Update last December and reiterated most recently at the Annual General Meetings in April. Adjusted figures are stated before amortisation of goodwill and intangible assets and exceptional items.

Underlying revenues, including the Harcourt acquired businesses on a proforma basis, were 1% lower, held back by the 9% underlying decline in the Business division and the second half weighting of the Harcourt Education and Medical publishing. Underlying adjusted operating profits were 3% ahead, with margins held in the Business division and improved in the other three divisions through tight cost control and Harcourt integration benefits. Overall adjusted operating margin at 20.5% was 1 percentage point lower than in the prior first half due to the inclusion of the Harcourt businesses which have lower margins in the first half than in the second due to the seasonality of the business.

The Science & Medical business continues to perform well and is on course for another good year. Revenues and adjusted operating profits were up 64% and 43% respectively at constant exchange rates, or 5% and 10% before taking into account the Harcourt STM businesses and other small acquisitions and disposals. Subscription renewals are strong and there is an increasing shift to electronic only sales; usage continues to grow significantly. The integration of the Harcourt STM businesses has gone well particularly in publishing and production, with profits from these businesses up 9% on 1% higher revenues on a proforma basis. The 2002 medical publishing programme should accelerate revenue growth in the important second half. This together with a catch up in journal phasing and growing integration benefits should ensure a strong performance for the year for the Science & Medical business.

The Legal business has continued the positive performance seen last year, with revenue and adjusted operating profit growth of 5% and 4% respectively at constant exchange rates, or 4% and 6% before acquisitions and disposals. The US business is performing satisfactorily with 5% underlying revenue growth in North American Legal Markets and 4% in Corporate and Federal Markets with particularly strong sales in the risk solutions area. We estimate this to be ahead of the market. Outside the US, with the exception of weaker results in Latin America, the businesses gave a solid performance. The second half should see a stronger performance for the Legal business with continued revenue momentum and margin improvements in the US driven by increasing cost efficiency.

The Education business has had a successful first half performing strongly in US state textbook adoptions and with strong sales in non-adoption states and in the backlist in Elementary Schools. This performance is not fully reflected in the first half figures since the sales, profits and cashflows of the US K-12 Schools business are significantly skewed to the second half, with most school purchasing patterns aligned to the start of the academic year. Underlying revenues for the Education division (including the Harcourt businesses on a proforma basis) were up 1% with underlying profits 7% ahead. Based on the order outlook and shipments, we are confident of a satisfactory year of growth outperforming a somewhat dull market which this year sees a trough in the state adoption cycle. The Testing business saw underlying proforma sales growth of 14% benefiting from a strong market and new

contracts. The former Reed Educational & Professional Publishing businesses saw revenues 2% lower in the less important first half, due principally to lower UK primary schools sales against a prior half of more significant curriculum change.

In the Business division, advertising markets remain difficult with no marked deterioration since the beginning of the year and no real signs of a recovery. Against a strong first half in 2001 when the impact of the economic downturn was limited, underlying revenues and operating profits were both down 9%. Whilst the magazine and information publishing businesses have seen underlying revenue decline of 12%, the Exhibitions business has proved much more resilient despite the economic environment with underlying revenues only marginally lower. Overall performance is significantly ahead of our markets and reflects our continued focus on improving market share, maintaining yields and protecting margins through targeted cost savings. The second half will have a much less demanding revenue comparison and will see the full benefit of the cost actions taken. Total reported revenues were down 20% and operating profits down 17% at constant exchange rates reflecting disposals in the second half of 2001, principally of the OAG and US travel publishing businesses.

Disposals and acquisitions, other than Harcourt, reduced adjusted operating profits and pre-tax profits when compared with the prior first half by 6% and 7% respectively, principally due to the lost contribution from the travel publishing businesses and the electronic development losses at the Courtlink and Classroom Connect acquisitions. This dilution is predominantly a first half effect due to the timing of the portfolio changes. The contribution of the acquired Harcourt businesses, after financing costs, was neutral to first half adjusted pre-tax profits.

Exchange rate movements in the first half had little impact on the average rates used for translation. If current exchange rates were to prevail throughout the second half, there would be a small adverse translation effect on the adjusted earnings reported in both sterling and euros.

The reported profit before tax including exceptional items and the amortisation of goodwill and intangible assets, was £100m/€161m, which compares with £182m/€291m in the 2001 first half. The more sizeable decrease than in the adjusted figures reflects the exceptional integration costs and goodwill and

intangible asset amortisation of the acquired Harcourt businesses. The reported attributable profit of £97m/€156m increased against a reported attributable profit of £71m/€114m in the first half of 2001 and includes exceptional prior year tax credits.

PROGRESS ON STRATEGY

It is now two and a half years since we laid out our strategy for growth. We have continuously delivered against the milestones we set ourselves and it is a testament to the transformation of the business that we are firmly on track to meet our key financial growth targets despite the global economic slowdown.

The major effort in **reshaping and focusing the business** is behind us. Last year's acquisition of the Harcourt Education and STM businesses gave us the scale and breadth we wanted in education and medical publishing. This and our other acquisitions and the disposals programme have positioned the portfolio well: four core businesses in attractive growth markets; leading global positions in each; strong subscriptions revenues and reduced advertising exposure; and strong cashflow dynamics. We have also significantly **upgraded our organisational effectiveness**. The organisation is now much more focused with clear responsibilities and accountability. We have in place across our businesses strong management teams and continue to build the depth of talent. A wide range of initiatives to strengthen organisational development further are being implemented. The integration of the Harcourt businesses has gone well; we could not have hoped for greater management cohesion and alignment.

The major step up in **investment in product, sales and marketing** is now embedded across our business and is showing very positive results in growing our revenues ahead of our markets. The ScienceDirect web service is the global leader. Our LexisNexis online services have been dramatically upgraded and the building of a global delivery platform will deliver consistent competitive advantage. We are now leveraging our technology skills and experience in the Harcourt businesses through the development of our e-learning strategy and in electronic information solutions in Health Sciences. A more focused approach to the medical print publishing programme will also start to yield benefits this year. Investment levels in product, sales and marketing will be maintained this year and, together with the stepped up investment in the acquired

Harcourt businesses, will approach £300m/€480m compared with £80m/€120m in 1999. Our focus on internet enabled product has accelerated our market success and internet revenues should meet our target of £1bn/€1.6bn this year. In the sales area, we have recently completed a comprehensive review of sales effectiveness across our businesses and we expect the actions arising to further improve performance. We also continue to build our marketing strength through investment in people, market research and promotion.

Cost savings continue to be a major focus across the business, and particularly in the Business division where the protracted difficult economic conditions have necessitated further restructuring. We have delivered over £250m/€375m of annual cost savings against the original target of £170m/€270m we set ourselves two years ago, before taking into account the Harcourt integration benefits. Our US\$70m cost synergies target for the Harcourt acquisition will be exceeded, with the greater than expected savings in the Harcourt Education operations and back office used in part to fund additional e-learning investment as we finalise our plans.

We continue to build our **global capabilities** particularly in Science & Medical and Legal through content development and global delivery. The **acquisition** of Harcourt gave us both the scale we sought in Education in the US and positioning across the entire spectrum in Science & Medical. We continue to look for bolt-on acquisitions that accelerate our strategic development; our approach is disciplined and our internal criteria for quality and growth and financial return are clear and demanding.

PARENT COMPANY EARNINGS AND DIVIDENDS

For the parent companies, Reed Elsevier PLC and Reed Elsevier NV, the adjusted earnings per share at 12.3p and €0.30 respectively were 3% lower in both reporting currencies and at constant exchange rates. The reported earnings per share, including exceptional items and amortisation of goodwill and intangible assets, was for Reed Elsevier PLC shareholders 3.9p (2001: 2.9p) and for Reed Elsevier NV shareholders €0.10 (2001: €0.07).

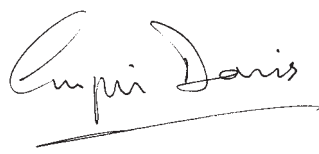
The Reed Elsevier PLC interim dividend is 3.2p, up 3%, and the equalised Reed Elsevier NV interim dividend is flat at €0.09. The difference in dividend growth rates reflects the impact of the appreciation of the euro against sterling since last year's interim dividend declaration.

OUTLOOK

In February, we stated that although the overall results for the first half of 2002 would be a little lower than last year, the second half should deliver the expected growth for the year given the less demanding comparison in the Business division and the second half weighting of sales and profit in the Harcourt businesses. We remain firmly of this view, with all four businesses positioned well for the second half despite the continuing tough economic environment. We fully expect to deliver on our key financial targets of above market revenue growth and double digit adjusted earnings per share growth at constant exchange rates.



Morris Tabaksblat, Chairman



Crispin Davis, Chief Executive Officer

REVIEW OF OPERATIONS

Year ended 31 December			Six months ended 30 June		Six months ended 30 June		Change at constant currencies %
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m	
Turnover							
1,024	1,649	Science & Medical	623	380	1,003	608	+64%
1,330	2,141	Legal	670	642	1,079	1,027	+5%
579	932	Education	449	106	723	170	+325%
1,627	2,620	Business	725	908	1,167	1,453	-20%
4,560	7,342	Total	2,467	2,036	3,972	3,258	+22%
Adjusted operating profit							
344	554	Science & Medical	202	142	325	227	+43%
267	430	Legal	122	117	197	187	+4%
132	212	Education	48	18	77	29	+167%
247	398	Business	133	161	214	258	-17%
990	1,594	Total	505	438	813	701	+16%

Unless otherwise indicated, all percentage movements in the commentary refer to constant currency rates, using 2001 full year average rates, and are stated before the amortisation of goodwill and intangible assets and exceptional items.

Science & Medical

	Six months ended		Six months ended		Change at constant currencies %
	30 June 2002 £m	30 June 2001 £m	30 June 2002 €m	30 June 2001 €m	
Turnover					
Elsevier Science					
Science & Technology	375	290	604	464	+29%
Health Sciences	248	90	399	144	+175%
Total	623	380	1,003	608	+64%
Operating profit	202	142	325	227	+43%
Operating margin	32.4%	37.4%	32.4%	37.4%	-5.0pts

The Science & Medical business has continued to perform well. Revenue and profit growth in the former (pre-Harcourt) Elsevier Science business was driven by strong subscription renewals and the continued success of ScienceDirect. Within the Harcourt STM businesses there is a gathering momentum as the publishing is rationalised and becomes more market focused and the integration savings are realised.

Revenues and operating profits increased by 64% and 43% respectively at constant exchange rates, or 5% and 10% excluding the Harcourt STM business acquired in July 2001 and other small acquisitions and disposals. The sales growth of the pre-Harcourt Elsevier Science business was driven by strong subscription renewals and sales of new electronic product, partly offset by more favourable journal phasing in the 2001 first half. A further positive development is the increasing number of customers moving to electronic-only contracts.

The former Harcourt STM businesses, which are now managed within the Science & Technology and Health Sciences businesses, saw proforma sales and operating profit growth over the prior first half of 1% and 9% respectively. The second half will see an acceleration in the revenue growth with the new publishing programme in Health Sciences and a recovery of some sales slippage as production was reorganised. Profitability improved as the business was integrated within Elsevier Science, particularly in publishing and production.

Operating margins at 32.4% were 5 percentage points lower than the prior first half due to the inclusion of the lower margin Harcourt STM business. Underlying margins improved by 2 percentage points reflecting the good operational gearing in the business and the cost savings from the Harcourt STM integration.

ScienceDirect continues to make major progress in its markets, with usage up 50% over a year ago and penetration now 69% of subscription value. Online products, such as subject collections and back files, are also driving new sales and usage. The content on the Harcourt IDEAL online platform has now been successfully migrated to ScienceDirect, offering customers considerably enhanced functionality whilst delivering greater operational efficiency. Within Health Sciences, the online MD Consult service has launched a number of speciality specific modules and ten new information products delivered through handheld devices. Investment in electronically delivered information and solutions in Health Sciences is being stepped up as our plans are developed. We are also making significant

investment in our global systems infrastructure to support our long term growth strategies; these include data warehousing and content management, customer relationship management, order fulfilment and production scheduling.

As noted in the past, the Harcourt STM business did lose some momentum during the extended regulatory review process prior to our acquisition. The organisation is now refocused around the markets served and reinvigorated under experienced leadership. The publishing plans are well developed and operational efficiency is increasing quickly.

The second half will see an acceleration in sales growth for the medical book publishing programme as well as a catch up in journal phasing. Stronger revenue growth together with the increasing integration benefits should ensure another good performance for the Science & Medical business.

Legal

	Six months ended		Six months ended		Change at constant currencies %
	30 June 2002 £m	30 June 2001 £m	30 June 2002 €m	30 June 2001 €m	
Turnover					
LexisNexis					
North America	534	507	860	811	+6%
International	136	135	219	216	+3%
Total	670	642	1,079	1,027	+5%
Operating profit	122	117	197	187	+4%
Operating margin	18.2%	18.2%	18.2%	18.2%	-

The Legal business has continued the positive performance that was seen last year. The US legal business is, we believe, performing ahead of the market, and although the Corporate and Federal Markets are affected by the economic slowdown, this is compensated by growing sales in the risk solutions area.

Revenues and operating profits increased by 5% and 4% respectively at constant exchange rates, or 4% and 6% excluding acquisitions. LexisNexis North America saw underlying revenue growth of 5% with continued good progress in the market take up of our upgraded products and new services. Outside the US, International sales growth was 3%, held back by the difficult conditions in Latin America. Operating margins were unchanged at 18.2% in the first half, partly held back by the development losses in Courtlink, the electronic court access and filing company acquired last year.

In North American Legal Markets, revenues grew by 5%. Online revenue growth was 8% with strong growth seen particularly in the small law firm market, whereas print and CD sales were broadly

static as the market moves online. The Martindale-Hubbell legal directories business also had a good first half with strong growth sales of lawyers home pages in the small law firm market. In Corporate and Federal Markets, the impact of the economic downturn on the corporate market was more than compensated by strong growth in the risk solutions area, to deliver revenue growth of 4%.

The migration from the proprietary online systems to the easier to use and more functional web products continues with over 80% of searches now web based. We continue to invest strongly in product enhancements through new content such as annotated state codes, additional online functionalities and customisation, and in the development of our infrastructure, most particularly in the development of our global online delivery platform, new editorial systems and in data management and customer relationship management systems.

In July we announced the acquisition of Quicklaw which is the market leader in online legal information in Canada.

The LexisNexis International businesses outside North America saw revenues and operating profits up 3% and 4% respectively, or 3% and 2% excluding acquisitions. Solid growth in Europe and Asia Pacific was in part held back by weaker sales in Latin America. The new publishing growth in the significant UK market is phased to the second half and there is continued strong take up of electronic product in the UK and increasingly in France.

The second half should see a stronger performance for the Legal business with continued revenue momentum and margin improvements in the US driven by increasing cost efficiency.

Education

	Six months ended		Six months ended		Change at constant currencies %
	30 June 2002 £m	30 June 2001 £m	30 June 2002 €m	30 June 2001 €m	
Turnover					
Harcourt Education					
US Schools & Testing	382	33	615	53	+1058%
International	67	73	108	117	-8%
Total	449	106	723	170	+325%
Operating profit	48	18	77	29	+167%
Operating margin	10.7%	17.0%	10.7%	17.0%	-6.3pts

The Education business has had a successful first half performing well in US state textbook adoptions, and with strong sales growth in non-adoption states and in the backlog in Elementary Schools. This positions the business well for the important second half when the majority of schools purchase learning materials. The US Testing business also performed well.

A first half contribution of the Harcourt Education and Testing businesses acquired in July 2001 drove the significant increase in revenues and operating profits for the division. The inclusion of Harcourt did however significantly reduce the first half operating margin since the majority of selling expenses in the US are incurred in the first half of the year whereas the majority of sales are in the second half. On a proforma basis, underlying revenue growth for the division over the prior year first half was 1% whereas operating profits were 7% ahead.

The Harcourt US K-12 Schools publishing business has had a strong start to the year although this is not readily apparent from the half year figures, because of the seasonality of the market and the timing of when individual states call for product in the peak June-September sales season. Revenues were 3% lower and operating profits up 3%. In addition to the strong Elementary sales in open territories and the backlist, Harcourt has captured the highest overall market share in 2002 state adoption revenues, coming No 1 in the Elementary market and No 2 in Secondary. Particular successes in the Elementary market were achieved in Florida reading, California maths, Georgia science and Tennessee social studies. In the Secondary market, the literature and language arts programmes maintained their leading positions and Harcourt achieved second place in secondary science.

The adoptions market this year is, as expected, significantly lower than in 2001 due to the cycling of major state adoptions across years, and we expect the overall K-12 market growth for basal and supplemental product in 2002 to be modest. The Harcourt business is however firmly on track to outperform the market and this is supported by current order outlook and shipments. Underlying margins are also improving through cost synergies on integration of the business within Reed Elsevier and a systematic focus on efficiency across the supply chain and overhead structures. These savings are greater than had been anticipated, and will in part fund the step up in e-learning investment as our plans are developed.

The Harcourt Testing business saw underlying proforma revenue growth of 14% driven by a strong market and new state testing contracts in Arizona, Nevada and Oklahoma. Operating margins improved against a prior first half that saw significant process inefficiencies during relocation of the business into new facilities. We were disappointed not to win the Californian state testing contract renewal. This will hold back 2003 reported revenue growth but, given the lower margin on the contract, should have limited impact on planned profit growth.

Whilst individual states are facing significant overall budget pressures, progress in academic achievement remains a high priority and funding for educational text books and materials

continues to grow. The increases in federal funding for education and testing have yet to have a significant impact on the market but are expected to create positive momentum over the next few years.

The Harcourt Education International (formerly Reed Educational & Professional Publishing) business saw underlying revenues 2% lower, excluding acquisitions and the transfer of Butterworth-Heinemann to Elsevier Science, due principally to lower UK primary sales against a prior first half of more significant curriculum change. The business should see good growth in the much more important second half, particularly in the UK Secondary schools market where there is significant new publishing.

Business

	Six months ended		Six months ended		Change at constant currencies %
	30 June 2002 £m	30 June 2001 £m	30 June 2002 €m	30 June 2001 €m	
Turnover					
Reed Business Information					
US	235	339	378	542	-31%
UK	114	134	184	214	-14%
Continental Europe	128	138	206	221	-7%
Reed Exhibitions	236	251	380	402	-5%
Other	12	46	19	74	
Total	725	908	1,167	1,453	-20%
Operating profit	133	161	214	258	-17%
Operating margin	18.3%	17.7%	18.3%	17.7%	+0.6pts

The Business division continues to face difficult advertising markets with no real signs of recovery. Revenues are lower against a more buoyant 2001 first half, but the division continues to significantly outperform the market through managing yields and focus on building market share. Underlying margins have been held despite the revenue decline through continued action to reduce costs.

Underlying revenues and operating profits for the division were both down 9%, before taking account of acquisitions and disposals. The sale of the travel publishing businesses and other non-core businesses in 2001 resulted in reported revenues and operating profits down 20% and 17% respectively at constant exchange rates. Underlying operating margins have been protected by the significant cost actions taken last year at the onset of the global economic slowdown and the further restructuring necessary in the first half due to the protracted conditions. The overall margin improved slightly due to the portfolio changes.

In the US, Reed Business Information saw revenues, excluding disposals, 16% lower than in the much stronger first half in 2001. Advertising markets remained at depressed levels with no signs of any imminent recovery. The Electronics and Manufacturing

sectors have been worst affected by the downturn whilst the Construction business has seen modest growth reflecting the expansion of its subscription based data services. The significant cost actions taken last year and in early 2002 are reflected in an improved margin, despite the lower revenues, with underlying operating profits down 5%. Spending on product quality and sales and marketing initiatives has been increased to drive continued market share improvement and yield maintenance.

In the UK, Reed Business Information revenues, excluding disposals, were 13% lower with significant reductions in display and recruitment advertising, particularly in the Technology and Air Transport sectors. The Agriculture titles have recovered from the low point last year during the foot and mouth crisis and the Social Services sector continues to perform strongly. Cost actions taken could not in the first half offset the revenue loss, particularly of high margin recruitment revenues, and operating profits were 28% lower. These actions will however benefit margins in the second half.

In Continental Europe, Reed Business Information saw revenues, excluding acquisitions and disposals, down 4% and operating profits 13% lower. Although advertising markets have been significantly affected by the economic conditions, subscription and circulation revenues, accounting for nearly half the revenue, have held up well. Management titles and Training serving the SME market in the Netherlands, Marketing titles in France and the pan European Electronics titles based in Belgium have suffered particularly, whereas the Hospitality, Regulatory and HR sectors in the Netherlands continue to perform well. Cost actions taken are expected to have a more significant benefit to margin in the second half.

At Reed Exhibitions, underlying revenues were 2% lower than the prior first half, excluding acquisitions and disposals. Underlying operating profits were 1% lower. This robust performance, which was seen across the US, Europe and Asia Pacific regions, in such difficult economic conditions, reflects the market leading positions of our shows as well as investment in sales and marketing and tight cost control.

Although no recovery in advertising markets is anticipated, the Business division will have a much less demanding revenue comparison in the second half and will see the full benefit of cost actions taken.

REVIEW OF FINANCIAL PERFORMANCE

Profit and Loss

The **reported profit before tax** for the Reed Elsevier combined businesses, including exceptional items and the FRS10

amortisation of goodwill and intangible assets, was £100m/€161m, which compares with £182m/€291m in the 2001 first half. The decrease reflects the exceptional integration costs and goodwill and intangible asset amortisation of the acquired Harcourt businesses and dilution from other 2001 acquisitions and disposals. The **reported attributable profit after tax** of £97m/€156m increased against a reported attributable profit of £71m/€114m in the first half of 2001 and includes exceptional prior year tax credits.

Turnover increased by 21% expressed in sterling to £2,467m, and by 22% expressed in euros to €3,972m. This included a £572m/€921m contribution in the first half from the Harcourt businesses acquired on 12 July 2001. Excluding Harcourt and the impact of other acquisitions and the disposals programme substantially completed in 2001, revenues were 2% lower at constant exchange rates, driven by a 9% decline in underlying revenues in the Business division. On a proforma basis, the Harcourt businesses saw revenue growth of 2% at constant exchange rates over the prior year first half. Growth in the Harcourt businesses is significantly weighted to the second half due to the timing of shipments to US schools ahead of the start of the academic year and the second half weighting of the medical publishing programme.

Adjusted operating profits, excluding exceptional items and the amortisation of goodwill and intangible assets, were up 15% expressed in sterling to £505m, and up 16% expressed in euros at €813m. This included a £91m/€147m contribution in the first half from the acquired Harcourt businesses. Underlying adjusted operating profits, excluding all acquisitions and disposals, were up 1%, held back by a 9% decline in the Business division. On a proforma basis the Harcourt businesses saw underlying profit growth of 14%. Operating margin at 20.5% was 1.0 percentage points lower than in the prior half due to the inclusion of the Harcourt businesses which have a significantly lower margin in the first half than in the second half due to the much earlier timing of selling and other expenses when compared to sales.

The **amortisation charge** for goodwill and intangible assets amounted to £276m/€444m, up £47m/€77m on the comparative period, including £36m/€58m in respect of the Harcourt acquisition made in the second half of 2001.

Exceptional items showed a pre-tax charge of £22m/€36m, comprising £22m/€36m of Harcourt and other acquisition integration and related costs, £9m/€14m in respect of restructuring actions in response to the global economic slowdown, less a £9m/€14m net gain on disposals including a £21m/€34m gain on sale of investments acquired with Harcourt.

After a tax credit of £95m/€153m arising mostly in respect of prior year disposals, exceptional items showed a post-tax gain of £73m/€117m. This compares with a net post-tax charge on exceptional items of £3m/€4m in the first half of 2001.

Net interest expense, at £107m/€172m, was £79m/€127m higher than in the corresponding first half, including an £89m/€143m financing cost of the Harcourt acquisition in part offset by the benefit of the 2001 free cash flow and lower interest rates.

Adjusted profit before tax at £398m/€641m was 3% lower than in the 2001 first half expressed in sterling, 2% lower expressed in euros, or 3% lower at constant exchange rates. Dilution from portfolio changes was 7% in the first half reflecting the loss of contribution from the travel publishing and other businesses sold in 2001 and the development losses at Classroom Connect and Courtlink.

The **effective tax rate** on adjusted earnings was little changed at 26%. The **adjusted profit attributable** to shareholders of £293m/€472m compared to £303m/€485m in the first half of 2001, 3% lower at constant exchange rates.

Cash flows and debt

Adjusted operating cash flow, before exceptional items, was £160m/€258m, £118m/€187m lower than the prior first half, representing 32% (2001: 63%) of adjusted operating profits. The Harcourt Education businesses have a significant cash outflow in the first half of each year as product is produced and expenses incurred ahead of the peak sales period in June through September, and after which there is substantial cash inflow in the second half. This greatly exaggerates Reed Elsevier's pre-Harcourt cash flow seasonality whereby the substantial majority of annual operating cash flows normally arises in the second half of the year due to the phasing of subscription and other advance receipts and working capital. Excluding the Harcourt cash flows, the conversion of adjusted operating profits into cash flow was 65% compared to the 63% for the first half of 2001.

Free cash flow – after interest, taxation and dividends but before acquisition spend and exceptional receipts and payments – was an outflow of £226m/€364m (2001: £19m/€30m inflow), reflecting the seasonal cash outflow of the Harcourt businesses and their acquisition financing cost. Due to the phasing of operating cash flows and dividend payments, the free cash flow for the year arises in the second half.

Exceptional net inflows of £76m/€123m include £113m/€182m proceeds from the sale of investments acquired on the acquisition of Harcourt General, Inc and £16m/€26m of reduced tax payments, less exceptional acquisition related and restructuring payments of £53m/€85m. Spend on **acquisitions** was £88m/€142m, including £65m/€105m of payments in respect of prior year acquisitions and Harcourt General change of control and other non operating liabilities assumed on acquisition. £23m/€37m was capitalised as acquired goodwill and intangible assets.

Net borrowings at 30 June 2002 were £3,296m/€5,076m, an increase in sterling of £67m/decrease in euros of €220m since 31 December 2001, reflecting acquisition spend and the free cash outflow, less net exceptional receipts, together with exchange translation effects.

PARENT COMPANIES

For the parent companies, Reed Elsevier PLC and Reed Elsevier NV, **adjusted earnings per share**, excluding exceptional items and the amortisation of goodwill and intangible assets, were down 3% to 12.3p (2001: 12.7p) and down 3% to €0.30 (2001: €0.31) respectively, at both reported and constant rates of exchange. The **reported earnings per share** for Reed Elsevier PLC shareholders was 3.9p (2001: 2.9p) and for Reed Elsevier NV shareholders €0.10 (2001: €0.07).

The Reed Elsevier PLC **interim dividend** is 3.2p per share, an increase of 3%, and the Reed Elsevier NV interim dividend under the equalisation arrangements is unchanged at €0.09 per share.

FORWARD-LOOKING STATEMENTS

The Interim Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act 1933, as amended, and Section 21E of the Securities Exchange Act 1934, as amended. These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently anticipated, as reflected in such forward-looking statements. The terms 'expect', 'should be', 'will be', 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, general economic conditions and business conditions in Reed Elsevier's markets, customers' acceptance of its products and services, the actions of competitors, changes in law and legal interpretation affecting Reed Elsevier's intellectual property rights, and the impact of technological change.

Combined profit and loss account

For the six months ended 30 June 2002

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
		Turnover				
4,627	7,449	Including share of turnover of joint ventures	2,512	2,067	4,044	3,308
(67)	(107)	Less: share of turnover of joint ventures	(45)	(31)	(72)	(50)
4,560	7,342		2,467	2,036	3,972	3,258
4,560	7,342	Continuing operations before acquisitions	2,464	2,036	3,967	3,258
–	–	Acquisitions	3	–	5	–
(1,611)	(2,594)	Cost of sales	(906)	(735)	(1,459)	(1,176)
2,949	4,748	Gross profit	1,561	1,301	2,513	2,082
(2,570)	(4,138)	Operating expenses	(1,378)	(1,115)	(2,218)	(1,784)
(1,974)	(3,178)	Before amortisation and exceptional items	(1,073)	(874)	(1,727)	(1,398)
(498)	(802)	Amortisation of goodwill and intangible assets	(274)	(227)	(441)	(364)
(98)	(158)	Exceptional items	(31)	(14)	(50)	(22)
379	610	Operating profit (before joint ventures)	183	186	295	298
379	610	Continuing operations before acquisitions	185	186	298	298
–	–	Acquisitions	(2)	–	(3)	–
12	20	Share of operating profit of joint ventures	15	9	24	14
391	630	Operating profit including joint ventures	198	195	319	312
		Non operating exceptional items				
26	41	Net profit on sale of fixed asset investments and businesses	9	15	14	24
417	671	Profit on ordinary activities before interest	207	210	333	336
(142)	(229)	Net interest expense	(107)	(28)	(172)	(45)
275	442	Profit on ordinary activities before taxation	100	182	161	291
(148)	(238)	Tax on profit on ordinary activities	(3)	(111)	(5)	(177)
(229)	(368)	Before exceptional items	(98)	(107)	(158)	(171)
81	130	Exceptional items	95	(4)	153	(6)
127	204	Profit on ordinary activities after taxation	97	71	156	114
(1)	(2)	Minority interests	–	–	–	–
126	202	Profit attributable to parent companies' shareholders	97	71	156	114
(269)	(432)	Equity dividends paid and proposed	(82)	(78)	(132)	(125)
(143)	(230)	Retained profit/(loss) taken to combined reserves	15	(7)	24	(11)

Adjusted figures

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
990	1,594	Adjusted operating profit	505	438	813	701
848	1,365	Adjusted profit before tax	398	410	641	656
624	1,005	Adjusted profit attributable to parent companies' shareholders	293	303	472	485

Adjusted figures, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, are presented as additional performance measures.

Combined cash flow statement

For the six months ended 30 June 2002

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
1,163	1,873	Net cash inflow from operating activities before exceptional items	245	357	395	571
(97)	(156)	Payments relating to exceptional items charged to operating profit	(53)	(43)	(85)	(69)
1,066	1,717	Net cash inflow from operating activities	192	314	310	502
12	19	Dividends received from joint ventures	5	6	8	10
113	181	Interest and similar income received	26	45	42	72
(227)	(365)	Interest and similar charges paid	(134)	(75)	(216)	(120)
(114)	(184)	Returns on investments and servicing of finance	(108)	(30)	(174)	(48)
(178)	(287)	Taxation before exceptional items	(88)	(54)	(142)	(87)
141	227	Exceptional items	16	1	26	2
(37)	(60)	Taxation	(72)	(53)	(116)	(85)
(175)	(282)	Purchase of tangible fixed assets	(94)	(86)	(151)	(138)
(59)	(95)	Purchase of fixed asset investments	(2)	–	(3)	–
6	10	Proceeds from sale of tangible fixed assets	4	1	6	2
–	–	Exceptional proceeds from sale of fixed asset investments	113	–	182	–
(228)	(367)	Capital expenditure and financial investment	21	(85)	34	(136)
(2,236)	(3,599)	Acquisitions	(88)	(60)	(142)	(96)
96	154	Exceptional net proceeds from sale of businesses	–	78	–	125
(2,140)	(3,445)	Acquisitions and disposals	(88)	18	(142)	29
(255)	(411)	Equity dividends paid to shareholders of the parent companies	(190)	(175)	(306)	(280)
(1,696)	(2,731)	Cash outflow before changes in short term investments and financing	(240)	(5)	(386)	(8)
1,169	1,882	(Increase)/decrease in short term investments	(25)	236	(40)	378
537	865	Financing	269	(201)	432	(322)
10	16	Increase in cash	4	30	6	48

Short term investments include deposits of under one year if the maturity or notice period exceeds 24 hours, commercial paper investments and interest bearing securities that can be realised without significant loss at short notice.

Adjusted figures

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
1,006	1,620	Adjusted operating cash flow	160	278	258	445
102%	102%	Adjusted operating cash flow conversion	32%	63%	32%	63%

Reed Elsevier businesses focus on adjusted operating cash flow as a key cash flow measure. Adjusted operating cash flow is measured after dividends from joint ventures, tangible fixed asset spend and proceeds from the sale of tangible fixed assets but before exceptional payments and proceeds. Adjusted operating cash flow conversion expresses adjusted operating cash flow as a percentage of adjusted operating profit.

Combined statement of total recognised gains and losses

For the six months ended 30 June 2002

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
126	202	Profit attributable to parent companies' shareholders	97	71	156	114
(3)	83	Exchange translation differences	(97)	37	(443)	213
123	285	Total recognised gains and losses for the period	-	108	(287)	327

Combined shareholders' funds reconciliation

For the six months ended 30 June 2002

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
126	202	Profit attributable to parent companies' shareholders	97	71	156	114
(269)	(432)	Equity dividends paid and proposed	(82)	(78)	(132)	(125)
22	35	Issue of ordinary shares, net of expenses	24	10	38	16
(3)	83	Exchange translation differences	(97)	37	(443)	213
(124)	(112)	Net (decrease)/increase in combined shareholders' funds	(58)	40	(381)	218
3,041	4,896	Combined shareholders' funds at the beginning of the period	2,917	3,041	4,784	4,896
2,917	4,784	Combined shareholders' funds at the end of the period	2,859	3,081	4,403	5,114

Combined balance sheet

As at 30 June 2002

As at 31 December			As at 30 June		As at 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
6,723	11,026	Goodwill and intangible assets	6,210	4,059	9,563	6,738
730	1,197	Tangible fixed assets and investments	657	605	1,012	1,004
7,453	12,223	Fixed assets	6,867	4,664	10,575	7,742
488	801	Inventories and pre-publication costs	558	148	859	246
999	1,638	Debtors – amounts falling due within one year	1,048	818	1,615	1,357
463	759	Debtors – amounts falling due after more than one year	428	211	659	350
435	713	Cash and short term investments	473	1,369	728	2,273
2,385	3,911	Current assets	2,507	2,546	3,861	4,226
(4,134)	(6,780)	Creditors: amounts falling due within one year	(4,002)	(3,021)	(6,163)	(5,015)
(1,749)	(2,869)	Net current liabilities	(1,495)	(475)	(2,302)	(789)
5,704	9,354	Total assets less current liabilities	5,372	4,189	8,273	6,953
(2,502)	(4,103)	Creditors: amounts falling due after more than one year	(2,300)	(899)	(3,542)	(1,492)
(280)	(459)	Provisions for liabilities and charges	(207)	(202)	(319)	(335)
(5)	(8)	Minority interests	(6)	(7)	(9)	(12)
2,917	4,784	Net assets	2,859	3,081	4,403	5,114
3,229	5,296	Net borrowings	3,296	530	5,076	880

Approved by the Boards of Reed Elsevier PLC and Reed Elsevier NV, 7 August 2002.

1 Basis of preparation

The Reed Elsevier combined financial information (the combined financial information) represents the combined interests of the Reed Elsevier PLC and Reed Elsevier NV shareholders and encompasses the businesses of Reed Elsevier Group plc and Elsevier Reed Finance BV and their respective subsidiaries, associates and joint ventures, together with the two parent companies, Reed Elsevier PLC and Reed Elsevier NV (the combined businesses).

The combined financial information, which has been prepared on the basis of the accounting policies set out in the Reed Elsevier Annual Reports & Financial Statements 2001, is unaudited but has been reviewed by the auditors and their report to the Boards of Reed Elsevier PLC and Reed Elsevier NV is set out on page 24. The financial information for the year ended 31 December 2001 has been abridged from the audited combined financial statements for that year.

2 Exchange translation rates

In preparing the combined financial information the following exchange rates have been applied:

Year ended 31 December 2001			Profit and loss		Balance sheet	
Profit and loss	Balance sheet		30 June 2002	30 June 2001	30 June 2002	30 June 2001
1.61	1.64	Euro to sterling	1.61	1.60	1.54	1.66
1.44	1.45	US dollars to sterling	1.44	1.44	1.53	1.41
1.12	1.13	Euro to US dollars	1.12	1.11	1.01	1.18
0.89	0.88	US dollars to euro	0.89	0.90	0.99	0.85

3 Segment analysis

Turnover

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
		Business segment				
1,024	1,649	Science & Medical	623	380	1,003	608
1,330	2,141	Legal	670	642	1,079	1,027
579	932	Education	449	106	723	170
1,627	2,620	Business	725	908	1,167	1,453
4,560	7,342	Total	2,467	2,036	3,972	3,258
		Geographical origin				
2,695	4,339	North America	1,568	1,113	2,524	1,781
795	1,280	United Kingdom	369	388	594	621
416	670	The Netherlands	208	218	335	349
445	716	Rest of Europe	225	217	362	347
209	337	Rest of world	97	100	157	160
4,560	7,342	Total	2,467	2,036	3,972	3,258
		Geographical market				
2,765	4,452	North America	1,569	1,165	2,526	1,864
557	897	United Kingdom	266	285	428	456
224	361	The Netherlands	102	113	164	181
587	945	Rest of Europe	313	269	504	430
427	687	Rest of world	217	204	350	327
4,560	7,342	Total	2,467	2,036	3,972	3,258

3 Segment analysis (continued)

Adjusted operating profit (excluding exceptional items and amortisation)

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
		Business segment				
344	554	Science & Medical	202	142	325	227
267	430	Legal	122	117	197	187
132	212	Education	48	18	77	29
247	398	Business	133	161	214	258
990	1,594	Total	505	438	813	701
		Geographical origin				
482	776	North America	251	188	404	301
207	333	United Kingdom	89	99	143	158
163	262	The Netherlands	89	81	143	130
108	174	Rest of Europe	58	59	93	94
30	49	Rest of world	18	11	30	18
990	1,594	Total	505	438	813	701

Operating profit (including exceptional items and amortisation)

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
		Business segment				
210	338	Science & Medical	130	86	209	138
59	95	Legal	17	27	27	43
95	153	Education	7	7	11	11
27	44	Business	44	75	72	120
391	630	Total	198	195	319	312
		Geographical origin				
47	76	North America	5	6	8	10
154	248	United Kingdom	65	71	105	114
129	208	The Netherlands	81	76	131	121
51	82	Rest of Europe	33	36	53	57
10	16	Rest of world	14	6	22	10
391	630	Total	198	195	319	312

4 Exceptional items

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
(35)	(56)	Reorganisation costs	(9)	–	(14)	–
(63)	(102)	Acquisition related costs	(22)	(14)	(36)	(22)
(98)	(158)	Charged to operating profit	(31)	(14)	(50)	(22)
26	41	Net profit on sale of fixed asset investments and businesses	9	15	14	24
(72)	(117)	Exceptional (charge)/credit before tax	(22)	1	(36)	2
81	130	Net tax credit/(charge)	95	(4)	153	(6)
9	13	Total exceptional credit/(charge)	73	(3)	117	(4)

The net profit on sale of fixed asset investments and businesses comprises a £21m/€34m profit on sale of investments acquired on the acquisition of Harcourt General, Inc, less a £12m/€20m loss on other fixed asset investments.

The exceptional tax credit arises principally in respect of prior year disposals.

5 Combined cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
379	610	Operating profit (before joint ventures)	183	186	295	298
98	158	Exceptional charges to operating profit	31	14	50	22
477	768	Operating profit before exceptional items	214	200	345	320
498	802	Amortisation of goodwill and intangible assets	274	227	441	364
132	213	Depreciation	66	62	106	98
630	1,015	Total non cash items	340	289	547	462
56	90	Movement in working capital	(309)	(132)	(497)	(211)
1,163	1,873	Net cash inflow from operating activities before exceptional items	245	357	395	571
(97)	(156)	Payments relating to exceptional items charged to operating profit	(53)	(43)	(85)	(69)
1,066	1,717	Net cash inflow from operating activities	192	314	310	502

Reconciliation of net borrowings

Year ended 31 December						Six months ended 30 June	
2001 £m		Cash £m	Short term investments £m	Borrowings £m	2002 £m	2001 £m	
(433)	Net borrowings at the beginning of the period	96	339	(3,664)	(3,229)	(433)	
10	Increase in cash	4	–	–	4	30	
(1,169)	Increase/(decrease) in short term investments	–	25	–	25	(236)	
(526)	(Increase)/decrease in borrowings	–	–	(245)	(245)	211	
(1,685)	Change in net borrowings resulting from cash flows	4	25	(245)	(216)	5	
(1,042)	Borrowings in acquired businesses	–	–	–	–	–	
(3)	Inception of finance leases	–	–	(9)	(9)	(2)	
(66)	Exchange translation differences	–	9	149	158	(100)	
(3,229)	Net borrowings at the end of the period	100	373	(3,769)	(3,296)	(530)	

Year ended 31 December						Six months ended 30 June	
2001 €m		Cash €m	Short term investments €m	Borrowings €m	2002 €m	2001 €m	
(697)	Net borrowings at the beginning of the period	157	556	(6,009)	(5,296)	(697)	
16	Increase in cash	6	–	–	6	48	
(1,882)	Increase/(decrease) in short term investments	–	40	–	40	(378)	
(847)	(Increase)/decrease in borrowings	–	–	(394)	(394)	338	
(2,713)	Change in net borrowings resulting from cash flows	6	40	(394)	(348)	8	
(1,677)	Borrowings in acquired businesses	–	–	–	–	–	
(5)	Inception of finance leases	–	–	(14)	(14)	(3)	
(204)	Exchange translation differences	(9)	(22)	613	582	(188)	
(5,296)	Net borrowings at the end of the period	154	574	(5,804)	(5,076)	(880)	

6 Adjusted figures

Adjusted profit and cash flow figures are used by the Reed Elsevier businesses as additional performance measures. The adjusted figures are stated before the amortisation of goodwill and intangible assets, exceptional items and related tax effects, and are derived as follows:

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
391	630	Operating profit including joint ventures	198	195	319	312
		Adjustments:				
501	806	Amortisation of goodwill and intangible assets	276	229	444	367
35	56	Reorganisation costs	9	–	14	–
63	102	Acquisition related costs	22	14	36	22
990	1,594	Adjusted operating profit	505	438	813	701
275	442	Profit before tax	100	182	161	291
		Adjustments:				
501	806	Amortisation of goodwill and intangible assets	276	229	444	367
35	56	Reorganisation costs	9	–	14	–
63	102	Acquisition related costs	22	14	36	22
(26)	(41)	Net profit on sale of fixed asset investments and businesses	(9)	(15)	(14)	(24)
848	1,365	Adjusted profit before tax	398	410	641	656
126	202	Profit attributable to parent companies' shareholders	97	71	156	114
		Adjustments:				
507	816	Amortisation of goodwill and intangible assets	269	229	433	367
3	5	Reorganisation costs	6	–	9	–
33	54	Acquisition related costs	16	13	26	20
(45)	(72)	Net profit on sale of fixed asset investments and businesses	(95)	(10)	(152)	(16)
624	1,005	Adjusted profit attributable to parent companies' shareholders	293	303	472	485
1,066	1,717	Net cash inflow from operating activities	192	314	310	502
12	19	Dividends received from joint ventures	5	6	8	10
(175)	(282)	Purchase of tangible fixed assets	(94)	(86)	(151)	(138)
6	10	Proceeds from sale of tangible fixed assets	4	1	6	2
97	156	Payments in relation to exceptional items charged to operating profit	53	43	85	69
1,006	1,620	Adjusted operating cash flow	160	278	258	445

7 Proforma Harcourt figures

On 12 July 2001, Reed Elsevier acquired the Scientific, Technical and Medical (STM) business and the K-12 (Kindergarten – 12th grade) Schools Education and Testing business of Harcourt General, Inc. Proforma turnover and adjusted operating profit for the businesses, prepared on the basis of Reed Elsevier's accounting policies and as if the acquisition of Harcourt had taken place on 1 January 2001 (and excluding business acquisitions and transfers since the date of acquisition and Harcourt General, Inc centre costs) are set out below:

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
		Turnover				
481	774	STM	219	218	353	349
769	1,238	Education and Testing	353	342	568	547
1,250	2,012		572	560	921	896
		Adjusted operating profit				
107	172	STM	49	45	79	72
153	246	Education and Testing	42	35	68	56
260	418		91	80	147	128

Reed Elsevier PLC

Summary financial information

Basis of preparation

The Reed Elsevier PLC (formerly Reed International P.L.C.) share of the Reed Elsevier combined results has been calculated on the basis of the 52.9% economic interest of the Reed Elsevier PLC shareholders in the Reed Elsevier combined businesses, after taking account of results arising in Reed Elsevier PLC and its subsidiary undertakings. Reed Elsevier PLC's 52.9% economic interest in the net assets of the combined businesses has been shown in the balance sheet as interests in joint ventures, net of the assets and liabilities reported as part of Reed Elsevier PLC and its subsidiary undertakings.

The interim figures for the six months ended 30 June 2002 and the comparative amounts to 30 June 2001 are unaudited but have been reviewed by the auditors and their report to the Board of Reed Elsevier PLC is set out on page 24. The financial information for the year ended 31 December 2001 has been abridged from the financial statements for that year, which have been filed with the UK Registrar of Companies and received an unqualified audit report.

Consolidated profit and loss account

Year ended 31 December	2001 £m		Six months ended 30 June	
			2002 £m	2001 £m
	2,412	Share of turnover of joint ventures	1,305	1,077
(1)		Operating loss (before joint ventures)	(1)	–
	519	Share of operating profit of joint ventures		
		Before amortisation and exceptional items	266	230
	(317)	Amortisation and exceptional items	(162)	(129)
	201	Operating profit including joint ventures	103	101
	14	Share of non operating exceptional items of joint ventures	5	8
	(75)	Net interest (including share of joint ventures)	(57)	(15)
	140	Profit on ordinary activities before taxation	51	94
	(79)	Tax on profit on ordinary activities	(2)	(58)
	(3)	UK corporation tax	–	(3)
		Share of tax of joint ventures		
	(119)	Before exceptional items	(52)	(53)
	43	Exceptional items	50	(2)
	61	Profit attributable to ordinary shareholders	49	36
	(132)	Equity dividends paid and proposed	(41)	(38)
	(71)	Retained profit/(loss) taken to reserves	8	(2)
	4.8p	Basic earnings per share	3.9p	2.9p
	4.8p	Diluted earnings per share	3.9p	2.8p
	26.1p	Adjusted earnings per share	12.3p	12.7p

Adjusted earnings per share is based upon the Reed Elsevier PLC shareholders' 52.9% economic interest in the adjusted profit attributable of the Reed Elsevier combined businesses.

Dividends

The directors of Reed Elsevier PLC have declared an interim dividend of 3.2p per ordinary share (2001 interim: 3.1p per ordinary share). In 2001 the full year dividend was 10.5p per ordinary share.

Consolidated statement of total recognised gains and losses

Year ended 31 December	2001 £m		Six months ended 30 June	
			2002 £m	2001 £m
	61	Profit attributable to ordinary shareholders	49	36
	(2)	Exchange translation differences	(51)	20
	59	Total recognised gains and losses for the period	(2)	56

Consolidated cash flow statement

Year ended 31 December		Six months ended 30 June	
		2002 £m	2001 £m
2001 £m			
(3)	Net cash outflow from operating activities	–	(2)
127	Dividends received from Reed Elsevier Group plc	94	87
13	Returns on investments and servicing of finance	–	12
(3)	Taxation	(2)	(1)
(406)	Fixed asset investments	–	(59)
(126)	Equity dividends paid	(94)	(87)
(398)	Cash outflow before changes in short term investments and financing	(2)	(50)
431	Decrease in short term investments	–	63
(33)	Financing	2	(13)
10	Issue of ordinary shares	12	6
(43)	Increase in net funding balances to Reed Elsevier Group plc group	(10)	(19)
–	Change in net cash	–	–

Reconciliation of shareholders' funds

Year ended 31 December		Six months ended 30 June	
		2002 £m	2001 £m
2001 £m			
61	Profit attributable to ordinary shareholders	49	36
(132)	Equity dividends paid and proposed	(41)	(38)
10	Issue of ordinary shares, net of expenses	12	6
(2)	Exchange translation differences	(51)	20
(3)	Equalisation adjustments	–	(3)
(66)	Net (decrease)/increase in shareholders' funds	(31)	21
1,609	Shareholders' funds at the beginning of the period	1,543	1,609
1,543	Shareholders' funds at the end of the period	1,512	1,630

Consolidated balance sheet

As at 31 December		As at 30 June	
		2002 £m	2001 £m
2001 £m			
1,128	Fixed asset investment in joint ventures	1,031	818
	Current assets		
555	Debtors	567	531
–	Short term investments	–	368
555		567	899
(104)	Creditors: amounts falling due within one year	(50)	(51)
451	Net current assets	517	848
1,579	Total assets less current liabilities	1,548	1,666
(36)	Creditors: amounts falling due after more than one year	(36)	(36)
1,543	Shareholders' funds	1,512	1,630

Approved by the Board of Directors, 7 August 2002.

Reed Elsevier NV Summary financial information

Basis of preparation

The results for the six months ended 30 June 2002 reflect the Reed Elsevier NV (formerly Elsevier NV) shareholders' 50% economic interest in the Reed Elsevier combined businesses, accounted for on an equity basis.

The interim figures for the six months ended 30 June 2002 and the comparative amounts to 30 June 2001 are unaudited but have been reviewed by the auditors and their report to the Boards of Reed Elsevier NV is set out on page 24. The financial information for the year ended 31 December 2001 has been abridged from the statutory accounts of Reed Elsevier NV for that year and the auditors have confirmed that their opinion on those accounts was unqualified.

Profit and loss account

Year ended 31 December		Six months ended 30 June	
		2002 €m	2001 €m
2001 €m			
3,671	Share of turnover of joint ventures	1,986	1,629
(3)	Operating loss (before joint ventures)	(1)	(1)
	Share of operating profit of joint ventures		
800	Before amortisation and exceptional items	408	352
(482)	Amortisation and exceptional items	(247)	(195)
315	Operating profit including joint ventures	160	156
20	Share of non operating exceptional items of joint ventures	7	12
(114)	Net interest (including share of joint ventures)	(86)	(23)
221	Profit on ordinary activities before taxation	81	145
(120)	Tax on profit on ordinary activities	(3)	(88)
(184)	Before exceptional items	(79)	(86)
64	Exceptional items	76	(2)
101	Profit attributable to ordinary shareholders	78	57
(221)	Equity dividends paid and proposed	(66)	(64)
(120)	Retained profit/(loss) taken to reserves	12	(7)
€0.13	Basic earnings per share	€0.10	€0.07
€0.13	Diluted earnings per share	€0.10	€0.07
€0.64	Adjusted earnings per share	€0.30	€0.31

Adjusted earnings per share is based upon the Reed Elsevier NV shareholders' 50% economic interest in the adjusted profit attributable of the Reed Elsevier combined businesses.

Dividends

The directors of Reed Elsevier NV have declared an interim dividend of €0.09 per ordinary share (2001 interim: €0.09 per ordinary share). In 2001 the full year dividend was €0.30 per ordinary share.

Cash flow statement

Year ended 31 December		Six months ended 30 June	
		2002 €m	2001 €m
2001 €m			
(3)	Net cash outflow from operating activities	(2)	(1)
100	Dividends received from joint ventures	100	50
62	Returns on investments and servicing of finance	3	25
17	Taxation	–	14
(916)	Fixed asset investments	–	–
(204)	Equity dividends paid	(155)	(140)
(944)	Cash outflow before changes in short term investments and financing	(54)	(52)
946	(Increase)/decrease in short term investments	(54)	(34)
(2)	Financing	108	86
92	Issue of shares, net of expenses	19	88
(1)	Net increase in/(repayment of) debenture loans	1	1
(93)	Decrease/(increase) in net funding balances to joint ventures	88	(3)
–	Change in net cash	–	–

Reconciliation of shareholders' funds

Year ended 31 December		Six months ended 30 June	
		2002 €m	2001 €m
2001 €m			
101	Profit attributable to ordinary shareholders	78	57
(221)	Equity dividends paid and proposed	(66)	(64)
110	Issue of shares, net of expenses	19	97
42	Exchange translation differences	(222)	107
(88)	Equalisation adjustments	1	(88)
(56)	Net (decrease)/increase in shareholders' funds	(190)	109
2,448	Shareholders' funds at the beginning of the period	2,392	2,448
2,392	Shareholders' funds at the end of the period	2,202	2,557

Balance sheet

As at 31 December		As at 30 June	
		2002 €m	2001 €m
2001 €m			
2,506	Fixed asset investment in joint ventures	2,262	1,684
	Current assets		
94	Debtors	6	5
25	Short term investments	79	1,005
119		85	1,010
(169)	Creditors: amounts falling due within one year	(80)	(74)
(50)	Net current assets	5	936
2,456	Total assets less current liabilities	2,267	2,620
(5)	Creditors: amounts falling due after more than one year	(6)	(7)
(59)	Provisions	(59)	(56)
2,392	Shareholders' funds	2,202	2,557

Signed by the Boards of Directors, 7 August 2002.

Summary combined financial information in US dollars

Highlights of the Reed Elsevier combined financial information in US dollars are given below. This is a simple translation into US dollars at stated rates of exchange (see note 2 to the combined financial information) and does not represent a restatement under US GAAP.

Profit and loss account

Year ended 31 December		Six months ended 30 June		
		2002 US\$m	2001 US\$m	Change %
2001 US\$m				
6,566	Net sales	3,552	2,932	+21%
1,426	Adjusted operating profit	727	631	+15%
1,221	Adjusted profit before tax	573	590	-3%
899	Adjusted profit attributable to parent companies' shareholders	422	436	-3%
us\$	Adjusted earnings per American Depository Share (ADS)	us\$	us\$	
1.50	Reed Elsevier PLC (Each ADS comprises four ordinary shares)	0.71	0.73	-3%
1.14	Reed Elsevier NV (Each ADS comprises two ordinary shares)	0.54	0.56	-4%

Cash flow

Year ended 31 December		Six months ended 30 June	
		2002 US\$m	2001 US\$m
2001 US\$m			
1,449	Adjusted operating cash flow	230	400

Balance sheet

As at 31 December		As at 30 June	
		2002 US\$m	2001 US\$m
2001 US\$m			
9,748	Goodwill and intangible assets	9,501	5,723
1,059	Tangible fixed assets and investments	1,005	853
10,807	Fixed assets	10,506	6,576
708	Inventories and pre-publication costs	854	209
1,448	Debtors – amounts falling due within one year	1,603	1,153
671	Debtors – amounts falling due after more than one year	655	298
631	Cash and short term investments	724	1,930
3,458	Current assets	3,836	3,590
(5,994)	Creditors: amounts falling due within one year	(6,123)	(4,260)
(2,536)	Net current liabilities	(2,287)	(670)
8,271	Total assets less current liabilities	8,219	5,906
(3,628)	Creditors: amounts falling due after more than one year	(3,519)	(1,268)
(406)	Provisions for liabilities and charges	(317)	(284)
(7)	Minority interests	(9)	(10)
4,230	Net assets	4,374	4,344

Summary of the principal differences between UK and Dutch GAAP and US GAAP

The combined financial information has been prepared in accordance with UK and Dutch GAAP, which differ in certain significant respects from US GAAP.

The principal differences that affect net income and combined shareholders' funds relate to the capitalisation and amortisation of goodwill and other intangible assets, pensions, derivative instruments and related deferred tax effects. Under changes introduced by SFAS142: Goodwill and Other Intangible Assets, goodwill is no longer amortised under US GAAP, effective 1 January 2002. A more complete explanation of the accounting policies used by the Reed Elsevier combined businesses and the differences between UK and Dutch GAAP and US GAAP is set out in the Reed Elsevier Annual Reports & Financial Statements 2001.

The effects on net income and combined shareholders' funds of material differences between UK and Dutch GAAP and US GAAP are set out below:

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
126	202	Net income under UK and Dutch GAAP	97	71	156	114
		US GAAP adjustments:				
(74)	(119)	Amortisation of goodwill and other intangible assets	138	(35)	222	(56)
(43)	(69)	Deferred taxation	(31)	30	(50)	48
46	74	Pensions	28	22	45	35
(15)	(24)	Stock based compensation	(9)	–	(14)	–
(56)	(90)	Derivative instruments	34	27	55	43
(4)	(6)	Other items	–	–	–	–
(20)	(32)	Net income/(loss) under US GAAP	257	115	414	184

As at 31 December			As at 30 June		As at 30 June	
2001 £m	2001 €m		2002 £m	2001 £m	2002 €m	2001 €m
2,917	4,784	Combined shareholders' funds under UK and Dutch GAAP	2,859	3,081	4,403	5,114
		US GAAP adjustments:				
1,151	1,888	Goodwill and other intangible assets	1,242	555	1,913	921
(860)	(1,410)	Deferred taxation	(856)	(158)	(1,318)	(262)
132	216	Pensions	160	107	246	178
(79)	(130)	Derivative instruments	(42)	(70)	(65)	(116)
36	59	Unrealised gains on available for sale investments	14	–	22	–
190	312	Equity dividends not declared in the period	82	78	126	129
(20)	(33)	Other items	(19)	2	(29)	4
3,467	5,686	Combined shareholders' funds under US GAAP	3,440	3,595	5,298	5,968



Independent review report

INDEPENDENT REVIEW REPORT TO THE DIRECTORS OF REED ELSEVIER PLC AND TO THE MEMBERS OF THE SUPERVISORY AND EXECUTIVE BOARDS OF REED ELSEVIER NV

Introduction

On the instruction of the Boards of Reed Elsevier PLC and Reed Elsevier NV, we have reviewed the combined financial information of Reed Elsevier PLC, Reed Elsevier NV, Reed Elsevier Group plc and Elsevier Reed Finance BV and their respective subsidiaries, associates and joint ventures (together the combined businesses) for the six months ended 30 June 2002 which comprises the combined profit and loss account, combined cash flow statement, combined statement of total recognised gains and losses, combined shareholders' funds reconciliation, combined balance sheet and the related notes 1 to 7. We have also reviewed the financial information of Reed Elsevier PLC for the six months ended 30 June 2002 which comprises the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated cash flow statement, reconciliation of shareholders' funds, consolidated balance sheet and the related notes, and the financial information of Reed Elsevier NV for the six months ended 30 June 2002 which comprises the profit and loss account, cash flow statement, reconciliation of shareholders' funds, balance sheet and the related notes. We have read the other information contained in the Reed Elsevier Interim Statement and considered whether it contains any apparent misstatement or material inconsistencies with the financial information.

Directors' responsibilities

The Reed Elsevier Interim Statement, including the financial information contained therein, is the responsibility of, and has been approved by, the directors of Reed Elsevier PLC and Reed Elsevier NV. The directors of Reed Elsevier PLC and Reed Elsevier NV are responsible for preparing the Reed Elsevier Interim Statement in accordance with the Listing Rules of the UK Financial Services Authority and Generally Accepted Accounting Principles in the UK and the Netherlands which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the UK Auditing Practices Board. A review consists principally of making enquiries of the management of the Reed Elsevier combined businesses and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards generally accepted in the UK and the Netherlands and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

Deloitte & Touche

Chartered Accountants
London
7 August 2002

Deloitte & Touche

Accountants
Amsterdam
7 August 2002

FINANCIAL CALENDAR FOR 2002

8 August	Announcement of Interim Results for the six months to 30 June 2002 Record date – 2002 interim dividend, Reed Elsevier NV ordinary shares
9 August	Ordinary shares and ADSs in Reed Elsevier NV go ex-dividend for 2002 interim dividend
13 August	Record date – 2002 interim dividend, Reed Elsevier NV ADSs
14 August	Ordinary shares and ADSs in Reed Elsevier PLC go ex-dividend for 2002 interim dividend
16 August	Record date – 2002 interim dividend, Reed Elsevier PLC ordinary shares and ADSs
9 September	Interim dividends for 2002 paid on Reed Elsevier PLC and Reed Elsevier NV ordinary shares
16 September	Interim dividends for 2002 paid on Reed Elsevier PLC and Reed Elsevier NV ADSs
5 December	Trading Update issued in relation to the 2002 financial year

FINANCIAL CALENDAR FOR 2003

20 February	Announcement of Preliminary Results for the year ended 31 December 2002
8 April	Reed Elsevier PLC Annual General Meeting, London
9 April	Reed Elsevier NV Annual General Meeting, Amsterdam
7 August	Announcement of Interim Results for the six months to 30 June 2003

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(Trading Symbol: RUK)

Reed Elsevier NV CUSIP No. 758204101
(Trading Symbol: ENL)

STOCK EXCHANGE QUOTATIONS

Reed Elsevier PLC's ordinary shares are quoted on the London Stock Exchange and Reed Elsevier NV's ordinary shares are quoted on the Euronext Stock Exchange in Amsterdam. In addition, Reed Elsevier PLC's and Reed Elsevier NV's shares are quoted on the New York Stock Exchange.

Trading on the New York Stock Exchange is in the form of American Depositary Shares (ADSs), evidenced by American Depositary Receipts (ADRs). Each Reed Elsevier PLC ADS represents four Reed Elsevier PLC ordinary shares and each Reed Elsevier NV ADS represents two Reed Elsevier NV ordinary shares. Enquiries concerning Reed Elsevier PLC or Reed Elsevier NV ADSs should be addressed to Citibank Depositary Receipts Services, PO Box 2502, Jersey City, NJ 07303-2502 or by telephoning +1 877 248 4237 (toll free if dialled from within the United States). In addition, information can be obtained from the Citibank website: www.citibank.com/adr.

This statement is being mailed to shareholders of Reed Elsevier PLC on 8 August 2002 and will be available to the shareholders of Reed Elsevier NV upon request. Copies are available to the public from the registered offices of the respective companies.

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A copy of this statement in Dutch will be made available on our website. For further information or contact details, please visit:

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