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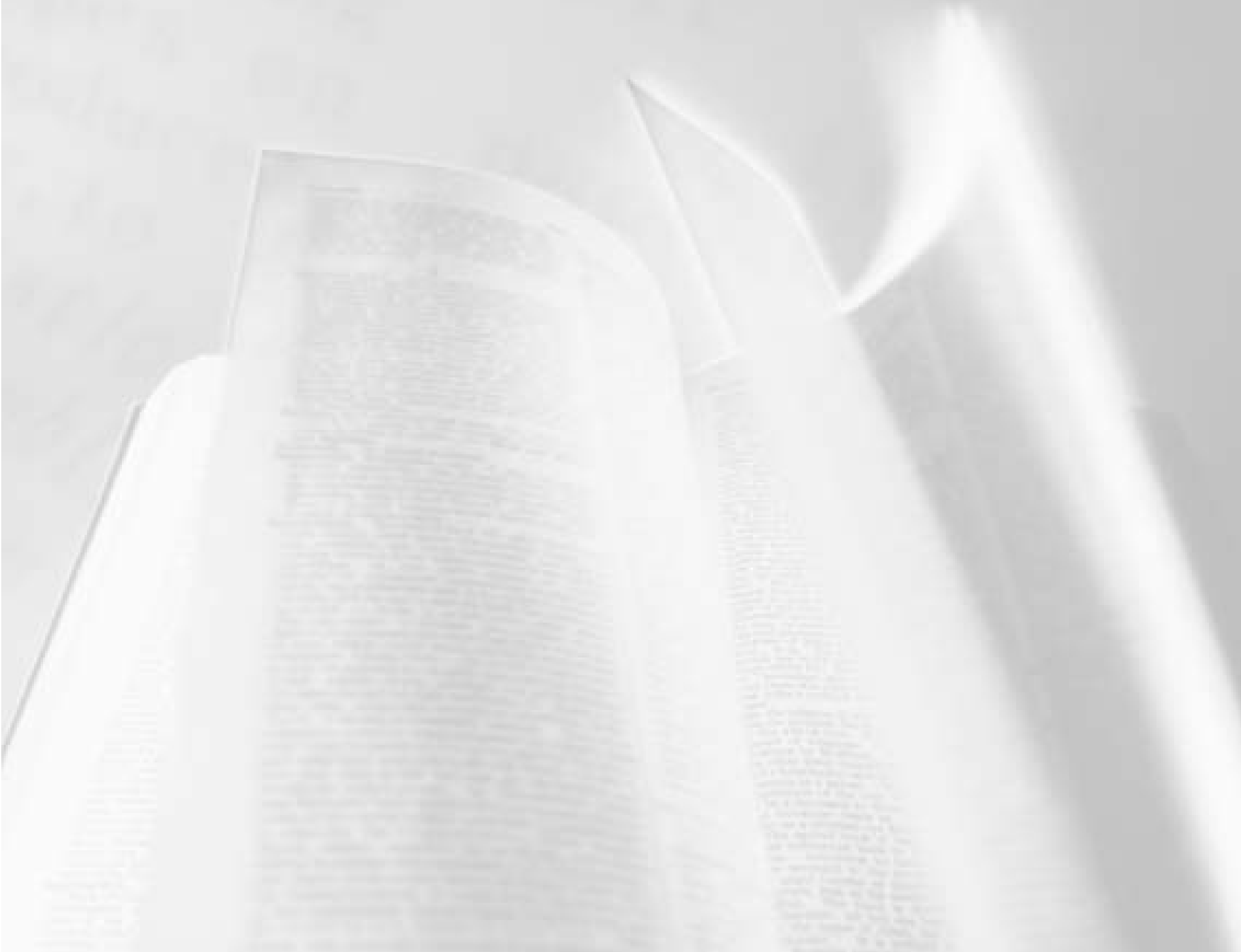
Reed Elsevier

INTERIM STATEMENT 2004

For the Reed Elsevier Combined Businesses,
Reed Elsevier PLC and Reed Elsevier NV



SCIENCE & MEDICAL

LIFE SCIENCES → NEUROSCIENCE → CHEMISTRY → MATHEMATICS → PHYSICS → DECISION SCIENCES → SOCIAL AND BEHAVIOURAL SCIENCES → MEDICINE → NURSING → DENTISTRY → VETERINARY SCIENCE

LEGAL

STATUTES → CASE LAW → COMMENTARIES → CITATIONS → TAX INFORMATION → DIRECTORIES → COURT RECORDS → LEGAL DISCOVERY → BUSINESS INFORMATION → RISK SOLUTIONS → CONGRESSIONAL INFORMATION

EDUCATION

ELEMENTARY → SECONDARY → SUPPLEMENTAL → ASSESSMENT → E-LEARNING → PROFESSIONAL DEVELOPMENT → TEACHING SUPPORT → LIBRARY MATERIALS → CLINICAL TESTING

BUSINESS

AEROSPACE → COMMUNICATIONS → MEDIA AND ENTERTAINMENT → IT → BUILDING AND CONSTRUCTION → LOGISTICS AND DISTRIBUTION → SOCIAL CARE → SPORT AND LEISURE → FOOD AND HOSPITALITY → AGRICULTURE → MANUFACTURING

Contents

The paper used in this interim statement is made from pulp produced from sustainable sources.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2004

Reed Elsevier combined businesses

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m	Change at constant currencies %
		Reported figures					
4,925	7,141	Turnover	**2,263**	2,345	**3,349**	3,424	4%
661	958	Operating profit	**286**	247	**423**	361	19%
519	752	Profit before taxation	**222**	216	**328**	315	3%
2,372	3,368	Net borrowings	**2,678**	2,923	**3,990**	4,209	
		Adjusted figures					
4,925	7,141	Turnover	**2,263**	2,345	**3,349**	3,424	4%
1,178	1,708	Operating profit	**497**	496	**736**	724	6%
1,010	1,465	Profit before taxation	**433**	408	**641**	596	11%
1,028	1,491	Operating cash flow	**237**	177	**351**	258	39%
24%	24%	Operating margin	**22%**	21%	**22%**	21%	
87%	87%	Operating cash flow conversion	**48%**	36%	**48%**	36%	
7.0	7.0	Interest cover (times)	**7.8**	5.6	**7.8**	5.6	

Parent companies

Reed Elsevier PLC

Year ended 31 December 2003 £m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Change %	Change at constant currencies %
169	Reported profit attributable	**57**	49	16%	9%
394	Adjusted profit attributable	**169**	159	6%	11%
1.45	Average exchange rate €:£	**1.48**	1.46		
13.4p	Reported earnings per share	**4.5p**	3.9p	15%	
31.2p	Adjusted earnings per share	**13.4p**	12.6p	6%	11%
12.0p	Dividend per share	**3.4p**	3.3p	3%	

Reed Elsevier NV

Year ended 31 December 2003 €m		Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m	Change %	Change at constant currencies %
242	Reported profit attributable	**82**	71	15%	9%
540	Adjusted profit attributable	**236**	219	8%	11%
1.45	Average exchange rate €:£	**1.48**	1.46		
€0.31	Reported earnings per share	**€0.10**	€0.09	11%	
€0.69	Adjusted earnings per share	**€0.30**	€0.28	7%	11%
€0.30	Dividend per share	**€0.09**	€0.08	13%	

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 "Reed Elsevier combined businesses").

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 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. A reconciliation between the reported and adjusted figures is provided in the notes to the combined financial information.

The percentage change at constant currencies refers to the movements at constant exchange rates, using 2003 full year average rates.

The first half of 2004 saw continued good progress across the business. The science and medical business has seen strong subscription renewals and growing online sales and the book publishing programme is well positioned for the important second half. The legal business has continued to perform well in its markets with good growth in new electronic services. The education business is on track to perform well in a weak market, with successful textbook publishing and new state testing contracts. The business division is seeing stabilisation in underlying revenues as markets recover although some geographies and sectors remain difficult.

Our investment programme continues to deliver outperformance in our markets and good progress is being made with the additional investment committed across our business this year. Recent acquisitions have accelerated our strategic progress.

We remain on track to deliver on our stated 2004 goals of above market revenue growth and mid to high single digit adjusted earnings per share growth at constant exchange rates.

Financial Results

Total revenues in the six months to 30 June 2004 were up 4% at constant exchange rates. At reported exchange rates, revenues were 3% lower to £2,263m/2% lower to €3,349m due to the effect on currency translation of the relative weakness of the US dollar in comparison with the prior first half. The underlying performance of the business is unaffected by these translation differences.

Adjusted pre-tax profits were 11% higher at constant exchange rates, from a 6% increase in adjusted operating profits and a lower net interest charge. This strong result was boosted by the contribution from a number of exhibitions that take place every other year. At reported rates, adjusted pre-tax profits were up 6% to £433m/8% to €641m. Adjusted figures are stated before amortisation of goodwill and intangible assets and exceptional items.

The science and medical business, Elsevier, has had a satisfactory start to the year with strong subscription renewals and good growth in online sales. Revenues were up 3% at constant exchange rates whilst adjusted operating profits were 3% lower reflecting revenue and cost phasing within the business including investment. The second half weighted publishing programme should accelerate revenue growth, resulting in a satisfactory profit performance for the year after taking into account the additional investment in new electronic services.

The legal business, LexisNexis, has continued to perform well. Although US legal markets remain somewhat subdued, strong growth is being seen from our recent acquisitions and investments in areas beyond core research, such as electronic discovery and risk management, and in international markets. Revenues and adjusted operating profits were up 5% and 11% respectively at constant exchange rates, or both up 4% excluding acquisitions and disposals. Underlying adjusted operating profit growth is expected to be stronger in the second half given the timing of investment and cost savings when compared with the prior year.

The education business, Harcourt Education, has had a good start to the year with strong wins in US state textbook adoption opportunities and good growth in open territories and testing. The US market is however still expected to be lower this year due to the trough in the adoption cycle and the cautious funding environment, and the first half results are unrepresentative of the year as a whole since the vast majority of sales and profits are generated in the second half. Revenues and adjusted operating profits were up 3% and 11% respectively at constant exchange rates and are flattered by an earlier call for product this year from some school districts ahead of the new academic year.

The business division, Reed Business, performed well in the first half, in part through the benefit of non-annual exhibitions, but also with encouraging signs of an emerging recovery in some of its key markets. Advertising across a number of sectors is starting to see some recovery in the US although the manufacturing sector remains difficult. In Europe, UK recruitment advertising has grown strongly, although tempered by the continuing economic difficulties in the Netherlands. Revenues were 4% ahead at constant exchange rates, whereas adjusted operating profits were up 17% including the contribution of exhibition joint ventures cycling in in the first half. Whilst the second half should see some improvement in advertising sales, the exhibition business will see a number of non-annual shows cycling out, to deliver, as previously indicated, an overall performance for the division at least comparable to the prior year.

Amortisation of goodwill and intangible assets at £193m/€286m was £33m/€43m lower than in the prior first half, principally as a result of currency translation effects and some past acquisitions becoming fully amortised. Exceptional pre-tax charges of £18m/€27m relate to acquisition integration and other restructuring costs.

The reported profit before tax, including amortisation of goodwill and intangible assets and exceptional items, was £222m/€328m, compared to £216m/€315m in the 2003 first half.

Further information on performance is set out in the Operating and Financial Review.

Business Progress

The first six months of the year has seen a continuation of focused execution against our investment-led growth strategy. The investments in product, sales and marketing over the last four years are building revenue momentum, in spite of the low overall market growth environment as economic recovery works its way through to our markets.

The Elsevier ScienceDirect online platform has continued to expand in content and product features with usage growing rapidly. The new content navigation service, Scopus, is being successfully trialled and will be launched at the end of the year. A major series of initiatives has been put in place across Elsevier to improve customer service and experience.

We continue to monitor 'author pays' publishing initiatives about which there has been much comment but little market impact. 'Author pays' journals hold about a 1% market share. The recent report on scientific journal publishing by a UK parliamentary committee, whilst encouraging further experimentation of an 'author pays' model, noted its drawbacks and made no firm recommendations that we believe would undermine the prevalent 'user pays' subscription based publishing system.

The LexisNexis global online delivery platform has been launched in France to very encouraging market response. The UK, Germany and Australia launches are planned for the second half. In the US, investment in fast growth adjacent markets is delivering good returns in the electronic legal discovery and risk management markets.

In Harcourt Education, good progress is being made in the development of classroom based interim assessment product, linking assessment to remediation and instructional materials. The initial market launch of the product suite, Stanford Learning First, will be later this year.

In Reed Business, continued investment in online services is driving growth in subscriptions and advertising. Online services now account for nearly 12% of the division's publishing revenues, growing at over 20% a year.

Acquisitions continue to play an important role in expanding our services and in accelerating growth. In the first half we made 10 acquisitions at a total cost of £151m/€223m, the most significant of which is Saxon Publishers Inc. Saxon is a very successful US supplemental educational publisher, with a leading position in mathematics which complements well our more reading and language arts based programmes. Good future growth is expected from this attractive market sector.

In July, we announced an agreement to acquire Seisint Inc, for a net consideration of $745m (£412m/€616m). Seisint is a rapidly growing provider of public records based solutions in the risk management market and strongly complements our own successful risk management business. The acquisition meets our strategic and financial criteria and is expected to complete shortly.

Board appointment

We are pleased to welcome Erik Engstrom this month as chief executive of Elsevier. He has spent much of his career in the US publishing industry, and joins from General Atlantic Partners, the US private equity firm, where he had led the media practice for the last three years. Prior to that, he was president and chief operating officer of Random House Inc. On joining Reed Elsevier, Mr Engstrom will be appointed to the Boards of Reed Elsevier PLC and Reed Elsevier Group plc and will be put forward for election to the Executive Board of Reed Elsevier NV at the 2005 annual general meeting.

Parent company earnings and dividends

For the parent companies, Reed Elsevier PLC and Reed Elsevier NV, the adjusted earnings per share were up 11% at constant exchange rates. The adjusted earnings per share at reported exchange rates were up 6% for Reed Elsevier PLC at 13.4p and up 7% for Reed Elsevier NV at €0.30. The reported earnings per share, including the amortisation of goodwill and intangible assets and exceptional items, were for Reed Elsevier PLC 4.5p (2003: 3.9p) and for Reed Elsevier NV €0.10 (2003: €0.09).

The equalised interim dividends are 3.4p, up 3%, for Reed Elsevier PLC and €0.09, up 13%, for Reed Elsevier NV. The difference in dividend growth rates reflects the impact of the appreciation of sterling against the euro since last year's interim dividend declaration.

Outlook

We are encouraged by the first half performance. Our businesses are performing well in their respective markets with a clear focus on building our revenue potential whilst tightly managing costs.

We continue to target for 2004 above market revenue growth and mid to high single digit growth in adjusted earnings per share at constant currencies, reflecting the overall low market growth environment this year and the expansion of our investment programme.

The outlook beyond this year is encouraging with recovery expected in education and business markets and a continued good return from the investments we are making to accelerate our long term revenue growth. Reed Elsevier expects to deliver on its long term targets of above market revenue growth and double digit adjusted EPS growth at constant currencies in 2005 and beyond.

Morris Tabaksblat,
Chairman

Sir Crispin Davis,
Chief Executive Officer

Review of operations

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m	Change at constant currencies %
		Turnover					
1,381	2,002	Science & Medical	**631**	646	**934**	943	3%
1,318	1,911	Legal	**614**	643	**909**	939	5%
898	1,302	Education	**359**	387	**531**	565	3%
1,328	1,926	Business	**659**	669	**975**	977	4%
4,925	7,141	**Total**	**2,263**	2,345	**3,349**	3,424	4%
		Adjusted operating profit					
467	677	Science & Medical	**204**	219	**302**	320	–3%
301	437	Legal	**135**	133	**200**	194	11%
174	252	Education	**29**	29	**43**	42	11%
236	342	Business	**129**	115	**191**	168	17%
1,178	1,708	**Total**	**497**	496	**736**	724	6%

Unless otherwise indicated, all percentage movements in the following commentary refer to constant currency rates, using 2003 full year average rates, and are stated before the amortisation of goodwill and intangible assets and exceptional items.

Science & Medical

	Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m	Change at constant currencies %
Turnover					
Elsevier					
Science & Technology	**391**	388	**579**	566	3%
Health Sciences	**240**	258	**355**	377	3%
	631	646	**934**	943	3%
Adjusted operating profit	**204**	219	**302**	320	–3%
Adjusted operating margin	**32.3%**	33.9%	**32.3%**	33.9%	–1.6pts

The Elsevier business continues to perform well. Strong subscription renewals and growing online sales are being delivered against a background of considerable pressure on institutional budgets. The book publishing programme is further weighted to the second half this year and Elsevier is well positioned to deliver good overall growth.

Revenues and adjusted operating profits were respectively 3% higher and 3% lower than the prior first half at constant exchange rates, excluding minor acquisitions and disposals. Revenue growth will accelerate in the second half with a strong book publishing programme, which is further second half weighted than in the prior year, and new software product releases. The reduction in margin in the first half year reflects revenue and cost phasing, including investment. For the year, the adjusted operating margin should be similar or show modest improvement to the prior year after the additional investment in new electronic product, sales and marketing.

The Science & Technology division saw underlying revenue growth of 3%, with strong subscription renewals and growing online sales in the core journals and ScienceDirect business. Phasing of the front list books programme as well as new software product releases at MDL will accelerate revenue and profit growth in the second half. ScienceDirect continues to perform well with usage expected to be up over 50% this year and further migration seen to electronic only subscriptions which are now close to 30% of journal subscriptions by value. The digitisation of our back files is now substantially complete with 6 million full text articles now available. Work has continued on the development of the Scopus navigational service, to be launched towards the end of the year, which will be the world's largest database of abstracts with extensive bibliographic references and provide intuitive search and linking functionality.

In Health Sciences, underlying revenue growth was 3% with the majority of new publishing arising in the second half. Good growth was seen in electronic sales and in pharmaceutical industry sponsored projects and conferences. The International books business outside the US performed satisfactorily. Continued good progress has been made in the development of electronic product including FIRSTConsult, providing evidence based evaluation, diagnosis and treatment options and other support tools for medical practitioners delivered through the desktop and hand held devices.

The second half will see an acceleration in revenue growth with strong new publishing and growing online sales. Operational gearing in the business and tight cost management is expected to show similar or modest improvement in margins for the year despite the expanded investment programme.

Legal

	Six months ended 30 June		Six months ended 30 June		Change at constant currencies %
	2004 £m	2003 £m	**2004 €m**	2003 €m	
Turnover					
LexisNexis					
North America	**455**	494	**674**	721	4%
International	**159**	149	**235**	218	7%
	614	643	**909**	939	5%
Adjusted operating profit	**135**	133	**200**	194	11%
Adjusted operating margin	**22.0%**	20.7%	**22.0%**	20.7%	1.3pts

The LexisNexis business has continued to perform well. The US legal business is growing well with the investment in new product and in faster growing adjacent markets, such as electronic legal discovery, delivering good returns. Within US corporate and federal markets, budget pressures affecting core research services have been offset by the strong growth in risk management. The International businesses are performing well, with online sales growing rapidly.

Revenues and adjusted operating profits increased by 5% and 11% respectively at constant exchange rates, or both 4% before acquisitions and disposals. LexisNexis North America saw underlying revenue growth of 3% which is before taking account of the strong growth in the Applied Discovery electronic discovery business which was acquired last year. Outside the US, underlying revenue growth was 7% with strong growth in demand for new online services. Adjusted operating margins were 1.3 percentage points ahead of the prior first half largely due to a favourable mix effect arising in the first half from the acquisitions and disposals made last year. Underlying margins were unchanged as the investment programme is expanded.

In US legal markets, revenues grew by 2%, or 6% taking into account Applied Discovery on a proforma basis which has seen significant growth as products are sold through the LexisNexis sales force. Online proforma revenue growth was 12% including continued good growth in the small law firm market and in new services beyond core research. Print and CD sales were 2% lower due to the later timing of some volume releases and as the market migrates online. The legal directories business continued to perform well. In US corporate and federal markets, underlying revenues were 4% ahead, driven by strong growth in the risk management business, up 26%, offset by small declines in corporate and academic information markets where we are now seeing signs of stabilisation. Underlying operating profit growth in LexisNexis North America was 2% reflecting increased investment largely funded by cost actions taken over the last year.

The LexisNexis International businesses outside North America saw revenues and adjusted operating profits up 7% and 6% respectively at constant exchange rates. The strong revenue growth is driven by successful new online product and marketing initiatives, particularly in the UK, continental Europe and South Africa, with online sales up 30%. The strong revenue growth and further cost actions across Europe have largely mitigated the impact on margin of additional investment related to the roll-out of the global online delivery platform and new services.

LexisNexis continues to invest in new content and online functionalities for its core research products whilst also expanding its services into faster growing adjacent markets through development and acquisition. Further good progress has been made in expanding coverage of annotated codes for individual states and case law summaries. The global online delivery platform has been successfully launched in France with very encouraging market response, with the UK, Germany and Australia to follow later this year, enabling more rapid development of the online market and long term cost efficiency. Two small acquisitions made in the US have expanded LexisNexis' services for law firms: Time Matters, which provides leading practice management applications; and Verilaw Technologies, which extends electronic filing services, complementing the fast growing Courtlink service.

In July we announced a significant extension of our risk management business with the $745 million acquisition of Seisint Inc. Seisint is a leading provider of public records solutions in the fast growing US risk management sector and is achieving exceptionally strong revenue and profit growth from low cost transactional services driven by industry leading technology and products developed by Seisint over recent years. The fit with the LexisNexis risk management business is very strong, giving LexisNexis an outstanding technology and product platform and the leverage of the combined sales forces from which to further expand the business.

The second half should see continuing revenue momentum for LexisNexis with good progress from the new product and marketing initiatives and a good contribution from recent acquisitions. A modest improvement in underlying operating margins is expected as additional investment is balanced with operational gearing and further cost efficiency.

Education

	Six months ended 30 June		Six months ended 30 June		Change
	2004 £m	2003 £m	**2004 €m**	2003 €m	at constant currencies %
Turnover					
Harcourt Education					
US Schools & Testing	**292**	321	**432**	469	2%
International	**67**	66	**99**	96	6%
	359	387	**531**	565	3%
Adjusted operating profit	**29**	29	**43**	42	11%
Adjusted operating margin	**8.1%**	7.5%	**8.1%**	7.5%	0.6pts

The Harcourt Education business has had a successful first half, performing well in US state textbook adoptions although the market opportunity is lower this year with the trough in the adoption market and pressure on education budgets. The Assessment business saw good growth in state testing contracts following recent wins and from new publishing.

Revenues and adjusted operating profits increased by 3% and 11% respectively at constant exchange rates, or 2% and 11% excluding acquisitions. The first half results are not representative of the business's performance for the year due to the seasonality of the market, with the peak sales season being June through September as states call for product ahead of the academic year. The majority of the selling expenses, particularly in the US, are incurred in the first half of the year whilst the majority of sales are in the second half. Low margins are therefore reported in the first half and the results are unduly impacted by the timing between years of when individual school districts call for product and when selling expenses are incurred.

The US K-12 schools business has performed well in the 2004 state adoptions, gaining a leading overall market share for the sixth consecutive year. The market opportunity is however lower this year due to the trough in the textbook adoption cycle and the constrained funding environment, and only partly compensated by growth in open territories and additional federal funding for No Child Left Behind Act programmes. Revenues were 4% lower in the first half reflecting satisfactory performances within the vicissitudes of timing. With 90% of state districts adoptions now awarded, Harcourt Education has a clear no. 1 position in the Elementary market with particular success in Florida and Oklahoma math and South Carolina and Virginia reading. In the Secondary market, Harcourt is positioned no. 3 as successes with the new middle school math programme and in other disciplines could not compensate for the lack of a new high school math programme. Harcourt is seeing good wins of federally funded Reading First programmes both in adoption states and in open territories, most notably in New York, Boston and Newark. Underlying operating profits were up 1% in the first half reflecting year on year differences in the timing of selling expenses and revenue phasing.

On 30 June, Harcourt Education acquired Saxon Publishers Inc, a leading publisher of skills-based instructional materials for grades pre-kindergarten through high school in mathematics, phonics, and early childhood learning. The strength of Saxon's skills-based maths programme fits well with Harcourt's supplemental publishing business with its focus on reading and language arts. Saxon is well placed to benefit from the good future growth expected in math subjects.

The Harcourt Assessment businesses saw underlying revenue growth of 16% reflecting the new state testing contracts announced last year and earlier contract activity as well as the continuing success of the strong new publishing in the clinical testing market. The timing year on year of contract activity and new product releases will moderate the growth for the year as a whole. Harcourt Assessment has won a good proportion of new state contracts awarded this year which will impact in 2005, although this has been offset by the loss of Massachusetts which was a disappointment. Good progress is being made in the development of Harcourt's significant new classroom based assessment product, Stanford Learning First, which will be launched later this year. Underlying operating profits were 27% higher due to the revenue growth and improving cost efficiency, but also due to the prior first half having been particularly impacted by plate spend amortisation ahead of the second half new publishing. Favourable revenue and cost phasing will unwind in the second half with good revenue growth expected overall whilst the increased investment will hold back operating profits this year.

The Harcourt Education International businesses saw revenue 6% ahead, with strong growth in the academic publishing and global library business. The UK schools business was broadly flat in the less significant first half. Operating profits were 27% ahead. Like the US business, changes in the first half performance are exaggerated by the strong seasonal weighting of revenues and operating profits to the second half.

The Harcourt Education business is well positioned to have a strong relative performance for the year but in a market that will be lower. Overall revenue performance is expected to be broadly comparable to the prior year. In this environment and taking into account the investments being made in the business, operating margins are expected to be slightly lower despite continuing cost efficiency gains. 2005 is expected to see a significant recovery in the US market with a recovery in the adoption calendar and improving state finances, and Harcourt is well placed to perform strongly.

Business

	Six months ended 30 June		Six months ended 30 June		Change at constant currencies %
	2004 £m	2003 £m	**2004 €m**	2003 €m	
Turnover					
Reed Business Information					
US	**163**	190	**241**	277	–3%
UK	**116**	112	**172**	164	4%
Continental Europe	**133**	137	**197**	200	–1%
Reed Exhibitions	**232**	217	**343**	317	12%
Other	**15**	13	**22**	19	8%
	659	669	**975**	977	4%
Adjusted operating profit	**129**	115	**191**	168	17%
Adjusted operating margin	**19.6%**	17.2%	**19.6%**	17.2%	2.4pts

The Reed Business division has continued to perform well, and we are starting to see recovery in some of its markets. Advertising markets are starting to see some recovery, particularly in the US and UK, although some sectors and geographies remain depressed. The exhibitions business is seeing an encouraging recovery in demand, in addition to the benefit of the cycling in of non-annual shows in the first half. Underlying margins for the division excluding the impact of exhibition joint ventures, are being maintained through firm cost management.

Revenues and adjusted operating profits increased by 4% and 17% respectively at constant exchange rates, or 3% and 17% excluding acquisitions and disposals. The magazine and information publishing business saw flat underlying revenues as advertising markets stabilised, whereas the exhibitions business revenues grew 12%, or 5% before taking into account the net cycling in of non-annual shows. Excluding the beneficial cycling effects, underlying margins were ahead through the effect of the cost actions taken and the phasing of additional investment to the latter part of the year.

In the US, Reed Business Information saw revenues 3% lower than in the prior first half. Whilst certain sectors such as manufacturing and commercial construction remain difficult, overall, advertising markets are stabilising and a number of sectors such as media, entertainment and retail are showing reasonable growth. The focus continues to be on improving market share and managing yields. Tight cost control has held margins despite the revenue decline, with adjusted operating profits 2% lower.

In the UK, Reed Business Information revenues were up 4% with improving recruitment advertising and growing online sales more than compensating for weakness in display advertising. The commercial property and construction sectors performed well and good growth was achieved in the banking and industrial directories as these businesses develop online. Adjusted operating profits were up 12% reflecting the operational gearing of the revenue growth whilst costs are closely managed.

In Continental Europe and other territories in Asia Pacific, Reed Business Information saw revenues 1% lower, with the Netherlands down 3% and an overall flat performance in other European markets. The Dutch advertising markets and economy remain very weak, and RBI Netherlands has done well to limit the decline through share gains and yield management. Adjusted operating profits were also 1% lower as margins were held through the costs actions taken.

At Reed Exhibitions, revenues were 12% ahead, or 5% before the effect of the net cycling in of non-annual shows. Revenue growth was seen in the annual shows in each of the North America, Europe and Asia Pacific regions, with particularly strong performances in Japan and France. Adjusted operating profits were 34% ahead, or approximately 13% before the impact of non-annual shows through tight cost control. The impact of show cycling on operating profits is much greater than on revenues due to the contribution from joint ventures which are not included in divisional turnover. The second half will see the impact of show cycling reverse as there are a number of biennial shows, such as Batimat in France, which do not take place this year.

The second half is expected to see a steady pick up in growth in the magazine and information publishing businesses whilst the exhibitions business will see a reversal of the show cycling that benefited the first half, to deliver a revenue and profit performance for the year for Reed Business broadly comparable with the prior period. Reed Business is now well positioned for growth in 2005 and, given the substantial improvements made in market share and in operational efficiency over the last three years, any acceleration in the recovery of its markets would have a marked impact on performance.

Reed Elsevier combined businesses

Profit & Loss

The **reported profit before tax** for the Reed Elsevier combined businesses, after the amortisation of goodwill and intangible assets and exceptional items, was £222m/€328m, which compares with a reported profit before tax of £216m/€315m in the 2003 first half. This broadly flat result reflects the improved operating performance, and lower amortisation and interest, offset by the absence of the exceptional gains on disposals seen in the prior first half. The **reported attributable profit** of £111m/€164m compares with a reported attributable profit of £97m/€142m in the first half of 2003.

The further year on year decline of the US dollar has had an adverse **translation effect** on the results expressed in sterling and in euros, although the underlying performance of the businesses is unaffected.

Turnover reduced by 3% expressed in sterling to £2,263m, and by 2% expressed in euros to €3,349m. At constant exchange rates, turnover increased 4% over the prior first half, or 3% excluding acquisitions and disposals.

Adjusted operating profits, excluding the amortisation of goodwill and intangible assets and exceptional items, were flat expressed in sterling at £497m, and increased 2% expressed in euros at €736m. At constant exchange rates, adjusted operating profits increased by 6%, or 4% excluding acquisitions and disposals. Adjusted operating margin at 22.0% was 0.8 percentage points ahead reflecting revenue growth and the continued tight management of costs, as well as the favourable impact of portfolio changes and exhibition joint venture show cycling.

The **amortisation charge** for goodwill and intangible assets amounted to £193m/€286m, down £33m/€43m on the comparative period, principally as a result of translation effects and some past acquisitions becoming fully amortised.

Exceptional items showed a pre-tax charge of £18m/€27m (2003: gain of £34m/€48m) comprising £10m/€15m of acquisition integration and related costs and a £8m/€12m charge in respect of restructuring actions principally within Reed Business. There were no disposals in the period whereas the first half of 2003 saw a £57m/€82m net gain on disposals of businesses and fixed asset investments. After a tax credit of £3m/€5m (2003: £9m/€12m charge), exceptional items showed a post-tax charge of £15m/€22m (2003: £25m/€36m gain).

Net interest expense, at £64m/€95m, was £24m/€33m lower than in the corresponding first half, reflecting the benefit of 2003 free cash flow, lower interest rates on debt and currency translation effects.

Adjusted profits before tax, before the amortisation of goodwill and intangible assets and exceptional items, at £433m/€641m were up 6% on the 2003 first half expressed in sterling, and 8% higher expressed in euros. At constant exchange rates, adjusted profits before tax were up 11%.

The **effective tax rate** on adjusted earnings was unchanged at 26%. The **adjusted profit attributable** to shareholders of £319m/€472m was up 6% expressed in sterling, 8% expressed in euros, and 11% at constant exchange rates.

Cash flows and debt

Adjusted operating cash flow, before exceptional items, was £237m/€351m, £60m/€93m higher than in the prior first half. The substantial majority of Reed Elsevier annual operating cash flows normally arises in the second half of the year due to the timing of subscription and other advance receipts and working capital movements. 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. The rate of conversion of adjusted operating profits into cash flow in the first half of 48% (2003: 36%) reflects this. The increase in the first half conversion rate reflects improvements in working capital and changes in the pattern of advance receipts as subscriptions migrate online. In the twelve months to 30 June 2004, the cashflow conversion rate was 92% (2003: 90%) reflecting the improved working capital management, some of which will unwind in the second half. Taking this into account and increased capital expenditures, the annual conversion rate target for the year remains 85%.

Free cash flow – after interest, taxation and dividends but before acquisition spend and exceptional receipts and payments – was £157m/€232m outflow (2003: £214m/€313m outflow) principally reflecting the seasonal working capital requirements of the businesses. 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 outflows of £26m/€39m represent exceptional acquisition related and other restructuring payments of £34m/€51m less £8m/€12m of reduced tax payments. Spend on **acquisitions** was £151m/€223m, including £3m/€4m of payments in respect of prior year acquisitions. An amount of £126m/€186m was capitalised as acquired goodwill and intangible assets.

Net borrowings at 30 June 2004 were £2,678m/€3,990m, an increase of £306m/€622m since 31 December 2003, reflecting the free cash outflow and acquisition spend in the first half, together with favourable exchange translation effects in the case of sterling, which reduced reported net borrowings by £51m, and unfavourable translation effects in the case of euros, which increased reported net borrowings by €94m. The acquisition of Seisint in the second half will add approximately $745m (£412m/€616m) to net debt.

Parent companies

For the parent companies, Reed Elsevier PLC and Reed Elsevier NV, **adjusted earnings per share,** excluding the amortisation of goodwill and intangible assets and exceptional items, were respectively up 6% at 13.4p (2003: 12.6p) and 7% higher at €0.30 (2003: €0.28). The difference in percentage change is entirely attributable to the impact of currency movements on the translation of reported results. At constant rates of exchange, the adjusted earnings per share of both companies would have shown an increase of 11% over the previous first half. The **reported earnings per share,** including the amortisation of goodwill and intangible assets and exceptional items, for Reed Elsevier PLC shareholders was 4.5p (2003: 3.9p) and for Reed Elsevier NV shareholders was €0.10 (2003: €0.09). The equalised **interim dividends** are 3.4p per share, an increase of 3%, for Reed Elsevier PLC and €0.09 per share, an increase of 13%, for Reed Elsevier NV. The difference in dividend growth rates reflects the impact of the strengthening of sterling against the euro since last year's interim dividend declaration.

International Financial Reporting Standards

Under a Regulation adopted by the European Parliament in 2002, the Reed Elsevier combined financial statements will be prepared under International Financial Reporting Standards (IFRS) with effect from the 2005 financial year, with appropriate restatement of the comparative figures.

Impact assessments were carried out during 2003 to identify the changes of accounting policy that will be necessary to comply with IFRS and implementation plans prepared to modify accounting systems and procedures as necessary. These assessments are being updated to reflect the final IFRS issued and endorsed earlier this year and to take account of the additional guidance now being made available and the possible modifications to these IFRS suggested in recent exposure drafts. The key changes arising on adoption of IFRS relate to the accounting for goodwill and intangible assets, share based payments, pensions, financial instruments and deferred taxation. Revised accounting policies and procedures are in the process of being drafted and will be promulgated within Reed Elsevier later in the year. Guidelines have been developed for the valuation of acquired intangible assets in accordance with the requirements of IFRS3: Business Combinations and IAS38: Intangible Assets and are being field tested. A binomial share option valuation model is being developed in conjunction with external actuarial advisers to accommodate the requirements of IFRS2: Share Based Payment. The hedging objectives of Reed Elsevier's treasury activities are in the process of being redocumented in the format required by IAS39: Financial Instruments and relevant documentation and revised procedures will be in place before the end of the year. The IFRS on financial instruments and other more recently issued standards have yet to be endorsed by the European Commission. Developments are being closely monitored.

Details of the impact of adopting IFRS will be presented in the Reed Elsevier Annual Reports and Financial Statements 2004.

FORWARD LOOKING STATEMENTS

The Interim Statement contains forward looking statements within the meaning of Section 27A of the US 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; exchange rate fluctuations; customers' acceptance of its products and services; the actions of competitors; legislative, fiscal and regulatory developments; changes in law and legal interpretation affecting Reed Elsevier's intellectual property rights and internet communications; and the impact of technological change.

Combined profit and loss account

For the six months ended 30 June 2004

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
		Turnover				
5,006	7,259	Including share of turnover of joint ventures	**2,325**	2,392	**3,441**	3,492
(81)	(118)	Less: share of turnover of joint ventures	**(62)**	(47)	**(92)**	(68)
4,925	7,141		**2,263**	2,345	**3,349**	3,424
4,925	7,141	Continuing operations before acquisitions	**2,261**	2,345	**3,346**	3,424
–	–	Acquisitions	**2**	–	**3**	–
(1,764)	(2,558)	Cost of sales	**(821)**	(819)	**(1,215)**	(1,196)
3,161	4,583	Gross profit	**1,442**	1,526	**2,134**	2,228
(2,516)	(3,648)	Operating expenses	**(1,173)**	(1,290)	**(1,736)**	(1,883)
(2,002)	(2,902)	Before amortisation and exceptional items	**(963)**	(1,042)	**(1,425)**	(1,521)
(442)	(641)	Amortisation of goodwill and intangible assets	**(192)**	(225)	**(284)**	(328)
(72)	(105)	Exceptional items	**(18)**	(23)	**(27)**	(34)
645	935	**Operating profit (before joint ventures)**	**269**	236	**398**	345
645	935	Continuing operations before acquisitions	**270**	236	**399**	345
–	–	Acquisitions	**(1)**	–	**(1)**	–
16	23	Share of operating profit of joint ventures	**17**	11	**25**	16
661	958	**Operating profit including joint ventures**	**286**	247	**423**	361
		Non operating exceptional items				
26	37	Net profit on disposal of businesses and fixed asset investments	**-**	57	**-**	82
687	995	**Profit on ordinary activities before interest**	**286**	304	**423**	443
(168)	(243)	Net interest expense	**(64)**	(88)	**(95)**	(128)
519	752	**Profit on ordinary activities before taxation**	**222**	216	**328**	315
(183)	(265)	Tax on profit on ordinary activities	**(110)**	(118)	**(162)**	(171)
336	487	**Profit on ordinary activities after taxation**	**112**	98	**166**	144
(2)	(3)	Minority interests	**(1)**	(1)	**(2)**	(2)
334	484	**Profit attributable to parent companies' shareholders**	**111**	97	**164**	142
(304)	(441)	Equity dividends paid and proposed	**(88)**	(82)	**(131)**	(120)
30	43	**Retained profit taken to combined reserves**	**23**	15	**33**	22

Adjusted figures

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
1,178	1,708	**Adjusted operating profit**	**497**	496	**736**	724
1,010	1,465	**Adjusted profit before tax**	**433**	408	**641**	596
744	1,079	**Adjusted profit attributable to parent companies' shareholders**	**319**	300	**472**	438

Adjusted figures, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, are presented as additional performance measures, and are reconciled to the reported figures in note 5 to the combined financial information.

Combined cash flow statement

For the six months ended 30 June 2004

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
1,163	1,686	Net cash inflow from operating activities before exceptional items	**318**	240	**471**	350
(98)	(142)	Payments relating to exceptional items charged to operating profit	**(34)**	(50)	**(51)**	(73)
1,065	1,544	**Net cash inflow from operating activities**	**284**	190	**420**	277
14	20	**Dividends received from joint ventures**	**8**	10	**12**	15
17	25	Interest and similar income received	**11**	8	**16**	12
(194)	(282)	Interest and similar charges paid	**(70)**	(93)	**(103)**	(136)
(177)	(257)	**Returns on investments and servicing of finance**	**(59)**	(85)	**(87)**	(124)
(182)	(264)	Taxation before exceptional items	**(115)**	(97)	**(170)**	(142)
36	52	Exceptional items	**8**	9	**12**	14
(146)	(212)	**Taxation**	**(107)**	(88)	**(158)**	(128)
(155)	(225)	Purchase of tangible fixed assets	**(91)**	(74)	**(135)**	(108)
(7)	(10)	Purchase of fixed asset investments	**(5)**	(2)	**(7)**	(4)
6	10	Proceeds from sale of tangible fixed assets	**2**	1	**3**	1
19	28	Exceptional proceeds from disposal of fixed asset investments	**-**	16	**-**	23
(137)	(197)	**Capital expenditure and financial investment**	**(94)**	(59)	**(139)**	(88)
(258)	(374)	Acquisitions	**(151)**	(76)	**(223)**	(111)
77	112	Exceptional net proceeds from disposal of businesses	**-**	73	**-**	107
(181)	(262)	**Acquisitions and disposals**	**(151)**	(3)	**(223)**	(4)
(292)	(423)	**Equity dividends paid to shareholders of the parent companies**	**(220)**	(209)	**(326)**	(305)
146	213	**Cash (outflow)/inflow before changes in short term investments and financing**	**(339)**	(244)	**(501)**	(357)
(165)	(240)	**Decrease/(increase) in short term investments**	**396**	285	**585**	416
(86)	(125)	**Financing**	**(36)**	(78)	**(53)**	(112)
(105)	(152)	**Increase/(decrease) in cash**	**21**	(37)	**31**	(53)

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 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
1,028	1,491	**Adjusted operating cash flow**	**237**	177	**351**	258
87%	87%	**Adjusted operating cash flow conversion**	**48%**	36%	**48%**	36%

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, and is reconciled to the reported figures in note 5 to the combined financial information. 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 2004

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
334	484	Profit attributable to parent companies' shareholders	**111**	97	**164**	142
(232)	(620)	Exchange translation differences	**(10)**	(65)	**157**	(333)
102	(136)	**Total recognised gains and losses for the period**	**101**	32	**321**	(191)

Combined shareholders' funds reconciliation

For the six months ended 30 June 2004

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
334	484	Profit attributable to parent companies' shareholders	**111**	97	**164**	142
(304)	(441)	Equity dividends paid and proposed	**(88)**	(82)	**(131)**	(120)
14	20	Issue of ordinary shares, net of expenses	**11**	7	**16**	10
(18)	(26)	Increase in shares held in treasury	**(23)**	(19)	**(34)**	(26)
(232)	(620)	Exchange translation differences	**(10)**	(65)	**157**	(333)
(206)	(583)	**Net increase/(decrease) in combined shareholders' funds**	**1**	(62)	**172**	(327)
2,640	4,039	Combined shareholders' funds at the beginning of the period	**2,434**	2,640	**3,456**	4,039
2,434	3,456	**Combined shareholders' funds at the end of the period**	**2,435**	2,578	**3,628**	3,712

Summary combined balance sheet

As at 30 June 2004

As at 31 December 2003 £m	As at 31 December 2003 €m		As at 30 June 2004 £m	As at 30 June 2003 £m	As at 30 June 2004 €m	As at 30 June 2003 €m
5,153	7,317	Goodwill and intangible assets	**5,002**	5,541	**7,453**	7,979
583	828	Tangible fixed assets and investments	**616**	594	**918**	855
5,736	8,145	**Fixed assets**	**5,618**	6,135	**8,371**	8,834
526	747	Inventories and pre-publication costs	**563**	551	**839**	793
1,044	1,482	Debtors – amounts falling due within one year	**966**	1,026	**1,440**	1,478
249	354	Debtors – amounts falling due after more than one year	**217**	313	**323**	451
638	906	Cash and short term investments	**253**	257	**377**	370
2,457	3,489	**Current assets**	**1,999**	2,147	**2,979**	3,092
(3,474)	(4,933)	**Creditors: amounts falling due within one year**	**(2,935)**	(3,194)	**(4,374)**	(4,600)
(1,017)	(1,444)	**Net current liabilities**	**(936)**	(1,047)	**(1,395)**	(1,508)
4,719	6,701	**Total assets less current liabilities**	**4,682**	5,088	**6,976**	7,326
(2,105)	(2,989)	**Creditors: amounts falling due after more than one year**	**(2,088)**	(2,310)	**(3,111)**	(3,326)
(168)	(239)	**Provisions for liabilities and charges**	**(148)**	(189)	**(221)**	(272)
(12)	(17)	**Minority interests**	**(11)**	(11)	**(16)**	(16)
2,434	3,456	**Combined shareholders' funds**	**2,435**	2,578	**3,628**	3,712
2,372	3,368	**Net borrowings**	**2,678**	2,923	**3,990**	4,209

Approved by the boards of Reed Elsevier PLC and Reed Elsevier NV, 4 August 2004.

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 has been prepared on the basis of the accounting policies set out in the Reed Elsevier Annual Reports and Financial Statements 2003. The figures for 30 June 2003 have been amended to reflect the accounting policy change in the second half of 2003 relating to the presentation of shares held in treasury. The accounting policies are in accordance with applicable UK Generally Accepted Accounting Principles ("UK GAAP"), which are required to be adopted by UK companies for the preparation of financial statements. Under Article 362.1 of Book 2 Title 9 of the Netherlands Civil Code, UK GAAP may be adopted by Dutch companies with international operations for the preparation of financial statements and, accordingly, UK GAAP has been so adopted by Reed Elsevier NV.

The combined financial information 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 26. The financial information for the year ended 31 December 2003 has been abridged from the audited combined financial statements for that year, which received an unqualified audit report.

2 Segment analysis

Turnover

Year ended 31 December			Six months ended 30 June		Six months ended 30 June	
2003 £m	2003 €m		**2004 £m**	2003 £m	**2004 €m**	2003 €m
		Business segment				
1,381	2,002	Science & Medical	**631**	646	**934**	943
1,318	1,911	Legal	**614**	643	**909**	939
898	1,302	Education	**359**	387	**531**	565
1,328	1,926	Business	**659**	669	**975**	977
4,925	7,141	**Total**	**2,263**	2,345	**3,349**	3,424
		Geographical origin				
2,822	4,092	North America	**1,236**	1,364	**1,829**	1,992
823	1,193	United Kingdom	**394**	371	**583**	542
502	728	The Netherlands	**253**	246	**374**	359
541	784	Rest of Europe	**260**	257	**385**	375
237	344	Rest of world	**120**	107	**178**	156
4,925	7,141	**Total**	**2,263**	2,345	**3,349**	3,424
		Geographical market				
2,921	4,235	North America	**1,294**	1,395	**1,915**	2,037
551	799	United Kingdom	**261**	255	**386**	372
207	300	The Netherlands	**95**	96	**141**	140
695	1,008	Rest of Europe	**345**	350	**510**	512
551	799	Rest of world	**268**	249	**397**	363
4,925	7,141	**Total**	**2,263**	2,345	**3,349**	3,424

2 Segment analysis (continued)

Adjusted operating profit (excluding exceptional items and amortisation)

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
		Business segment				
467	677	Science & Medical	**204**	219	**302**	320
301	437	Legal	**135**	133	**200**	194
174	252	Education	**29**	29	**43**	42
236	342	Business	**129**	115	**191**	168
1,178	1,708	**Total**	**497**	496	**736**	724
		Geographical origin				
603	874	North America	**215**	226	**318**	330
210	305	United Kingdom	**79**	82	**117**	120
189	274	The Netherlands	**111**	110	**165**	160
136	197	Rest of Europe	**71**	60	**105**	88
40	58	Rest of world	**21**	18	**31**	26
1,178	1,708	**Total**	**497**	496	**736**	724

Operating profit (including exceptional items and amortisation)

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
		Business segment				
375	544	Science & Medical	**170**	179	**251**	262
95	138	Legal	**49**	35	**73**	51
91	132	Education	**(8)**	(11)	**(12)**	(16)
100	144	Business	**75**	44	**111**	64
661	958	**Total**	**286**	247	**423**	361
		Geographical origin				
225	326	North America	**63**	40	**93**	58
168	244	United Kingdom	**57**	62	**84**	91
162	235	The Netherlands	**102**	99	**151**	145
73	106	Rest of Europe	**44**	32	**65**	47
33	47	Rest of world	**20**	14	**30**	20
661	958	**Total**	**286**	247	**423**	361

3 Exceptional items

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
(23)	(33)	Reorganisation costs	**(8)**	(8)	**(12)**	(12)
(49)	(72)	Acquisition related costs	**(10)**	(15)	**(15)**	(22)
(72)	(105)	Charged to operating profit	**(18)**	(23)	**(27)**	(34)
26	37	Net profit on disposal of businesses and fixed asset investments	**-**	57	**-**	82
(46)	(68)	**Exceptional (charge)/credit before tax**	**(18)**	34	**(27)**	48
84	122	**Net tax credit/(charge)**	**3**	(9)	**5**	(12)
38	54	**Total exceptional (charge)/credit**	**(15)**	25	**(22)**	36

4 Combined cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
645	935	Operating profit (before joint ventures)	**269**	236	**398**	345
72	105	Exceptional charges to operating profit	**18**	23	**27**	34
717	1,040	**Operating profit before exceptional items**	**287**	259	**425**	379
442	641	Amortisation of goodwill and intangible assets	**192**	225	**284**	328
134	194	Depreciation	**58**	67	**86**	98
576	835	**Total non cash items**	**250**	292	**370**	426
(130)	(189)	**Movement in working capital**	**(219)**	(311)	**(324)**	(455)
1,163	1,686	**Net cash inflow from operating activities before exceptional items**	**318**	240	**471**	350
(98)	(142)	Payments relating to exceptional items charged to operating profit	**(34)**	(50)	**(51)**	(73)
1,065	1,544	**Net cash inflow from operating activities**	**284**	190	**420**	277

Reconciliation of net borrowings

Year ended 31 December 2003 £m		Cash £m	Short term investments £m	Borrowings £m	Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m
(2,732)	Net borrowings at the beginning of the period	**68**	**570**	**(3,010)**	**(2,372)**	(2,732)
(105)	Increase/(decrease) in cash	**21**	**-**	**-**	**21**	(37)
165	(Decrease)/increase in short term investments	**-**	**(396)**	**-**	**(396)**	(285)
82	Decrease in borrowings	**-**	**-**	**24**	**24**	66
142	Change in net borrowings resulting from cash flows	**21**	**(396)**	**24**	**(351)**	(256)
(9)	Borrowings in acquired businesses	**-**	**-**	**-**	**-**	-
(13)	Inception of finance leases	**-**	**-**	**(6)**	**(6)**	(6)
240	Exchange translation differences	**(1)**	**(9)**	**61**	**51**	71
(2,372)	**Net borrowings at the end of the period**	**88**	**165**	**(2,931)**	**(2,678)**	(2,923)

Year ended 31 December 2003 €m		Cash €m	Short term investments €m	Borrowings €m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
(4,180)	Net borrowings at the beginning of the period	**97**	**809**	**(4,274)**	**(3,368)**	(4,180)
(152)	Increase/(decrease) in cash	**31**	**-**	**-**	**31**	(53)
240	(Decrease)/increase in short term investments	**-**	**(585)**	**-**	**(585)**	(416)
119	Decrease in borrowings	**-**	**-**	**35**	**35**	96
207	Change in net borrowings resulting from cash flows	**31**	**(585)**	**35**	**(519)**	(373)
(13)	Borrowings in acquired businesses	**-**	**-**	**-**	**-**	-
(19)	Inception of finance leases	**-**	**-**	**(9)**	**(9)**	(9)
637	Exchange translation differences	**3**	**22**	**(119)**	**(94)**	353
(3,368)	**Net borrowings at the end of the period**	**131**	**246**	**(4,367)**	**(3,990)**	(4,209)

5 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 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
661	958	Operating profit including joint ventures	**286**	247	**423**	361
		Adjustments:				
445	645	Amortisation of goodwill and intangible assets (including joint ventures)	**193**	226	**286**	329
23	33	Reorganisation costs	**8**	8	**12**	12
49	72	Acquisition related costs	**10**	15	**15**	22
1,178	1,708	**Adjusted operating profit**	**497**	496	**736**	724
519	752	Profit before tax	**222**	216	**328**	315
		Adjustments:				
445	645	Amortisation of goodwill and intangible assets (including joint ventures)	**193**	226	**286**	329
23	33	Reorganisation costs	**8**	8	**12**	12
49	72	Acquisition related costs	**10**	15	**15**	22
(26)	(37)	Net profit on disposal of businesses and fixed asset investments	**-**	(57)	**-**	(82)
1,010	1,465	**Adjusted profit before tax**	**433**	408	**641**	596
334	484	Profit attributable to parent companies' shareholders	**111**	97	**164**	142
		Adjustments:				
448	649	Amortisation of goodwill and intangible assets (including joint ventures)	**193**	228	**286**	332
17	24	Reorganisation costs	**6**	5	**9**	8
32	47	Acquisition related costs	**9**	7	**13**	10
(87)	(125)	Net profit on disposal of businesses and fixed asset investments	**-**	(37)	**-**	(54)
744	1,079	**Adjusted profit attributable to parent companies' shareholders**	**319**	300	**472**	438
1,065	1,544	Net cash inflow from operating activities	**284**	190	**420**	277
14	20	Dividends received from joint ventures	**8**	10	**12**	15
(155)	(225)	Purchase of tangible fixed assets	**(91)**	(74)	**(135)**	(108)
6	10	Proceeds from sale of tangible fixed assets	**2**	1	**3**	1
98	142	Payments in relation to exceptional items charged to operating profit	**34**	50	**51**	73
1,028	1,491	**Adjusted operating cash flow**	**237**	177	**351**	258

6 Exchange translation rates

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

Year ended 31 December 2003 Profit and loss	Year ended 31 December 2003 Balance sheet		Profit and loss 30 June 2004	Profit and loss 30 June 2003	Balance sheet 30 June 2004	Balance sheet 30 June 2003
1.45	1.42	Euro to sterling	**1.48**	1.46	**1.49**	1.44
1.63	1.78	US dollars to sterling	**1.82**	1.61	**1.81**	1.65
1.12	1.25	US dollars to euro	**1.23**	1.10	**1.21**	1.15

Summary financial information

Basis of preparation

The Reed Elsevier PLC 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. The summary financial information has been prepared on the basis of the accounting policies set out in the Reed Elsevier Annual Reports and Financial Statements 2003, which are in accordance with UK Generally Accepted Accounting Principles. The figures for 30 June 2003 have been amended to reflect the accounting policy change in the second half of 2003 relating to the presentation of shares held in treasury. 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 2004 and the comparative amounts to 30 June 2003 are unaudited but have been reviewed by the auditors and their report to the board of Reed Elsevier PLC is set out on page 26. The financial information for the year ended 31 December 2003 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 2003 £m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m
2,605	**Share of turnover of joint ventures**	**1,197**	1,241
(1)	**Operating loss (before joint ventures)**	**-**	–
	Share of operating profit of joint ventures		
616	Before amortisation and exceptional items	**261**	260
(273)	Amortisation and exceptional items	**(112)**	(131)
342	**Operating profit including joint ventures**	**149**	129
14	Share of non operating exceptional items of joint ventures	**-**	30
(89)	Net interest (including share of joint ventures)	**(34)**	(47)
267	**Profit on ordinary activities before taxation**	**115**	112
(98)	Tax on profit on ordinary activities	**(58)**	(63)
(1)	UK corporation tax	**-**	–
(97)	Share of tax of joint ventures	**(58)**	(63)
169	**Profit attributable to ordinary shareholders**	**57**	49
(152)	Equity dividends paid and proposed	**(43)**	(42)
17	**Retained profit taken to reserves**	**14**	7
13.4p	**Basic earnings per share**	**4.5p**	3.9p
13.4p	**Diluted earnings per share**	**4.5p**	3.9p
31.2p	**Adjusted earnings per share**	**13.4p**	12.6p

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, which excludes amortisation of goodwill and intangible assets, exceptional items and related tax effects.

Dividends

The directors of Reed Elsevier PLC have declared an interim dividend of 3.4p per ordinary share (2003 interim: 3.3p per ordinary share). In 2003 the full year dividend was 12.0p per ordinary share.

Consolidated statement of total recognised gains and losses

Year ended 31 December 2003 £m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m
169	Profit attributable to ordinary shareholders	**57**	49
(123)	Exchange translation differences	**(5)**	(34)
46	**Total recognised gains and losses for the period**	**52**	15

Consolidated cash flow statement

Year ended 31 December 2003 £m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m
(1)	**Net cash outflow from operating activities**	**(1)**	–
144	**Dividends received from Reed Elsevier Group plc**	**111**	102
3	**Returns on investments and servicing of finance** – interest received	**2**	1
(3)	**Taxation**	**-**	–
(144)	**Equity dividends paid**	**(110)**	(102)
(1)	**Cash inflow/(outflow) before changes in short term investments and financing**	**2**	1
1	**Financing**	**(2)**	(1)
12	Issue of ordinary shares	**4**	5
(11)	Increase in net funding balances to Reed Elsevier Group plc group	**(6)**	(6)
–	**Change in net cash**	**-**	–

Reconciliation of consolidated shareholders' funds

Year ended 31 December 2003 £m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m
169	Profit attributable to ordinary shareholders	**57**	49
(152)	Equity dividends paid and proposed	**(43)**	(42)
12	Issue of ordinary shares, net of expenses	**4**	5
(10)	Increase in shares held in treasury	**(12)**	(10)
(123)	Exchange translation differences	**(5)**	(34)
(5)	Equalisation adjustments	**(1)**	(1)
(109)	**Net decrease in shareholders' funds**	**-**	(33)
1,397	Shareholders' funds at the beginning of the period	**1,288**	1,397
1,288	**Shareholders' funds at the end of the period**	**1,288**	1,364

Summary consolidated balance sheet

As at 31 December 2003 £m		As at 30 June 2004 £m	As at 30 June 2003 £m
859	**Fixed asset investment in joint ventures**	**785**	874
	Current assets		
584	Debtors	**590**	579
584		**590**	579
(119)	**Creditors: amounts falling due within one year**	**(51)**	(53)
465	**Net current assets**	**539**	526
1,324	**Total assets less current liabilities**	**1,324**	1,400
(36)	**Creditors: amounts falling due after more than one year**	**(36)**	(36)
1,288	**Shareholders' funds**	**1,288**	1,364

Approved by the board of directors, 4 August 2004.

Summary financial information

Basis of preparation

The results for the six months ended 30 June 2004 reflect the Reed Elsevier NV shareholders' 50% economic interest in the Reed Elsevier combined businesses, accounted for on an equity basis. The summary financial information has been prepared on the basis of the accounting policies set out in the Reed Elsevier Annual Reports and Financial Statements 2003, which are in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). The figures for 30 June 2003 have been amended to reflect the accounting policy change in the second half of 2003 relating to the presentation of shares held in treasury. As permitted by Article 362.1 of Book 2 Title 9 of the Netherlands Civil Code, the summary financial information has been prepared using accounting policies that are in accordance with UK GAAP.

The interim figures for the six months ended 30 June 2004 and the comparative amounts to 30 June 2003 are unaudited but have been reviewed by the auditors and their report to the boards of Reed Elsevier NV is set out on page 26. The financial information for the year ended 31 December 2003 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.

Group profit and loss account

Year ended 31 December 2003 €m		Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
3,571	**Share of turnover of joint ventures**	**1,675**	1,712
(3)	**Operating loss (before joint ventures)**	**(1)**	(1)
	Share of operating profit of joint ventures		
858	Before amortisation and exceptional items	**370**	364
(376)	Amortisation and exceptional items	**(157)**	(182)
479	**Operating profit including joint ventures**	**212**	181
19	Share of non operating exceptional items of joint ventures	**-**	41
(122)	Net interest (including share of joint ventures)	**(48)**	(64)
376	**Profit on ordinary activities before taxation**	**164**	158
(134)	Tax on profit on ordinary activities	**(82)**	(87)
242	**Profit attributable to ordinary shareholders**	**82**	71
(221)	Equity dividends paid and proposed	**(67)**	(59)
21	**Retained profit taken to reserves**	**15**	12
€0.31	**Basic earnings per share**	**€0.10**	€0.09
€0.31	**Diluted earnings per share**	**€0.10**	€0.09
€0.69	**Adjusted earnings per share**	**€0.30**	€0.28

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, which excludes amortisation of goodwill and intangible assets, exceptional items and related tax effects.

Dividends

The directors of Reed Elsevier NV have declared an interim dividend of €0.09 per ordinary share (2003 interim: €0.08 per ordinary share). In 2003 the full year dividend was €0.30 per ordinary share.

Group statement of total recognised gains and losses

Year ended 31 December 2003 €m		Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
242	Profit attributable to ordinary shareholders	**82**	71
(310)	Exchange translation differences	**79**	(167)
(68)	**Total recognised gains and losses for the period**	**161**	(96)

Group cash flow statement

Year ended 31 December 2003 €m		Six months ended 30 June 2004 €m	2003 €m
(2)	**Net cash outflow from operating activities**	**(1)**	–
200	**Dividends received from joint ventures**	**170**	150
7	**Returns on investments and servicing of finance** – interest received	**1**	2
(2)	**Taxation**	**(1)**	(6)
(215)	**Equity dividends paid**	**(162)**	(156)
(12)	**Cash inflow/(outflow) before changes in short term investments and financing**	**7**	(10)
8	**(Increase)/decrease in short term investments**	**(17)**	4
4	**Financing**	**10**	6
3	Issue of shares, net of expenses	**11**	4
1	Net increase in debenture loans	**-**	1
–	(Increase)/decrease in net funding balances to joint ventures	**(1)**	1
–	**Change in net cash**	**-**	–

Reconciliation of group shareholders' funds

Year ended 31 December 2003 €m		Six months ended 30 June 2004 €m	2003 €m
242	Profit attributable to ordinary shareholders	**82**	71
(221)	Equity dividends paid and proposed	**(67)**	(59)
3	Issue of shares, net of expenses	**11**	4
(13)	Increase in shares held in treasury	**(17)**	(13)
(310)	Exchange translation differences	**79**	(167)
8	Equalisation adjustments	**(2)**	1
(291)	**Net increase/(decrease) in shareholders' funds**	**86**	(163)
2,019	Shareholders' funds at the beginning of the period	**1,728**	2,019
1,728	**Shareholders' funds at the end of the period**	**1,814**	1,856

Summary group balance sheet

As at 31 December 2003 €m		As at 30 June 2004 €m	2003 €m
1,904	**Fixed asset investment in joint ventures**	**1,876**	1,920
	Current assets		
56	Debtors	**56**	55
7	Short term investments	**24**	11
63		**80**	66
(174)	**Creditors: amounts falling due within one year**	**(77)**	(64)
(111)	**Net current assets/(liabilities)**	**3**	2
1,793	**Total assets less current liabilities**	**1,879**	1,922
(65)	**Creditors: amounts falling due after more than one year**	**(65)**	(66)
1,728	**Shareholders' funds**	**1,814**	1,856

Signed by the boards of directors, 4 August 2004.

Summary financial information in US dollars

The summary financial information is a simple translation of the Reed Elsevier combined financial information into US dollars at the stated rates of exchange. The financial information provided below is prepared in accordance with accounting principles as used in the preparation of the Reed Elsevier combined financial information. It does not represent a restatement under US Generally Accepted Accounting Principles ("US GAAP") which would be different in some significant respects.

Exchange rates for translation

Year ended 31 December 2003 US$		Six months ended 30 June 2004 US$	Six months ended 30 June 2003 US$
	Sterling		
1.63	Profit and loss and cash flow	**1.82**	1.61
1.78	Balance sheet	**1.81**	1.65
	Euro		
1.124	Profit and loss and cash flow	**1.230**	1.103
1.254	Balance sheet	**1.215**	1.146

Profit and loss account

Year ended 31 December 2003 US$m		Six months ended 30 June 2004 US$m	Six months ended 30 June 2003 US$m
8,028	Net sales	**4,119**	3,775
1,077	Operating profit	**521**	398
846	Profit before tax	**404**	348
544	Profit attributable	**202**	156
1,920	Adjusted operating profit	**905**	799
1,646	Adjusted profit before tax	**788**	657
1,213	Adjusted profit attributable to parent companies' shareholders	**581**	483
US$		**US$**	US$
	Basic earnings per American Depository Share (ADS)		
$0.87	Reed Elsevier PLC (Each ADS comprises four ordinary shares)	**$0.33**	$0.25
$0.70	Reed Elsevier NV (Each ADS comprises two ordinary shares)	**$0.25**	$0.20
	Adjusted earnings per American Depository Share (ADS)		
$2.03	Reed Elsevier PLC (Each ADS comprises four ordinary shares)	**$0.98**	$0.81
$1.55	Reed Elsevier NV (Each ADS comprises two ordinary shares)	**$0.74**	$0.62

Adjusted earnings per American Depository Share is based on Reed Elsevier PLC shareholders' 52.9% and Reed Elsevier NV's 50% respective share of the adjusted profit attributable of the Reed Elsevier combined businesses. Adjusted figures are presented as additional performance measures and exclude amortisation of goodwill and intangible assets, exceptional items and related tax effects.

Cash flow statement

Year ended 31 December 2003 US$m		Six months ended 30 June 2004 US$m	Six months ended 30 June 2003 US$m
1,736	**Net cash inflow from operating activities**	**517**	306
23	**Dividends received from joint ventures**	**15**	16
(289)	**Returns on investments and servicing of finance**	**(107)**	(137)
(238)	**Taxation** (including US$15m (2003 interim: US$14m) exceptional net inflow)	**(195)**	(142)
(223)	**Capital expenditure and financial investment**	**(171)**	(96)
(295)	**Acquisitions and disposals**	**(275)**	(5)
(476)	**Equity dividends paid to shareholders of the parent companies**	**(401)**	(335)
238	**Cash (outflow)/inflow before changes in short term investments and financing**	**(617)**	(393)
(269)	**Decrease/(increase) in short term investments**	**721**	459
(140)	**Financing**	**(66)**	(126)
(171)	**Increase/(decrease) in cash**	**38**	(60)
1,676	**Adjusted operating cash flow**	**431**	285
87%	**Adjusted operating cash flow conversion**	**48%**	36%

Summary balance sheet

As at 31 December 2003 US$m		As at 30 June 2004 US$m	As at 30 June 2003 US$m
9,172	Goodwill and intangible assets	**9,054**	9,143
1,038	Tangible fixed assets and investments	**1,115**	980
10,210	**Fixed assets**	**10,169**	10,123
936	Inventories and pre-publication costs	**1,019**	910
1,858	Debtors – amounts falling due within one year	**1,748**	1,693
443	Debtors – amounts falling due after more than one year	**393**	516
1,136	Cash and short term investments	**458**	424
4,373	**Current assets**	**3,618**	3,543
(6,183)	**Creditors: amounts falling due within one year**	**(5,312)**	(5,271)
(1,810)	**Net current liabilities**	**(1,694)**	(1,728)
8,400	**Total assets less current liabilities**	**8,475**	8,395
(3,747)	**Creditors: amounts falling due after more than one year**	**(3,779)**	(3,812)
(299)	**Provisions for liabilities and charges**	**(268)**	(312)
(21)	**Minority interests**	**(21)**	(17)
4,333	**Combined shareholders' funds**	**4,407**	4,254

Summary of the principal differences to US GAAP

The combined financial information has been prepared in accordance with accounting principles which differ in certain significant respects to US GAAP.

The principal differences that affect net income and combined shareholders' funds relate to the capitalisation and amortisation of goodwill and intangible assets, pensions, derivative instruments, stock based compensation and related deferred tax effects. A more complete explanation of the accounting policies used by the Reed Elsevier combined businesses and the differences to US GAAP is set out in the Reed Elsevier Annual Reports and Financial Statements 2003.

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

Year ended 31 December 2003 £m	Year ended 31 December 2003 €m		Six months ended 30 June 2004 £m	Six months ended 30 June 2003 £m	Six months ended 30 June 2004 €m	Six months ended 30 June 2003 €m
334	484	Net income as reported	**111**	97	**164**	142
		US GAAP adjustments:				
121	176	Goodwill and intangible assets	**77**	78	**114**	114
(40)	(58)	Deferred taxation	**(14)**	(21)	**(21)**	(31)
75	109	Pensions	**(17)**	38	**(25)**	56
7	10	Stock based compensation	**(29)**	3	**(43)**	4
41	59	Derivative instruments	**27**	–	**40**	–
538	780	**Net income under US GAAP**	**155**	195	**229**	285

As at 31 December 2003 £m	As at 31 December 2003 €m		As at 30 June 2004 £m	As at 30 June 2003 £m	As at 30 June 2004 €m	As at 30 June 2003 €m
2,434	3,456	Combined shareholders' funds as reported	**2,435**	2,578	**3,628**	3,712
		US GAAP adjustments:				
1,354	1,923	Goodwill and intangible assets	**1,407**	1,370	**2,097**	1,973
(828)	(1,176)	Deferred taxation	**(836)**	(862)	**(1,245)**	(1,241)
185	263	Pensions	**169**	193	**252**	278
(69)	(98)	Derivative instruments	**(40)**	(114)	**(60)**	(164)
3	4	Available for sale investments	**3**	2	**4**	3
226	321	Equity dividends	**88**	82	**131**	118
(2)	(3)	Other items	**(2)**	(2)	**(3)**	(3)
3,303	4,690	**Combined shareholders' funds under US GAAP**	**3,224**	3,247	**4,804**	4,676

Independent review report to Reed Elsevier PLC and 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 2004 which comprises the combined profit and loss account, combined cash flow statement, combined statement of total recognised gains and losses, combined shareholders' funds reconciliation, summary combined balance sheet and the related notes 1 to 6. We have also reviewed the summary financial information of Reed Elsevier PLC for the six months ended 30 June 2004 which comprises the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated cash flow statement, reconciliation of consolidated shareholders' funds, summary consolidated balance sheet and the related notes, and the summary financial information of Reed Elsevier NV for the six months ended 30 June 2004 which comprises the group profit and loss account, group statement of total recognised gains and losses, group cash flow statement, reconciliation of group shareholders' funds, summary group 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.

Our review work has been undertaken in accordance with Bulletin 1999/4 issued by the UK Auditing Practices Board so that we might state to Reed Elsevier PLC and Reed Elsevier NV those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by applicable law, we do not accept or assume responsibility to anyone other than Reed Elsevier PLC and Reed Elsevier NV for our review work, for this report or for the conclusions we have formed.

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, which has been prepared in accordance with the Listing Rules of the UK Financial Services Authority and applicable Generally Accepted Accounting Principles in the United Kingdom 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 2004.

Deloitte & Touche LLP
Chartered Accountants
London
4 August 2004

Deloitte Accountants B.V.
Amsterdam
4 August 2004

INVESTOR INFORMATION

Financial Calendar

2004

5 August	Announcement of Interim Results for the six months to 30 June 2004
5 August	Record date – 2004 interim dividend, Reed Elsevier NV ordinary shares
6 August	Ex-dividend date – 2004 interim dividend, Reed Elsevier NV ordinary shares
9 August	Ex-dividend date – 2004 interim dividend, Reed Elsevier NV ADRs
11 August	Ex-dividend date – 2004 interim dividends, Reed Elsevier PLC ordinary shares and ADRs
11 August	Record date – 2004 interim dividend, Reed Elsevier NV ADRs
13 August	Record date – 2004 interim dividends, Reed Elsevier PLC ordinary shares and ADRs
3 September	Payment date – 2004 interim dividends, Reed Elsevier PLC and Reed Elsevier NV ordinary shares
13 September	Payment date – 2004 interim dividends, Reed Elsevier PLC and Reed Elsevier NV ADRs
2 December	Trading Update issued in relation to the 2004 financial year

2005

17 February	Announcement of Preliminary Results for the year to 31 December 2004
27 April	Annual General Meeting – Reed Elsevier PLC, London
28 April	Annual General Meeting – Reed Elsevier NV, Amsterdam
28 July	Announcement of Interim Results for the six months to 30 June 2005

Listings

London Stock Exchange
Reed Elsevier PLC (REL)
Ordinary shares

Euronext Amsterdam
Reed Elsevier NV (REN)
Ordinary shares

New York Stock Exchange
Reed Elsevier PLC (RUK) – CUSIP No. 758205108
Each ADS represents four ordinary shares
Reed Elsevier NV (ENL) – CUSIP No. 758204101
Each ADS represents two ordinary shares

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For further investor information visit
www.reedelsevier.com

With effect from Monday 27 September 2004 the new address of Reed Elsevier NV will be:
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This statement is being mailed to shareholders of Reed Elsevier PLC on 5 August 2004 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 shown above. Reed Elsevier PLC has given e-mail notification to those shareholders who have requested it of the availability of the Interim Statement on the Reed Elsevier website.

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Reed Elsevier

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