

Summary of the principal differences between UK and US GAAP

Reed Elsevier PLC accounts for its 52.9% economic interest in the Reed Elsevier combined businesses, before the effect of tax credit equalisation, using the gross equity method in conformity with UK GAAP which is similar to the equity method in US GAAP. Using the equity method to present its net income and shareholders' funds under US GAAP, Reed Elsevier PLC reflects its 52.9% share of the effects of differences between UK and US GAAP relating to the combined businesses as a single reconciling item. The most significant differences relate to the capitalisation and amortisation of goodwill and intangibles, pensions, deferred taxes and derivative financial instruments. A more complete explanation of the accounting policies used by the Reed Elsevier combined businesses and the differences between UK and US GAAP is given on pages 108 and 109. The Reed Elsevier Annual Report 2003 on Form 20-F provides further information for US investors.

Effects on net income of material differences between UK and US GAAP

For the year ended 31 December 2003

	2003 £m	2002 £m
Net income under UK GAAP	169	89
Impact of US GAAP adjustments to combined financial statements	109	97
Net income under US GAAP	278	186
Earnings per ordinary share under US GAAP	22.0p	14.7p

Effects on shareholders' funds of material differences between UK and US GAAP

As at 31 December 2003

	2003 £m	2002 £m
Shareholders' funds under UK GAAP	1,288	1,397
Impact of US GAAP adjustments to combined financial statements	350	269
Equity dividends not declared in the period	110	102
Shareholders' funds under US GAAP	1,748	1,768