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Annual Review and Summary
Financial Statements 2004

 **Reed Elsevier**

2004 Review

Review of our business

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This document contains the Reed Elsevier Annual Review and Summary Financial Statements 2004 for the Reed Elsevier combined businesses and for Reed Elsevier PLC and Reed Elsevier NV. For a full understanding of the results and affairs of the businesses, this document should be read in conjunction with the more detailed separate document, Reed Elsevier Annual Reports and Financial Statements 2004. This information is also available on www.reedelsevier.com



Reed Elsevier

www.reedelsevier.com

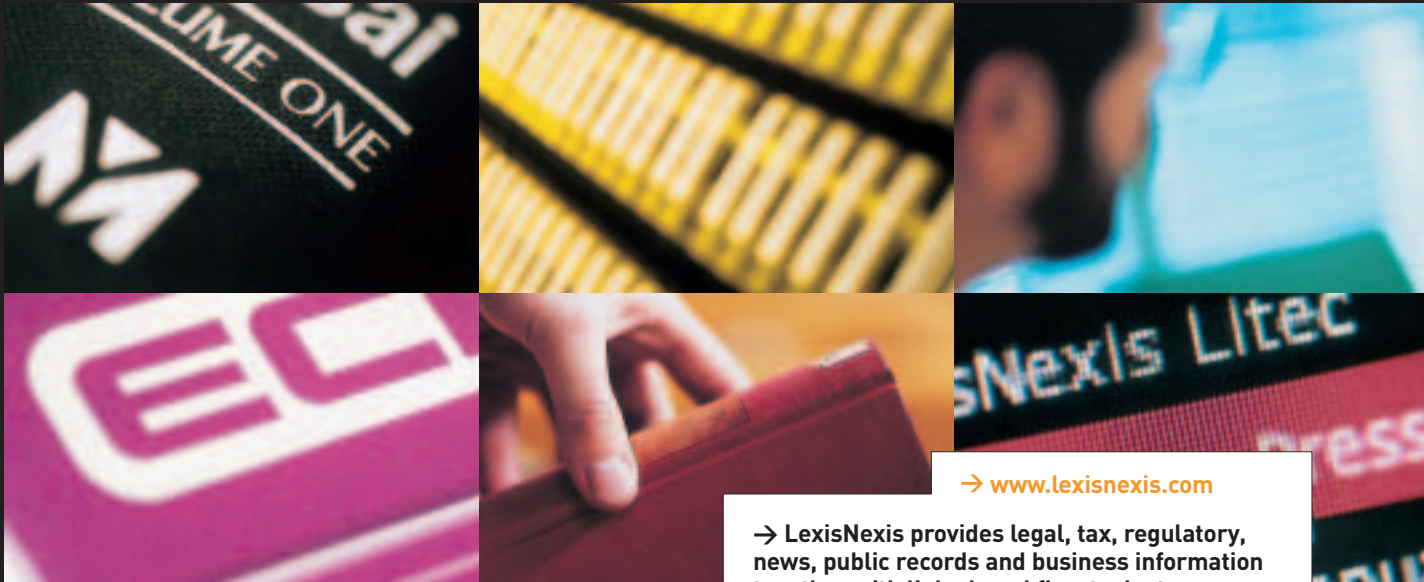
Introduction

Delivering essential information every day, everywhere



We are a leading provider of information delivered electronically, in print and online to professional customers in North America, Europe, Asia Pacific and Latin America to make them more efficient and competitive. In 2004 our revenues were £4.8 billion/€7.1 billion.

Our business



→ www.elsevier.com

→ Elsevier is a world leading provider of scientific, technical and medical information. It publishes more than 20,000 products and services, including journals, books, reference works and databases. The web-based ScienceDirect offers access to over six million research articles.

6,900 employees
Sales in 180 countries



ELSEVIER

→ www.lexisnexis.com

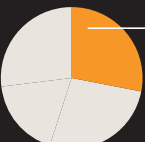
→ LexisNexis provides legal, tax, regulatory, news, public records and business information together with linked workflow tools, to over three million customers worldwide. The online service contains 4.9 billion searchable documents from 32,000 sources.

13,200 employees
Sales in 118 countries

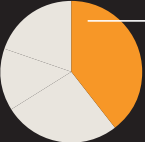


LexisNexis®

Elsevier

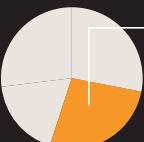


Turnover
£1,363m
€2,004m



Adjusted operating profit
£460m
€676m

LexisNexis



Turnover
£1,292m
€1,899m



Adjusted operating profit
£308m
€453m



→ www.harcourt.com

→ Harcourt Education is a leading publisher of primary and secondary school textbooks, with complementary teaching, assessment, professional development and library programmes. Key markets include the US, UK, Australia, New Zealand and southern Africa.

5,400 employees
Sales in 163 countries



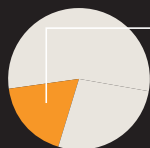
→ www.reedbusiness.com

→ Reed Business provides customers around the world with business specific news and information as well as marketing solutions and exhibitions. It publishes over 400 magazines, directories, online databases and listing services, and organises more than 420 trade events in 34 countries.

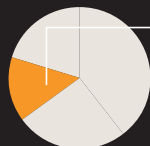
10,100 employees
Sales in 170 countries



Harcourt Education

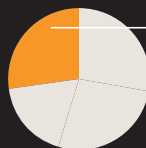


Turnover
£868m
€1,276m

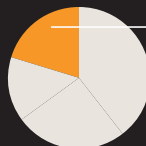


Adjusted operating profit
£164m
€241m

Reed Business



Turnover
£1,289m
€1,895m



Adjusted operating profit
£227m
€334m

Chairman and Chief Executive's report

We are pleased to report on a year of further good progress at Reed Elsevier.

The continued positive progress reflects the underlying strengths of the business: leadership positions in attractive sectors, strong brands, and good portfolio/geographic spread. The business is also increasingly benefiting from the strategic initiatives put in place in recent years: product innovation and superiority, strengthened sales and marketing, consistent programme of investment, and tight control of costs and working capital.

We are now starting to see definite improvements in our market environment, with most sectors showing positive growth trends. With the benefits from our strategic programme also coming through, momentum is building behind our revenue and profit growth. We are positive about the outlook for 2005 and beyond.

Financial Performance

At constant exchange rates, the overall revenue growth, including acquisitions, was 5%. Underlying revenue growth, excluding acquisitions and disposals, improved to 3%, up from 0% in the prior year, with product innovation and market initiatives contributing in an otherwise low overall market growth environment. Adjusted operating margins improved despite higher levels of investment in the business, and there was strong cash conversion with 91% of adjusted operating profits turning into cash. Adjusted pre tax profits and earnings per share at constant currencies were up 8%, at the upper end of the target range that we announced at the beginning of the year. (Adjusted figures exclude amortisation of goodwill and intangible assets and exceptional items.)

The results for the year, at reported exchange rates, are significantly influenced by the currency translation effects of a weaker US dollar, which, whilst not impacting the underlying business, has lowered the reported results of our US businesses when translated into sterling and euros.

At reported exchange rates, total revenues were £4,812m/€7,074m, 2% lower than in the prior year when expressed in sterling and 1% lower when expressed in euros, reflecting this adverse impact of currency translation on our US businesses. The adjusted pre-tax profits at £1,027m/€1,510m were, however, up 2% when reported in sterling and up 3% in euros, including a countervailing favourable effect when translating the predominantly US dollar interest expense on our debt. Adjusted earnings per share were up 2% for Reed Elsevier PLC at 31.8p, and up 3% for Reed Elsevier NV at €0.71.

The Elsevier science and medical business has seen strong subscription renewals, growing online sales, and a successful medical book publishing programme. Underlying revenue growth at 4% was however a little disappointing, held back by budgetary constraints in academic institutions and some new product delay. Growth should now improve with new products launched and widening distribution, and some initial signs of easing of budgetary pressures.

→ Key highlights

→ With improvements in our market environment and the benefits from our strategic programme coming through, momentum is building behind our revenue and profit growth

→ Overall revenue growth, including acquisitions, at constant currencies was 5%

+5%

Consistent focus across the business has been on customer needs, product innovation, smarter marketing, execution on development programmes, cost efficiency, working capital, and returns on organic and acquisition investment.

LexisNexis had a good year, with revenue growth building as the investment programme pays back, delivering new publishing, better product functionalities and more powerful online services, as well as improved marketing and sales effectiveness. Underlying revenue growth was 4%, up from 3% in the prior year. Demand for products linked to workflow applications and in risk management is also accelerating growth, with recent acquisitions in these areas performing well. The International business outside the US grew particularly strongly.

The Harcourt Education business has performed well against a weak US schools market which has seen the last year of a three year trough in the state textbook adoption cycle. Underlying revenue growth was 2%. New textbook programmes have performed well, with Harcourt gaining the no. 1 position in available state textbook adoptions, and good growth was seen in the assessment business and in international markets. The business is very well placed for the strong rebound in market growth in 2005 as the adoption cycle turns.

Reed Business saw clear signs of recovery in its markets for the first time in four years, and revenues moved ahead with 2% growth compared to a 5% decline in 2003. An increasing number of sectors and geographies are seeing positive growth momentum, and online services and exhibitions are performing well. Faster growth is expected in 2005 as markets continue to strengthen and we continue to focus on market share, yield and new product introduction.

Overall, across the business, for 2005 we are targeting underlying revenue growth of at least 5% and to return to our long term target of double digit growth in adjusted earnings per share at constant currencies. With the evident momentum in the business, we believe that, given a reasonable market environment, these are sustainable targets for growth beyond 2005.

In 2000, as part of our investment led strategy for growth, we established a policy of modest growth in dividends. Given the strengthening performance of the business, the strong cash generation and positive outlook, we intend now to pursue a more progressive dividend policy.

Accordingly, equalised final dividends of 9.6p for Reed Elsevier PLC and €0.24 for Reed Elsevier NV are proposed, representing increases of 10% and 9% respectively on the prior year. Together with the interim dividends, these give total dividends of 13.0p and €0.33 respectively, up 8% for Reed Elsevier PLC and 10% for Reed Elsevier NV on the prior year dividends. (The difference in dividend growth rates reflects the impact of currency movements since the prior year dividend declaration dates.)

The operating and financial review describes the performances of our businesses in greater detail. It also explains the effects of moving to International Financial Reporting Standards for the 2005 financial year.

Business Progress

2004 has seen many exciting new developments across the Reed Elsevier business, with innovative new products and services, widening distribution and geographic reach, and the impact of our investment programme showing through in accelerating revenue growth.

→ Given the strengthening performance of the business, the strong cash generation and positive outlook, we intend to pursue a more progressive dividend policy

→ Adjusted pre-tax profits and earnings per share at constant currencies were up 8%

+8%

→ Equalised total dividends for Reed Elsevier PLC up 8% and for Reed Elsevier NV up 10%

+8% +10%

Chairman and Chief Executive's report continued

In November, Elsevier launched the Scopus scientific abstract navigation service to significant market acclaim. With abstracts of nearly 30 million scientific research articles, from 14,000 peer reviewed publications, Scopus is the most comprehensive and intuitive tool for scientists to navigate their way through the world's accumulated scientific research. The service was developed in close collaboration with 20 library partners.

LexisNexis, in February, launched its new global online delivery platform in France, followed later in the year by Germany, Australia and the UK, and the response of customers has been overwhelmingly positive. The new platform provides a step change in functionality and utility for our legal and corporate customers and the take up in new contracts is exceeding expectations. The platform will be rolled out across the rest of our geographies over the next two years.

LexisNexis has also been focusing on expanding its electronic services to its legal and other customers who are increasingly looking to integrated electronic solutions to improve workflow productivity. This demand is evidenced by the exceptional sales growth in Applied Discovery, providing applications for the legal discovery market. We acquired Applied Discovery in July 2003 and, by leveraging our marketing and sales platform and operating infrastructure, we have seen sales growth in the first year of over 100% and achieved a post-tax return on capital invested of well over 10%.

In September, we significantly expanded our fast growing risk management business with the \$775m acquisition of Seisint. The combination of LexisNexis' content, scoring and market reach with Seisint's industry leading technology and products significantly enhances LexisNexis' ability to capitalise on the substantial opportunities in the risk management sector. With sales up over 40% in the 2004 calendar year, the acquisition is performing ahead of our expectations and is on track to deliver good returns.

Harcourt Education continued to expand its curriculum and assessment product range, both through internal development and acquisition. Substantial investment is being made in Stanford Learning First, a classroom based interim assessment series, that will ultimately link individual assessment to selective intervention and other instructional materials. The market response to the initial first phase launch has been very encouraging. In June, we acquired the successful supplemental math publisher Saxon, which complements our own strong position in supplemental literacy programmes, to provide a more significant position in the fast growing supplemental market. The business is performing well, running ahead of expectations, and on track to deliver a good return.

Reed Business has invested continuously in its internet services which saw over 30% growth in 2004. The Kellysearch online industrial search engine was launched in the US, new recruitment sites were launched in The Netherlands, and across the portfolio webzines, recruitment sites,

→ Key highlights

→ Acquisitions in 2004 performing ahead of expectations and on track to deliver good returns

→ 91% of adjusted operating profits were turned into cash

91%

search and subscription information and data services have been expanded or launched. Reed Business has also extended its reach with the launch of 12 print titles into China and Japan, and the launch of new exhibitions.

Outlook

Over the last five years we have made enormous strides in executing against our strategy for growth: refocusing the business around the four core businesses, upgrading the management and organisational effectiveness, developing innovative and demonstrably superior products, maintaining high levels of investment, driving cost efficiencies, and expanding our business through selective acquisition and alliance. Our markets have not been easy over that period as the late cycle effects of the post-boom economic slowdown impacted business investment and governmental funding. This is however clearly on the turn and 2005 will see further encouraging recovery in our markets.

In education, the US adoption cycle is in an upswing and significant market priority is being given to improving individual academic outcomes; in business to business, business investment is strengthening and

feeding through into advertising, search and exhibition demand; in science and medical, there is a strong appetite for new electronic product and new publishing, online distribution is expanding our addressable markets, and there are initial signs of budgetary pressures easing; in legal, there is increasing demand in traditional and developing markets for online information and integrated workflow applications that boost productivity and customer effectiveness.

Reed Elsevier is very well placed to capitalise on this improving environment, through the quality of our portfolio, the consistent strategic focus, and our investment behind growth initiatives. Strong revenue growth and cost efficiency, with growing returns on recent investments and acquisitions, are targeted to deliver in 2005 and beyond Reed Elsevier's financial targets of above market revenue growth and double digit adjusted earnings per share growth at constant currencies.



Morris Tabaksblat
Chairman

Sir Crispin Davis
Chief Executive Officer

→ Above market revenue growth and double digit adjusted earnings per share growth at constant currencies targeted for 2005 and beyond

→ Targeting underlying revenue growth for 2005 of at least 5%

+5%

Chief Financial Officer's report

Profit and loss

Reported profit before tax

The reported profit before tax for the Reed Elsevier combined businesses, after the amortisation of goodwill and intangible assets and exceptional items, was £562m/€826m, which compares with a reported profit of £519m/€752m in 2003. The increase principally reflects higher underlying operating profits, lower goodwill and intangible asset amortisation, as well as a reduced net interest expense.

Reported attributable profit

The reported attributable profit of £303m/€445m was £31m/€39m lower than in 2003, which included exceptional tax credits of £84m/€122m principally in respect of prior year disposals.

The continued decline of the US dollar since 2003 has had adverse currency translation effects on the reported results expressed in sterling and in euros. This translation effect does not however impact the underlying performance of the businesses.

Turnover

Turnover decreased by 2% expressed in sterling to £4,812m, and by 1% expressed in euros to €7,074m. At constant exchange rates, turnover was 5% higher, or 3% higher excluding acquisitions and disposals.

Adjusted operating profits

Adjusted operating profits, excluding the amortisation of goodwill and intangible assets and exceptional items, were down 2% expressed in sterling at £1,159m, and flat expressed in euros at €1,704m. At constant exchange rates, adjusted operating profits were up 5%, or 3% excluding acquisitions and disposals. Adjusted operating margins improved by 0.2 percentage points to 24.1% reflecting the continued tight management of costs despite increased investment.

Amortisation charge

The amortisation charge for intangible assets and goodwill, including in joint ventures, amounted to £406m/€598m, down £39m/€47m on the prior year as a result of currency translation effects and some past acquisitions becoming fully amortised.

Exceptional items

Exceptional items showed a pre-tax charge of £59m/€86m, comprising £38m/€56m of acquisition integration and related costs, £18m/€26m in respect of restructuring actions, and a £3m/€4m net loss on disposal of businesses, investments and other fixed assets. After a tax credit of £13m/€18m principally arising on the exceptional costs, exceptional items showed a net post-tax loss of £46m/€68m.

This compares with a net post-tax exceptional gain of £38m/€54m in 2003 including tax credits in respect of prior year disposals.

Net interest expense

Net interest expense, at £132m/€194m, was £36m/€49m lower than in the prior year, reflecting the benefit of the 2003 free cash flow, lower interest rates and currency translation effects. Net interest cover on an adjusted basis increased to 8.8 times.

Adjusted profits before tax

Adjusted profits before tax, before the amortisation of goodwill and intangible assets and exceptional items, at £1,027m/€1,510m, were up 2% expressed in sterling and 3% expressed in euros. At constant exchange rates, adjusted profits before tax were up 8%.

Effective tax rate

The effective tax rate on adjusted earnings was little changed at 26%.

Adjusted profit attributable to shareholders

The adjusted profit attributable to shareholders of £760m/€1,117m was up 2% expressed in sterling and 4% expressed in euros. At constant exchange rates, the adjusted profit attributable to shareholders was up 8%.

→ Reed Elsevier Combined businesses

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.

	£		€		%
	2004 £m	2003 £m	2004 €m	2003 €m	
Reported figures					
Turnover	4,812	4,925	7,074	7,141	+5%
Operating profit	697	661	1,024	958	+10%
Profit before taxation	562	519	826	752	+12%
Adjusted figures					
Operating profit	1,159	1,178	1,704	1,708	+5%
Profit before taxation	1,027	1,010	1,510	1,465	+8%
Operating cash flow	1,050	1,028	1,544	1,491	+9%

Cash flows and debt

Adjusted operating cash flow

Adjusted operating cash flow, before exceptional items, was £1,050m/€1,544m representing a 91% conversion rate of adjusted operating profits into cash. This compares with a conversion rate in 2003 of 87%. Capital expenditure in the year amounted to £203m/€298m, up from £168m/€244m in the prior year, and included several major IT platform and infrastructure projects. Depreciation was broadly similar to the prior year at £126m/€185m.

Free cash flow

Free cash flow – after interest and taxation but before acquisition spend, exceptional receipts and payments and dividends – was £680m/€1,000m, compared to £669m/€970m in 2003. After dividends, free cash flow was £371m/€546m compared to £377m/€547m in 2003. Net exceptional cash payments of £24m/€34m comprise acquisition related and restructuring payments of £67m/€98m, less net proceeds from disposals of businesses, investments and other fixed assets of £12m/€18m and £31m/€46m of reduced tax payments.

Acquisitions

In 2004, acquisitions were made for a total consideration of £647m/€951m,

including £7m/€10m deferred to future years, and after taking account of net cash acquired of £17m/€25m. The 2004 acquisitions contributed £18m/€27m to adjusted operating profit in the year and added £31m/€46m to net cash inflow from operating activities for the part year under Reed Elsevier ownership.

Net borrowings

Net borrowings at 31 December 2004 were £2,532m/€3,570m, an increase of £160m in sterling and €202m in euros since 31 December 2003, reflecting acquisition spend less free cash flow and favourable exchange translation effects on net debt from the weaker US dollar.

Parent companies

Earnings per share

Adjusted earnings per share for Reed Elsevier PLC were 31.8p, up 2%, and for Reed Elsevier NV were €0.71, up 3%. At constant rates of exchange, the adjusted earnings per share of both companies would have shown an increase of 8%. After their share of the charge in respect of goodwill and intangible asset amortisation and of the exceptional items, the reported earnings per share of Reed Elsevier PLC and Reed Elsevier NV were 12.0p and €0.28 respectively.



Mark Armour

Mark Armour
Chief Financial Officer

Dividends

The board of Reed Elsevier PLC has proposed a final dividend of 9.6p, giving a total dividend of 13.0p for the year, up 8%. The boards of Reed Elsevier NV, in accordance with the dividend equalisation arrangements, have proposed a final dividend of €0.24. This results in a total dividend of €0.33 for the year, up 10%.

→ Parent companies

Adjusted profit and cash flow 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.

	£		%	€		%	%
	2004	2003	% change	2004	2003	% change	Change at constant currencies %
Reported earnings per share	12.0p	13.4p	-10%	€0.28	€0.31	-10%	
Adjusted earnings per share	31.8p	31.2p	+2%	€0.71	€0.69	+3%	+8%
Dividend per share	13.0p	12.0p	+8%	€0.33	€0.30	+10%	

Elsevier

The Elsevier science and medical business has seen strong subscription renewals, growing online sales, and a successful medical book publishing programme. Underlying revenue growth at 4% was however a little disappointing, held back by budgetary constraints in academic institutions and some new product delay. Growth should now improve with new products launched and widening distribution, and some initial signs of easing of budgetary pressures.

Performance

- Revenue and adjusted operating profits ahead by 4% and 3% respectively at constant currencies
- Science & Technology division saw underlying revenue growth of 3% with high subscription renewals and growing online sales
- Health Sciences underlying revenue growth of 5% with strong publishing programme and good growth from journal advertising and online
- Research articles published up 4%; articles in ScienceDirect up 25% to 6.7 million; usage up 41% to over 240 million downloads
- Further cost efficiencies fund increased development spend on new product and customer service initiatives

Outlook

Despite the challenges we faced in 2004, the outlook for Elsevier is positive. In both Science & Technology and Health Sciences, subscription renewals are strong, book publishing is expanding, new electronic product is developing well in the market, and distribution is widening. Organic revenue growth of at least 5% is targeted for 2005 and beyond.

LexisNexis

LexisNexis had a good year, with revenue growth building as the investment programme pays back, delivering new publishing, better product functionalities and more powerful online services, as well as improved marketing and sales effectiveness. Demand for products linked to workflow applications and in risk management is also accelerating growth, with recent acquisitions in these areas performing well. The International business outside the US grew particularly strongly.

Performance

- Revenues and adjusted operating profits up 7% and 11% respectively at constant currencies including good contribution from recent acquisitions
- LexisNexis North America saw underlying revenue growth of 3%, with good growth in online sales whilst print and CD broadly flat as business migrates online
- Risk management business growing strongly, up 20% underlying, before newly acquired Seisint where year on year revenues 40% ahead
- International revenues outside the US up 7% underlying, with strong new publishing and online revenues up 28%
- New global online product platform successfully launched in France, Germany, Australia and UK

Outlook

The outlook for LexisNexis is good. Revenue momentum is building in the business with the cumulative impact of the ongoing investment programme. New and emerging high growth opportunities in our markets are being successfully targeted, leveraging the LexisNexis asset platform and customer relationships, to further accelerate growth both in the US and internationally. Organic revenue growth of at least 5% is targeted for 2005 and beyond.

Harcourt Education

The Harcourt Education business has performed well against a weak US schools market which has seen the last year of a three year trough in the state textbook adoption cycle. New textbook programmes have performed well and good growth was seen in the assessment business and in international markets. The business is very well placed for the strong rebound in market growth in 2005 as the adoption cycle turns.

Performance

- Revenues and adjusted operating profits up 7% and 5% respectively at constant currencies
- The US Schools business won leading market share in new state textbook adoptions to deliver flat underlying revenues in weaker market
- Good contribution from newly acquired supplemental mathematics publisher, Saxon, performing ahead of expectations
- Assessment saw revenues up 8% underlying, with strong growth in state testing contracts
- International revenues up 6% underlying on strong new publishing in UK and southern Africa
- Additional sales and marketing spend ahead of strong 2005 adoption calendar

Outlook

The outlook for Harcourt Education is very positive. The textbook adoption cycle turns up in 2005 and state budgets are improving. New textbook programmes are expected to perform well and Harcourt is improving its market positioning in open territories. Continued good growth is also expected in assessment and from new publishing in supplemental education. Organic revenue growth of 9-10% is targeted for 2005, and 6-7% over the three years 2005-2007 taking into account the adoption cycle.

Reed Business

Reed Business saw recovery in its markets for the first time in four years, and revenues moving ahead with 2% growth, compared to a 5% decline in 2003. An increasing number of sectors and geographies are seeing positive growth momentum, and online services and exhibitions are performing well. Faster growth is expected in 2005 as markets continue to strengthen and we continue to focus on market share, yield and new product introduction.

Performance

- Revenues and adjusted operating profits up 2% and flat respectively at constant currencies
- Magazines and information publishing underlying revenues up 1%, with recovery in second half reversing first half decline
- Reed Business Information underlying revenues: US up 1%, UK up 5%, continental Europe down 3%, Asia Pacific up 10%
- Exhibitions revenues up 6% underlying, with good growth in annual exhibitions and 2% contribution from non-annual shows cycling in
- Online revenues grew more than 30% to over \$200 million
- Additional investment in new online product development and magazines launched internationally

Outlook

The outlook for Reed Business is good. Markets overall are improving, and innovation in new show and title launches and in building online services is capturing growth in faster growing segments. Organic revenue growth of 4-5% is targeted for 2005, with at least 5% revenue growth targeted in later years, given a reasonable market environment. Significant cost actions over the last four years have positioned the business well to see good operational gearing as revenues increase.



→
Directors

Executive directors

1 Sir Crispin Davis (55) ■ ◆

Chief Executive Officer of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV since September 1999. Appointed a non-executive director of GlaxoSmithKline plc in July 2003. Knighted in the June 2004 honours list. Chief Executive Officer of Aegis Group plc from 1994 to 1999. From 1990 to 1993 he was at Guinness, where he was an executive director and held the position of Group Managing Director of United Distillers. Prior to that he spent 20 years at Procter & Gamble, latterly as President, North American Food Division.

2 Mark Armour (50)

Chief Financial Officer of Reed Elsevier Group plc and Reed Elsevier PLC since 1996 and of Reed Elsevier NV since April 1999. Deputy Chief Financial Officer of Reed Elsevier from 1995 to 1996. Prior to joining Reed Elsevier was a partner in Price Waterhouse.

3 Gerard van de Aast (47)

Chief Executive Officer of the Reed Business division, director of Reed Elsevier Group plc and Reed Elsevier PLC since December 2000 and of Reed Elsevier NV since April 2001. Prior to joining Reed Elsevier was Vice President and General Manager of Compaq's Enterprise business in Europe, Middle East and Africa.

4 Erik Engstrom (41)

Chief Executive Officer of the Elsevier division and a director of Reed Elsevier Group plc and Reed Elsevier PLC since August 2004. Will be proposed for election to the executive board of Reed Elsevier NV at the annual general meeting in April 2005. A non-executive director of Eniro AB. Prior to joining Reed Elsevier was general partner at General Atlantic Partners from 2001 until 2004. Before that was president and chief operating officer of Random House and president and chief executive officer of Bantam Doubleday Dell, North America. He began his career as a consultant with McKinsey.

5 Andrew Prozes (59)

Chief Executive Officer of the LexisNexis division, director of Reed Elsevier Group plc and Reed Elsevier PLC since July 2000 and of Reed Elsevier NV since April 2001. Non-executive director of Cott Corporation since January 2005. Prior to joining Reed Elsevier was an Executive Vice President with the West Group, part of the Thomson Corporation, and prior to that Group President of Southam Inc.

6 Patrick Tierney (59)

Chief Executive Officer of the Harcourt Education division, director of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV since April 2003. Prior to joining Reed Elsevier was chief executive officer of Thomson Financial, part of the Thomson Corporation.

Non-executive directors

7 Morris Tabaksblat (67) ■ ★ ◆

Chairman of Reed Elsevier Group plc and Reed Elsevier PLC and chairman of the supervisory board of Reed Elsevier NV since 1999. Chairman of the supervisory boards of AEGON NV and of TPG NV until April 2005. Was Chairman of Unilever NV from 1994 until his retirement in 1999. A member and former Chairman of the European Round Table of Industrialists.

8 Dien de Boer-Kruyt (60) ★

Member of the supervisory board of Reed Elsevier NV since 2000. Chairman of the supervisory board of C/Tac, and a member of the supervisory boards of Allianz Nederland Groep NV, Imtech NV and Sara Lee/DE, a subsidiary of Sara Lee Corporation.

9 John Brock (56) ▲ ★

Non-executive director of Reed Elsevier Group plc, Reed Elsevier PLC and member of the supervisory board of Reed Elsevier NV since April 1999. Chief Executive Officer of InBev and a director of AmBev and Campbell Soup Company. He was Chief Operating Officer of Cadbury Schweppes plc until 2002.

10 Mark Elliott (55) ● ★ ◆

Non-executive director of Reed Elsevier Group plc, Reed Elsevier PLC and a member of the supervisory board of Reed Elsevier NV since April 2003. General Manager IBM, Global ISV Solutions.

11 Cees van Lede (62) ■ ● ★

Non-executive director of Reed Elsevier Group plc, Reed Elsevier PLC and a member of the supervisory board of Reed Elsevier NV since April 2003. A member of the supervisory boards of Air Liquide, Akzo Nobel, Philips Electronics, Heineken and AF/KL, and a non-executive director of Sara Lee Corporation. He was chairman of the board of management of Akzo Nobel until his retirement in May 2003.

12 David Reid (58) ▲ ★ ◆

Non-executive director of Reed Elsevier Group plc, Reed Elsevier PLC and a member of the supervisory Board of Reed Elsevier NV since April 2003. Executive deputy chairman of Tesco PLC until December 2003, and finance director from 1985 to 1997. Became non-executive chairman of Tesco in April 2004.

13 Lord Sharman of Redlynch OBE (62) ▲ ■ ★

Non-executive director of Reed Elsevier Group plc and Reed Elsevier PLC since January 2002 and a member of the supervisory board of Reed Elsevier NV since April 2002. Non-executive chairman of Aegis Group plc since 2000. A non-executive director of BG Group, Group 4 Securicor and Aviva, and a member of the supervisory board of ABN-AMRO. A member of the House of Lords since October 1999. Was chairman of KPMG Worldwide until 1999.

14 Rolf Stomberg (64) ■ ● ★

Senior independent non-executive director. A non-executive director of Reed Elsevier Group plc and Reed Elsevier PLC since January 1999 and a member of the supervisory board of Reed Elsevier NV since April 1999. Chairman of Management Consulting Group PLC and a non-executive director of Smith & Nephew PLC. Is also chairman of Lanxess AG and serves on the boards of Scania AB, TPG NV, Deutsche BP AG, Hoyer GmbH and Biesterfeld AG.

▲ Audit Committee

■ Nominations Committee

● Remuneration Committee

★ Corporate Governance Committee

◆ Strategy Committee

Our people



8,100

Editors...

5,900

IT specialists and developers...

→ Delivering essential information

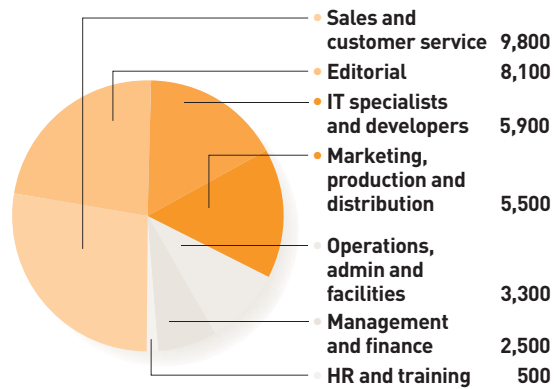
Our 35,600 strong workforce is highly skilled, and a large proportion are graduates. Their focus is on developing and delivering essential information and data exactly where and how our customers need it. Our professional customers increasingly expect information to be available online and we have almost 6,000 IT specialists and developers working to create

products that suit customers' working environments. We also have more than 8,000 editorial staff making sure our content is of the highest quality. A further 9,800 specialist customer service staff and sales people focus on helping customers choose the right product and get the most from the services they are using.



Our people

Our workforce of 35,600 people around the world is made up of these disciplines:



9,800

Customer service and sales staff

For further information
 → www.reedelsevier.com

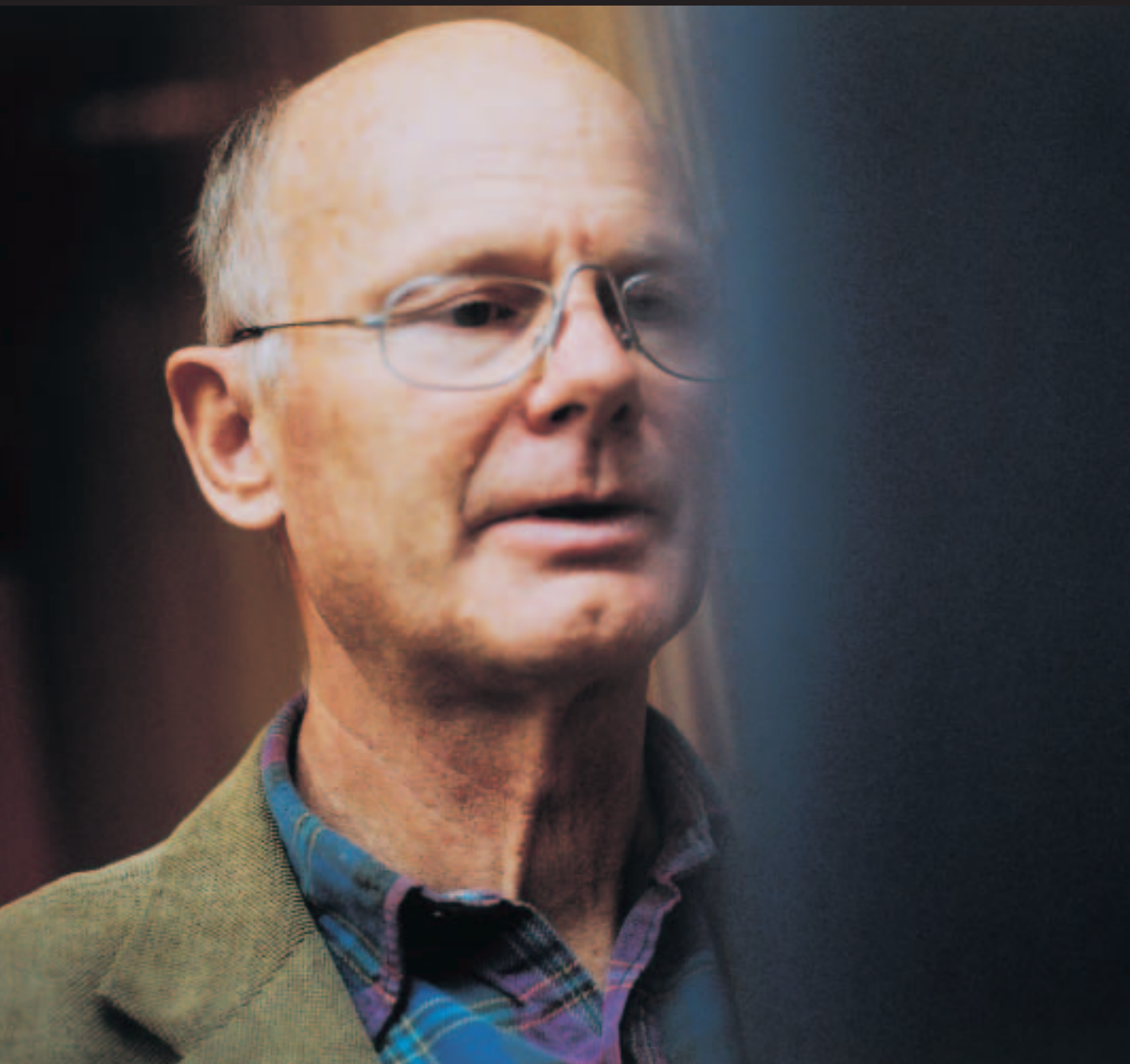
Reed Elsevier employees are focused on delivering essential information exactly how and where our customers need it. Their skills are developed through specialist training and through our coaching programmes.



→
ScienceDirect
UK

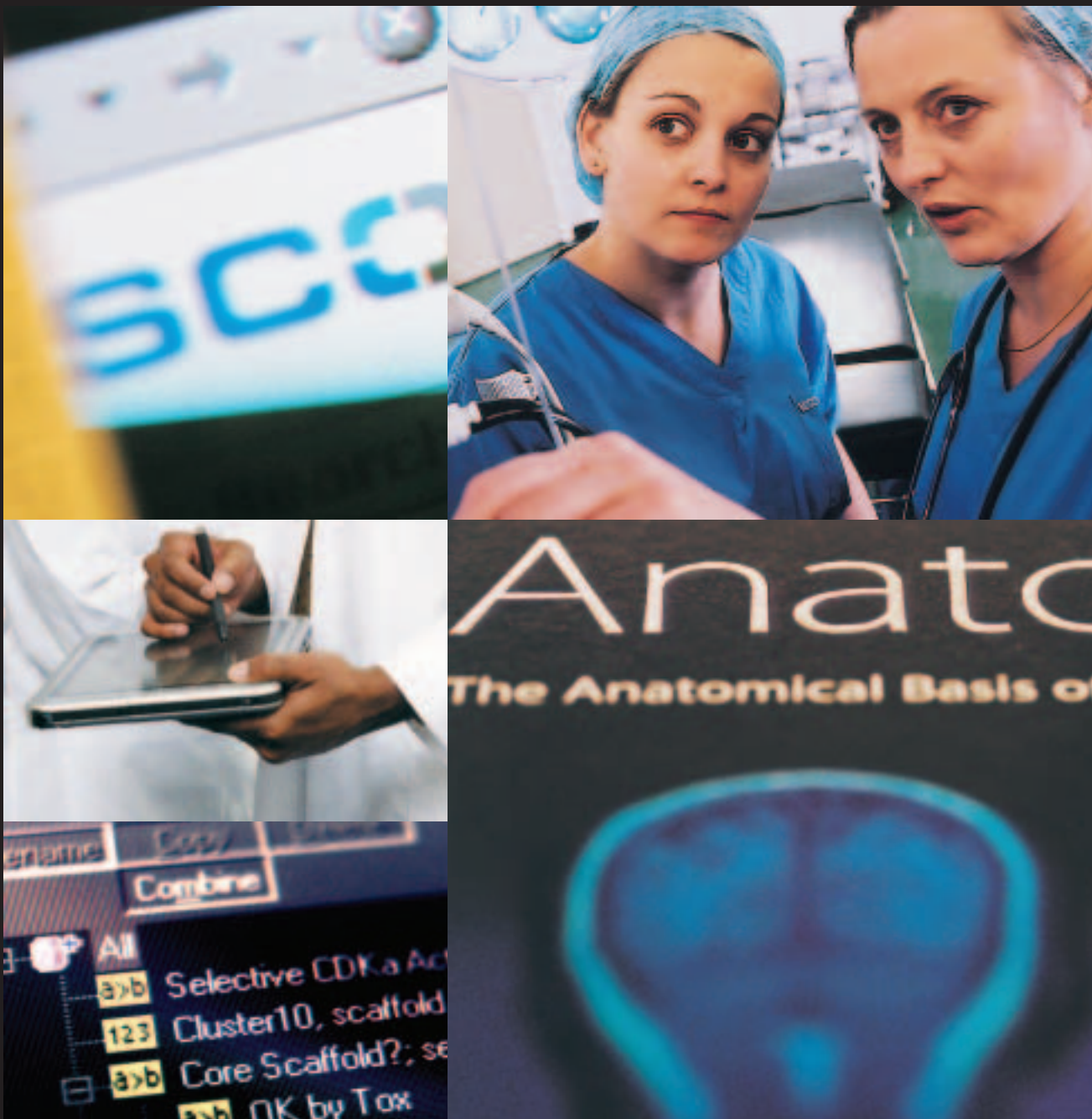
ScienceDirect contains over a quarter of the world's scientific, medical and technical (STM) articles. It offers easy access to all full text, peer-reviewed research articles from journals, reference works, and book series published by Elsevier, as well as dynamic linking to journals from over 200 leading STM publishers through CrossRef.

Over 6.7 million articles are available online to more than 10 million scientists. Additional content and improved functionality have driven a 41% increase in article downloads in 2004. An expanding portfolio of online major reference works and book series interlinks with primary research, providing access to the latest scientific developments.



I use ScienceDirect when I'm working on campus, on field trips and at my home, setting aside time to read new articles I've downloaded at least once a week. I see it as an invaluable link to the most important work in my field.

Dr Charles Sheppard, Department of Biological Sciences, University of Warwick



Scopus

Launched in 2004, Scopus is the world's most powerful scientific literature navigation tool and the largest full text-linking abstracts database, covering 14,000 titles and nearly 30 million abstracts.

Isentris

Launched in 2004, the MDL Isentris informatics platform provides life

sciences organisations with an open environment for combining complex information and applications. Specifically designed for research, it facilitates the integration of business processes, data and workflow applications.

FIRSTConsult

FIRSTConsult is an online tool for clinicians, offering rapid access to decision support material for the

diagnosis of medical problems. The evidence-based content is updated weekly to maintain accuracy.

Gray's Anatomy

Totally updated, the 39th edition of Gray's Anatomy is easier to use and more clinically relevant. A searchable electronic version allows users to incorporate images in their own teaching and access weekly updates.

Elsevier

The scientific information market is seeing ever increasing research and discovery and demands for greater efficiency and productivity. In healthcare, advances in medical science and procedures and the demand for improved medical outcomes drive the need for high quality specialist information.

The investments Elsevier is making in new, innovative products and technologies are having a significant impact on research productivity for our scientific customers. We launched a major new electronic product, Scopus, which provides the most comprehensive database and intuitive tool to navigate quickly through the world's accumulated scientific research. The Scopus database has nearly 30 million abstracts of scientific research articles, from 14,000 peer reviewed publications. The navigational service was developed in close collaboration with 20 library partners to ensure that the scientific community's emerging needs are well met. Our customers' initial response is very encouraging: "Scopus makes searching easier and, ultimately, research more efficient".

Increasing migration of our academic and corporate library customers to electronic subscriptions is providing a strong platform for further electronic product introduction. E-subscriptions are also providing an important opportunity to widen distribution to smaller and medium sized institutions and expand in geographies such as China.

In Health Sciences we delivered over 1,000 new book titles, including over 350 titles published internationally in eleven languages. We also saw growing demand for e-clinical reference materials and our e-medical education platform containing content, tools and services for nursing and allied health students and their instructors.

There has been considerable public debate surrounding the scientific journal publishing model, focusing on whether the current predominantly subscription 'user-pays' model or alternative models, such as 'author-pays', would best serve the scientific community. We have engaged in this debate and been open to new ideas, and we will continue to experiment and adapt. There is, we believe, increasing recognition that the subscription based 'user-pays' model does serve science well, by providing high quality peer reviewed research articles across the whole spectrum of scientific disciplines, with quality the determining factor in generating subscription demand. This model has also encouraged substantial investments in new technologies, significantly enhancing the productivity of scientific endeavour.

Factfile

→ The ScienceDirect database of STM journals and books receives over four million visitors per month

→ Over the past 25 years, 96% of Physiology and Medicine Nobel Prize Laureates have published with Elsevier

→ The Lancet was distributed in 155 countries in 2004

→ Customers include:

Scientists, medical practitioners, clinicians, healthcare professionals, technicians, pharmacists, academic authors, editors, researchers, drug discovery companies, university lecturers, students and librarians

For further information
→ www.elsevier.com

→ Market information

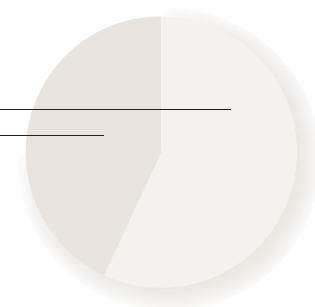
Science & Technology division publishes journals and reference materials in online and print media for the scientific research community.

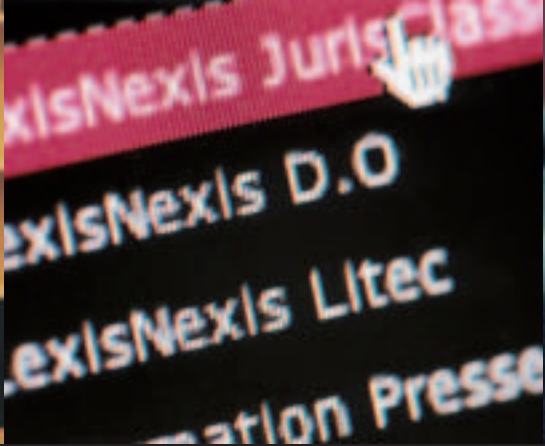
Health Sciences publishes medical textbooks, reference works and online information for the medical, nursing and allied health professions.

→ Revenue by business

Science & Technology £779/€1,145m
Health Sciences £584m/€859m

57% —————
43% —————





→
LexisNexis
Global legal platform
France

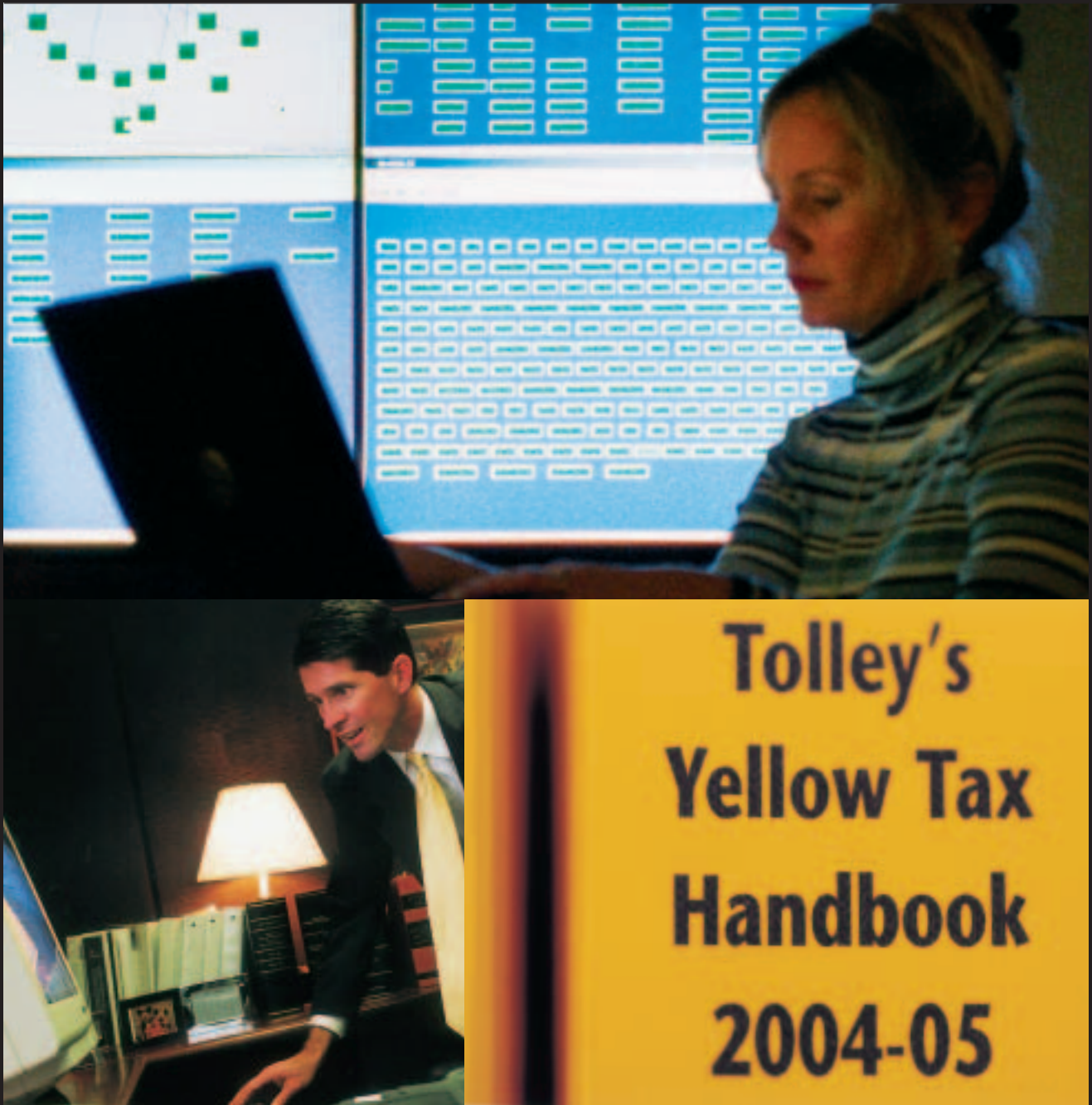
The new French online legal research product, delivered through the LexisNexis global platform, was launched during 2004. The global platform uses innovative web technology to provide LexisNexis customers in France with an intuitive user interface tailored to the workings of the French civil law system. A single search environment delivers added

value to the legal information market, providing comprehensive and authoritative content with extensive linking capabilities on topics such as case law, legislation, commentaries, journals and doctrine. The French launch of the global platform contributed strongly to 2004 online revenue growth of 28% in the International division.



LexisNexis is a wonderful support tool, providing online access to a broad range of up-to-date documentation covering all areas of law. Access to critical case law decisions, including court of appeal cases, increases productivity and speeds up our service to clients.

Nicolas Perrault, Director BKP, Chairman of the Versailles Bar



Tolley's Yellow Tax Handbook 2004-05

Accurint

Accurint's search algorithms and technology enable debt collectors, banks, government, insurance companies and law enforcers to locate and verify identities and assets. It can rapidly and accurately search 33 billion US public records, retrieving and linking information regarding businesses and individuals.

Applied Discovery

The technology of Applied Discovery's Online Review application allows legal specialists to review large volumes of electronic data more efficiently and then tag and submit it as litigation evidence in court. In 2004 the system served an average of 330 users per month and its productivity advantages enabled revenues to more than double.

Tolley's Yellow & Orange Tax Handbooks

Published annually, The Yellow Tax Handbook for direct taxes and the Orange Tax Handbook for indirect taxes are relied upon by UK tax practitioners for advising clients and keeping on top of law changes. Both publications are available online reflecting the latest amendments to legislation and statutory instruments.

LexisNexis

Legal and regulatory markets worldwide are seeing continuing expansion in legislative activity and demand for legal services, together with a focus on improved efficiency and productivity. Additional opportunities are developing through the delivery of online workflow tools and in risk management.

LexisNexis had a good year, with the investment programme over the last four years bringing real benefits to our customers, delivering new content, new workflow solutions, and more powerful online services.

We added significantly to US case law summaries and annotated state codes and introduced major new content series in a number of jurisdictions; we expanded content licenses in a number of areas such as with CCH for US tax and with news and business sources; we acquired an online tax and regulatory publisher in China. We completed the first phase of the global online delivery platform, bringing customers significantly enhanced product functionality and efficiency, and the platform was successfully launched in France, Germany, Australia and the UK.

We also selectively acquired a number of businesses that we can leverage with the assets and customer relationships we already have, particularly in the fast growing areas of workflow productivity. These included law firm practice management, billing and client development tools for which there is a strong and sustained growth in demand from our customers.

In risk management the burgeoning demand for identity authentication, fraud prevention, credit and security risk solutions from our legal, commercial, government and law enforcement customers is driving rapid growth. In September, this business was significantly expanded through the acquisition of Seisint, which has developed leading data technologies for acquiring, processing, linking and querying large public record and related datasets. The fit with our risk management business is very strong, to provide an outstanding technology and product platform and the leverage of the combined sales forces from which to further expand our fast growing risk solutions business.

We are confident that with our content, platform, brand and skills we will continue to meet the increasing customer demand for online information and integrated workflow solutions that boost productivity and customer effectiveness.

Factfile

→ The LexisNexis online service contains over 4.9 billion searchable documents from 32,000 legal, news and business sources globally

→ LexisNexis Courtlink is used by over 100,000 legal professionals to access 200 million US court records from more than 4,600 courts

→ LexisNexis Applied Discovery can process and index more than 200 electronic file types and has a capacity of more than seven million pages per day

→ Customers include:

Attorneys, legal researchers, judges, court staff, government agents, accountants, business analysts, consultants, corporate librarians, law enforcers, information professionals, students, journalists, insurance specialists, fraud investigators, and human resources managers

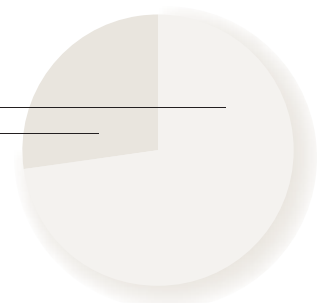
For further information
→ www.lexisnexis.com

→ Market information

LexisNexis serves legal, business and government customers with online and hard copy legal, tax, regulatory and business information and risk management and workflow solutions.

→ Revenue by business

North America	£949m/€1,395m	73%
International	£343m/€504m	27%





→
Harcourt Math
US

Harcourt Math 2004 is a comprehensive US mathematics programme for Kindergarten to Grade 6, working to state and national standards and giving teachers customisation flexibility. The programme was designed to build conceptual understanding, skill proficiency, problem solving facility,

and logical reasoning. Instruction begins with clear visual representations and concrete experiences, moves to guided practice, and then provides independent practice to develop proficiency. With 1.4 million users, Harcourt Math 2004 secured 40% of the market in state adoptions.



Kids love the hands-on activities. They build understanding of key mathematics concepts and help develop problem solving ability. The teachers' editions are informative and encourage classroom discussion. I have been teaching the subject for four years but still find the system a great classroom support.

Tiffany Schmidt, Bay Meadows School in Orlando



Harcourt Achieve's Elements of Reading

Launched in 2004, Elements of Reading is a Kindergarten to Grade 3 programme created in response to the US National Reading Panel recommendations. It is designed to increase pupils' reading proficiency and test scores, providing instruction in phonics, vocabulary fluency and comprehension.

Heinemann Métro

In 2004 Heinemann's Secondary French programmes accounted for 60% of the spend in French language teaching for 11-16 year olds in the UK. The market leading Métro is now used in over 1,500 schools. Revenues were boosted by the Métro Électro teaching and pupil software which has already achieved a 20% penetration.

Stanford Learning First

Stanford Learning First is a US Reading and Mathematics integrated assessment product for Grades 3-8. Customised to state academic standards, it allows teachers to track students throughout the year. Its distractor analysis provides insight into breakdowns in students' understanding while determining remedial solutions.

Harcourt Education

The long standing commitment across the world to improving educational standards remains strong, and there is a continuing requirement to deliver proven educational programmes. There is a growing emphasis on educational assessment and intervention linked to the needs of individual children.

Harcourt Education had a successful year with the 2004 publishing programme. Our US K-12 schools business saw continued market success, gaining the leading overall market share of over 30% in state textbook adoptions, good growth in open territories, and significant new contracts in the Reading First literacy programme. Particular successes in the Elementary market adoptions, where we achieved a clear leadership position, were in Florida math and South Carolina reading. In the Secondary market, we saw strong performances in the science and language arts adoptions but our overall position was held back by the lack of a new high school math programme which is due next year. In the supplemental businesses with the publication of over 45 new titles, we began to deliver new front list publishing aligned with the US No Child Left Behind Act.

We acquired in June Saxon Publishers, a leading publisher of skills-based instructional material in mathematics, phonics and early childhood learning. The strength of Saxon's skills-based math programme fits well with our existing supplemental business with its focus on reading and language arts. With the repositioning of our

supplemental literacy front list and the strength of the Saxon math programme, we are well placed to take full advantage of the strong market growth expected in these two key areas.

In our educational Assessment business we successfully implemented over 20 new testing contracts, the majority of which have been customised to meet individual state standards. We also continued to make substantial investments in our Stanford Learning First interim assessment product, which links results from interim assessment to individualised instruction. Our customers have responded enthusiastically to the initial version and strong demand is expected for the further modules to be released later in 2005.

Our International business published a strong new programme particularly in the UK, with new vocational titles aligned with the increasing focus on this area, and southern Africa.

Factfile

→ Harcourt Trophies reading series is used by more than two million US school children

→ Harcourt Assessment's Wechsler Scales are the world's most widely used intelligence tests and are licensed in over 30 countries

→ Harcourt is the leading publisher for the UK Primary and Secondary school markets

→ Customers include:

Teachers, kindergarten to Grade 12 US students, primary and secondary students in the UK, students in Australia, New Zealand, southern Africa and Asia, adult learners, general readers, educational assessors and psychological clinicians

For further information

→ www.harcourt.com

→ Market information

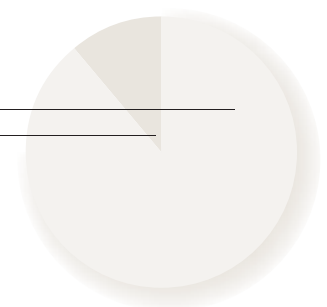
In the US, Harcourt Education serves the Kindergarten to 12th grade with curriculum and supplemental learning materials. Harcourt Assessment produces testing programmes for schools.

Harcourt International publishes textbooks for primary and secondary schools.

→ Revenue by business

US Schools and Testing £774m/€1,138m
International £94m/€138m

89% —————
11% —————





→
Kellysearch
US

Kellysearch.com is the world's leading business to business search engine. Building on the 200 year old Kelly's brand, the online service was launched in the UK in 2003, followed by roll out in the Netherlands and the US. Its impressive market growth has been achieved by developing and classifying a database of over two million companies against a product

taxonomy of more than 150,000 terms, in a range of languages. Buyers can pinpoint their requirements whilst sellers have a platform to market their goods locally, nationally and internationally. In 2004, revenue increased 53% and users conducted 21 million searches a month – a 300% increase in a year.



Kellysearch drives national and international customers to our site. Regular statistics prove that the service generates a lot of new business and specialised orders. Hairnets for food handling is a big part of our business and through Kellysearch's product classification, we can fulfil precise customer requirements.

Lillian and Al Rose, BHP Fort Lauderdale



Mipcom

In 2004, this international marketplace for television and entertainment content saw the number of companies attending up 30% on the previous year to a four year high of 3,557, from a total of 95 countries. Confidence in the television industry was reflected in an extended conference programme, new awards and 18,500 square metres of exhibition space.

FEM Business

Relaunched in 2003, FEM Business has increased its market share to become the leading business weekly in The Netherlands. Subscription revenue has grown by 40%, including a daily e-newsletter attracting over 11,000 subscribers. Targeted at top management, the title offers international financial and business news.

EDN

EDN is the leading magazine for 265,000 design and development engineers worldwide. The US franchise is now a successful global publishing operation with pan-European and pan-Asian English language editions plus local editions in Australia, Japan, Korea and China. EDN.com has 300,000 monthly visitors.

Reed Business

Our business to business magazines and exhibitions provide an effective marketing channel through which buyers and sellers are connected. Demand is growing for online products delivering quicker and easier access to more comprehensive and searchable data.

For the first time in four years we saw in 2004 recovery in our markets. In the US, we saw good growth in our leading magazines in the media sector and, whilst the manufacturing titles showed some further decline, the electronics sector was up on the prior year. In the UK, our magazines in the property, personnel and construction sectors performed very well and we saw a return to growth in the technology sector, and a continuing strong performance from online recruitment advertising. In continental Europe demand for business advertising continued to be impacted by economic weakness in The Netherlands and Germany in particular. Our focus on market share performance and yield management, however, mitigated subscription and advertising volume declines.

Our Exhibitions business had a good year, with particularly strong performances in the US security, jewellery and gaming shows, in the international travel and property shows, and in France and Asia Pacific.

We have continued to expand our investment in further developing our titles and exhibitions and in building our online services to meet our customers' strongly growing demand

for internet delivered information and marketing solutions. 2004 saw the launch of 10 titles, including Variety and Interior Design, in China through joint ventures with IDG and Chinese partners, strong growth in the recently launched Design News Japan, and the development of Vlife within the Variety portfolio. We also launched five new exhibitions in China and two in Russia.

Our online revenues grew by more than 30% to over \$200m with strongly growing advertising and search demand in our title webzines, recruitment sites, data services, and online search engines and directories, including Kellysearch which was launched in the US and Netherlands building on its UK success. In the UK, our most developed online business, online revenues now account for nearly 30% of revenues, and in the US and continental Europe we significantly expanded our website development and marketing initiatives.

Innovation in title and new show launches and in building online services in faster growing segments, is aimed at meeting our customers' increasing demands for more specific information and marketing solutions.

Factfile

→ Reed Business's Variety portfolio reaches more than 70,000 entertainment industry readers and is sold in 76 countries

→ Visits to Reed Business's Kellysearch total 21 million per month

→ Reed Exhibitions connects over 85,000 suppliers and more than five million buyers around the world

→ Customers include:

Business professionals, decision makers, specifiers, buyers, advertisers, marketing managers, salespeople, business analysts, researchers, recruitment agencies, job seekers, event planners and exhibitors

For further information

→ www.reedbusiness.com

→ Market information

Reed Business provides business customers in the US, the UK, continental Europe, Australia and Asia with business specific news and information, marketing solutions and the organisation of trade exhibitions.

→ Revenue by business

Reed Business Information

- US £323m/€475m
- UK £244m/€359m
- Continental Europe £268m/€394m
- Asia Pacific £33m/€48m

Reed Exhibitions £421m/€619m



2004 Corporate social responsibility

CSR matters to Reed Elsevier. We are committed to transparency and report regularly on those elements which reflect our CSR activity: namely workplace, marketplace, community, environment and governance. During 2004, we strengthened our CSR performance by: implementing management training plans responding to the results of our second global employee survey; initiating employee training to support our new Code of Ethics and Business Conduct; broadening our RE Cares programme to cover 75% of our business locations; expanding measurement of contractors' compliance with our Vendor Code of Conduct; and working with our Environmental Champions to set, monitor and deliver environmental targets for our key facilities.

Our CSR Forum, led by CEO Sir Crispin Davis, met twice during the year to: review progress against our targets for 2004; review our CSR policies (including our Environmental Management System and our Code of Ethics and Business Conduct); and agree targets and programmes for 2005.

Workplace

Organisational development activities have expanded in response to the results of the second employee survey.

We have launched a pilot graduate recruitment programme to attract, develop and retain the high calibre people we need to drive our business forward. Our Personal Development Programme, now in its fifth year, and our coaching programmes continue to enable all of our people to reach their full potential through annual appraisal and objective setting. The annual organisation and talent review ensures that employees with high potential are identified and succession plans developed.

We increased our regular communications with staff, using posters, email, cascade briefings, videos and aREna, our global intranet, to provide a constant flow of information and news. We consult frequently with our employees on relevant issues both directly and through our staff and works councils.

Businesses across the group have introduced or expanded wellness programmes providing health advice and confidential counselling during the year. The diversity of our senior management group increased and now comprises 16 nationalities, with women occupying 24% of these positions.

As an equal opportunity employer, we value the diversity of our workforce and are encouraged by this improving trend.

Marketplace

Customer focus is one of Reed Elsevier's key values. Our businesses regularly conduct customer satisfaction surveys, run customer service programmes and hold customer conferences to ensure that we understand and respond to customer needs. Programmes like Elsevier's Library Connect programme help keep us abreast of the needs of customers and users. One hundred and thirty six librarians participated, representing 115 institutions in 27 countries. LexisNexis introduced a similar tailored assistance programme, Knowledge Base for law schools, an online and interactive resource.

We use a wide range of initiatives to broaden access to our products by disadvantaged groups. Our Heinemann-Raintree imprint donated 10,000 new non-fiction children's books to two national non-profit literacy foundations in the United States, delivering new, high quality social studies and science books to help strengthen children's reading skills and encourage learning.

→ Key highlights

www.reedelsevier.com

Reed Elsevier is a member of FTSE4Good, the Per Cent Club, and the Dow Jones Sustainability Index and in 2004 came first among media companies in Business in the Community's Corporate Responsibility Index.

→ The diversity of our senior management group increased and now comprises 16 nationalities

16

CSR is integral to the way Reed Elsevier conducts its business. As a leading global media organisation, we have a responsibility to make a positive contribution to all touched by the company: our employees, our customers, our local communities and the environments in which we operate.

We continue to monitor the progress of our UN project, the Health InterNetwork Access to Research Initiative (HINARI) programme which enables researchers in the developing world to conduct more than 200,000 free electronic searches of 700 Elsevier scientific journals.

Community

During the year, we strengthened and expanded Reed Elsevier Cares, which puts into action our goal of playing a positive role in our local and global communities, particularly through employee involvement.

The programme's central focus is furthering education for disadvantaged young people and community initiatives of importance to local employees. Over 95 offices, representing 75% of our businesses throughout the world, have Reed Elsevier Cares programmes helping their local communities. Our second group-wide Cares Month took place in September involving thousands of employees and encompassing over 100 activities including book and school supply drives; library and school renewal efforts; and education fundraising appeals, where possible making use of our business expertise for community good.

Through our network of Cares Champions, we asked our businesses to take on the 2004 Reed Elsevier Cares Challenge which selected five projects for funding awards. In support of community investment, we donated £1.4m cash and the equivalent of £1m in gifts of products, services and staff time in 2004. In response to the tsunami disaster our businesses have donated more than £575,000 to aid relief efforts.

Environment

Research and analysis have identified the key environmental priorities for Reed Elsevier of managing the use of energy and water, waste generation, and our supply chain through paper use and print and production technologies. We are committed to reducing these impacts, whenever possible, by limiting resource use and by efficiently employing sustainable materials and technologies. Across the group in 2004 we increased recycling by 6.4% over the previous year.

Our network of environmental champions are tasked with developing targets for reducing energy, water consumption and waste production.

We require our suppliers and contractors to meet the same objectives. The global CEOs responsible

for each of our four business divisions are accountable for compliance with Reed Elsevier's environmental policy and applicable regulation.

Governance

Our Code of Ethics and Business Conduct continues to provide a guide for achieving our business goals and helps us behave in an open, honest and ethical manner. During the year, we initiated Code training programmes, using seminars and online training tools. The CSR Forum approved revisions to the Code in December 2004, ensuring that it follows current best practice and legislation. The Code incorporates the provisions of the UN Global Compact of which Reed Elsevier is a signatory.

We extended our Vendor Code of Conduct to more of our business partners, engaged independent external auditors to ensure our partners meet our standards, and introduced a pilot vendor environmental survey to monitor and minimise our supply chain impacts, that will be implemented more widely in 2005.

Our full CSR report, including full details of our environmental performance, is available at www.reedelsevier.com.



Corporate governance

Structure

Equalisation arrangements

Under the equalisation arrangements entered into on the merger of Reed Elsevier PLC's and Reed Elsevier NV's businesses in January 1993, Reed Elsevier PLC shareholders have a 52.9% economic interest in Reed Elsevier, and Reed Elsevier NV shareholders (other than Reed Elsevier PLC) have a 47.1% economic interest in Reed Elsevier. Shareholders in Reed Elsevier PLC and Reed Elsevier NV enjoy substantially equivalent dividend and capital rights with respect to their ordinary shares.

Reed Elsevier PLC and Reed Elsevier NV each hold a 50% interest in Reed Elsevier Group plc. Reed Elsevier PLC holds a 39% interest in Elsevier Reed Finance BV, with Reed Elsevier NV holding a 61% interest. Reed Elsevier PLC additionally holds an indirect equity interest in Reed Elsevier NV, reflecting the arrangements entered into between Reed Elsevier PLC and Reed Elsevier NV at the time of the merger, which determined the equalisation ratio whereby one Reed Elsevier NV ordinary share is, in broad terms, intended to confer equivalent economic interests to 1.538 Reed Elsevier PLC ordinary shares.

The boards of both Reed Elsevier PLC and Reed Elsevier NV have agreed, except in exceptional circumstances, to recommend equivalent gross dividends (including, with respect to the dividend on Reed Elsevier PLC ordinary shares, the associated UK tax credit), based on the equalisation ratio. A Reed Elsevier PLC ordinary share pays dividends in sterling and is subject to UK tax law with respect to dividend and capital rights. A Reed Elsevier NV ordinary share pays dividends in euros and is subject to Dutch tax law with respect to dividend and capital rights.

Corporate governance

Compliance with codes of best practice

The boards of Reed Elsevier PLC and Reed Elsevier NV support the principles and provisions of corporate governance set out in the Combined Code on Corporate Governance issued in July 2003 (the "UK Code") and the Dutch Corporate Governance Code issued in December 2003 (the "Dutch Code"). Other than as explained in the Reed Elsevier Annual Reports and Financial Statements 2004, Reed Elsevier PLC, which has its primary listing on the London Stock Exchange, has complied throughout the period under review with the UK Code and Reed Elsevier NV, which has its primary listing on Euronext in Amsterdam, has complied throughout the period under review with the Dutch Code.

Boards

The boards of Reed Elsevier PLC, Reed Elsevier NV, Reed Elsevier Group plc and Elsevier Reed Finance BV each comprise a balance of executive and non-executive directors who bring a wide range of skills and experience to the deliberations of the boards.

Subject to shareholders re-electing retiring directors and to the appointment of Erik Engstrom to the executive board of Reed Elsevier NV at its Annual General Meeting in 2005, all the directors of Reed Elsevier Group plc will also be directors of Reed Elsevier PLC and of Reed Elsevier NV.

The non-executive directors meet on an annual basis to review the performance of individual directors and the functioning and constitution of the boards as a whole.

Information in respect of the directors of Reed Elsevier appears on page 13.

Committees

In accordance with the principles of good corporate governance, the following committees have been established by the boards of Reed Elsevier PLC, Reed Elsevier NV or Reed Elsevier Group plc:

- Audit Committee
- Corporate Governance Committee
- Nominations Committee
- Remuneration Committee
- Strategy Committee

A report of the Audit Committees is included in the Reed Elsevier Annual Reports and Financial Statements 2004.

Internal control

The boards of Reed Elsevier PLC and Reed Elsevier NV exercise independent supervisory roles over the activities and systems of internal control and risk management of Reed Elsevier Group plc and Elsevier Reed Finance BV.

The board of Reed Elsevier Group plc is responsible for the system of internal control and risk management of the publishing and information businesses, while the boards of Elsevier Reed Finance BV are responsible for the system of internal control and risk management in respect of the finance group activities.

The boards of Reed Elsevier Group plc and Elsevier Reed Finance BV have implemented an ongoing process for identifying, evaluating and managing the significant risks faced by their respective businesses. This process has been in place throughout the year ended 31 December 2004 and up to the date of the approvals of the Annual Reports and Financial Statements 2004.

As part of the year end procedures, the boards of Reed Elsevier PLC, Reed Elsevier NV, Reed Elsevier Group plc and Elsevier Reed Finance BV have reviewed the effectiveness of the systems of internal control and risk management during the last financial year. The objective of these systems is to manage, rather than eliminate, the risk of failure to achieve business objectives. Accordingly, they can only provide reasonable, but not absolute, assurance against material misstatement or loss. Subject to this, the boards concluded from their review that the systems of internal control and risk management were adequate and effective in the context of the business as a whole.

Going concern

The directors of Reed Elsevier PLC and Reed Elsevier NV, having made appropriate enquiries, consider that adequate resources exist for the combined businesses to continue in operational existence for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Summary financial statements

Introduction

These summary financial statements are a summary of information contained in the Reed Elsevier Annual Reports and Financial Statements 2004. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Reed Elsevier businesses and the parent companies as would be provided by the full Annual Reports. Shareholders who wish to receive, free of charge, a copy of the Annual Reports and Financial Statements for the year ended 31 December 2004, or in the future, should write to the registered offices of either Reed Elsevier PLC at 1-3 Strand, London WC2N 5JR, UK or Reed Elsevier NV at Radarweg 29, 1043 NX Amsterdam, The Netherlands. The documents are also published on the Reed Elsevier website, www.reedelsevier.com.

Summary report of the directors

Information relating to a review of the activities of Reed Elsevier and of future developments in the businesses is given in the Chairman and Chief Executive's report on page 4 and the Chief Financial Officer's report on page 8.

The Reed Elsevier directors who served during the year and their respective remuneration are shown in the summary directors' remuneration report on page 45.

Details of dividends paid and proposed are given for Reed Elsevier PLC on page 38 and for Reed Elsevier NV on page 40.

Basis of preparation

The Reed Elsevier combined financial statements encompass 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 Reed Elsevier PLC summary financial information reflects its shareholders' 52.9% economic interest in the Reed Elsevier combined businesses. The Reed Elsevier NV summary financial information reflects 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% equity interest in Reed Elsevier NV.

The Reed Elsevier combined financial statements and the financial statements of Reed Elsevier PLC and Reed Elsevier NV are presented in accordance with UK Generally Accepted Accounting Principles ("GAAP"). 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, ensuring consistency.

Reed Elsevier NV, by adopting UK GAAP in its statutory financial statements, is required to present both group financial statements, in which its investments in Reed Elsevier Group plc and Elsevier Reed Finance BV are presented using the gross equity method, and parent company financial statements, in which its investments are presented using the historical cost method.

The summary financial statements include adjusted figures for profit and cash flows, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects. These figures are used by Reed Elsevier as additional performance measures. Adjusted operating profit is also shown after share of operating profit in joint ventures. Adjusted operating cash flow is measured after dividends from joint ventures, tangible fixed asset spend and proceeds from the sale of tangible fixed assets.

IFRS

International Financial Reporting Standards

Under a regulation adopted by the European Parliament, the Reed Elsevier combined financial statements and the financial statements of the two parent companies, Reed Elsevier PLC and Reed Elsevier NV, will be prepared in accordance with International Financial Reporting Standards (IFRS) with effect from the 2005 financial year. Details of the major changes that are required on adoption of IFRS and a summary of the results and financial position of the Reed Elsevier combined businesses, Reed Elsevier PLC and Reed Elsevier NV for the year ended 31 December 2004 under IFRS are set out on pages 42 and 43.

Further details are set out in the Annual Reports and Financial Statements 2004 and on the Reed Elsevier website, www.reedelsevier.com

Reed Elsevier combined businesses

Summary combined profit and loss account

For the year ended 31 December 2004

	£		€	
	2004 £m	2003 £m	2004 €m	2003 €m
Turnover	4,812	4,925	7,074	7,141
Adjusted operating profit (including £24m/€36m (2003: £19m/€27m) share of joint ventures)	1,159	1,178	1,704	1,708
Amortisation (including £2m/€4m (2003: £3m/€4m) share of joint ventures)	(406)	(445)	(598)	(645)
Exceptional items	(56)	(72)	(82)	(105)
Operating profit (including £22m/€32m (2003: £16m/€23m) share of joint ventures)	697	661	1,024	958
Non operating exceptional items	(3)	26	(4)	37
Profit on ordinary activities before interest	694	687	1,020	995
Net interest expense	(132)	(168)	(194)	(243)
Profit on ordinary activities before taxation	562	519	826	752
Tax on profit on ordinary activities (including £13m/€18m (2003: £84m/€122m) exceptional credit)	(257)	(183)	(378)	(265)
Profit on ordinary activities after taxation	305	336	448	487
Minority interests	(2)	(2)	(3)	(3)
Profit attributable to parent companies' shareholders	303	334	445	484
Equity dividends paid and proposed	(330)	(304)	(485)	(441)
Retained (loss)/profit taken to combined reserves	(27)	30	(40)	43
Adjusted profit before tax	1,027	1,010	1,510	1,465
Adjusted profit attributable to parent companies' shareholders	760	744	1,117	1,079

Summary combined cash flow statement

For the year ended 31 December 2004

	£		€	
	2004 £m	2003 £m	2004 €m	2003 €m
Net cash inflow from operating activities	1,154	1,065	1,696	1,544
Dividends received from joint ventures	17	14	25	20
Returns on investments and servicing of finance	(130)	(177)	(191)	(257)
Taxation (including £31m/€46m (2003: £36m/€52m) exceptional inflow)	(209)	(146)	(307)	(212)
Capital expenditure and financial investment	(191)	(137)	(279)	(197)
Acquisitions and disposals	(645)	(181)	(948)	(262)
Equity dividends paid to shareholders of the parent companies	(309)	(292)	(454)	(423)
Cash (outflow)/inflow before changes in short term investments and financing	(313)	146	(458)	213
Decrease/(increase) in short term investments	402	(165)	589	(240)
Financing	(90)	(86)	(132)	(125)
Decrease in cash	(1)	(105)	(1)	(152)
Adjusted operating cash flow	1,050	1,028	1,544	1,491

Reed Elsevier combined businesses

Summary combined balance sheet

As at 31 December 2004

	£		€	
	2004 £m	2003 £m	2004 €m	2003 €m
Goodwill and intangible assets	5,006	5,153	7,058	7,317
Other fixed assets	627	583	885	828
Fixed assets	5,633	5,736	7,943	8,145
Current assets	2,103	2,457	2,965	3,489
Creditors: amounts falling due within one year	(3,357)	(3,474)	(4,733)	(4,933)
Net current liabilities	(1,254)	(1,017)	(1,768)	(1,444)
Total assets less current liabilities	4,379	4,719	6,175	6,701
Creditors: amounts falling due after more than one year	(1,971)	(2,105)	(2,779)	(2,989)
Provisions for liabilities and charges	(128)	(168)	(180)	(239)
Minority interests	(13)	(12)	(20)	(17)
Combined shareholders' funds	2,267	2,434	3,196	3,456
Net borrowings	2,532	2,372	3,570	3,368

Adjusted figures

Adjusted profits 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:

	£		€	
	2004 £m	2003 £m	2004 €m	2003 €m
Operating profit including joint ventures	697	661	1,024	958
Amortisation of goodwill and intangible assets	406	445	598	645
Exceptional items	56	72	82	105
Adjusted operating profit	1,159	1,178	1,704	1,708
Profit before tax	562	519	826	752
Amortisation of goodwill and intangible assets	406	445	598	645
Exceptional items	59	46	86	68
Adjusted profit before tax	1,027	1,010	1,510	1,465
Profit attributable to parent companies' shareholders	303	334	445	484
Amortisation of goodwill and intangible assets	411	448	604	649
Exceptional items	46	(38)	68	(54)
Adjusted profit attributable to parent companies' shareholders	760	744	1,117	1,079
Net cash inflow from operating activities	1,154	1,065	1,696	1,544
Dividends from joint ventures	17	14	25	20
Purchase of tangible fixed assets, less disposals	(188)	(149)	(275)	(215)
Payments in relation to exceptional items charged to operating profit	67	98	98	142
Adjusted operating cash flow	1,050	1,028	1,544	1,491

Reed Elsevier PLC

Summary consolidated profit and loss account

For the year ended 31 December 2004

	2004 £m	2003 £m
Share of turnover of joint ventures	2,546	2,605
Operating loss (before joint ventures)	(2)	(1)
Share of operating profit of joint ventures		
Before amortisation and exceptional items	607	616
Amortisation and exceptional items	(244)	(273)
Operating profit including joint ventures	361	342
Share of non operating exceptional items of joint ventures	(2)	14
Net interest (including £73m (2003: £92m) share of joint ventures)	(70)	(89)
Profit on ordinary activities before taxation	289	267
Tax on profit on ordinary activities	(137)	(98)
Profit attributable to ordinary shareholders	152	169
Equity dividends paid and proposed	(163)	(152)
Retained (loss)/profit taken to reserves	(11)	17
Basic earnings per share	12.0p	13.4p
Diluted earnings per share	11.9p	13.4p
Adjusted earnings per share	31.8p	31.2p

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

Dividends

The directors of Reed Elsevier PLC have proposed a final dividend of 9.6p per ordinary share (2003: 8.7p) which, when added to the interim dividend already paid of 3.4p per ordinary share (2003: 3.3p), amounts to a total 2004 dividend of 13.0p per ordinary share (2003: 12.0p), an increase of 8%. Dividends paid to Reed Elsevier PLC and Reed Elsevier NV shareholders are equalised at the gross level inclusive of the UK tax credit received by certain Reed Elsevier PLC shareholders. An equalisation adjustment equalises the benefit of the UK tax credit between the two sets of shareholders in accordance with the equalisation agreement.

Consolidated statement of total recognised gains and losses

For the year ended 31 December 2004

	2004 £m	2003 £m
Profit attributable to ordinary shareholders	152	169
Exchange translation differences	(76)	(123)
Total recognised gains and losses for the year	76	46

Reed Elsevier PLC

Summary consolidated cash flow statement

For the year ended 31 December 2004

	2004 £m	2003 £m
Net cash outflow from operating activities	(2)	(1)
Dividends received from Reed Elsevier Group plc	153	144
Returns on investments and servicing of finance	3	3
Taxation	(1)	(3)
Equity dividends paid	(153)	(144)
Cash outflow before changes in short term investments and financing	-	(1)
Financing	-	1
Issue of ordinary shares	11	12
Increase in net funding balances to Reed Elsevier Group plc group	(11)	(11)
Change in net cash	-	-

Reconciliation of consolidated shareholders' funds

For the year ended 31 December 2004

	2004 £m	2003 £m
Profit attributable to ordinary shareholders	152	169
Equity dividends paid and proposed	(163)	(152)
Issue of ordinary shares, net of expenses	11	12
Increase in shares held in treasury	(15)	(10)
Increase in conditional share reserve	6	-
Exchange translation differences	(76)	(123)
Equalisation adjustments	(4)	(5)
Net decrease in shareholders' funds	(89)	(109)
Shareholders' funds at 1 January	1,288	1,397
Shareholders' funds at 31 December	1,199	1,288

Summary consolidated balance sheet

As at 31 December 2004

	2004 £m	2003 £m
Fixed asset investment in joint ventures	773	859
Current assets	595	584
Creditors: amounts falling due within one year	(169)	(119)
Net current assets	426	465
Total assets less current liabilities	1,199	1,324
Creditors: amounts falling due after more than one year	-	(36)
Shareholders' funds	1,199	1,288

The balance sheet of Reed Elsevier PLC reflects its shareholders' 52.9% economic interest in the net assets of the Reed Elsevier combined businesses.

Approved by the board of directors, 16 February 2005.

M Tabaksblat
Chairman

M H Armour
Chief Financial Officer

Reed Elsevier NV

Summary profit and loss accounts

For the year ended 31 December 2004

	Group		Parent Company	
	2004 €m	2003 €m	2004 €m	2003 €m
Share of turnover of joint ventures	3,537	3,571	–	–
Operating loss (before joint ventures)	(3)	(3)	(3)	(3)
Share of operating profit of joint ventures				
Before amortisation and exceptional items	855	858	–	–
Amortisation and exceptional items	(340)	(376)	–	–
Operating profit/(loss) including joint ventures	512	479	(3)	(3)
Share of non operating exceptional items of joint ventures	(2)	19	–	–
Dividends received from joint ventures	–	–	220	200
Net interest (including €99m (2003: €129m) share of joint ventures)	(97)	(122)	2	7
Profit on ordinary activities before taxation	413	376	219	204
Tax on profit on ordinary activities	(190)	(134)	–	(1)
Profit attributable to ordinary shareholders	223	242	219	203
Equity dividends paid and proposed	(244)	(221)	(244)	(221)
Retained (loss)/profit taken to reserves	(21)	21	(25)	(18)
Basic earnings per share	€0.28	€0.31	€0.28	€0.26
Diluted earnings per share	€0.28	€0.31	€0.28	€0.26
Adjusted earnings per share	€0.71	€0.69		

Dividends

The directors of Reed Elsevier NV have proposed a final dividend of €0.24 per ordinary share (2003: €0.22) which, when added to the interim dividend already paid of €0.09 per ordinary share (2003: €0.08), amounts to a total 2004 dividend of €0.33 per ordinary share (2003: €0.30), an increase of 10%. Dividends paid to Reed Elsevier PLC and Reed Elsevier NV shareholders are equalised at the gross level inclusive of the UK tax credit received by certain Reed Elsevier PLC shareholders.

Statements of total recognised gains and losses

For the year ended 31 December 2004

	Group		Parent Company	
	2004 €m	2003 €m	2004 €m	2003 €m
Profit attributable to ordinary shareholders	223	242	219	203
Exchange translation differences	(112)	(310)	–	–
Total recognised gains and losses	111	(68)	219	203

Group financial statements, reflecting Reed Elsevier NV's 50% interest in the Reed Elsevier combined businesses, are presented using the gross equity method.

Reed Elsevier NV

Summary cash flow statements

For the year ended 31 December 2004

	Group		Parent Company	
	2004 €m	2003 €m	2004 €m	2003 €m
Net cash outflow from operating activities	(3)	(2)	(3)	(2)
Dividends received from joint ventures	220	200	220	200
Returns on investments and servicing of finance	1	7	1	7
Taxation	(5)	(2)	(5)	(2)
Equity dividends paid	(229)	(215)	(229)	(215)
Cash outflow before changes in short term investments and financing	(16)	(12)	(16)	(12)
(Increase)/decrease in short term investments	(18)	8	(18)	8
Financing	34	4	34	4
Issue of shares, net of expenses	14	3	14	3
Net issue of debenture loans	-	1	-	1
Decrease in funding balances to joint ventures	20	-	20	-
Change in net cash	-	-	-	-

Reconciliations of shareholders' funds

For the year ended 31 December 2004

	Group		Parent Company	
	2004 €m	2003 €m	2004 €m	2003 €m
Profit attributable to ordinary shareholders	223	242	219	203
Equity dividends paid and proposed	(244)	(221)	(244)	(221)
Issue of shares, net of expenses	14	3	14	3
Increase in shares held in treasury	(22)	(13)	-	-
Increase in conditional share reserve	8	-	-	-
Exchange translation differences	(112)	(310)	-	-
Equalisation adjustments	3	8	-	-
Net decrease in shareholders' funds	(130)	(291)	(11)	(15)
Shareholders' funds at 1 January	1,728	2,019	1,985	2,000
Shareholders' funds at 31 December	1,598	1,728	1,974	1,985

Summary balance sheets

As at 31 December 2004

	Group		Parent Company	
	2004 €m	2003 €m	2004 €m	2003 €m
Fixed asset investment in joint ventures	1,785	1,904	2,161	2,161
Current assets	62	63	62	63
Creditors: amounts falling due within one year	(184)	(174)	(184)	(174)
Net current liabilities	(122)	(111)	(122)	(111)
Total assets less current liabilities	1,663	1,793	2,039	2,050
Creditors: amounts falling due after more than one year	(65)	(65)	(65)	(65)
Shareholders' funds	1,598	1,728	1,974	1,985

Approved by the combined board, 16 February 2005.

M Tabaksblat
Chairman

M H Armour
Chief Financial Officer

Group financial statements, reflecting Reed Elsevier NV's 50% interest in the Reed Elsevier combined businesses, are presented using the gross equity method.

International Financial Reporting Standards

Under a regulation adopted by the European Parliament, the Reed Elsevier combined financial statements and the financial statements of the two parent companies, Reed Elsevier PLC and Reed Elsevier NV, will be prepared in accordance with International Financial Reporting Standards (IFRS) with effect from the 2005 financial year.

The adoption of IFRS for the 2005 financial year requires changes in Reed Elsevier accounting policies in six major areas: goodwill and intangible assets; employee benefits; share based payments; financial instruments; deferred taxation; and dividends.

The net effect (unaudited) of restating the 2004 financial statements under IFRS is to increase the reported Reed Elsevier combined attributable earnings by £156m/€230m, an increase of 51% over the amounts reported under UK GAAP, and to reduce combined shareholders' funds as at 31 December 2004 by £603m/€850m. These are accounting effects only and have no bearing on the cash flows in the business.

Goodwill and intangible assets

Under IFRS, goodwill on acquisitions is no longer amortised, subject to annual impairment review. Acquired intangible assets are typically amortised over shorter lives than hitherto, although certain intangible assets may have indefinite lives. The net effect on the 2004 results is to reduce the amortisation charge for goodwill and intangible assets, with a corresponding increase in net assets. There is a further addition to goodwill under IFRS arising in respect of deferred tax liabilities on intangible assets acquired after the 1 January 2004 transition date.

Capitalised software costs, previously classified within tangible fixed assets, are now included within intangible assets.

Employee benefits

Under IFRS, the profit and loss expense of defined benefit pension schemes and other post-retirement employee benefits is derived from annually made assumptions as to salary inflation, investment returns and discount rates based on market conditions at the beginning of the financial year. The surplus or deficit between scheme assets and liabilities, determined based on market conditions at the balance sheet date, is included in the balance sheet. Actuarial gains and losses, where actual experience differs from the assumptions made and market conditions change, are to be reported each year through the statement of recognised income and expense.

Previously under UK GAAP (SSAP24), determinations were made based on long term actuarial assumptions, and Reed Elsevier's pensions expense reflected more closely long term funding rates with actuarial surpluses and deficits amortised over the expected lives of employees.

Share based payments

Under IFRS, share options and other share based remuneration are expensed through the profit and loss account based on their fair value at the date of grant to employees and spread over the vesting period, taking into account the number of shares expected to vest. Under UK GAAP, only the intrinsic value is expensed e.g. where options are granted over shares with an

exercise price below the market price of the shares at date of grant.

Financial instruments

The new IFRS on financial instruments (IAS39) is not applicable until the 2005 financial year, and there is no restatement of prior year comparatives required. Accordingly there is no restatement of the 2004 financial statements for IAS39. Not all financial instruments used by Reed Elsevier will in future necessarily qualify for hedge accounting treatment under the prescriptive rules of IAS39. For financial instruments not qualifying for hedge accounting, changes in their market value will be reported through the profit and loss account.

Deferred taxation

Under IFRS, deferred taxation is provided for nearly all differences between the balance sheet amounts of assets and liabilities and their corresponding tax basis. Previously, deferred tax was provided for timing differences only and deferred tax assets were not recognised unless realisable in the near term.

Dividends

Under IFRS, proposed dividends are not included within liabilities until declared.

Performance measures

Reed Elsevier has for many years presented adjusted profit and cash flow figures as additional performance measures, which have been stated before the amortisation of goodwill and intangible assets, exceptional items and related tax effects. These have been important measures used in establishing budgets across the business and in monitoring performance, and in expressing Reed Elsevier's financial targets.

In future, Reed Elsevier is likely to focus on adjusted figures that include the additional expense of share based payments and pension expense under IFRS. Additionally, restructuring costs will be included in the benchmark. Acquisition integration costs will be excluded as they are entirely dependent on acquisition activity and are budgeted as an integral component of acquisition cost. Amortisation of acquired intangible assets will, as before, be excluded from the adjusted figures. Whilst the impact of mark-to-market adjustments on any financial instruments which fail to qualify for hedge accounting treatment is believed to be manageable, it is intended to exclude these effects from the benchmark figures, at least initially, whilst we gain practical experience. The effective tax rate used in the benchmark will exclude the effect of movements in deferred taxation assets and liabilities that are not expected to crystallise in the near term. This will, as before, more closely approximate the cash tax rate.

The new proposed additional performance measures under an IFRS regime would for 2004 be: adjusted operating profit of £1,066m/€1,567m, adjusted operating cash flow of £1,013m/€1,490m, adjusted pre-tax profits of £934m/€1,373m, and adjusted earnings per share for Reed Elsevier PLC of 28.7p and for Reed Elsevier NV of €0.64. The proposed benchmark figures will be revisited before finalisation during 2005 to take into account emerging market practice and experience.

Summary combined financial information

For the year ended 31 December 2004

Note	Adjustments (unaudited)		IFRS (unaudited)	Adjustments (unaudited)		IFRS (unaudited)
	UK GAAP €m	€m	€m	UK GAAP €m	€m	€m
Turnover	4,812	-	4,812	7,074	-	7,074
Operating profit (i)	697	69	766	1,024	102	1,126
Profit before taxation (i)	562	69	631	826	102	928
Tax (ii)	(257)	87	(170)	(378)	128	(250)
Profit attributable (i)/(ii)	303	156	459	445	230	675
Goodwill and intangible assets (iii)	5,006	440	5,446	7,058	621	7,679
Other fixed assets (iv)	627	(225)	402	885	(317)	568
Current assets (v)	2,103	(137)	1,966	2,965	(193)	2,772
Current liabilities (vi)	(3,357)	283	(3,074)	(4,733)	399	(4,334)
Employee benefit obligations (vii)	-	(321)	(321)	-	(453)	(453)
Other non-current liabilities	(1,971)	-	(1,971)	(2,779)	-	(2,779)
Provisions and deferred tax (viii)	(128)	(643)	(771)	(180)	(907)	(1,087)
Minority interests	(13)	-	(13)	(20)	-	(20)
Combined shareholders' funds	2,267	(603)	1,664	3,196	(850)	2,346

Parent companies summary financial information

For the year ended 31 December 2004

Note	Reed Elsevier PLC			Reed Elsevier NV		
	UK GAAP €m	Adjustments (unaudited) €m	IFRS (unaudited) €m	UK GAAP €m	Adjustments (unaudited) €m	IFRS (unaudited) €m
Operating profit (ix)	361	37	398	512	51	563
Profit attributable (ix)	152	83	235	223	115	338
Fixed asset investments (ix)	773	(439)	334	1,785	(602)	1,183
Other net assets/(liabilities) (ix)	426	120	546	(187)	177	(10)
Shareholders' funds	1,199	(319)	880	1,598	(425)	1,173

Notes

- (i) Operating profit and profit before tax: lower goodwill and intangible asset amortisation (including in joint ventures) £151m/€223m; additional pension expense £27m/€40m; share option expense £48m/€71m; joint ventures tax reclassification £7m/€10m.
- (ii) Tax: reduced deferred tax charge £80m/€118m; joint ventures tax reclassification £7m/€10m.
- (iii) Goodwill and intangible assets: lower amortisation £149m/€219m; reclassification of capitalised software £227m/€321m; gross up for deferred tax liabilities £68m/€96m; exchange £4m/€15m (differences between average rates and year end balance sheet rates on profit and loss adjustments).
- (iv) Other fixed assets: reclassification of capitalised software £227m/€321m; lower goodwill amortisation of investments in joint ventures £2m/€4m.
- (v) Current assets: reversal of pension prepayment £137m/€193m.
- (vi) Current liabilities: reversal of proposed dividends £248m/€350m; reversal of unfunded defined benefit pension liability £53m/€74m; other £18m/€25m.
- (vii) Employee benefit obligations: net pension obligations £321m/€453m.
- (viii) Provisions and deferred tax: additional deferred tax liabilities on acquired intangible assets of £785m/€1,107m; additional deferred tax assets on net pension obligations and other £142m/€200m.
- (ix) Parent companies: adjustments represent the parent companies' respective shares of the IFRS adjustments for the combined businesses, after making specific adjustments in respect of their own dividend accruals.

Independent auditors' statement

to the members of Reed Elsevier PLC and shareholders of Reed Elsevier NV

We have examined the summary financial statements of the Reed Elsevier combined businesses, and of Reed Elsevier PLC and Reed Elsevier NV which comprise the summary profit and loss accounts, summary cash flow statements, summary balance sheets and additionally in respect of Reed Elsevier PLC and Reed Elsevier NV the summary statement of total recognised gains and losses, reconciliation of shareholders' funds, dividend note and summary directors' remuneration report and, in respect of the Reed Elsevier combined businesses, a reconciliation of reported to adjusted figures.

Our work has been undertaken so that we might state to the members of Reed Elsevier PLC and shareholders of Reed Elsevier NV those matters we are required to state to them in an auditors' 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 and the members of Reed Elsevier PLC and shareholders of Reed Elsevier NV as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors of Reed Elsevier PLC and Reed Elsevier NV are responsible for preparing the Annual Review and Summary Financial Statements in accordance with applicable United Kingdom and Netherlands law. Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual Review and Summary Financial Statements with the full annual financial statements, directors' reports and directors' remuneration report, and in respect of Reed Elsevier PLC, its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statements and consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the summary financial statements.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the United Kingdom Auditing Practices Board.

Opinion

In our opinion, the summary financial statements are consistent with the full financial statements of the Reed Elsevier combined businesses and with the full financial statements, directors' reports and summary directors' remuneration report of Reed Elsevier PLC and Reed Elsevier NV for the year ended 31 December 2004 and, in respect of Reed Elsevier PLC, comply with the relevant requirements of Section 251 of the Companies Act 1985, and the regulations made thereunder.

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors
London
16 February 2005

Deloitte Accountants B.V.

Amsterdam
16 February 2005

The auditors' reports on the annual accounts of Reed Elsevier PLC and Reed Elsevier NV for the years ended 31 December 2004 and 2003 were unqualified. The auditors' report on the annual accounts of Reed Elsevier PLC did not contain any statement under S237(2) or S237(3) of the UK Companies Act (regarding inadequate accounting records or returns, accounts not agreeing with records and returns, and failure to obtain necessary information and explanations).

Summary directors' remuneration report

This is a summary of the full remuneration report prepared by the Remuneration Committee (the "Committee") of Reed Elsevier Group plc and approved by the boards of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV. The full report, which complies with the UK Directors' Remuneration Report Regulations 2002 (the "UK Regulations"), is contained in the Reed Elsevier Annual Reports and Financial Statements 2004. It is also available on the Reed Elsevier website, www.reedelsevier.com.

Remuneration Committee

The Committee is responsible for recommending to the boards of Reed Elsevier Group plc, Reed Elsevier PLC and Reed Elsevier NV the remuneration (in all its forms), and the terms of the service contracts and all other terms and conditions of employment of the executive directors, and for providing advice to the Chief Executive Officer on major policy issues affecting the remuneration of executives at a senior level below the board.

Compliance

Throughout 2004 the Committee consisted wholly of independent non-executive directors. The current members of the Committee are identified on page 13.

Remuneration policy

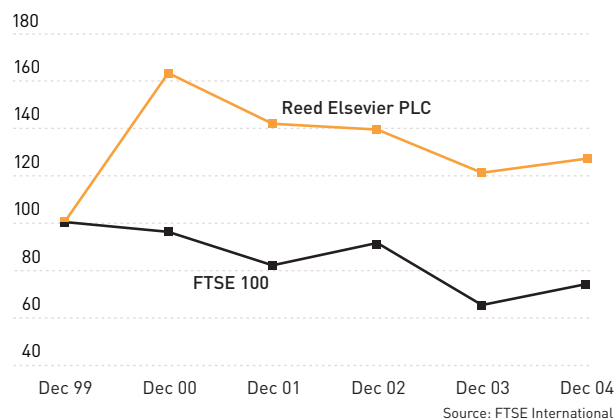
The principal objectives of the remuneration policy are to attract, retain and motivate people of the highest calibre and experience needed to shape and execute strategy and deliver shareholder value in the context of an ever more competitive and increasingly global employment market.

Total shareholder return

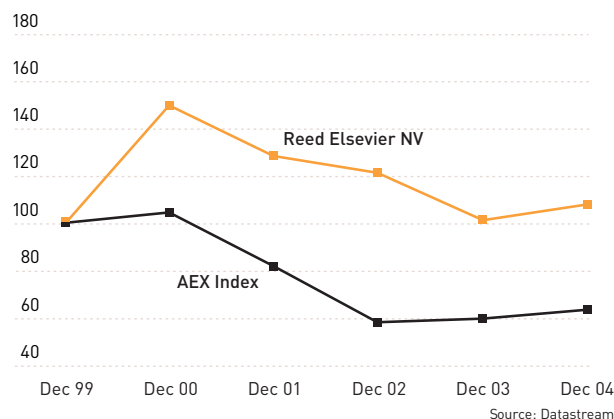
The graphs show the Reed Elsevier PLC and Reed Elsevier NV total shareholder return performance, assuming dividends were reinvested. The graphs, which have been prepared in accordance with the UK Regulations, compare the Reed Elsevier PLC performance with the performance achieved by the FTSE 100, of which Reed Elsevier PLC is a member, and the Reed Elsevier NV performance with the performance achieved by the Euronext Amsterdam ("AEX") Index, of which Reed Elsevier NV is a member, over the five years 2000-2004.

For the five year period since 1 January 2000, the total shareholder return for Reed Elsevier PLC was 27%, significantly outperforming the FTSE 100 which saw a negative return of 18%. For Reed Elsevier NV, in the same five year period total shareholder return was 8%, also significantly outperforming the AEX Index which had a negative return of 37%.

**Reed Elsevier PLC
total shareholder return v
FTSE 100 2000-2004**



**Reed Elsevier NV
total shareholder return v
AEX Index 2000-2004**



The total shareholder return set out above is calculated on the basis of the average share price in the 30 trading days prior to the respective year ends and on the assumption that dividends were reinvested.

Summary directors' remuneration report

Summary of directors' emoluments

A summary of the emoluments of the directors of Reed Elsevier PLC and Reed Elsevier NV (including any entitlement to fees or emoluments from either Reed Elsevier Group plc or Elsevier Reed Finance BV) is shown below.

	£					€				
	Salary/ Fees	Benefits	Bonus	Total 2004	Total 2003	Salary/ Fees	Benefits	Bonus	Total 2004	Total 2003
G J A van de Aast	405,900	18,592	410,730	835,222	681,009	596,673	27,330	603,773	1,227,776	987,463
M H Armour	503,970	23,699	470,733	998,402	857,230	740,836	34,838	691,978	1,467,652	1,242,984
Sir Crispin Davis	991,725	31,340	926,370	1,949,435	1,718,379	1,457,836	46,070	1,361,764	2,865,670	2,491,650
E Engstrom	195,966	388,065	155,701	739,732	-	288,069	570,455	228,880	1,087,404	-
D J Haank (until 18 June 2003)	-	-	-	-	207,131	-	-	-	-	300,340
A Prozes	545,082	7,739	527,531	1,080,352	1,022,230	801,270	11,377	775,470	1,588,117	1,482,234
P Tierney (from 8 April 2003)	545,082	5,574	536,415	1,087,071	852,399	801,270	8,193	788,530	1,597,993	1,235,979
G J de Boer-Kruyt	22,993	-	-	22,993	15,758	33,800	-	-	33,800	22,850
J F Brock	44,218	-	-	44,218	43,448	65,000	-	-	65,000	63,000
M W Elliott (from 8 April 2003)	45,000	-	-	45,000	36,742	66,150	-	-	66,150	53,276
C J A van Lede (from 8 April 2003)	44,218	-	-	44,218	36,897	65,000	-	-	65,000	53,500
R J Nelissen (until 8 April 2003)	-	-	-	-	10,172 ⁽ⁱ⁾	-	-	-	-	14,750 ⁽ⁱ⁾
S Perrick (until 8 April 2003)	-	-	-	-	10,172	-	-	-	-	14,750
D E Reid (from 8 April 2003)	45,000	-	-	45,000	36,742	66,150	-	-	66,150	53,276
Lord Sharman	52,000	-	-	52,000	48,544	76,440	-	-	76,440	70,388
R W H Stomberg	52,381	-	-	52,381	49,655	77,000	-	-	77,000	72,000
M Tabaksblat	190,476	-	-	190,476	193,103	280,000	-	-	280,000	280,000
Total	3,684,011	475,009	3,027,480	7,186,500	5,819,611	5,415,494	698,263	4,450,395	10,564,152	8,438,440

(i) R J Nelissen has served as chairman of the supervisory board of Elsevier Reed Finance BV throughout the year. During the period he received fees of £10,204/€15,000 in such capacity.

Benefits include the provision of a company car, medical insurance and life assurance and, in the case of Mr Engstrom, one-off relocation expenses.

Sir Crispin Davis was the highest paid director in 2004. He did not exercise any share options during 2004.

Five executive directors participate in relevant Reed Elsevier pension schemes either in the UK (Sir Crispin Davis, M H Armour and G J A van de Aast), or in the US (A Prozes and P Tierney). E Engstrom is not a member of a company pension scheme and the Company makes a contribution to his personal retirement account. Total pension contributions made during the year on behalf of directors amounted to £53,574/€78,754 (2003: £242,759/€352,000).

Pension payments made during the year to a former director amounted to £189,720/€278,889 (2003: £212,761/€306,903).

Summary of interests in shares

Options and restricted shares held by directors in Reed Elsevier PLC and Reed Elsevier NV at the beginning and end of the year are shown below. There have been no changes in the options or restricted shares held by directors since 31 December 2004.

	Reed Elsevier PLC				Reed Elsevier NV			
	1 January 2004	Granted during the year ⁽ⁱ⁾	Exercised during the year	31 December 2004	1 January 2004	Granted during the year ⁽ⁱ⁾	Exercised during the year	31 December 2004
G J A van de Aast								
– Executive Options	239,985	124,956		364,941	169,904	85,805		255,709
– Bonus Investment Shares		31,217		31,217	12,057			12,057
– LTIP Options	509,404 ⁽ⁱⁱ⁾				358,658 ⁽ⁱⁱ⁾			
– LTIS Options		229,087		229,087		157,309		157,309
– LTIS Shares		104,130		104,130		71,504		71,504
M H Armour								
– Executive Options	551,595	155,147		706,742	253,054	106,536		359,590
– Bonus Investment Shares	11,327	19,225		30,552	8,030	12,842		20,872
– LTIP Options	882,016 ⁽ⁱⁱ⁾				617,256 ⁽ⁱⁱ⁾			
– LTIS Options		284,437		284,437		195,317		195,317
– LTIS Shares		129,289		129,289		88,780		88,780
– SAYE Options	3,924	4,329	3,924	4,329				
Sir Crispin Davis								
– Executive Options	973,626	305,303		1,278,929	652,546	209,645		862,191
– Bonus Investment Shares	22,731	39,554		62,285	16,115	26,421		42,536
– LTIP Options	1,718,213 ⁽ⁱⁱ⁾				1,202,446 ⁽ⁱⁱ⁾			
– LTIS Options		559,722		559,722		384,349		384,349
– LTIS Shares		254,419		254,419		174,704		174,704
– SAYE Options	5,019			5,019				
E Engstrom								
– Executive Options		63,460 ⁽ⁱⁱⁱ⁾		63,460		43,866 ⁽ⁱⁱⁱ⁾		43,866
– LTIS Options		318,398 ⁽ⁱⁱⁱ⁾		318,398		220,090 ⁽ⁱⁱⁱ⁾		220,090
– LTIS Shares		144,726 ⁽ⁱⁱⁱ⁾		144,726		100,040 ⁽ⁱⁱⁱ⁾		100,040
– Restricted Shares		115,781 ⁽ⁱⁱⁱ⁾		115,781		80,032 ⁽ⁱⁱⁱ⁾		80,032
A Prozes								
– Executive Options	507,930	162,666		670,596	357,645	111,699		469,344
– Bonus Investment Shares	20,040	20,104		40,144	14,552	13,612		28,164
– LTIP Options	941,406 ⁽ⁱⁱ⁾				655,310 ⁽ⁱⁱ⁾			
– LTIS Options		298,221		298,221		204,782		204,782
– LTIS Shares		135,555		135,555		93,083		93,083
P Tierney								
– Executive Options	396,426	162,666		559,092	282,258	111,699		393,957
– Bonus Investment Shares		19,572		19,572		13,252		13,252
– LTIP Options	1,321,420 ⁽ⁱⁱ⁾				940,860 ⁽ⁱⁱ⁾			
– LTIS Options		298,221		298,221		204,782		204,782
– LTIS Shares		135,555		135,555		93,083		93,083

(i) Option grants made during the year under the Executive Scheme and LTIS were at option prices of 487.25p and 478.0p for Reed Elsevier PLC shares and €10.57 and €10.30 for Reed Elsevier NV shares. Conditional share awards under the LTIS, Restricted Share Arrangement and Bonus Investment Plan were at a nil exercise price. The SAYE grant was at an option price of 377.6p.

(ii) Options lapsed unexercised during the year.

(iii) At 23 August 2004, being the date of appointment as a director of Reed Elsevier Group plc and Reed Elsevier PLC.

The aggregate notional pre-tax gain made by the directors on the exercise of Reed Elsevier PLC and Reed Elsevier NV share options during the year was £2,001/€2,942 [2003: £5,201,190/€7,541,726].

Summary directors' remuneration report

The interests of the directors of Reed Elsevier PLC and Reed Elsevier NV in the issued share capital of the respective companies at the beginning and end of the year are shown below. There have been no changes in the interests of the directors since 31 December 2004.

	Reed Elsevier PLC ordinary shares		Reed Elsevier NV ordinary shares	
	1 January 2004	31 December 2004	1 January 2004	31 December 2004
G J A van de Aast	-	18,600	19,684	19,684
M H Armour	31,738	46,926	22,284	29,846
G J de Boer-Kruyt	-	-	-	-
J F Brock	3,000	3,000	-	-
Sir Crispin Davis	450,293	473,467	282,704	298,261
M W Elliott	-	-	-	-
E Engstrom	_(i)	-	_(i)	-
C J A van Lede	-	-	11,100	11,100
A Prozes	96,525	76,808	67,774	63,454
D E Reid	-	-	-	-
Lord Sharman	-	-	-	-
R W H Stomberg	-	-	-	-
M Tabaksblat	-	-	8,000	8,000
P Tierney	12,000	26,692	8,000	17,952

(i) At 23 August 2004, being the date of appointment as a director of Reed Elsevier Group plc and Reed Elsevier PLC.

Investor information

Annual Reports and Financial Statements

The full Annual Reports and Financial Statements for the Reed Elsevier combined businesses, including Reed Elsevier PLC and Reed Elsevier NV, for the year ended 31 December 2004 are available on the Reed Elsevier website, or from the registered offices of the respective companies shown on page 52. Additional financial information is also available on the Reed Elsevier website, including Interim and Preliminary Results announcements and presentations.

Share price information

Reed Elsevier PLC's ordinary shares are quoted on the London Stock Exchange.

Reed Elsevier NV's ordinary shares are quoted on the Euronext Stock Exchange in Amsterdam.

The Reed Elsevier PLC and Reed Elsevier NV ordinary shares are quoted on the New York Stock Exchange in the form of American Depositary Shares (ADSs), evidenced by American Depositary Receipts (ADRs).

The Reed Elsevier PLC and Reed Elsevier NV ordinary share prices and the ADR prices may be obtained from the Reed Elsevier website and from the financial pages of many newspapers.

Information for Reed Elsevier PLC ordinary shareholders

Shareholder services

The Reed Elsevier PLC ordinary share register is administered by Computershare Investor Services PLC. Enquiries concerning ordinary shareholdings in Reed Elsevier PLC and notification of change of personal details should be referred to Computershare at the address shown on page 52.

Electronic communications

Reed Elsevier PLC has given e-mail notification, to those shareholders who have requested it, of the availability of this Annual Review and Summary Financial Statements, the Annual Reports and Financial Statements and the Notice of Annual General Meeting and Form of Proxy, on the Reed Elsevier website. The Reed Elsevier website contains a link to enable shareholders to register for future electronic communication. Reed Elsevier PLC shareholders can submit a proxy vote in respect of the forthcoming Annual General Meeting electronically via the internet or, if a user of the CREST system, via CREST. Instructions on how to use this electronic voting facility are set out in the Form of Proxy.

Shareholders who have not registered for electronic communications can do so online at www.computershare.com/uk/register/reed, quoting their individual shareholder reference number (SRN) which appears on share certificates and tax vouchers.

Dividends

Dividends on Reed Elsevier PLC ordinary shares are paid in sterling. Shareholders can arrange to have their dividends paid directly into a bank or building society account. This method of payment reduces the risk of delay or loss of dividend cheques in the post and ensures the account is credited on the dividend payment date.

ShareGift

The Orr Mackintosh Foundation operates a charity share donation scheme for shareholders with small parcels of shares whose value makes it uneconomic to sell them. Details of the scheme can be obtained from the ShareGift website (www.sharegift.org) or by telephoning ShareGift on 020 7337 0501.

Sub-division of ordinary shares

On 28 July 1986 each Reed Elsevier PLC £1 ordinary share was sub-divided into four ordinary shares of 25p each. Subsequently, on 2 May 1997 the 25p ordinary shares were sub-divided into two ordinary shares of 12.5p each.

Capital Gains Tax

The mid-market price of Reed Elsevier PLC's £1 ordinary shares on 31 March 1982 was 282p each which, when adjusted for the four for one sub-division in 1986 and the subsequent two for one sub-division in 1997, gives an equivalent amount of 35.25p for each 12.5p ordinary share.

Unsolicited mail

Reed Elsevier PLC, along with other publicly owned companies, is legally obliged to make its share register available to anyone who requests a copy.

Shareholders may receive unsolicited mail from organisations offering their services. To limit the receipt of such unsolicited mail, shareholders should contact the Mailing Preference Service ("MPS") on 0845 703 4599, or on line at www.mpsonline.org.uk, or by writing to MPS for a registration form at:

Mailing Preference Service
FREEPOST 29 LON20771
London W1E 0ZT

Shareholders may still, however, receive unsolicited mail from organisations that do not subscribe to the MPS service.

Investor information

Information for Reed Elsevier NV ordinary shareholders

Shareholder enquiries

Enquiries from holders of Reed Elsevier NV registered ordinary shares in relation to share transfers, dividends, change of address and bank accounts should be directed to the Company Secretary of Reed Elsevier NV, at the registered office address shown on page 52.

Dividend payments

Dividends on Reed Elsevier NV ordinary shares are paid in euros. Registered shareholders in Reed Elsevier NV will receive dividends from the company by transmission to the bank account which they have notified to the company. Dividends on shares in bearer form are paid through the intermediary of a bank or broker.

Sub-division of ordinary shares

On 24 April 1984 each Reed Elsevier NV Dfl 20 ordinary share was sub-divided into five ordinary shares of Dfl 4 each, and on 24 April 1987 each Dfl 4 ordinary share was sub-divided into four ordinary shares of Dfl 1 each. Subsequently, on 4 October 1994 each Dfl 1 ordinary share was sub-divided into 10 ordinary shares of Dfl 0.10 each. On 15 April 1999 the ordinary shares of Dfl 0.10 were redenominated as ordinary shares of €0.06.

Annual Reports and Financial Statements

A Dutch language version of the Annual Review and Summary Financial Statements 2004 will be made available on the Reed Elsevier website. Copies of the Dutch language version can also be obtained from Reed Elsevier NV, at the registered office address shown on page 52.

Reed Elsevier NV has entered into arrangements with Stichting Communicatiekanaal Aandeelhouders ("Shareholder Communication Channel Trustee") in The Netherlands, facilitating the communication with and between shareholders, particularly in connection with general meetings of shareholders. Under these arrangements, holders of Reed Elsevier NV bearer shares whose shares are held in the custody of a Dutch bank, and who will have notified the intermediary authority appointed for these purposes of their interest, will receive written information from the company with a proxy form for their representation at general shareholders' meetings.

Information for Reed Elsevier PLC and Reed Elsevier NV ADR holders

The Reed Elsevier PLC and Reed Elsevier NV ADR Depository is The Bank of New York. Reed Elsevier PLC's CUSIP number is 758205108 and its trading symbol is RUK. Each Reed Elsevier PLC ADR represents four Reed Elsevier PLC ordinary shares. Reed Elsevier NV's CUSIP number is 758204101 and its trading symbol is ENL. Each Reed Elsevier NV ADR represents two Reed Elsevier NV ordinary shares.

ADR shareholder services

Enquiries concerning Reed Elsevier PLC or Reed Elsevier NV ADRs should be addressed to the ADR Depository at the address shown on page 52.

Dividends

Dividend payments on Reed Elsevier PLC and Reed Elsevier NV ADRs are made in US dollars by the ADR Depository. Payment of the final dividend for 2004 on Reed Elsevier PLC's ADRs will be converted at the £/US\$ exchange rate, and on Reed Elsevier NV's ADRs at the €/\$ exchange rate, on 20 May 2005.

Annual Report on Form 20-F

The Annual Report on Form 20-F for the Reed Elsevier combined businesses, Reed Elsevier PLC and Reed Elsevier NV is filed electronically with the United States Securities and Exchange Commission. A copy of Form 20-F is available on the Reed Elsevier website, or from the ADR Depository at the address shown on page 52.

2005 Financial calendar

17 February	PLC NV	Announcement of Preliminary Results for the year ended 31 December 2004
27 April	PLC	Annual General Meeting – Reed Elsevier PLC, Millennium Hotel, Grosvenor Square, London W1
27 April	PLC NV	Trading update issued in relation to the 2005 financial year
27 April	PLC	Ex-dividend date – 2004 final dividends, Reed Elsevier PLC ordinary shares and ADRs
28 April	NV	Annual General Meeting – Reed Elsevier NV, Hotel Okura, Ferdinand Bolstraat 333, 1072 LH Amsterdam
29 April	PLC NV	Record date – 2004 final dividends, Reed Elsevier PLC ordinary shares and ADRs and Reed Elsevier NV ordinary shares
2 May	NV	Ex-dividend date – 2004 final dividends, Reed Elsevier NV ordinary shares and ADRs
4 May	NV	Record date – 2004 final dividend, Reed Elsevier NV ADRs
20 May	PLC NV	Payment date – 2004 final dividends, Reed Elsevier PLC and Reed Elsevier NV ordinary shares
27 May	PLC NV	Payment date – 2004 final dividends, Reed Elsevier PLC and Reed Elsevier NV ADRs
28 July	PLC NV	Announcement of interim results for the six months to 30 June 2005
29 July	NV	Record date – 2005 interim dividend, Reed Elsevier NV ordinary shares
1 August	NV	Ex-dividend date – 2005 interim dividend, Reed Elsevier NV ordinary shares
2 August	NV	Ex-dividend date – 2005 interim dividend, Reed Elsevier NV ADRs
3 August	PLC	Ex-dividend date – 2005 interim dividends, Reed Elsevier PLC ordinary shares and ADRs
4 August	NV	Record date – 2005 interim dividend, Reed Elsevier NV ADRs
5 August	PLC	Record date – 2005 interim dividends, Reed Elsevier PLC ordinary shares and ADRs
26 August	PLC NV	Payment date – 2005 interim dividends, Reed Elsevier PLC and Reed Elsevier NV ordinary shares
2 September	PLC NV	Payment date – 2005 interim dividends, Reed Elsevier PLC and Reed Elsevier NV ADRs
17 November	PLC NV	Trading update issued in relation to the 2005 financial year

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For further investor information visit

www.reedelsevier.com

Forward looking statements

The Reed Elsevier Annual Review and Summary Financial Statements contain 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 being 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.

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