



REED ELSEVIER (INVESTMENTS) plc

(incorporated with limited liability in England and Wales with registration number 05810043)

£400,000,000 5.625 per cent Guaranteed Notes due 2016 unconditionally and irrevocably guaranteed jointly and severally by

REED ELSEVIER PLC

(incorporated with limited liability in England and Wales with registration number 00077536)

and

REED ELSEVIER N.V.

(incorporated with limited liability in The Netherlands, Amsterdam Chamber of Commerce number 33155037)

Issue price: 99.097 per cent

The £400,000,000 5.625 per cent Guaranteed Notes due 2016 (the **Notes**) are issued by Reed Elsevier (Investments) plc (the **Issuer**). The payment of all amounts payable by the Issuer in respect of the Notes will be unconditionally and irrevocably guaranteed jointly and severally by Reed Elsevier PLC (**REPLC**) and Reed Elsevier N.V. (**RENV** and, together with REPLC, the **Guarantors** and each a **Guarantor**).

The Notes mature on 20 October 2016. The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described under “*Terms and Conditions of the Notes – Redemption and Purchase*”. In addition, upon the occurrence of certain events as described under “*Terms and Conditions of the Notes – Redemption and Purchase*”, the holder of each Note will have the right to require the Issuer to redeem or purchase (or procure the purchase) of such Note at its principal amount together with accrued interest.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority** and the **FSMA**, respectively) for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange’s Gilt-Edged and Fixed Interest Market (the **Market**). References in this Prospectus to the Notes being listed (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 93/22/EEC (the **Investment Services Directive**) and, after its coming into force and implementation, for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

An investment in the Notes involves certain risks. For a discussion of these risks see “Risk Factors”.

The Notes will be rated A- by Fitch Ratings Ltd, Baa1 by Moody’s Investors Service Limited and A- by Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 20 October 2006 (the **Closing Date**) with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 30 November 2006 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances – see “*Summary of Provisions relating to the Notes while represented by the Global Notes*”.

Joint Lead Managers

Barclays Capital

BNP PARIBAS

The Royal Bank of Scotland

This Prospectus comprises a prospectus for the purposes of Article 5.3 of the Directive 2003/71/EC (the **Prospectus Directive**). The Issuer and the Guarantors accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer and the Guarantors (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*” below). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

No person is or has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the offering of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Guarantors or the Joint Lead Managers (as defined under “*Subscription and Sale*” below). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, the Guarantors or Reed Elsevier (as defined below) since the date hereof. This Prospectus does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Guarantors or the Joint Lead Managers to subscribe for, or purchase, any of the Notes. This Prospectus does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Joint Lead Managers and Citicorp Trustee Company Limited (the **Trustee**) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers (or any of them) or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer or the Guarantors in connection with the Notes or their distribution.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantors, the Joint Lead Managers or the Trustee that any recipient of this Prospectus should purchase any of the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantors.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Prospectus, see “*Subscription and Sale*” below.

Unless the context otherwise requires, all references in this document to **Reed Elsevier** refer to the collective legal entities of REPLC, RENV, Reed Elsevier Group plc, Elsevier Reed Finance BV and their respective subsidiaries, joint ventures and associates. The businesses of all of the entities comprising Reed Elsevier are collectively referred to herein as the **combined businesses**. Reed Elsevier is not a separate legal entity.

All references in this document to **pounds sterling, Sterling** and **£** refer to the currency of the United Kingdom and references to **US dollars, U.S.\$** and **\$** refer to United States dollars. In addition, all references to **euro** and **€** refer to the lawful currency of the Member States of the European Union that adopt or have adopted the single currency introduced in accordance with the Treaty establishing the European Community, as amended.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF BARCLAYS BANK PLC, BNP PARIBAS OR THE ROYAL BANK OF SCOTLAND PLC (OR PERSONS ACTING ON THEIR BEHALF) MAY OVER-ALLOT NOTES (PROVIDED THAT THE AGGREGATE PRINCIPAL AMOUNT OF NOTES ALLOTTED DOES NOT EXCEED 105 PER CENT OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT ANY OF BARCLAYS BANK PLC, BNP PARIBAS OR THE ROYAL BANK OF SCOTLAND PLC (OR PERSONS ACTING ON THEIR BEHALF) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

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DOCUMENTS INCORPORATED BY REFERENCE

The Issuer was incorporated on 9 May 2006 and, as at the date of this Prospectus, has not prepared any financial statements.

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Prospectus:

- (a) the audited combined financial statements of Reed Elsevier for each of the financial years ended 31 December 2004, prepared in accordance with generally accepted accounting principles in the United Kingdom (**UK GAAP**), and 31 December 2005, prepared in accordance with International Financial Reporting Standards (**IFRS**), in each case together with the notes to the financial statements and the auditors' report thereon;
- (b) the audited consolidated financial statements of REPLC for each of the financial years ended 31 December 2004, prepared in accordance with UK GAAP, and 31 December 2005, prepared in accordance with IFRS, in each case together with the notes to the financial statements and the auditors' report thereon;
- (c) the audited consolidated financial statements of RENV for each of the financial years ended 31 December 2004, prepared in accordance with UK GAAP, and 31 December 2005, prepared in accordance with IFRS, in each case together with the notes to the financial statements and the auditors' report thereon;
- (d) the unaudited combined interim financial information of Reed Elsevier for the six month period ended 30 June 2006, prepared in accordance with IFRS;
- (e) the unaudited consolidated interim summary financial information of REPLC for the six month period ended 30 June 2006, prepared in accordance with IFRS; and
- (f) the unaudited consolidated interim summary financial information of RENV for the six month period ended 30 June 2006, prepared in accordance with IFRS.

Any statement contained in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained, upon request and free of charge, from the registered offices of the Issuer and the Guarantors and from the specified office of the Principal Paying Agent in London and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.

RISK FACTORS

The Issuer and the Guarantors believe that the following factors may affect the Issuer's ability to fulfil its obligations under the Notes and each Guarantor's ability to fulfil its obligations under the Guarantee (as defined under "Terms and Conditions of the Notes"). All of these factors are contingencies which may or may not occur and the Issuer and the Guarantors are not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which the Issuer and the Guarantors believe are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks to the Reed Elsevier combined businesses and an investment in the Notes, but the Issuer and the Guarantors may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons which may not be considered significant risks by the Issuer and the Guarantors based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's and the Guarantors' ability to fulfil their obligations under the Notes and the Guarantee

Competitive Environment

The markets in which Reed Elsevier operates are highly competitive and continue to change in response to technological innovations, changing legislation and other factors. In particular Reed Elsevier's products and services and the means of their delivery may be subject to rapid technological and other changes. Such changes cannot be predicted with certainty and may make some products or services wholly or partially obsolete. Reed Elsevier may be required to invest significant resources to adapt to the changing competitive environment.

Customer Demand

Reed Elsevier's businesses are dependent on the continued acceptance by its customers of its products and services and the prices charged for them. Reed Elsevier cannot predict whether there will be changes in the future, either in the market demand or from the actions of competitors, which will affect the acceptability of products, services and prices to its customers.

Exchange Rates

Reed Elsevier's financial statements are expressed in pounds sterling and euros and are, therefore, subject to movements in exchange rates on the translation of the financial information of businesses whose operational currencies are other than the reporting currencies. The United States is its most important market and, accordingly, significant fluctuations in US dollar exchange rates could significantly affect the reported results.

Taxation

Reed Elsevier's businesses operate in over 100 locations worldwide and its earnings are subject to taxation in many differing jurisdictions and at differing rates. Reed Elsevier organises its affairs in a tax efficient manner, taking account of the jurisdictions in which it operates. However, changes in tax laws or in the application of tax laws to Reed Elsevier businesses could adversely affect the reported results.

Regulatory Environment

Legal regulation relating to internet communications, data protection, e-commerce, direct marketing and digital advertising and use of public records is becoming more prevalent. Existing, proposed or future legislation may impose limits on Reed Elsevier's collection and use of information and its ability to communicate such information effectively with its customers. Reed Elsevier is unable to predict in what form laws and regulations will be adopted or how they will be construed by the courts, or the extent to which any changes might adversely affect its business.

Data Security

Reed Elsevier's businesses provide their customers with access to database information such as case law, treatises, journals and publications, as well as other data. The Reed Elsevier risk management business also provides authorised customers with access to public records and other information on US individuals made available in accordance with applicable privacy laws and regulations. There are persons who try to breach Reed Elsevier's data security systems or gain other unauthorised access to its databases in order to misappropriate such information for potentially fraudulent purposes. Breaches of Reed Elsevier's data security systems or other unauthorised access to its databases may result in reputational damage, loss or litigation and increase the likelihood of more extensive governmental regulation in a way that could adversely affect the business.

Public Funding

Reed Elsevier's customers include academic institutions and, specifically in the US, state boards of education and local school districts. These customers rely on various sources of governmental and private funding to purchase Reed Elsevier's products and services. Any decreases or delays in governmental funding, decreases in budgets of academic institutions or changes in their spending patterns could adversely affect Reed Elsevier's business.

Intellectual Property

Reed Elsevier's products and services are largely comprised of intellectual property content delivered through a variety of media. Reed Elsevier relies on trademark, copyright, patent and other intellectual property laws to establish and protect its proprietary rights in these products and services. However, there is a risk that these proprietary rights could be challenged, limited, invalidated or circumvented.

Management Retention

The implementation and execution of Reed Elsevier's strategic and business plans depend on the availability of high quality management resources across all its businesses. Reed Elsevier cannot predict that in the future such resources will be available.

Investment

Reed Elsevier is investing significant amounts to develop and promote electronic products and platforms. The provision of these products and services is very competitive and is to some extent subject to factors outside Reed Elsevier's control such as competition from new technologies and changes in regulation. There is no assurance that this investment will produce satisfactory long term returns.

Electronic Platforms and Networks

Reed Elsevier's businesses are increasingly dependent on electronic platforms and networks, primarily the internet, for delivery of its products and services. Although plans and procedures are in place to reduce such risks, Reed Elsevier's businesses could be adversely affected if its electronic delivery platforms and networks experience a significant failure, interruption, or security breach.

STM Publishing Model

Reed Elsevier's scientific, technical and medical (STM) publications, like those of most of its competitors, are published on a paid subscription basis. There has been recent debate in the academic and library communities, which are the principal customers for STM publications, regarding whether such publications should be free and funded instead through fees charged to authors and from governmental and other subsidies or made freely available after a period following publication. If these methods of STM publishing were to be widely adopted, they could adversely affect Reed Elsevier's revenue from paid subscription publications.

Advertising and Exhibitions

Reed Elsevier derives a significant proportion of its revenue from advertising and exhibitions. The spending of customers on these activities is traditionally cyclical, with companies spending significantly less in times of economic slowdown or recession. Reed Elsevier's businesses could therefore be adversely affected by an economic slowdown or recession.

Reed Elsevier's exhibitions business is also affected by the availability of venues and the propensity of exhibitors and attendees to travel. Reed Elsevier's results could be adversely affected if the availability of

venues or demand from exhibitors were reduced, for example, due to international security, public health concerns or acts of terrorism.

Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- (iv) understand thoroughly the terms of the Notes; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Risks related to the Notes

Set out below is a brief description of certain risks relating to the Notes:

Modification, waivers and substitution

The Terms and Conditions of the Notes and the Trust Deed (as defined in the Terms and Conditions of the Notes) contain provisions for convening meetings of Noteholders to consider any matter affecting their interests. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of the Noteholders or Couponholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed or (ii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, provided that, in either case, in the opinion of the Trustee, it will not be materially prejudicial to the interests of Noteholders, or may agree, without such consent as aforesaid, to any modification of the provisions of the Notes or the Trust Deed which, in its opinion, is of a formal, minor or technical nature or is to correct a manifest or proven error.

The Trust Deed contains provisions under which the Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantors to the substitution (a) in place of the Issuer as the principal debtor in respect of the Notes, the Coupons and the Trust Deed of (i) either or both of the Guarantors, (ii) a Successor in Business (as defined in the Trust Deed) to the Issuer or either or both of the Guarantors, (iii) a holding company (as defined in the Trust Deed) of the Issuer or either or both of the Guarantors or (iv) any other Reed Elsevier Component Company; or (b) in place of either or both of the Guarantors as a guarantor or the guarantors in respect of the Notes, the Coupons and the Trust Deed of (i) a Successor in Business to either or both of the Guarantors or (ii) a holding company of either or both of the Guarantors, in each case subject to certain conditions, as specified in Condition 14 of the Notes and the Trust Deed, including the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, European Union Member States are required to provide to the tax authorities of another European Union Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of

certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Notes as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Prospectus.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls

The Issuer (and, failing the Issuer, the Guarantors) will pay principal and interest on the Notes in pounds sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than pounds sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of pounds sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to pounds sterling would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings may not reflect all risks

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £400,000,000 5.625 per cent Guaranteed Notes due 2016 (the **Notes**, which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 and forming a single series with the Notes) of Reed Elsevier (Investments) plc (the **Issuer**) are constituted by a Trust Deed dated 20 October 2006 (the **Trust Deed**) made between the Issuer, Reed Elsevier PLC as a guarantor (**REPLC**), Reed Elsevier N.V. as a guarantor (**RENV** and, together with REPLC, the **Guarantors** and each a **Guarantor**) and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of, and definitions in, the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement dated 20 October 2006 (the **Agency Agreement**) made between the Issuer, the Guarantors, the initial Paying Agents and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at 14th Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denomination of £50,000 with Coupons attached on issue.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, the Guarantors, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE NOTES

The Notes and the Coupons are direct and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations of the Issuer other than obligations mandatorily preferred by law applying to companies generally.

3. GUARANTEE

3.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed jointly and severally by the Guarantors (the **Guarantee**) in the Trust Deed.

3.2 Status of the Guarantee

The obligations of each Guarantor under the Guarantee constitute direct and (subject to the provisions of Condition 4) unsecured obligations of each Guarantor and (subject as provided above) rank and will rank *pari passu* with all present and future unsecured and unsubordinated obligations

of that Guarantor other than obligations mandatorily preferred by law applying to companies generally.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor either Guarantor will create or allow to exist, and the Issuer and the Guarantors shall procure that no other Reed Elsevier Component Company (as defined below) shall create or allow to exist, any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) (other than a Permitted Security Interest) upon, or with respect to, any of its present or future undertaking or assets to secure any of the Issuer's or either Guarantor's Relevant Indebtedness (as defined below) or any Relevant Indebtedness of any other Reed Elsevier Component Company, unless the Issuer, the Guarantor(s) or such other Reed Elsevier Component Company, as the case may be, in the case of the creation of a Security Interest, before or at the same time takes any and all action necessary to procure that:

- (i) all amounts payable by the Issuer in respect of the Notes, the Coupons and the Trust Deed and by the Guarantors under the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (ii) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee shall in its absolute discretion deem not materially less beneficial to the Noteholders or (B) as shall be approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

4.2 Interpretation

For the purposes of these Terms and Conditions:

(a) **Permitted Security Interest** means:

- (i) any Security Interest which exists on any undertaking or asset which secures any Relevant Indebtedness of the Issuer, either Guarantor or any other Reed Elsevier Component Company which asset or undertaking is acquired after 16 October 2006 provided that such Security Interest existed at the date of such acquisition, was not granted in contemplation of the acquisition and the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition and any Security Interest over the same undertaking or asset which is given for the purpose of, and to the extent of, the refinancing of any such Relevant Indebtedness;
 - (ii) any Security Interest arising by operation of law or any right of set-off;
 - (iii) any Security Interest granted by one Reed Elsevier Component Company in favour of another Reed Elsevier Component Company (while such beneficiary remains a Reed Elsevier Component Company); and
 - (iv) any Security Interest as shall have been previously approved in writing by the Trustee (which may only be so approved if the Trustee is of the opinion that to do so will not be materially prejudicial to the Noteholders);
- (b) **Reed Elsevier Component Companies** means the collective legal entities of the Guarantors, Reed Elsevier Group plc, Elsevier Reed Finance BV and their respective Subsidiaries from time to time and **Reed Elsevier Component Company** means any company which forms part of the Reed Elsevier Component Companies;
- (c) **Relevant Indebtedness** means (i) any loan or other indebtedness present or future which is in the form of or represented by any notes, bonds, debentures, debenture stock, loan stock or other securities which have a final maturity of more than a year from the date of their creation and which are for the time being quoted, listed or ordinarily dealt in, at the request or with the concurrence of the Issuer or the relevant Guarantor, as the case may be, on any stock exchange or other recognised securities market, and (ii) any guarantee or indemnity in respect of any such loan or other indebtedness referred to in paragraph (i); and

- (d) **Subsidiary** means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent of the voting capital or similar right of ownership and **control** for this purpose means the power to direct the management and the policies of the entity whether through the ownership of voting capital, by contract or otherwise.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 20 October 2006 at the rate of 5.625 per cent per annum, payable annually in arrear on 20 October (each an **Interest Payment Date**). The first payment shall be made on 20 October 2007.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

6. PAYMENTS

6.1 Payments in respect of Notes

Payments of principal in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, and payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of Payment

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with or, at the option of the payee, by a cheque in Sterling drawn on, a bank in London.

6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

6.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8.

6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5, be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 9):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and
- (c) in the case of payment by credit or transfer to a Sterling account in London as referred to above, is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

6.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Terms and Conditions. The Issuer and the Guarantors reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which, so long as the Notes are admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Gilt-Edged and Fixed Interest Market of the London Stock Exchange plc, shall be London or such other place as the UK Listing Authority may approve; and
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive save where it may from time to time be otherwise agreed with the Trustee that it is unduly onerous or inconsistent with current market practice at the relevant time to do so.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 20 October 2016.

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 16 October 2006, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 or (ii) both of the Guarantors would be unable for reasons outside their control to procure payment by the Issuer and in making payment themselves both Guarantors would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, each of the Guarantors taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, both the Guarantors would be required to pay such additional amounts, were a payment in respect of the

Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantors stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantors taking reasonable measures available to it or them, as the case may be, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

7.3 Change of Control – Redemption at the Option of the Holders

A **Put Event** will be deemed to occur if:

- (a) any person or any persons (other than a Guarantor) acting in concert or any person or persons acting on behalf of any such person(s) at any time directly or indirectly own(s) or acquire(s):
 - (i) more than 50 per cent of the issued or allotted ordinary share capital of each of the Guarantors or
 - (ii) such number of shares in the capital of each of the Guarantors carrying more than 50 per cent of the total voting rights attached to the issued or allotted share capital of each of the Guarantors that are normally exercisable at a general meeting of such Guarantor (such event being a **Change of Control**), provided that a Change of Control shall be deemed not to have occurred if one or more new holding companies acquires the entire issued share capital of each of the Guarantors and (A) such holding company (or companies) has (or have, as the case may be) substantially the same shareholders as each of the Guarantors and those shareholders acquired the shares in the holding company (or companies) in substantially the same proportions as they hold shares in the relevant Guarantor(s) prior to the holding company (or companies) so acquiring the share capital of each of the Guarantors; and (B) each of the Guarantors is a wholly owned (directly or indirectly) subsidiary of such holding company (or companies); and
- (b) on the date (the **Relevant Announcement Date**) that is the earlier of (i) the date of the first public announcement of the relevant Change of Control; and (ii) the date of the earliest Relevant Potential Change of Control Announcement (if any), the Notes carry from any Rating Agency (as defined below):
 - (A) an investment grade credit rating (*Baa3/BBB–, or equivalent, or better*), and such rating from any Rating Agency is within the Change of Control Period either downgraded to a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or
 - (B) a non-investment grade credit rating (*Ba1/BB+, or equivalent, or worse*), and such rating from any Rating Agency is within the Change of Control Period downgraded by one or more notches (*for illustration, Ba1/BB+ to Ba2/BB being one notch*) or withdrawn and is not within the Change of Control Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
 - (C) no credit rating, and no Rating Agency assigns within the Change of Control Period an investment grade credit rating to the Notes,provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and
- (c) in making the relevant decision(s) referred to above, the relevant Rating Agency announces publicly or confirms in writing to the Issuer, either Guarantor or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control.

If a Put Event occurs, each Noteholder shall have the option to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Put Date (as defined below) at its principal amount together with interest accrued to but excluding the date of redemption or purchase. Such option (the **Put Option**) shall operate as set out below.

Promptly upon the Issuer or either Guarantor (as the case may be) becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 7.3.

To exercise the option to require the redemption or purchase of a Note under this Condition 7.3 the holder of the Note must deliver such Note at the specified office of the Principal Paying Agent at any time during normal business hours of the Principal Paying Agent falling within the period (the **Put Period**) of 45 days after a Put Event Notice is given, at the specified office of the Principal Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of the Principal Paying Agent (a **Change of Control Put Notice**). The Note should be delivered together with all Coupons appertaining thereto maturing after the date which is 7 days after the expiration of the Put Period (the **Put Date**), failing which the Principal Paying Agent will require payment of an amount equal to the face value of any missing such Coupon. Any amount so paid will be reimbursed in the manner provided in Condition 6.3 against presentation and surrender of the relevant missing Coupon (or any replacement therefor issued pursuant to Condition 12) at any time after such payment, but before the expiry of the period of five years from the Relevant Date (as defined in Condition 8.2) in respect of that Coupon. The Principal Paying Agent will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Change of Control Put Notice to which payment is to be made, on the Put Date by transfer to that bank account and, in every other case, on or after the Put Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of the Principal Paying Agent. A Change of Control Put Notice, once given, shall be irrevocable. For the purposes of these Conditions, receipts issued pursuant to this Condition shall be treated as if they were Notes. The Issuer shall redeem or purchase (or procure the purchase of) the relevant Notes on the Put Date unless previously redeemed and cancelled or purchased.

If 80 per cent or more in nominal amount of the Notes then outstanding have been redeemed or purchased pursuant to this Condition 7.3, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Put Date, redeem or purchase (or procure the purchase of), at its option, the remaining Notes as a whole at their principal amount plus interest accrued to but excluding the date of such redemption or purchase.

If the rating designations employed by any of Moody's, S&P or Fitch are changed from those which are described in paragraph (b) above, or if a rating is procured from a Substitute Rating Agency, the Issuer and/or the Guarantors shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of Moody's or S&P or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's or S&P or Fitch and paragraph (b) shall be read accordingly.

The Trustee is under no obligation to ascertain whether a Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Put Event or Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or Change of Control or other such event has occurred.

For the purposes of these Terms and Conditions:

Change of Control Period means the period commencing on the Relevant Announcement Date and ending 90 days after the Change of Control (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a rating agency, such period not to exceed 60 days after the public announcement of such consideration);

Rating Agency means Fitch Ratings Ltd (**Fitch**), Moody's Investors Service, Inc. (**Moody's**) or Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P**), or their respective successors or any rating agency (a **Substituted Rating Agency**) substituted for any of them by the Issuer or either Guarantor from time to time with the prior written approval of the Trustee; and

Relevant Potential Change of Control Announcement means any public announcement or statement by the Issuer, either Guarantor, any actual or potential bidder or any adviser thereto relating to any potential Change of Control where within 180 days following the date of such announcement or statement, a Change of Control occurs.

7.4 Purchases

The Issuer, either Guarantor or any other Reed Elsevier Component Company (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price. The Issuer, the relevant Guarantor or the relevant Reed Elsevier Component Company may at its option retain such Notes for its own account and/or resell or cancel or otherwise deal with such Notes at its discretion but whilst held by or on behalf of the Issuer, the relevant Guarantor or the relevant Reed Elsevier Component Company, as the case may be, such Notes shall be deemed not to be outstanding for certain purposes of the Trust Deed.

7.5 Cancellations

All Notes which are redeemed by the Issuer will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold.

7.6 Notices Final

Upon the expiry of any notice as is referred to in Condition 7.2 or 7.3 above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such Condition.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantors shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantors will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with any Relevant Jurisdiction other than the mere holding of the Note or Coupon; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (c) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by (i) presenting the relevant Note or Coupon to another paying agent in a Member State of the European Union or (ii) by authorising the Principal Paying Agent to report information in accordance with the procedure laid down by the relevant tax authority or by producing, in the form required by the relevant tax authority, a declaration, claim, certificate, document or other evidence establishing exemption therefrom; or
- (d) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6).

8.2 Interpretation

In these Terms and Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13; and
- (b) **Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by the Issuer or REPLC) or The Netherlands or any political subdivision or any authority thereof or therein having power to tax (in the case of payments by RENV) or, in either case, any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or either of the Guarantors, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes.

8.3 Additional Amounts

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6.

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (d) (other than the winding up or dissolution of the Issuer or either Guarantor or the making of an administration order in relation to the Issuer or either Guarantor), and (e) to (h) inclusive and (j) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer and the Guarantors that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or
- (b) if the Issuer or either Guarantor fails to perform or observe any of its other obligations under these Terms and Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if (i) any other Indebtedness for Borrowed Money (as defined below) of the Issuer, either Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, either Guarantor or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any guarantee and/or indemnity of any Indebtedness for Borrowed Money given by the Issuer, either Guarantor or any Material Subsidiary shall not be paid when due and called upon or at the expiry of any originally applicable grace period, unless, in relation to (i), (ii) or (iii) above, the Issuer, the relevant Guarantor or the relevant Material Subsidiary, as the case may be, is

contesting any such event in good faith in appropriate proceedings or where there is otherwise a bona fide dispute as to whether payment or repayment is due; provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money in respect of which default is made, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money in respect of which default specified in (i) to (iii) above is made and is continuing, amounts to at least £30,000,000 (or its equivalent in any other currency); or

- (d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer, either Guarantor or any Material Subsidiary, or an administration order is made in relation to the Issuer, either Guarantor or any Material Subsidiary, save for the purposes of reorganisation, merger, reconstruction or amalgamation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (e) if the Issuer, either Guarantor or Reed Elsevier as a whole ceases to carry on the whole or the Majority of its business, save for the purposes of reorganisation, merger, reconstruction or amalgamation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) the Issuer or REPLC is unable to pay its debts within the meaning of section 123(1)(e) or section 123(2) of the Insolvency Act 1986 of Great Britain or if RENV is unable to pay its debts within the meaning of Article 1 of The Netherlands Bankruptcy Code of 30 September 1893; or
- (g) if (i) proceedings are initiated against the Issuer, either Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, either Guarantor or any Material Subsidiary or, as the case may be, in relation to the whole or any material part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any material part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any material part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) is not discharged within 90 days; or
- (h) if the Issuer or either Guarantor (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) except in any such case on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (i) if the Guarantee ceases to be, or is claimed by the Issuer or either Guarantor not to be, in full force and effect; or
- (j) if the Issuer ceases to be a Reed Elsevier Component Company.

10.2 Interpretation

For the purposes of this Condition:

- (a) **EBITDA** means, in relation to the Issuer, either Guarantor, any other Reed Elsevier Component Company or Reed Elsevier as a whole, adjusted operating profit, which is operating profit, excluding any amortisation of acquired intangible assets, acquisition integration costs and its share of tax charges of joint ventures, and adding back any depreciation expense, in each case as determined in accordance with the Trust Deed;
- (b) **Majority of its business** means at least 50.1 per cent of its EBITDA;
- (c) a **Material Subsidiary** means at any time any Reed Elsevier Component Company whose net assets, EBITDA or net revenues (excluding intra-Reed Elsevier Component Companies

items) then equal or exceed 10 per cent of the combined net assets, EBITDA or net revenues of Reed Elsevier, all as more particularly defined in the Trust Deed;

- (d) **Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading; and
- (e) **Reed Elsevier** means the collective legal entities of REPLC, RENV, Reed Elsevier Group plc, Elsevier Reed Finance BV and their respective subsidiaries, joint ventures and associates.

The provisions of subparagraphs (d) to (j) of Condition 10.1 shall be interpreted so as to include any event which occurs in relation to RENV and which, in the opinion of the Trustee, has an analogous effect under the laws of The Netherlands, following receipt by the Trustee of an opinion of an independent legal adviser confirming the same.

10.3 Reports

A report by two Directors of a Guarantor whether or not addressed to the Trustee that in their opinion a Reed Elsevier Component Company is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or any Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured to its satisfaction.

11.2 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices to the Noteholders will be deemed to be validly given if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 13.

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantors to the substitution (a) in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor in respect of the Notes, the Coupons and the Trust Deed of (i) either or both of the Guarantors, (ii) a Successor in Business (as defined in the Trust Deed) to the Issuer or either or both of the Guarantors, (iii) a holding company (as defined in the Trust Deed) of the Issuer or either or both of the Guarantors or (iv) any other Reed Elsevier Component Company; or (b) in place of either or both of the Guarantors (or of any previous substitute under this Condition) as a guarantor or the guarantors in respect of the Notes, the Coupons and the Trust Deed of (i) a Successor in Business to either or both of the Guarantors or (ii) a holding company of either or both of the Guarantors, in each case subject to:

- (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and
- (a) certain other conditions set out in the Trust Deed being complied with.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Terms and Conditions and certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

15.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of applicable law.

15.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or

Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

15.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTORS

16.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

16.2 Trustee Contracting with the Issuer and the Guarantors

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantors and/or any of the Guarantors' other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantors and/or any of the Guarantors' other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed (including the Guarantee), the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

18.2 Jurisdiction of English Courts

RENV has, in the Trust Deed, irrevocably agreed for the benefit of the Trustee, the Noteholders and the Couponholders that the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes or the Coupons and accordingly has submitted to the non-exclusive jurisdiction of the English courts.

RENV has, in the Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee, the Noteholders and the Couponholders may to the extent allowed by law take any suit, action or proceeding arising out of or in connection with the Trust Deed, the Notes or the Coupons respectively (together referred to as **Proceedings**) against the Issuer or either of the Guarantors in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

RENV has, in the Trust Deed, irrevocably and unconditionally appointed Reed Elsevier (UK) Limited at 1-3 Strand, London WC2N 5JR as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as “Events of Default”;
- (b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
- (c) if the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the Trustee and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note may or, in the case of (c) above, shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 30 November 2006, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders

may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 13, provided that, so long as the Notes are admitted to listing on the Official List of the UK Listing Authority and admitted to trading on the Gilt-Edged and Fixed Interest Market of the London Stock Exchange plc, notices will also be published in a manner which complies with the rules and regulations of the London Stock Exchange from time to time. Any such notice shall be deemed to have been given to the Noteholders on the day which is one business day, being a day on which banks are generally open, in Brussels or Luxembourg (as the case may be) after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer, the Guarantors and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer and the Guarantors in respect of principal and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Terms and Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

7. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.3 may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Noteholder's instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

8. Euroclear and Clearstream, Luxembourg

References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately £394,988,000, will be applied by the Issuer towards the repayment of Reed Elsevier short-term borrowings and general corporate purposes.

DESCRIPTION OF THE ISSUER

The Issuer

The Issuer was incorporated on 9 May 2006 and is a public limited company incorporated under the laws of England with registered office address at 1-3 Strand, London WC2N 5JR (company number 05810043).

The sole business activity of the Issuer is to borrow money and make loans to members of the Reed Elsevier combined businesses. The Issuer is a wholly-owned subsidiary of Reed Elsevier (Holdings) Ltd.

Directors	Since	Outside principal activities
Mark Armour	2006	None
Steve Cowden	2006	None
Anne Joseph	2006	None
Paul Richardson	2006	None

The business address for directors of the Issuer is c/o Reed Elsevier, 1-3 Strand, London WC2N 5JR, United Kingdom.

No director has any potential conflict of interest between their duties to the Issuer and their private interests and/or other duties.

As at the date of this Prospectus, the Issuer has not prepared any financial statements.

DESCRIPTION OF THE GUARANTORS

REPLC was incorporated on 28 May 1903 and is a public limited company incorporated under the laws of England with registered office address at 1-3 Strand, London WC2N 5JR (company number 00077536).

RENV was incorporated on 23 January 1979 and is a company incorporated under the laws of the Netherlands with registered office address at Radarweg 29, 1043 NX Amsterdam (Amsterdam Chamber of Commerce Nr 33155037).

HISTORY AND DEVELOPMENT OF REED ELSEVIER

Corporate structure

Reed Elsevier came into existence in January 1993, when REPLC and RENV contributed their businesses to two jointly owned companies, Reed Elsevier Group plc, a UK registered company which owns the publishing and information businesses, and Elsevier Reed Finance BV, a Dutch registered company which owns the financing activities. REPLC and RENV have retained their separate legal and national identities and are publicly held companies. REPLC's securities are listed in London and New York, and RENV's securities are listed in Amsterdam and New York.

Equalisation arrangements

REPLC and RENV each hold a 50 per cent interest in Reed Elsevier Group plc. REPLC holds a 39 per cent interest in Elsevier Reed Finance BV, with RENV holding a 61 per cent interest. REPLC additionally holds a 5.8 per cent indirect equity interest in RENV, reflecting the arrangements entered into between the two companies at the time of the merger, which determined the equalisation ratio whereby one RENV ordinary share is, in broad terms, intended to confer equivalent economic interests to 1.538 REPLC ordinary shares. The equalisation ratio is subject to change to reflect share splits and similar events that affect the number of outstanding ordinary shares of either REPLC or RENV.

Under the equalisation arrangements, REPLC shareholders have a 52.9 per cent economic interest in Reed Elsevier, and RENV shareholders (other than REPLC) have a 47.1 per cent economic interest in Reed Elsevier. Holders of ordinary shares in REPLC and RENV enjoy substantially equivalent dividend and capital rights with respect to their ordinary shares.

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

Reed Elsevier (Investments) plc is a wholly owned indirect subsidiary of Reed Elsevier Group plc.

Principal Executive Offices

The principal executive offices of REPLC and Reed Elsevier (Investments) plc are located at 1-3 Strand, London WC2N 5JR, England. Tel: +44 20 7930 7077. The principal executive offices of RENV are located at Radarweg 29, 1043 NX Amsterdam, The Netherlands. Tel: +31 20 485 2222.

BUSINESS OVERVIEW

Reed Elsevier

Reed Elsevier is a global publisher and information provider. The principal operations are in North America and Europe and include science and medical, legal, education and business publishing. Total revenues for the year ended 31 December 2005 were £5,166 million, and for the six months ended 30 June 2006 were £2,627 million, principally derived from subscriptions, circulation and copy sales, advertising sales and exhibition fees.

Reed Elsevier is well positioned in markets with attractive growth prospects and has a clear investment led growth strategy focused on building revenue momentum across all its businesses.

Long term growth in Reed Elsevier's markets is expected to be sustained by the continuing demand for professional information. The increasing levels of scientific, medical, legal and business activity as well as the commitment to measurable improvements in educational standards are generating more demand for high quality, specialist information. In addition, professionals are looking for significant improvements in productivity through access to highly functional online services and associated workflow tools.

Reed Elsevier's strategy is aimed at delivering strong sales growth in its markets with innovative and superior products based on content development skills and technology applications supported by strong sales and marketing capabilities. Reed Elsevier expects to see sustainable growth in its core information offerings and to develop these further through organic and acquisition investment to meet the expanding needs of its customers and to address emerging opportunities in new geographical and commercial markets. Reed Elsevier's commitment to ongoing investment programmes is aimed at delivering a comprehensive range of highly functional information based products and services that deliver greater productivity and success for its business and professional customers.

Reed Elsevier's strategy to deliver strong top line growth is accompanied by continued commitment to outstanding execution built on strong management, organisational effectiveness and tight cost control.

Reed Elsevier has established long term financial targets which are to achieve above market revenue growth and double digit adjusted earnings per share growth at constant currencies (adjusted figures are presented in Reed Elsevier's financial statements as additional performance measures and are stated before the amortisation of acquired intangible assets, acquisition integration costs, gains on disposals and investments, related tax effects and movements on deferred tax balances not expected to crystallise in the near term). The business is strongly cash generative.

Reed Elsevier plans to return in the region of 70-80 per cent of free cash flow to shareholders in 2006 through dividends and its annual share repurchase programme. The amount of share repurchases may vary depending on prevailing market and business conditions. To the extent that acquisition opportunities arise beyond the available free cash flow after dividends and share repurchases, Reed Elsevier would normally expect to fund these from debt.

Reed Elsevier businesses provide products and services that are organised to serve four business sectors: Elsevier serves the science and medical sector; LexisNexis, the legal and other professional sectors; Harcourt Education, the education sector; and Reed Business, the business to business sector.

	Revenue			
	Year ended December 31,			
	2005		2004	
	(in millions, except percentages)			
Elsevier	£1,436	28%	£1,363	28%
LexisNexis	1,466	28	1,292	27
Harcourt Education	901	18	868	18
Reed Business	1,363	26	1,289	27
Total	£5,166	100%	£4,812	100%

Elsevier

Elsevier comprises worldwide scientific, technical and medical publishing and communications businesses. Total revenues for the year ended 31 December 2005 were £1,436 million and for the six months ended 30 June 2006 were £721 million. Elsevier is headquartered in Amsterdam and its principal operations are located in Amsterdam, London, Oxford, New York, Philadelphia, St Louis, San Francisco, Paris, Munich, Madrid, Singapore, Tokyo and Delhi.

Growth in the scientific information market is driven by ever increasing scientific research and discovery and the demands for greater efficiency and productivity in the research process. In healthcare, advances in medical science and procedures and the demand for improved medical outcomes give rise to the need for high quality specialist information and associated online tools.

The Science & Technology division of Elsevier supplies scientific and technical information for libraries, scientists and professionals across the world serving a wide range of research fields. It is a global academic journal publisher and each year publishes over 170,000 new research articles in some 1,200 journals and over 1,000 new book titles. Elsevier also publishes secondary material in the form of supporting bibliographic data, indexes and abstracts, and tertiary information in the form of review and reference works. Its flagship electronic product, ScienceDirect, is a full text online research service holding over 7 million scientific articles and an expanding portfolio of books comprising, at the end of 2005, 49 major reference works, 145 book series and seven handbooks in 170 volumes. The ScienceDirect database is accessed by over 10 million users each year and has provided significant improvements in productivity

through quicker and easier access to high quality content. Elsevier continues to develop its electronic product offerings and in 2005 saw the first full year of operation of Scopus, an abstract and index database and navigational tool which significantly enhances research productivity. The Scopus database, as at the end of 2005, contained nearly 30 million abstracts of scientific research articles from 15,000 peer reviewed publications, 13 million patents, and references to 180 million web pages.

The Health Sciences division of Elsevier comprises an international network of nursing, health professions and medical publishing and communications businesses. The division supplies healthcare and medical information to medical researchers, practising professionals and students. Its principal geographic markets are the United States, the United Kingdom, Germany, France and Spain. The division publishes over 500 journals, including a number of journals for learned societies, and over 10,000 book titles and clinical reference works. Elsevier is also seeing acceleration in the development of electronic products. These include multimedia products for use by both medical faculties and students to support core textbooks as well as online products for practitioner reference. Internationally, Elsevier is leveraging both its print and online content into new markets through foreign language versions. The Excerpta Medica Communications business publishes customised information for healthcare professionals, medical societies and pharmaceutical companies.

Elsevier aims to be the most valued source of information products for scientific researchers and health professionals. Its key strategic areas of focus are: quality of content; customer service and customer relations; development of productivity enhancing online solutions; expanded penetration of targeted high growth markets; and organisational efficiency. In 2005, Elsevier underwent a major reorganisation to upgrade its organisational capabilities and improve accountability and customer and product focus.

Elsevier's journals are generally sold to libraries on a paid subscription basis, with subscription agents facilitating the administrative process. Medical and healthcare journals are also frequently sold to individuals through direct mail and learned societies. Electronic products, such as ScienceDirect, Scopus and MDConsult, are generally sold by Elsevier's dedicated sales force directly to end users. Books are sold by Elsevier's sales force through book stores, both traditional and online, wholesalers and, particularly in medical and healthcare markets, directly to customers.

Competition within the science and technology and medical publishing fields is generally on a title by title basis. Competing journals are typically published by learned societies and by other professional publishers.

LexisNexis

LexisNexis provides legal, tax, regulatory and business information to professional, business and government customers internationally. Total revenues for the year ended 31 December 2005 were £1,466 million and for the six months ended 30 June 2006 were £768 million.

Legal and regulatory markets worldwide are seeing continuing growth driven by the increasing level of legislation and litigation, as well as the increasing number of lawyers. Additional opportunities are also developing beyond the core research market, through the delivery of value added services to meet demands for greater legal efficiency and productivity. Increasingly legal information and services are being delivered online, with considerable potential to deliver such products in markets outside the United States where online migration is significantly lower than in the US legal market. In recent years, LexisNexis has, with its comprehensive US public records databases, expanded its risk management and information analytics business. This is growing strongly due to increasing credit card losses and insurance fraud and the demand for identity verification.

LexisNexis US offers legal information products in electronic and print formats to law firms and practitioners, law schools and state and local governments in the United States. Headquartered in New York, the principal operations are located in Ohio, New Jersey and Florida. The US Legal Markets division provides statutes and case law for all 50 US states as well as research, analysis and citation services from Matthew Bender, Michie and Shepard's. The Martindale Hubbell Law Directory and martindale.com databases provide access to the qualifications and credentials of over one million lawyers and law firms worldwide. LexisNexis also increasingly provides total practice solutions, combining content with online workflow tools. These tools include electronic discovery, court docket tracking, e-filing, expert identification, legal document preparation, client development, and many other lawyer tasks. The Corporate and Public Markets division offers LexisNexis products and services to corporations, federal government agencies and academic institutions together with news, business, financial and public records content. Its risk management applications are designed to assist customers in

managing risk through fraud detection and prevention, identity verification, pre-employment screening and due diligence.

Outside the US, LexisNexis International serves markets in Europe, Africa, Asia Pacific, Canada and Latin America with a range of local and international legal, tax, regulatory and business information in electronic and print formats. The most significant businesses are in the UK and France.

LexisNexis aims to be the leading preferred provider of productivity enhancing information and information-based workflow and client development solutions in its markets. The key strategic areas of focus are: to expand the business from research into total practice solutions; to grow a significant business in risk management; to expand internationally through innovative online product and services; and to continuously improve cost effectiveness.

LexisNexis's principal competitor in US legal markets is West (The Thomson Corporation), while the principal US competitors in corporate and public markets are West, Factiva (a Reuters/Dow Jones joint venture) and ChoicePoint. Major international competitors include The Thomson Corporation, Wolters Kluwer and Factiva.

Harcourt Education

Harcourt Education publishes school textbooks and related instructional and assessment materials, principally in the United States, the United Kingdom, Australia, New Zealand and southern Africa. Headquartered in New York, the principal operating locations are in Florida, Texas and Oxford. Total revenues for the year ended 31 December 2005 were £901 million and for the six months ended 30 June 2006 were £390 million.

Growth in Harcourt Education's markets is driven by long standing commitments to improve educational standards. Such commitments remain strong and require sustained investment in proven educational programmes. In recent years, there has also been further emphasis on the measurement of the educational results of students, both to monitor and assist improvement in individual educational outcomes and to improve accountability. Overall funding for education is expected to continue to increase. Harcourt Education has achieved strong performance in recent years based on strong curriculum product in key subjects such as reading and literature, science and health and elementary maths and social studies.

In the United States, Harcourt School Publishers is a publisher of print and technology enabled instructional materials for students in kindergarten to 6th grade. Holt, Rinehart and Winston offers educational textbooks and related instructional materials for students in middle and secondary schools. The major customers of Harcourt Education's US schools publishing businesses are state boards of education and local district and school boards. Of the 50 US states, 20 periodically purchase educational programmes through an adoption process. This process entails state education committees approving a shortlist of education materials from which school districts can purchase. The remaining 30 states without an adoption process, known as open territories, allow individual school districts to purchase any educational programmes.

Harcourt Achieve is a publisher of supplemental school and adult education materials as well as providing professional development services for teachers. Greenwood-Heinemann publishes monograph and reference lists and professional resources for teachers.

Harcourt Assessment develops assessment products and services for elementary, secondary and higher education as well as tests for practising and research psychologists. In educational testing, it provides a range of achievement, aptitude and guidance testing services for measuring student progress. It is well known for the Stanford Achievement Test, now in its 10th edition. In clinical testing, it provides psychologists with assessment tests for many aspects of human behaviour, intelligence and development. The Wechsler products, including the Wechsler Preschool and Primary Scale of Intelligence, are licensed for publication in over 30 countries.

Outside the United States, Harcourt Education International is a provider of textbooks and related instructional materials to the UK primary and secondary schools market through the Heinemann, Rigby and Ginn imprints and other English language markets in Australia, New Zealand and southern Africa.

Harcourt Education aims to be the leading provider of educational resources to improve student performance. The key strategic areas of focus are: to sustain high quality, effective product through strong editorial processes in new publishing and continuous innovation; to expand online teaching and assessment resources; to deepen customer relationships to become the provider of choice of customised

solutions; and to improve cost effectiveness through further upgrade of organisational capabilities, investment in technology and cost reduction.

The principal competitors of Harcourt Education are Pearson, McGraw-Hill and Houghton-Mifflin.

Reed Business

Reed Business provides information and marketing solutions to business professionals in the United States, the United Kingdom, continental Europe, Australia and Asia. The division also organises trade exhibitions internationally. Total revenues for the year ended 31 December 2005 were £1,363 million and for the six months ended 30 June 2006 were £748 million.

Business to business magazines provide an effective marketing channel through which advertisers reach their target audiences, increasingly delivered through leading brands in each sector. Alongside print magazines, demand is growing for online products which provide improvements in productivity through quicker and easier access to more comprehensive and searchable data. Business to business marketing spend has been driven historically by levels of corporate profitability, which itself has followed overall growth in GDP and business investment.

Reed Business Information publishes over 400 trade magazines, directories, newsletters and loose leaf publications, and over 200 websites and online services. Important magazine titles include Variety and Interior Design in the United States; Computer Weekly, Estates Gazette, Flight International and New Scientist in the United Kingdom; and Elsevier and FEM in the Netherlands. Reed Business Information also publishes directories in selected markets. Through its Reed Construction Data business, it provides nationwide coverage of construction project information for the United States.

In the majority of Reed Business Information's sectors, strong demand is being seen for online services. Reed Business Information has been particularly successful in developing online products and services, which have been growing at over 25 per cent per annum and, in the year ended 31 December 2005, accounted for nearly 20 per cent of Reed Business Information revenues. These products include totaljobs.com, a major online recruitment site in the UK; ICIS-LOR, a global information and pricing service for the petrochemicals sector; zibb.nl, a business information service in the Netherlands; and Kellysearch.com, an industrial search engine which is being launched internationally.

Reed Exhibitions organises trade exhibitions and conferences internationally, with some 460 events in 38 countries, attracting over 90,000 exhibitors and more than 5 million visitors annually. Its exhibitions and conferences encompass a wide range of sectors, including IT, manufacturing, aerospace, defence, leisure, electronics, food and hospitality, travel and entertainment. Increasingly Reed Exhibitions is also developing online services to increase the effectiveness and efficiency of its trade shows.

Reed Business aims to be the first choice of business professionals for information and decision support in its individual markets and for marketing services. Its key strategic areas of focus are: to continue to grow rapidly existing and new online products and services in key markets; to further upgrade the portfolio through investment, acquisition and divestment; to expand geographically in fast growing markets; and to continuously improve organisational effectiveness through investment in people, further development of online competencies, and cost reduction programmes.

Business to business magazines are primarily distributed on a "controlled circulation" basis in the United States, whereby the product is delivered without charge to qualified buyers within a targeted industry group based on circulation lists developed and maintained by the publisher. Magazines distributed on this basis are wholly dependent on advertising for their revenues. In the United Kingdom, business magazines are distributed both on a "controlled circulation" basis and a "paid circulation" basis. In the Netherlands, a higher proportion of publications is sold by "paid circulation". Distribution of magazines is conducted primarily through national postal services, supplemented by news-stand sales through unaffiliated wholesalers. Online products and services are generally sold through dedicated sales forces and intermediaries, including revenue sharing arrangements with other online service providers, and by direct promotion. Exhibition space is sold through industry specific and national sales teams.

Reed Business Information's titles compete with a number of publishers on a title by title basis in individual market sectors, the largest competitors being: Penton Media, Advanstar, VNU, Hanley Wood, McGraw-Hill, and CMP Media (United Business Media) in the United States; EMAP, VNU and CMP Media in the United Kingdom; and Wolters Kluwer, VNU and SDU in the Netherlands. Competition in trade exhibitions and conferences is very fragmented. Within the United States, the main competitor is

VNU. Outside the United States, competition comes primarily from industry focused trade associations and convention centre and exhibition hall owners.

Elsevier Reed Finance BV

Structure

Elsevier Reed Finance BV, the Dutch resident parent company of the Elsevier Reed Finance BV group (**ERF**), is directly owned by REPLC and RENV. ERF provides treasury, finance and insurance services to the Reed Elsevier Group plc businesses through its subsidiaries in Switzerland: Elsevier Finance SA (**EFSA**), Elsevier Properties SA (**EPSA**) and Elsevier Risks SA (**ERSA**). These three Swiss companies are organised under one Swiss holding company, which is in turn owned by Elsevier Reed Finance BV.

Activities

EFSA, EPSA and ERSA each focus on their own specific area of expertise.

EFSA is the principal treasury centre for the Reed Elsevier combined businesses. It is responsible for all aspects of treasury advice and support for Reed Elsevier Group plc's businesses operating in continental Europe, South America, the Pacific Rim, China and certain other territories, and undertakes foreign exchange and derivatives dealing services for the whole of Reed Elsevier. EFSA also arranges or directly provides Reed Elsevier Group plc businesses with financing for acquisitions and product development and manages cash pools and investments on their behalf. EPSA is responsible for the exploitation of tangible and intangible property rights whilst ERSA is responsible for insurance activities relating to risk retention.

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The Board of Directors

The boards of REPLC, RENV and Reed Elsevier Group plc are harmonised. Subject to approval by the respective shareholders, all the directors of Reed Elsevier Group plc are also directors of REPLC and of RENV. The REPLC and RENV shareholders maintain their rights to appoint individuals to their respective boards, in accordance with the provisions of the Articles of Association of those companies. Subject to this, no individual may be appointed to the boards of REPLC, RENV or Reed Elsevier Group plc unless recommended by the joint Nominations Committee, although members of the Committee abstain when their own re-appointment is being considered.

The REPLC board comprises a balance of non-executive directors (all of whom are independent) and executive directors.

RENV has a two-tier board structure comprising a supervisory board (all of whom are independent non-executives) and an executive board. The executive board is responsible for the management of the company and the supervisory board supervises the executive board.

The Reed Elsevier Group plc board comprises a balance of non-executive directors (all of whom are independent) and executive directors.

Details of each member of each board are set out in the table below accompanied by their year of appointment to the respective board.

Directors	Reed Elsevier PLC	Reed Elsevier N.V.	Reed Elsevier Group plc
Executive			
Sir Crispin Davis	1999	1999	1999
Mark Armour	1996	1999	1996
Gerard van de Aast	2000	2001	2000
Erik Engstrom	2004	2005	2004
Andrew Prozes	2000	2001	2000
Patrick Tierney	2003	2003	2003
Non-executive/Supervisory			
Jan Hommen – Chairman	2005	2005	2005
Dien de Boer-Kruyt		2000	
Mark Elliott	2003	2003	2003
Lisa Hook	2006	2006	2006
Cees van Lede	2003	2003	2003
David Reid	2003	2003	2003
Lord Sharman of Redlynch	2002	2002	2002
Rolf Stomberg	1999	1999	1999
Strauss Zelnick	2005	2005	2005

Details of each director and their position are set out in the table below accompanied by their principal outside activities.

Name	Position	Principal Outside Activities
Sir Crispin Davis	Chief Executive Officer	Non-executive director of GlaxoSmithKline plc
Mark Armour	Chief Financial Officer	
Gerard van de Aast	Chief Executive Officer, Reed Business	Member of the supervisory board of Océ NV
Erik Engstrom	Chief Executive Officer, Elsevier	
Andrew Prozes	Chief Executive Officer, LexisNexis	Non-executive director of Cott Corporation
Patrick Tierney	Chief Executive Officer, Harcourt Education	
Jan Hommen	Chairman	Chairman of the supervisory boards of TNT NV, Academisch Ziekenhuis Maastricht and TIAS, the business school of the University of Tilburg Member of the supervisory boards of Koninklijke Ahold NV and ING NV
Dien de Boer-Kruyt	Non-executive director	Member of the supervisory boards of Sara Lee/DE, a subsidiary of Sara Lee Corporation, Imtech NV and Allianz Nederland Group NV
Mark Elliott	Non-executive director	General Manager of IBM Global Solutions Non-executive director of Group 4 Securicor plc
Lisa Hook	Non-executive director	President and Chief Executive Officer of SunRockets Inc.
Cees van Lede	Non-executive director	Chairman of the supervisory board of Heineken NV Member of the supervisory boards of Air Liquide SA, Akzo Nobel NV, Royal Phillips Electronics NV and Air-France-KLM Non-executive director of Sara Lee Corporation
David Reid	Non-executive director	Non-executive chairman of Tesco plc
Lord Sharman of Redlynch	Non-executive director Chairman of the Audit Committee	Non-executive chairman of Aviva plc and Aegis Group plc Non-executive director of BG Group plc Member of the board of ABN-AMRO NV Member of the House of Lords
Rolf Stomberg	Non-executive director Chairman of the Remuneration Committee	Chairman of Management Consulting Group PLC and Lanxess AG Non-executive director of Smith and Nephew plc Board member of TNT NV, Deutsche BP AG, HOYER GmbH and Biesterfeld AG
Strauss Zelnick	Non-executive director	Founding partner of Zelnick Media Chairman of Columbia Music Entertainment Inc, Direct Holdings Worldwide LLC and OTX Corporation

For the purposes hereof, the business address for directors of REPLC and Reed Elsevier Group plc is Reed Elsevier, 1-3 Strand, London WC2N 5JR, United Kingdom and the business address for directors of RENV is Reed Elsevier, Radarweg 29, Amsterdam 1043 NX, The Netherlands.

No director has any potential conflict of interest between their duties to REPLC, RENV and/or Reed Elsevier Group plc and their private interests and/or other duties.

SUBSIDIARY UNDERTAKINGS

The principal subsidiaries, associates, joint ventures and business units of Reed Elsevier, all of which are included in the financial statements of the Reed Elsevier combined businesses as at 31 December 2005, are shown below.

Reed Elsevier Group plc

Holding Companies

Reed Elsevier (UK) Limited ⁽¹⁾⁽⁶⁾
Reed Elsevier Holdings B.V. ⁽⁶⁾
Reed Elsevier Nederland B.V.
Reed Elsevier Overseas B.V.
Reed Elsevier US Holdings Inc.
Reed Elsevier Inc. ⁽¹⁾
Reed Elsevier Capital Inc.
Harcourt, Inc. ⁽¹⁾
Reed Elsevier Properties Inc.

Science & Medical

Elsevier Limited
Elsevier B.V.
Elsevier Inc.
Excerpta Medica, Inc.
Academic Press ⁽²⁾
Elsevier Health Sciences ⁽²⁾
Mosby, Inc.
MDL Information Systems, Inc.
Endeavor Information Systems, Inc.
MC Strategies, Inc.
Masson SAS
Masson SA
MDL Information Systems GmbH

Legal

LexisNexis Butterworths Tolley ⁽³⁾
LexisNexis ⁽⁴⁾
Matthew Bender and Company, Inc.
Martindale-Hubbell ⁽⁴⁾
LexisNexis Risk & Information Analytics Group Inc.
Seisint, Inc.
LexisNexis SA
Dott. A. Giuffrè Editore Spa (40%)

Education

Harcourt School Publishers ⁽⁵⁾
Holt, Rinehart and Winston ⁽⁵⁾
Harcourt Achieve, Inc.
Harcourt Assessment, Inc.
Harcourt Education Limited

Business

Reed Business Information Limited
Reed Exhibitions Limited
Reed Business Information B.V.
Reed Business Information US⁽⁴⁾
Reed Construction Data, Inc.
Reed Exhibitions⁽⁴⁾
Reed Expositions France SA
Reed Midem Organisation SA
Groupe Strategies SA
Reed Exhibitions Japan Limited

Elsevier Reed Finance B.V.

Elsevier Swiss Holdings SA
Elsevier Finance SA
Elsevier Properties SA
Elsevier Risks SA

- (1) Holding company, but also trades through one or more operating divisions
- (2) Division of Elsevier Inc.
- (3) Division of Reed Elsevier (UK) Limited
- (4) Division of Reed Elsevier Inc.
- (5) Division of Harcourt, Inc.
- (6) Direct subsidiary undertaking of Reed Elsevier Group plc

Additionally, Reed Elsevier (Holdings) Ltd was incorporated as a direct subsidiary undertaking of Reed Elsevier Group plc during the first half of 2006 and included in the interim statement of the Reed Elsevier combined businesses as at 30 June 2006. Reed Elsevier (Holdings) Ltd owns 100 per cent of the share capital of the Issuer, Reed Elsevier (Investments) plc.

TAXATION

1. United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and Coupons and are comments of a general nature based on the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders or Couponholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payment of interest on the Notes

The Notes will constitute "quoted Eurobonds" within the terms of section 349(4) of the Income and Corporation Taxes Act 1988 (the **Act**) as long as they are and continue to be listed on a "recognised stock exchange", as defined in section 841 of the Act. The London Stock Exchange is a recognised stock exchange. Under HM Revenue & Customs published practice, securities will be treated as listed on the London Stock Exchange if they are admitted to the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. There is no requirement to withhold or deduct for or on account of United Kingdom tax in relation to interest payments made (or in the case of collecting agents, received) in respect of quoted Eurobonds. Accordingly, provided, therefore, that the Notes remain so listed at the time of payment of interest, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that either:

- (a) the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (b) the payment is made to one of the other classes of exempt bodies or persons set out in section 349B of the Act,

provided that HM Revenue & Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in section 349B of the Act will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent), subject to any direction to the contrary from HM Revenue & Customs in respect of such relief as may be available pursuant to the provision of any applicable double taxation treaty.

Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. Information so obtained may, in certain circumstances, be exchanged by HM Revenue & Customs with the tax authorities of other jurisdictions.

Further United Kingdom Income Tax issues

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch, agency or permanent establishment in connection with which the interest

is received or to which the Notes are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Where interest has been received under deduction of United Kingdom income tax, a Noteholder who is not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

Noteholders should note that the provisions relating to additional amounts referred to in Condition 7 of the Notes (Taxation) above would not apply if HM Revenue & Customs sought to assess directly the person entitled to the relevant interest to United Kingdom tax on income. However, exemptions from, or reduction of, such United Kingdom tax liability may be available under an applicable double taxation treaty.

United Kingdom Corporation Tax Payers

General Provisions in relation to Corporation Tax

In general, Noteholders who are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment.

Other United Kingdom Tax Payers

Taxation of Chargeable Gains

The Notes will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

Accrued Income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the rules of the accrued income scheme as set out in Chapter II of Part XVII of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable and is not subject to United Kingdom corporation tax.

Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on a transfer by delivery of the Notes.

Payments by the Guarantors

Payments by either Guarantor may be subject to withholding on account of United Kingdom tax, subject to any claim which could be made under applicable double tax treaties and except that any withholding would be disappplied in respect of payments to recipients whom such Guarantor reasonably believes are either a UK resident company or a non-resident company carrying on a trade through a permanent establishment which is within the charge to corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless HM Revenue & Customs direct otherwise).

2. Dutch Taxation

The following summary outlines certain Netherlands tax consequences to holders of the Notes and Coupons. The summary is based on the current law and practice of the Netherlands, which is subject to changes that could prospectively or retrospectively affect the stated tax consequences.

The summary does not purport to present any comprehensive or complete picture of all Netherlands tax aspects that could be of relevance to a holder of Notes and Coupons. It only addresses the tax consequences with respect to professional corporate investors and does not address the Netherlands tax consequences of a corporate holder of Notes or Coupons which holds a substantial interest (*aanmerkelijk belang*) in the Issuer. A substantial interest is generally present if a holder does hold, whether directly or indirectly, the ownership of, or certain other rights (including rights to acquire shares, whether or not already issued) over (a) shares representing five per cent or more of the total issued and outstanding capital (or of the issued and outstanding capital

of any class of shares) of the Issuer or (b) profit sharing certificates, entitling the holder to five per cent or more of the profits or of the liquidation distributions of the Issuer.

Prospective holders of Notes or Coupons who may be in any doubt as to their respective tax positions should consult their own professional advisers.

Withholding tax

All payments under the Guarantee may be made free of withholding or deduction of, for or on account of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate Income Tax

Holders of Notes resident in the Netherlands

A holder of Notes which is a corporate entity that is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes will generally be subject to corporate income tax on any benefits derived or deemed to be derived from the Notes (including any capital gains realised on the disposal thereof).

Holders of Notes resident outside the Netherlands

A holder of Notes will not be subject to any Netherlands taxes on income or capital gains in respect of the Notes, including such tax on any payment under the Notes or in respect of any gain realised on the disposal, deemed disposal or exchange of the Notes, provided that:

- (i) such holder is neither a resident nor deemed to be a resident of the Netherlands; and
- (ii) such holder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Notes are attributable.

Other Taxes

No Netherlands turnover tax, capital tax, registration tax, customs duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the offering and the issue of the Notes by the Issuer, the holding of the Notes, the performance by the Issuer of its obligations thereunder or under the Notes, the issue of the Guarantee or the performance by the Guarantor under the Guarantee.

3. European Union savings Directive

Under EC Council Directive 2003/48/E on the taxation of savings income, Member States are required to provide to the tax authorities of another Member state details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

SUBSCRIPTION AND SALE

Barclays Bank PLC, BNP PARIBAS and The Royal Bank of Scotland plc (together, the **Joint Lead Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 16 October 2006, jointly and severally agreed to subscribe for the Notes at the issue price of 99.097 per cent of the principal amount of Notes, less a combined management, underwriting and selling commission of 0.350 per cent of the principal amount of the Notes. The Issuer, failing which the Guarantors, will also reimburse the Joint Lead Managers in respect of certain of their expenses, and the Issuer and the Guarantors have agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

No action has been taken by the Issuer, the Guarantors or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Authorisations

1. The issue of the Notes was duly authorised by a resolution of the Board of Directors of the Issuer dated 29 September 2006 and the giving of the Guarantee was duly authorised by resolutions of the Board of Directors of REPLC dated 18 April 2006 and the Combined Board of RENV dated 18 April 2006 and by resolutions of a duly authorised Committee of the Board of Directors of REPLC dated 29 September 2006 and a duly authorised Committee of the Combined Board of RENV dated 29 September 2006.

Admission to Trading

2. The admission of the Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that listing will be granted on or about 20 October 2006 subject only to the issue of the Temporary Global Note. Prior to the listing of the Notes, dealings will be permitted by the London Stock Exchange in accordance with its rules.

The total expenses relating to the admission of the Notes to trading are approximately £1,560,000.

Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The ISIN for this issue is XS0271070525 and the Common Code is 027107052.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant or material adverse change

4. There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer since 9 May 2006 (the date of incorporation of the Issuer).

There has been no significant change in the financial or trading position of either Guarantor or of Reed Elsevier as a whole since 30 June 2006 (the date of Reed Elsevier's most recent unaudited combined interim financial statements) and no material adverse change in the financial position or prospects of either Guarantor or of Reed Elsevier as a whole since 31 December 2005 (the date of Reed Elsevier's most recent audited combined financial statements).

Litigation

5. None of the Issuer and the Guarantors is aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Prospectus which may have, or have had, in such period a significant effect on the financial position or profitability of the Issuer, either Guarantor or of Reed Elsevier as a whole.

Accounts

6. The auditors of REPLC are Deloitte & Touche LLP, Chartered Accountants and Registered Auditors (authorised and regulated by the Financial Services Authority for designated investment business) of Hill House, 1 Little New Street, London EC4A 3TR, who have audited without qualification REPLC's financial statements for each of the financial years ended 31 December 2004 and 31 December 2005.

The auditors of RENV are Deloitte Accountants BV, an Independent Registered Public Accounting Firm, of Orlyplein 50, 1043 DP Amsterdam, The Netherlands, who have audited without qualification RENV's financial statements for each of the financial years ended 31 December 2004 and 31 December 2005.

The combined financial statements of Reed Elsevier for each of the financial years ended 31 December 2004 and 31 December 2005 were audited without qualification by Deloitte & Touche LLP and Deloitte Accountants BV.

The Issuer was incorporated on 9 May 2006 and, as at the date of this Prospectus, has not prepared any financial statements.

U.S. Tax

7. The Notes and Coupons will contain the following legend: “*Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.*”

Documents

8. Copies of the following documents will be available from the registered offices of the Issuer and the Guarantors and from the offices of the Principal Paying Agent in London, during normal business hours, for a period of 12 months from the date of this Prospectus:
- (a) the Memorandum and Articles of Association of the Issuer and REPLC and the Articles of Association of RENV;
 - (b) the audited combined financial statements of Reed Elsevier in respect of each of the financial years ended 31 December 2004 and 31 December 2005. Reed Elsevier currently prepares audited combined financial statements on an annual basis;
 - (c) the audited consolidated financial statements of REPLC in respect of each of the financial years ended 31 December 2004 and 31 December 2005. REPLC currently prepares audited consolidated financial statements on an annual basis;
 - (d) the audited consolidated financial statements of RENV in respect of each of the financial years ended 31 December 2004 and 31 December 2005. RENV currently prepares audited consolidated financial statements on an annual basis;
 - (e) the unaudited combined interim financial information of Reed Elsevier in respect of the six month period ended 30 June 2006. Reed Elsevier currently prepares unaudited combined interim financial information for the six month period ending 30 June in each year;
 - (f) the unaudited consolidated summary interim financial information of REPLC and RENV in respect of the six month period ended 30 June 2006. REPLC and RENV currently prepare unaudited consolidated summary interim financial information for the six month period ending 30 June in each year; and
 - (g) this Prospectus, the Subscription Agreement, the Trust Deed and the Agency Agreement.

In addition, copies of this Prospectus and all documents incorporated by reference will also be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at www.londonstockexchange.com/en-gb/pricesnews/marketnews/.

Yield

9. The yield on the Notes will be 5.711 per cent calculated on a semi-annual basis.

THE ISSUER

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