

The Supervisory Board's report

Supervisory Board

M Tabaksblat, Chairman
GJ de Boer-Kruijt
JF Brock
MW Elliott
CJA van Lede
DE Reid
Lord Sharman of Redlynch OBE
RWH Stomberg

Together with the Executive Board, we herewith submit Reed Elsevier NV's annual report and financial statements for the financial year ended 31 December 2003 to the shareholders' meeting for adoption. The financial statements have been drawn up in accordance with the accounting principles explained on pages 92 and 93 of this document. They have been examined by Deloitte Accountants, Amsterdam. Their report and opinion is set out on page 104. The combined financial statements on pages 40 to 69 are part of the notes to and form an integral part of these statutory financial statements.

We refer to the Report of the Chairman and the Chief Executive Officer and to the other reports contained within the Reed Elsevier Annual Review and Summary Financial Statements 2003 and the Reed Elsevier Annual Reports and Financial Statements 2003. These reports explain the business results of 2003, the financial state of the company at the end of 2003, and the key strategic issues.

The equalisation agreement between Reed Elsevier NV and Reed Elsevier PLC has the effect that shareholders can be regarded as having the interests of a single economic group and provides that Reed Elsevier NV shall declare dividends such that the dividend on one Reed Elsevier NV ordinary share, which shall be payable in euros, will equal 1.538 times the cash dividend, including the related UK tax credit, paid on one Reed Elsevier PLC ordinary share. In that context, the combined meeting of the Supervisory and Executive Boards ("the Combined Board") determines the amounts of the company's profit to be retained. The ordinary shares and the R-shares are entitled to receive distribution in proportion to their nominal value. The combined board may resolve to pay less per R-share, but not less than 1% of the nominal value. Details of dividends are contained in the Operating and Financial Review on page 21.

We have assessed Reed Elsevier NV's compliance with the Dutch Corporate Governance Code ("the Code") issued on 9 December 2003 and believe that Reed Elsevier's policies and practices, as set out in the Reed Elsevier Annual Review and Summary Financial Statements 2003 and the Reed Elsevier Annual Reports and Financial Statements 2003, substantially comply with the recommendations of the Code. While some aspects of the Code are still being considered, we do not expect that there will be any significant issues regarding compliance during 2004. The agenda for the Annual General Meeting of the shareholders to be held on

29 April 2004 in the Hotel Okura in Amsterdam will include a discussion of Reed Elsevier's corporate governance policies, practices and disclosures.

At the Reed Elsevier NV Annual General Meeting, Lord Sharman, Mr Stomberg and Mr Tabaksblat will retire by rotation as members of the Supervisory Board. Having reviewed their performance, qualifications and availability, and the overall Supervisory Board profile, the Nominations Committee has recommended their re-appointment. Resolutions proposing the re-appointment of Lord Sharman, Mr Stomberg and Mr Tabaksblat will be submitted to the 2004 Annual General Meeting.

The Supervisory Board

18 February 2004

Registered office

Sara Burgerhartstraat 25
1055 KV Amsterdam

The Executive Board's report

Executive Board

CHL Davis, Chairman
MH Armour, Chief Financial Officer
GJA van de Aast
A Prozes
P Tierney

We refer to the Report of the Chairman and the Chief Executive Officer and to the other reports contained within the Reed Elsevier Annual Review and Summary Financial Statements 2003 and the Reed Elsevier Annual Reports and Financial Statements 2003. These reports explain the business results of 2003, the financial state of the company at the end of 2003, and the key strategic issues.

As explained in the financial statements on pages 92 and 93, Reed Elsevier NV prepares its financial statements in accordance with generally accepted accounting principles in the UK and therefore presents both group financial statements and parent company financial statements. In the group financial statements, the profit attributable to the shareholders of Reed Elsevier NV was €242m (2002 €144m) and net assets as at 31 December 2003, principally representing the investments in Reed Elsevier Group plc and Elsevier Reed Finance BV under the gross equity method, were €1,728m (2002 €2,019m). In the parent company financial statements, the profit attributable to the shareholders of Reed Elsevier NV was €203m (2002 €152m) and net assets as at 31 December 2003, principally representing the investments in Reed Elsevier Group plc and Elsevier Reed Finance BV under the historical cost method, were €1,985m (2002 €2,000m).

At the Reed Elsevier NV Annual General Meeting, Mr van de Aast will retire by rotation as a member of the Executive Board. The Nominations Committee has recommended his re-appointment and a resolution will be submitted to the 2004 Annual General Meeting.

The Executive Board

18 February 2004

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1055 KV Amsterdam