

**This document is important and requires your immediate attention**

If you are in any doubt as to what action you should take, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Reed Elsevier PLC, please send this Notice of Annual General Meeting and accompanying documents to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Form of Proxy for the Annual General Meeting is enclosed and should be completed and returned so as to reach the company's Registrar by no later than 11.00 am on Sunday, 15 April 2007. Completion and return of the Proxy will not prevent you from attending and voting at the meeting in person, should you wish. Alternatively, you can register your proxy vote electronically, either by means of a website provided by the company's Registrar at [www.sharevote.co.uk](http://www.sharevote.co.uk), or by using the service provided by CrestCo. Further details are given in the notes to the attached Notice of Annual General Meeting.



**Reed Elsevier PLC**

Notice of Annual General Meeting

to be held at the Millennium Hotel, Grosvenor Square, London, W1K 2HP  
on Tuesday, 17 April 2007 at 11.00 am

# To the holders of Reed Elsevier PLC ordinary shares

Dear Shareholder,

## Annual General Meeting 2007

### Introduction

I am pleased to invite you to the Annual General Meeting of the company for 2007, which will be held on Tuesday, 17 April 2007 at 11.00 am in the Ballroom at the Millennium Hotel, Grosvenor Square, London, W1K 2HP.

### Board appointments

The Corporate Governance Committee, comprising the independent non-executive directors, reviews the performance of the board and its committees annually. The Committee also assesses the individual performance of the executive directors. Using questionnaires completed by all directors, the Committee has reviewed the functioning and constitution of the board and its committees. Based on these assessments, the Nominations Committee believes that the performance of each director proposed for re-election at the Annual General Meeting continues to be effective, and that they demonstrate commitment to their respective roles in the company.

Rolf Stomberg, Lord Sharman, Erik Engstrom and Mark Armour will retire from the board by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Having been first appointed to the board in 2005, I am also retiring by rotation at the Annual General Meeting and, being eligible, offer myself for re-election.

Cees van Lede will be retiring at the conclusion of the Annual General Meeting after four years of service as a non-executive director. He has made a substantial contribution during this period and the board has benefited from his wise counsel. The Nominations Committee has nominated Robert Polet as non-executive director. Robert is chief executive officer of Gucci Group, before which he held senior positions at Unilever. He brings with him strong marketing skills and a record of entrepreneurial leadership.

Biographical information concerning each director seeking election appears on page 11.

### Special Business Resolutions

As you can see from the Notice of Meeting, which appears on pages 13 and 14, in addition to the items of routine business, there are items of special business to be considered at the Annual General Meeting, and these items are noted below and explained in more detail on pages 4 to 10.

### Directors' Remuneration Report (Resolution 2)

In accordance with legislation, shareholders are given the opportunity to vote on the Remuneration Report. In line with the legislation, this vote will be in respect of the content of the Remuneration Report and not specific to any director's level or terms of remuneration, and will be advisory in nature.

### Proposed Consolidation of Share Capital (Resolution 12)

We announced on 15 February 2007 that, following a detailed review, Reed Elsevier is to sharpen its strategic focus to best capitalise on growing digital opportunities in its key markets of Science and Medical, Legal and Business. We therefore plan to sell the Education division; its business dynamics and strategy have increasingly differed from the other three divisions as Elsevier, LexisNexis and Reed Business accelerate their online information and workflow solution strategies.

It is the board's intention that the net proceeds of any sale are returned to the shareholders of the company and of Reed Elsevier N.V. by way of a special distribution followed by a share consolidation. The special distribution will be in the equalisation ratio such that approximately 52.9% of the total special distribution will be distributed to the shareholders of the company and approximately 47.1% to the shareholders (other than the company) of Reed Elsevier N.V. Given the special circumstances of the distribution, equalisation of the special distribution will not take account of the gross up for the UK tax credit available to certain of the company's shareholders applied in determining equalisation of the normal annual dividends.

The purpose of Resolution 12 is to effect a consolidation of the company's share capital to reflect the special distribution. The effect of the Resolution is that, following the special distribution to shareholders, the number of ordinary shares that they hold will be reduced in approximately the same proportion that the special distribution represents of the company's market capitalisation.

As all shareholdings in the company will be consolidated, your percentage holding in the company will (save for fractional entitlements) be unchanged immediately following the share capital consolidation. The share capital consolidation would allow comparability of the company's share price and comparability of earnings per share before and after the payment of the special distribution. The consolidation will maintain a neutral position for holders of options and awards under share schemes who will not receive the special distribution in respect of any options under such schemes. Reed Elsevier N.V. proposes to implement a share consolidation on similar terms.

**Authority to allot and purchase own shares (Resolutions 13, 14 and 15)**

These items relate to the renewal of the authority previously approved by shareholders to permit the directors, subject to the limits described in the individual resolutions, to:

- allot the unissued share capital in the company;
- allot equity securities for cash on a non pre-emptive basis; and
- make market purchases of the company's shares (with the ability to hold the purchased shares in treasury).

If approved by shareholders, Resolution 15 will enable the company to continue to operate the annual share repurchase programme, which commenced in 2006. During 2006, the company purchased 20.6 million ordinary shares. Taking into account the associated financing costs, these purchases are estimated to have added 0.5% to adjusted earnings per share in 2006. Your board believes that a continuation of this programme will further improve capital efficiency. The repurchase of shares in the company and Reed Elsevier N.V. will reflect the equalisation ratio.

Following the share consolidation contemplated in Resolution 12, the board intends to exercise the authorities in Resolutions 13, 14 and 15 taking into account the effects of the consolidation.

**Recommendation**

Your board considers that the proposed resolutions set out in the Notice of Meeting are in the best interests of the company and the shareholders as a whole. Accordingly, they unanimously recommend you to vote in favour of each resolution, as they themselves intend to do in respect of their own shareholdings in the company.

**Voting procedures**

All resolutions proposed at the meeting will be decided by poll. This reflects best corporate governance practice and will ensure that shareholders who are not able to attend the Annual General Meeting, but who have appointed proxies, have their votes fully taken into account.

Enclosed with the Notice of Meeting is a Form of Proxy. Whether or not you intend to attend the Annual General Meeting, I would ask you to complete the Form of Proxy and return it to the company's Registrar at the address shown on that Form. Alternatively, a proxy vote may be submitted via the Lloyds TSB Registrars website or, if you are a user of the CREST system, via the CrestCo electronic proxy appointment service. Further information concerning the appointment of a proxy is set out on page 15.

Yours sincerely

**Jan Hommen**

Chairman

21 March 2007

## Explanation of items of special business to be proposed at the 2007 Annual General Meeting

### Resolution 2 – Directors' Remuneration Report

Under the Directors' Remuneration Report Regulations 2002, shareholders are given the opportunity to vote on the Directors' Remuneration Report. In line with the legislation, this vote will be in respect of the content of the Remuneration Report and not specific to any director's level or terms of remuneration, and will be advisory in nature.

The full Directors' Remuneration Report is contained in the Annual Reports and Financial Statements 2006, copies of which have been sent to those shareholders who elected to receive them. A copy is obtainable from the registered office of the company or from the company's website [www.reedelsevier.com](http://www.reedelsevier.com). A summary of the Directors' Remuneration Report is contained in the Annual Review and Summary Financial Statements 2006, which has been sent to all shareholders.

### Resolution 12 – Conditional Share Consolidation

Subject to and following completion of the planned disposal of the Education division, it is the intention of the boards of the company and of Reed Elsevier N.V. to approve a special distribution out of the net proceeds. The special distribution will be made in the equalisation ratio such that approximately 52.9% of the total special distribution will be distributed to the shareholders of the company and approximately 47.1% to the shareholders (other than the company) of Reed Elsevier N.V. Given the special circumstances of the distribution, equalisation of the special distribution will not take account of the gross up for the UK tax credit available to certain of the company's shareholders applied in determining equalisation of the normal annual dividends. The special distribution in respect of the company will be made to shareholders on the register on the record date specified by the board which will be notified by announcement through the Regulatory Information Service of the London Stock Exchange. In conjunction with the payment of the special distribution, the company proposes to implement a share consolidation (the **Share Consolidation**). The Regulatory Information Service announcement referred to above will also specify the consolidation ratio to be applied to the company's ordinary shares. Reed Elsevier N.V. proposes to implement a share consolidation on similar terms. Payment of the special distribution is also conditional on Resolution 12 being passed by shareholders at the Annual General Meeting.

It is not possible at this point, prior to the sale of the Education division, to specify the amount of the special distribution (if any) but, purely for illustrative purposes, if the total amount of the special distribution is equivalent to 5% of the combined market capitalisation of the ordinary shares of the company and the ordinary shares of Reed Elsevier N.V. (not including the shares held by the company in Reed Elsevier N.V.) at the close of business on the relevant day then the effect of the Share Consolidation will be to reduce the number of ordinary shares of the company in issue by approximately the same percentage, with the result, on an illustrative basis, that you would receive 19 new ordinary shares for every 20 existing shares you hold on the record date and in that proportion for any other number of existing ordinary shares then held. Although the nominal value of the new ordinary shares will be different, each new ordinary share will carry the same rights as are set out in the Articles of Association for each existing ordinary share.

Although following the Share Consolidation, each shareholder will hold fewer ordinary shares than before, his or her shareholding as a proportion of the total number of ordinary shares in issue, and therefore his or her ownership in the company, will be the same both before and immediately after the Share Consolidation, subject to adjustments to reflect fractional entitlements.

If your shareholding comprises fewer than 20 ordinary shares (based on the above example), but more than one, your shareholding will still be consolidated. Any relevant shareholding in the company not exactly divisible by 20 (based on the above illustrative example) will generate new ordinary shares as well as an entitlement to a fraction of new ordinary shares. Arrangements will be put in place for such fractional entitlements arising from the share consolidation to be aggregated and sold in the market on your behalf. If the proceeds of sale of such new ordinary shares (net of any commissions, dealing costs and administrative expenses) are £3 or more for any shareholder, such proceeds will be paid to the shareholder entitled to them by cheque or by crediting CREST accounts, but if such proceeds amount to less than £3 per shareholder they will be retained by the company in accordance with the Articles of Association.

Shareholders who hold their entitlement to new ordinary shares in Uncertificated Form through CREST will have their CREST accounts adjusted to reflect their entitlement to new ordinary shares. New share certificates in respect of the new ordinary shares will be posted at the risk of shareholders to those shareholders who hold their shares in Certificated Form. These will replace existing certificates which should then be destroyed.

The Share Consolidation will allow (subject to normal market movements) comparability of the company's share price and comparability of earnings per share before and after the special distribution. There can be no assurance that the planned sale of the Education division will proceed nor, if the division is sold, as to the amount of the net proceeds or the amount of the special distribution.

Participants in Reed Elsevier's employee share schemes who hold options or awards to acquire ordinary shares will not be entitled to receive the special distribution (other than where they are required to make an investment in ordinary shares under the terms of the scheme). The effect of the Share Consolidation will be to maintain a neutral position for holders of options and awards, subject to normal market fluctuations, and so no adjustment will be made to either the number of ordinary shares subject to those options or awards, or the amount payable on exercise or vesting of such options or awards.

Guidance on the effects of taxation on the special distribution and Share Consolidation is set out in Appendix 1.

### **Resolution 13 – Allotment of shares**

This resolution renews the authority of the directors previously approved by shareholders to allot shares up to the amount of the authorised but unissued share capital in the company, which at 1 March 2007 stood at £22.2 million, representing 13.7% of the total issued ordinary share capital (excluding treasury shares) of the company. Although at present, the directors have no intention of exercising the authority, it is considered prudent to maintain the flexibility it provides.

### **Resolution 14 – Disapplication of pre-emption rights**

This resolution renews the authority of the directors previously approved by shareholders to allot equity securities for cash without first being required to offer such securities to the then existing shareholders pro rata to their holdings. The first part of the authority relates to the issue of securities of up to a nominal amount of £8 million, representing less than 5% of the company's issued ordinary share capital.

Companies are generally able to allot equity securities for cash in order to satisfy entitlements under their share option schemes without those securities being counted towards that company's normal 5% disapplication limit. However, as a consequence of the merger of the Reed Elsevier PLC and Reed Elsevier N.V. businesses in 1993, employees of the company and its subsidiaries became employees of either Reed Elsevier Group plc or a Reed Elsevier participating company. This has the effect that equity securities issued by the company under the Reed Elsevier Group plc share option schemes (which operate in place of the schemes operated by the company prior to the merger and which have been approved by the shareholders) must, as a matter of law, be counted towards the company's disapplication limit.

At 1 March 2007, 52.7 million ordinary shares in the company, representing 4.1% of the company's issued share capital, were under option under the Reed Elsevier Group plc share option schemes. In order to ensure similar treatment with other companies who are, as mentioned above, able to allot equity securities on the exercise of options under their share option schemes without such allotments counting towards their disapplication limits, the second part of the authority relates to the issue of equity securities pursuant to the terms of the Reed Elsevier Group plc share option schemes.

### **Resolution 15 – Authority to purchase own shares**

As with the previous two resolutions, this resolution renews an authority approved by shareholders at last year's Annual General Meeting. It authorises the company to purchase up to 10% of its issued ordinary shares at or between the minimum and maximum prices specified in the resolution. The authority will be used only in circumstances where the board, after careful consideration, believes that such a purchase would result in an expected increase in earnings per share and would be in the best interests of the company and of its shareholders.

In the event that the authority conferred in this resolution is exercised, the company will have the ability to hold shares purchased in treasury. To the extent that any shares purchased are held in treasury, earnings per share would only be increased on a temporary basis until such time as the shares are resold out of treasury.

The total number of share options outstanding at 1 March 2007 was 52.7 million. This figure represents 4.1% of the issued share capital of the company (excluding treasury shares) at that date. If the company repurchased the maximum number of shares permitted pursuant to this resolution, the total number of share options outstanding as at 1 March 2007 would represent 4.5% of the issued share capital (excluding treasury shares) of the company.

As at 1 March 2007 the company held 21.8 million ordinary shares in treasury.

If approved by shareholders, the authorities contained in Resolutions 13, 14 and 15 will expire on the date of the Annual General Meeting in 2008 or on 16 April 2008, whichever is the later. Following the Share Consolidation contemplated in Resolution 12, the board will exercise such authorities taking into account the effects of the consolidation.

## Appendix 1

### Explanation of effects of taxation on the special distribution and Share Consolidation

#### UK TAXATION

*The following paragraphs are intended as a general guide only and are based on current UK tax law and HM Revenue & Customs published practice (which is subject to change, possibly with retrospective effect) as at the date of this document. They relate only to certain limited aspects of the UK taxation treatment of the special distribution on Reed Elsevier PLC ordinary shares and the Share Consolidation. The following paragraphs only relate to shareholders who are resident or ordinarily resident in the UK for tax purposes, who are the absolute beneficial owners of their shares and any dividends paid on them, and who hold their existing shares as investments. Certain shareholders, such as dealers in securities, insurance companies, collective investment schemes and persons who have acquired their shares by reason of their or another's employment may be taxed differently and are not considered.*

*Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the UK, should consult their own appropriate independent professional adviser without delay.*

#### Taxation of the special distribution

The UK tax treatment of the special distribution will generally be the same as the tax treatment of other dividends paid by Reed Elsevier PLC on its ordinary shares.

The company will not be required to withhold tax at source on the special distribution it pays to Reed Elsevier PLC shareholders.

A UK resident individual Reed Elsevier PLC shareholder who receives the special distribution from Reed Elsevier PLC will generally be entitled to a tax credit in respect of that distribution, currently equal to one-ninth of the cash distribution received or ten per cent. of the aggregate of the cash distribution received and the related tax credit (the gross distribution). The individual is treated as receiving for tax purposes gross income equal to the cash distribution and tax credit. The related tax credit can be set against the individual Reed Elsevier PLC shareholder's total liability to income tax (if any) on the dividend.

A UK resident individual Reed Elsevier PLC shareholder who (taking into account the special distribution) is liable to income tax at no more than the basic rate will be subject to income tax on the special distribution at the lower rate of income tax on dividend income (currently 10 per cent.). Accordingly, the tax credit will satisfy in full that Reed Elsevier PLC shareholder's liability to income tax on the gross distribution received. For example, a cash distribution of £90 would carry a tax credit of £10, giving a gross distribution of £100. Tax at the lower rate would be £10 (£100 at 10 per cent.) which for such a Reed Elsevier PLC shareholder is satisfied in full by the tax credit.

A UK resident individual Reed Elsevier PLC shareholder who (taking into account the special distribution) is subject to income tax at the higher rate will be liable to tax on the special distribution at the rate of 32.5 per cent. on the gross distribution to the extent that the gross distribution, where treated as the top slice of that Reed Elsevier PLC shareholder's income, falls above the threshold for higher rate income tax. The related tax credit will therefore not fully satisfy that Reed Elsevier PLC shareholder's liability to income tax on the gross distribution and the Reed Elsevier PLC shareholder will have to account for additional tax equal to 22.5 per cent. of the gross distribution or 25 per cent. of the cash distribution received. In the above example, the gross distribution (£100) would be taxed at 32.5 per cent., giving a tax liability of £32.50. Credit is given for the tax credit (£10), giving a further net liability of £22.50. This represents 22.5 per cent. of the gross distribution or 25 per cent. of the cash distribution received.

UK resident Reed Elsevier PLC shareholders who are not liable to UK tax on dividends, including pension funds and charities, will generally not be entitled to claim repayment of the tax credit in respect of the special distribution.

UK resident corporate Reed Elsevier PLC shareholders will generally not be liable to corporation tax in respect of the special distribution. These Reed Elsevier PLC shareholders will not be able to claim repayment of the tax credit in respect of the special distribution.

#### Share Consolidation

It is expected that for the purposes of UK taxation on chargeable gains the Share Consolidation will be treated as follows:

- (a) the new Reed Elsevier PLC ordinary shares arising from the Share Consolidation will result from a reorganisation of the share capital of the company. Accordingly, to the extent that a Reed Elsevier PLC

shareholder receives new Reed Elsevier PLC ordinary shares, the Reed Elsevier PLC shareholder will not generally be treated as making a disposal of all or part of his or her holding of existing Reed Elsevier PLC ordinary shares by reason of the Share Consolidation being implemented, and the new Reed Elsevier PLC ordinary shares which replace a Reed Elsevier PLC shareholder's holding of existing Reed Elsevier PLC ordinary shares (the new holding) as a result of the Share Consolidation will be treated as the same asset acquired at the same time as the Reed Elsevier PLC shareholder's holding of existing Reed Elsevier PLC ordinary shares was acquired;

- (b) to the extent that a Reed Elsevier PLC shareholder receives cash by virtue of a sale on his or her behalf of any new Reed Elsevier PLC ordinary shares to which he or she has a fractional entitlement, the Reed Elsevier PLC shareholder should not, in practice, normally be treated as making a part disposal of his or her holding of existing Reed Elsevier PLC ordinary shares, the proceeds instead being deducted from the base cost of the Reed Elsevier PLC shareholder's new holding; and
- (c) on a subsequent disposal of the whole or part of the new Reed Elsevier PLC ordinary shares comprised in his or her new holding, a Reed Elsevier PLC shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised.

#### **HM Revenue & Customs Clearance (section 703 of ICTA)**

Under the provisions of section 703 ICTA, HM Revenue & Customs can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. The company has sought no clearance on behalf of Reed Elsevier PLC shareholders in respect of the special distribution in relation to the applicability of section 703 ICTA because the company does not consider that this provision should generally be applicable to Reed Elsevier PLC shareholders holding existing Reed Elsevier PLC ordinary shares who receive the special distribution. Reed Elsevier PLC shareholders considering transactions in respect of their existing Reed Elsevier PLC ordinary shares or who may be considering taking the special distribution into account for any of the relevant purposes listed in section 704A ICTA are however advised to take independent advice on the potential application of section 703 ICTA in light of their own particular circumstances.

#### **NETHERLANDS TAXATION**

***The following paragraphs are intended as a general guide only and are based on current tax law and published practice of the Netherlands (which is subject to changes that could prospectively or retrospectively affect the stated tax consequences). They relate only to certain limited aspects of the Netherlands taxation treatment of the special distribution on Reed Elsevier PLC ordinary shares and the Share Consolidation. The following description of some Netherlands tax consequences only relates to shareholders who are resident or deemed to be resident in The Netherlands for Netherlands tax purposes. The description does not purport to be complete. It does in particular not apply to (i) individual shareholders who, alone, or together with certain members of their family or household, hold, or have held, (x) the ownership of, and/or certain other rights, such as usufruct, over, or (y) rights to acquire directly or indirectly (whether or not already issued), shares of Reed Elsevier PLC representing five per cent. or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of Reed Elsevier PLC and (ii) holders of options on Reed Elsevier PLC shares. Shareholders should consult their own appropriate independent professional adviser with regard to the tax consequences of the special distribution and the Share Consolidation in their particular circumstances without delay.***

#### **Taxation of the special distribution**

Netherlands private individual shareholders will normally not be taxable on the special distribution from Reed Elsevier PLC, but will be taxed at a flat rate of 30 per cent. on deemed income from "savings and investments" ("sparen en beleggen"). This deemed income amounts to 4 per cent. of the average of the individual's "yield basis" ("rendementsgrondslag"), generally, at the beginning of the calendar year and the individual's "yield basis" at the end of the calendar year. The yield basis would include the fair market value of the Reed Elsevier PLC shares. If and to the extent the special distribution would affect the value of their shareholding in Reed Elsevier PLC, this would affect the yield basis on which the deemed income is calculated. The yield basis also includes any cash held by the individual at the year end and to this extent would include cash retained from the special distribution.

Netherlands shareholders subject to corporate income tax will generally be taxed at ordinary rates on the special distribution. Corporate shareholders holding an interest of - generally - five per cent. or more, may benefit from the participation exemption and on that basis would not be taxable on the special distribution.

### **Share Consolidation**

For Netherlands shareholders, the Share Consolidation should in principle not lead to Netherlands taxation, unless and to the extent the Share Consolidation would affect the value of a shareholding in Reed Elsevier PLC, although this exception does not apply to corporate shareholders that benefit from the participation exemption in relation to their shareholding in Reed Elsevier PLC or in certain specific other cases.

If and to the extent a Netherlands private individual shareholder receives net proceeds as a result of the sale of Fractional Entitlement Shares, those proceeds would be added to the individual's yield basis. If and to the extent a Netherlands corporate shareholder receiving net proceeds as a result of the sale of Fractional Entitlement Shares realizes a gain, such gain will generally be taxed at ordinary rates, unless the participation exemption applies in respect of that gain. It is expected that the amounts involved would be insignificant for most shareholders.

### **US FEDERAL INCOME TAXATION**

***The following discussion is a general summary based on current law of certain US federal income tax considerations relevant to the special distribution on Reed Elsevier PLC ordinary shares and related Share Consolidation. The discussion is not a complete description of all tax considerations that may be relevant to investors and does not consider an investor's particular circumstances. It applies to US Holders (as defined below) that own ordinary shares of Reed Elsevier PLC, hold the ordinary shares as capital assets and use the US dollar as their functional currency. It does not address the tax treatment of investors subject to special rules, such as banks, tax-exempt entities, insurance companies, dealers, traders in securities that elect mark to market treatment, investors liable for alternative minimum tax, US expatriates, investors that directly, indirectly or constructively own 10% or more of the ordinary shares of Reed Elsevier PLC, investors that hold ordinary shares in connection with a permanent establishment or fixed base outside the United States or investors that hold Shares as part of a straddle, hedging, conversion or other integrated transaction.***

THE STATEMENTS ABOUT US FEDERAL TAX CONSIDERATIONS ARE MADE TO SUPPORT THE MARKETING OF THE SPECIAL DISTRIBUTION AND SHARE CONSOLIDATION. NO TAXPAYER CAN RELY ON THEM TO AVOID TAX PENALTIES. EACH US HOLDER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF PARTICIPATING IN THE SPECIAL DISTRIBUTION AND SHARE CONSOLIDATION UNDER THE LAWS OF THE UNITED KINGDOM, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTIONS WHERE IT MAY BE SUBJECT TO TAXATION.

As used here, a "US Holder" means a beneficial owner of ordinary shares of Reed Elsevier PLC that is for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust subject to the primary supervision of a US court and the control of one or more US persons or that has elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in a partnership that holds ordinary shares will depend on the status of the partner and the activities of the partnership. Partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the special distribution and Share Consolidation.

### **Special distribution**

The special distribution will be treated as a dividend for US federal income tax purposes. The special distribution will be included in a US Holder's gross income as ordinary income from foreign sources when the US Holder actually or constructively receives the special distribution. The special distribution will not be eligible for the dividends received deduction generally allowed to US corporations, but should be eligible for the preferential tax rate applicable to qualified dividend income of individuals and certain other non-corporate persons. The amount included in income will be the US dollar value of the pounds sterling received on the date the US Holder actually or constructively receives the special distribution, regardless of whether the US Holder converts the payment into US dollars at that time. Any gain or loss recognised by a US Holder on a

subsequent conversion or other disposition of the pounds sterling generally will be treated as ordinary income or loss from US sources.

#### **Share Consolidation**

The Share Consolidation generally will be a non-taxable reorganisation except to the extent a US Holder receives cash with respect to ordinary shares to which it has a fractional entitlement. A US Holder should not recognise gain or loss in the Share Consolidation except to the extent that it receives cash in lieu of a fractional entitlement to new Reed Elsevier PLC ordinary shares. A US holder that receives cash in lieu of fractional new Reed Elsevier PLC ordinary shares should recognise capital gain or loss in an amount equal to the difference between the US dollar value of the pounds sterling amount received and its adjusted tax basis in the ordinary shares related to the fractional entitlement to new Reed Elsevier PLC ordinary shares. A US Holder that converts a pounds sterling amount on the date it is received should not recognise any gain or loss on the currency conversion. Any gain or loss realised on a subsequent conversion of the pounds sterling received into US dollars will be US source ordinary income or loss. A US Holder's adjusted tax basis in the new Reed Elsevier PLC ordinary shares received in the Share Consolidation will generally be equal to its basis in the ordinary shares exchanged in the Share Consolidation, reduced by the basis of the ordinary shares related to any fractional entitlement to new Reed Elsevier PLC ordinary shares treated as sold for cash.

#### **Passive foreign investment company**

Reed Elsevier PLC believes that it is not, and is not likely to become, a passive foreign investment company ("PFIC") for US federal income tax purposes. A non-US company is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of its gross income is passive income or (ii) at least 50% of the average value of its assets is attributable to assets that produce or are held to produce passive income. If Reed Elsevier PLC were a PFIC this year, a US Holder would be subject to additional taxes on any "excess distributions" (generally distributions during a taxable year exceeding 125% of the average amount received during the three preceding taxable years or, if shorter, the US Holder's holding period) received from the PFIC, which may include the special distribution. In addition, the special distribution would not be eligible for the preferential tax rate applicable to qualified dividend income received by individuals and certain other non-corporate persons.

#### **Backup withholding and information reporting**

The special distribution and payments of cash in lieu of a fractional entitlement on the Share Consolidation that are made within the United States or through certain US-related financial intermediaries may be reported to the US Internal Revenue Service ("IRS") unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the US Holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption or fails to report all interest and dividends required to be shown on its US federal income tax returns. A US Holder can claim a credit against US federal income tax liability for amounts withheld under the backup withholding rules, and it can claim a refund of amounts in excess of its liability by providing required information to the IRS. Shareholders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR SHAREHOLDER. SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS ABOUT THE TAX CONSEQUENCES OF THE SPECIAL DISTRIBUTION AND SHARE CONSOLIDATION UNDER THEIR OWN CIRCUMSTANCES.

## Biographical information

### Concerning Directors seeking election at the 2007 Annual General Meeting

**Rolf Stomberg (66)**

Appointed a non-executive director of Reed Elsevier in 1999. Senior independent director and Chairman of the Remuneration Committee. Chairman of Management Consulting Group PLC and of the supervisory board of Lanxess AG and Francotype AG. Non-executive director of Smith & Nephew PLC, AOA Severstal, TNT NV, Deutsche BP AG, HOYER GmbH and Biesterfeld AG. Formerly a director of The British Petroleum Company plc where he spent 27 years, latterly as Chief Executive of BP Oil International.

**Lord Sharman of Redlynch OBE (64)**

Appointed a non-executive director of Reed Elsevier in 2002. Chairman of the Audit Committee. Non-executive chairman of Aviva PLC and Aegis Group plc, a non-executive director of BG Group plc and a member of the supervisory board of ABN-AMRO NV. Member of the House of Lords since 1999. Was chairman of KPMG Worldwide until 1999, having joined KPMG in 1966.

**Jan Hommen (63)**

Appointed a non-executive director and Chairman of Reed Elsevier in 2005. Chairman of the supervisory board of TNT NV, Academisch Ziekenhuis Maastricht and TIAS, business school of the University of Tilburg. A member of the supervisory board of Koninklijke Ahold NV, ING NV and Campina. Was vice-chairman of the board of management and chief financial officer of Royal Philips Electronics NV until his retirement in 2005.

**Erik Engstrom (43)**

Appointed executive director of Reed Elsevier in 2004 and Chief Executive Officer of the Elsevier division. Prior to joining Reed Elsevier was a partner at General Atlantic Partners. Before that was president and chief operating officer of Random House. Began his career as a consultant with McKinsey.

**Mark Armour (52)**

Appointed executive director of Reed Elsevier PLC and Chief Financial Officer of Reed Elsevier in 1996. Prior to joining Reed Elsevier as Deputy Chief Financial Officer in 1995, was a partner in Price Waterhouse.

**Robert Polet (51)**

Nominated for appointment as a non-executive director at the 2007 Annual General Meeting. President and Chief Executive Officer of Gucci Group since July 2004. Prior to joining Gucci Group was President of Unilever's Worldwide Ice Cream and Frozen Foods division. He joined Unilever in 1978, where he worked in a broad variety of marketing and senior executive positions throughout the world. He is a Dutch national, and studied business administration at Nijenrode in the Netherlands, and earned an MBA from the University of Oregon, USA.

# Notice of Annual General Meeting

## to be held on 17 April 2007 at 11.00 am

Notice is hereby given that the Annual General Meeting of Reed Elsevier PLC will be held in the Ballroom at the Millennium Hotel, Grosvenor Square, London, W1K 2HP on Tuesday, 17 April 2007 commencing at 11.00 am for the following purpose.

To consider and, if thought fit, pass the resolutions noted below. Other than resolutions 14 and 15, which will be proposed as Special Resolutions, all of the resolutions will be proposed as Ordinary Resolutions. An explanation of those resolutions, which relate to items of special business, appears in the letter accompanying this Notice.

1. To receive the company's financial statements for the year ended 31 December 2006, together with the reports of the directors and auditors thereon.
2. To approve the Directors' Remuneration Report as set out in the Reed Elsevier Annual Reports and Financial Statements 2006.
3. To declare a final dividend for 2006 on the company's ordinary shares.
4. To re-appoint Deloitte & Touche LLP as auditors of the company until the next general meeting of the company at which accounts are laid.
5. To authorise the directors to fix the remuneration of the auditors.
6. To re-elect Rolf Stomberg as a director.
7. To re-elect Lord Sharman as a director.
8. To re-elect Jan Hommen as a director.
9. To re-elect Erik Engstrom as a director.
10. To re-elect Mark Armour as a director.
11. To elect Robert Polet as a director.

Biographical information concerning each director seeking election appears on page 11.

12. To approve, subject to and following the declaration of a special distribution by the board of the company out of the proceeds of the planned disposal of the Education division (the **Special Distribution**), a consolidation of the company's share capital. To effect such share consolidation, to authorise, subject to and conditional upon the admission of the New Ordinary Shares (as defined below) to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange becoming effective by a date to be determined by the board and the declaration of the Special Distribution, the share consolidation on the following terms. That, subject to the foregoing conditions:
  - (i) all ordinary shares of 12.5p each in the capital of the company which at the close of business on date to be determined by the board (the **Consolidation Record Time**) are shown in the books of the company as authorised but unissued (the **Unissued Ordinary Shares**) shall be consolidated into one ordinary share in the capital of the company with a nominal value equal to the product of 12.5 pence and the number of such unissued ordinary shares (the **Unissued Intermediate Share**) and immediately thereafter the Unissued Intermediate Share shall be sub-divided into such number of new ordinary shares with the nominal value that results from applying the consolidation ratio set out in (iii) below (the **Consolidation Ratio**) and nominal value calculations set out below to the Unissued Ordinary Shares (the **Unissued New Ordinary Shares**), provided that where such subdivision results in a fraction of an Unissued New Ordinary Share such fraction shall, together with the minimum number of Unissued New Ordinary Shares as are required (after this Resolution has otherwise become wholly unconditional and effective) be cancelled in order that the nominal value in pounds sterling of the company's authorised share capital is a whole number, be cancelled pursuant to section 121(2)(e) of the Companies Act 1985; and
  - (ii) each holding of issued ordinary shares of 12.5 pence each in the capital of the company (the **Existing Ordinary Shares**) as shown in the register of members of the company at the Consolidation Record Time be consolidated into one single ordinary share in the capital of the company with a nominal value equal to the product of 12.5 pence and the number of Existing Ordinary Shares comprised in such holding (the **Issued Intermediate Share**) and immediately thereafter such Issued Intermediate Share be sub-divided into such aggregate number of new ordinary shares with the nominal value that results

from applying the Consolidation Ratio and nominal value calculations set out below to each such holding of Existing Ordinary Shares (the **New Ordinary Shares**), provided that:

- (a) where such consolidation and sub-division results in any member being entitled to a fraction of a New Ordinary Share, such fraction shall, as far as possible, be aggregated with the fractions of New Ordinary Share to which other members of the company may be entitled into New Ordinary Shares representing such fractions (the **Fractional Entitlement Shares**); and
- (b) the directors of the company be and are hereby authorised to sell (or appoint any other person to sell) to any person, on behalf of the relevant members, all Fractional Entitlement Shares at the best price reasonably obtainable, and to settle the proceeds (net of expenses) in due proportion among the relevant members entitled thereto (save that any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of the registrar of the company and save that, pursuant to Article 55 of the company's Articles of Association, the company may retain the net proceeds of sale of such Fractional Entitlement Shares where the individual amount of net proceeds to which any member is entitled is less than £3.00) and any Director of the company (or any person appointed by the directors of the company) shall be and is hereby authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all such acts and things as the Directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such Fractional Entitlement Shares;
- (iii) the Consolidation Ratio to be applied to the Unissued Ordinary Shares and the Existing Ordinary Shares pursuant to paragraphs (i) and (ii) above will be  $(A + B - C)/(A + B)$  where:
- A = the market capitalisation of the ordinary shares of the company at a time and date to be determined by the board (the **Consolidation Calculation Date**);
- B = the market capitalisation of the ordinary shares of Reed Elsevier N.V. (not including the shares held by the company in Reed Elsevier N.V.) at the Consolidation Calculation Date; and
- C = the amount of the Special Distribution plus the amount of the special distribution declared by the board of Reed Elsevier N.V.; and
- (iv) the nominal value of each Unissued New Ordinary Share and each New Ordinary Share shall be calculated such that  $D \times E = F \times G$   
 where  $G = \frac{D \times E}{F}$  on the basis that:
- D = the total number of Unissued Ordinary Shares and Existing Ordinary Shares at the Consolidation Record Time;
- E = the nominal value of one ordinary share being 12.5p;
- F = the total number of Unissued New Ordinary Shares and New Ordinary Shares in the capital of the company following the consolidations and sub-divisions set out in paragraphs (a) and (b) above;
- G = the nominal value of one New Ordinary Share.

**13.** That subject to and in accordance with Article 11 of the company's Articles of Association, the directors be empowered, pursuant to Section 80 of the Companies Act 1985, to allot relevant securities having (or consisting of or giving the right to subscribe or convert into shares having) a nominal amount not exceeding in aggregate £22.2 million and that such authority shall expire (save as mentioned in the said Article) on the date of the Annual General Meeting in 2008 or on 16 April 2008, whichever is the later.

**14.** That subject to and in accordance with Article 12 of the company's Articles of Association, the directors be empowered, pursuant to Section 95 of the Companies Act 1985 (the **Act**), to allot equity securities for cash pursuant to the authority conferred by the previous resolution as if Section 89(1) of the Act did not apply to any such allotment and that such authority shall expire (save as mentioned in the said Article) on the date of the Annual General Meeting in 2008 or on 16 April 2008, whichever is the later, provided that for the purposes of the limitation of the said power referred to in Article 12 this authority shall be limited to:

- (i) the allotment of equity securities up to an aggregate nominal value of £8 million; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities pursuant to the terms of the Reed Elsevier Group plc share option schemes approved by the company.

15. That subject to and in accordance with Article 57 of the company's Articles of Association, the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of ordinary shares of 12.5p each nominal value in the capital of the company and that such authority shall expire on the date of the Annual General Meeting in 2008 or on 16 April 2008, whichever is the later (except in relation to the purchase of ordinary shares the contract for which was concluded before such date and which is executed wholly or partly after such date), unless such authority is renewed prior to such time provided that this authority shall be limited so that:

- (i) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 129 million;
- (ii) the minimum price which may be paid for each ordinary share is 12.5p or, following the share consolidation contemplated in Resolution 12, the nominal value determined by such share consolidation, in either case, such amount shall be exclusive of expenses;
- (iii) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS); and
- (iv) provided that, subject to the passing of Resolution 12 and the coming into effect of the share consolidation and sub-division contemplated in that resolution, all references to "ordinary shares" in this resolution shall be read as referring to New Ordinary Shares and Unissued New Ordinary Shares (as defined in Resolution 12) resulting from such consolidation and sub-division.

By order of the Board

**Stephen J Cowden**

Secretary

21 March 2007

Registered Office:

1-3 Strand

London WC2N 5JR

## Notes to Notice of Annual General Meeting

### 1 Proxy appointment

- (i) Any member of the company who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on the members' behalf. A proxy need not be a member of the company. Appointment of a proxy will not preclude a member who so wishes from attending and voting in person at the meeting.

#### A proxy can be appointed in the following ways:

##### (a) By post

Complete and sign the form of proxy, indicating how you wish your proxy to vote by placing a cross in the boxes provided. Return the form of proxy to the company's Registrar, Lloyds TSB Registrars, Freepost SEA 7144, The Causeway, Worthing, West Sussex, BN99 6AR.

##### (b) Via the Internet

Access the Lloyds TSB Registrars website at [www.sharevote.co.uk](http://www.sharevote.co.uk) and follow the on screen instructions. You will be required to enter your reference number, Card ID and account number shown on the Form of Proxy. Please note that any electronic communication sent to the company's Registrar in respect of the appointment of a proxy that is found to contain a computer virus will not be accepted.

##### (c) Via the CRESTCo electronic proxy appointment service

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

To be valid, an instrument appointing a proxy, together with any power of attorney under which the appointment is given, must be received by Lloyds TSB Registrars no later than 48 hours before the time appointed for holding the meeting.

#### (ii) Multiple proxy instructions

If multiple instructions are received from the sole holder of shares, the instruction received last will be accepted. However, if a postal instruction and an on-line instruction are received on the same day, the on-line instruction will be accepted.

#### (iii) Joint shareholders

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names appear on the register.

#### (iv) Nominee shareholders

If more than one proxy is to be appointed to attend the meeting to represent and vote on individual interests, please call the Shareholder Helpline on 0870 600 3970 or on +44 (0) 121 415 7047 from outside the UK.

## **2 Attendance at the meeting**

- (i) Only those persons holding ordinary shares and entered in the share register of the company at the close of business on Sunday, 15 April 2007 (or their duly appointed representative) are entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes in the entries on the register after the close of business on 15 April 2007 will be disregarded in determining the rights of any person to attend and/or vote at the meeting.
- (ii) A proxy may not speak at the meeting, except with the permission of the Chairman of the Meeting.
- (iii) Corporate shareholders wishing to send a representative to the meeting should prepare a Letter of Representation on their company letterhead and have it signed by an authorised representative or send a certified board resolution making the appointment.
- (iv) An attendance card is attached to the Form of Proxy. Please bring the card with you to the meeting since this will help the Registrar to admit you without delay. The meeting will start at 11.00 am and registration will be available from 10.15 am. Please try to arrive by 10.45 am to allow time for registration and security clearance.
- (v) For the safety and comfort of those attending the meeting, security measures will be in place at the meeting. Certain items will not be permitted in the meeting. These include bags, cameras, recording equipment, mobile telephones, items of any nature with potential to cause disorder and such other items as the Chairman of the Meeting may specify.
- (vi) The meeting is easily accessible for wheelchair users. A hearing loop system will be provided in the meeting. Please ask at registration if you require assistance.
- (vii) Tea and coffee will be available before the commencement of the meeting. Light refreshments with soft drinks will be available immediately after the conclusion of the meeting for approximately one hour.

## **3 Documents available for inspection**

Copies of the service contracts of the directors, or letters of appointment between the directors and the company and Reed Elsevier Group plc or any subsidiary company thereof, and the Register of Directors' Interests will be available for inspection at the registered office of the company during normal business hours until the date of the meeting and on that day at the place of the meeting for at least 15 minutes prior to the meeting until its conclusion.