

REED ELSEVIER: HIGHLIGHTS OF 2000 PRELIMINARY RESULTS

YEAR OF REAL PROGRESS ON EXECUTION OF STRATEGY

- 2000 results ahead of expectations, with momentum growing
- Revenue up 9%, adjusted pre-tax profit lower by 3% (constant rates). Underlying revenue up 5%, versus 3% in 1999
- New management team in place
- Successful execution of major investment and cost savings programmes
- £1bn/€1.6bn of acquisitions completed, to accelerate growth
- Target of above market revenue growth and double-digit earnings growth by 2002 firmly on track

REED ELSEVIER

	2000 £m	1999 £m	2000 €m	1999 €m	Change at constant currencies %
Turnover	3,768	3,390	6,180	5,153	9%
Adjusted profit before taxation	690	710	1,132	1,079	(3)%

PARENT COMPANIES

	Reed International			Elsevier		
	2000	1999	Change %	2000	1999	Change %
Adjusted earnings per share	23.3p	24.4p	(5)%	€0.59	€0.57	4%
Dividend per share	10.0p	10.0p	–	€0.28	€0.27	4%

Crispin Davis, Chief Executive Officer of Reed Elsevier, commented:

We are very encouraged by the progress made over the last year in reshaping and reinvigorating the business. There is more to do, and the priority remains on execution and delivery. 2001 should see Reed Elsevier move very significantly towards our stated goal of above market revenue growth and double-digit earnings growth in 2002 and beyond.

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FOR THE YEAR ENDED 31 DECEMBER 2000

REED ELSEVIER COMBINED BUSINESSES

	2000 £m	1999 £m	2000 €m	1999 €m	Change at constant currencies %
Reported figures					
Turnover	3,768	3,390	6,180	5,153	9%
Operating profit	210	180	344	274	28%
Profit before taxation	192	105	315	160	106%
Net borrowings	433	1,066	697	1,717	
Adjusted figures					
Operating profit	793	792	1,301	1,204	(1)%
Operating margin	21%	23%	21%	23%	
Profit before taxation	690	710	1,132	1,079	(3)%
Operating cash flow	775	780	1,271	1,186	(1)%
Operating cash flow conversion	98%	98%	98%	98%	
Interest cover (times)	8	10	8	10	

The Reed Elsevier combined financial statements encompass the businesses of Reed Elsevier plc and Elsevier Reed Finance BV, together with their parent companies, Reed International and Elsevier (the 'Reed Elsevier combined businesses').

Adjusted figures, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, are presented as additional performance measures.

The percentage change at constant currencies refers to the movements at constant exchange rates, using 1999 full year average rates.

PARENT COMPANIES

	Reed International			Elsevier		
	2000 £m	1999 £m	% change	2000 €m	1999 €m	% change
Reported profit/(loss) attributable	11	(39)		27	(48)	
Adjusted profit attributable	270	279	(3)%	419	401	4%
Average exchange rate €:£	1.64	1.52		1.64	1.52	
Reported earnings/(loss) per share	1.0p	(3.4)p		€0.04	€(0.07)	
Adjusted earnings per share	23.3p	24.4p	(5)%	€0.59	€0.57	4%
Dividend per share	10.0p	10.0p	–	€0.28	€0.27	4%

The results of Reed International reflect its shareholders' 52.9% economic interest in the Reed Elsevier combined businesses. The results of Elsevier reflect its shareholders' 50% economic interest in the Reed Elsevier combined businesses. The respective economic interests of the Reed International and Elsevier shareholders take account of Reed International's economic interest in Elsevier.

2000 has seen significant progress in the transformation of Reed Elsevier. A year ago we put in place a comprehensive new strategy to deliver sustained and accelerated growth. We are pleased to report real progress against all the key milestones of its detailed execution. As a result, we are now seeing a strengthening momentum across Reed Elsevier, confirming the core qualities of the business.

The results for 2000 are ahead of our expectations on both revenue and profit with performance improving as the year progressed. Almost all of our businesses have exceeded objectives. A year ago, we set a target for 2002 and beyond of revenue growth ahead of the market, and of double-digit earnings growth. There is still a lot to be done, but we are firmly on track to deliver.

In October 2000, we were pleased to announce that agreements had been reached to acquire Harcourt General, Inc's Scientific and Medical business and US Schools Education and Testing businesses in a \$4.5 billion transaction. The acquisition will give Reed Elsevier a high quality leading position across the Scientific, Technical and Medical spectrum, and an excellent position in the fast growing US schools education market. It will further accelerate our revenue and profit growth.

FINANCIAL RESULTS

Overall 2000 revenue was up 9% at constant exchange rates with adjusted pre-tax profits 3% lower. In reported currencies, revenues were up 11% to £3,768m and 20% to €6,180m whilst adjusted pre-tax profits were lower by 3% to £690m/up 5% to €1,132m. Excluding acquisitions and disposals and currency translation, underlying revenue growth was up 5%. The second half continued the improving trend seen in the first, benefiting from the positive impact of the investment programme. Underlying operating profits were 2% lower reflecting this investment mitigated by the cost savings programme. Cash flow conversion was strong with operating cash flow at £775m/€1,271m, representing 98% of adjusted operating profits.

The Science & Medical business had a good year with stronger subscription renewals and the continuing market success of the ScienceDirect series of online products. Revenues and operating profits increased by 7% and 12% respectively at constant exchange rates, or 8% and 12% excluding acquisitions and disposals. ScienceDirect now covers over 45% of subscription revenues, up from 25% a year ago, and usage is growing rapidly. New functionalities and customised web services for specific user groups have been introduced. Particularly pleasing is the strengthening trend in subscription renewals.

The Legal business increased revenues by 5% whereas operating profits were 19% lower at constant exchange rates reflecting the significant step up in new product and marketing initiatives. Excluding acquisitions and disposals, the figures were 3% and 19% respectively. Substantial progress has been made in the three year programme to transform LEXIS-NEXIS's competitive position, and revenue trends have started to turnaround with continuing improvement seen in the second half of the year as new web based legal and business research services and practice tools were launched. In US Legal Markets, online revenues grew 5%, although this is largely offset by lower print and CD-ROM sales as business migrates online. In US Corporate and Federal Markets, Nexis online revenues grew 4% which compares with a decline of 4% in the previous year. In US law schools, lexis.com achieved parity in student preference by the end of the year, a substantial improvement on the position a year ago, and a clear testament to the progress made in product and marketing. In International Markets outside the US, the legal businesses continued to perform satisfactorily.

The Education business saw revenues and operating profits up 9% and 15% respectively, with a particularly strong contribution from the US schools supplemental business which grew sales by 37%. The Education business is now reported separately from the Legal segment in anticipation of the acquisition of Harcourt.

The Business segment also performed well with revenues and operating profits increased respectively by 12% and 7% at constant exchange rates. Underlying revenue growth at 4% was held back by unfavourable cycling of non-annual exhibitions and lower revenue in travel businesses being sold. Improved market conditions and product and sales initiatives otherwise delivered a strong trading performance. Underlying operating profits were ahead 3% with the impact of substantial new investment largely offset by savings in core costs.

Cahners saw turnover and operating profits up 5% and 30% respectively before acquisitions with strong performances across a number of sectors and a growing contribution from new product launches. The revenue growth and the benefit of the major cost restructuring programme boosted profitability despite the substantial increase in investment. Internet portals were launched in over 20 sectors and although the market opportunities are now considered somewhat smaller than originally thought, they are doing well in their markets with traffic and revenues growing. The UK and European businesses saw good sales growth with buoyant market conditions and the impact of product launches and market initiatives. Underlying profits were lower at Reed Business Information, reflecting the major increase in investment, particularly

in totaljobs.com, the online recruitment service which commands the leading market share in the UK. For Reed Exhibitions, 2000 was a year when a number of important non-annual shows do not take place. Annual shows however performed well, particularly in Europe and Asia Pacific, and investment was made in a strong successful launch programme of 35 shows.

Acquisitions and disposals were 2% dilutive to adjusted earnings as investment was made in the high growth businesses acquired and sale proceeds at lower multiples reflected the lower growth of businesses sold. These transactions, together with the disposals in hand, will make the business more focused in higher quality sectors and will accelerate further revenue and profit growth.

Reported pre-tax profits, after exceptional items and amortisation of goodwill and intangible assets, were £192m/€315m compared with £105m/€160m in 1999, reflecting the impact of exceptional items.

PROGRESS OF STRATEGY

Throughout the last year we have been executing the strategy for growth that we announced last February and we are pleased to report that we have achieved virtually all of our objectives to date.

Significant upgrade of management and organisation effectiveness

Strong new appointments have been made to senior management positions. These include the Global CEOs for Science & Medical, Legal and Business; new CEOs for Cahners and the LEXIS-NEXIS operating businesses; a new Group Technology Officer, HR Director and General Counsel. Internet activities have been separately organised within each business with clear leadership and accountabilities. The head office has been reduced. Executive management development programmes and new incentive structures have been introduced.

Major upgrade of products, leveraging Internet technology, to deliver superior services to customers

New and upgraded products have been developed and launched, based on in-depth customer research; the focus is on higher value added content and services, Internet delivered, with greater ease of use and functionality, and increasing customisation. The ScienceDirect web service has been successfully rolled out. Further significant improvements have been made to content and functionality. Over 45% of scientific research subscriptions is now Internet delivered. The web enabled LEXIS-NEXIS information services, through lexis.com and nexis.com, have been well received in the US legal and corporate markets, and have significantly improved competitiveness.

Internet portals have been built, launched and expanded around core Business sectors internationally. 5 major portals have been launched in the US in the electronics, manufacturing and media sectors and 15 more using the e:Logic platform. The portals are well positioned in their markets with traffic and advertising revenues growing. The new and upgraded Internet portals in Europe are doing particularly well in their target markets.

More effective marketing and sales programmes

Customer research has been expanded across the business. Marketing programmes have been redeveloped. Sales forces have been significantly increased, most particularly in Science & Medical and Legal. In Science & Medical, the sales force and customer service activities have been doubled. In Legal, the sales force and marketing programmes for small law firms and US law schools in particular have been substantially expanded. Competitive parity has been re-established in law schools, confirmed by independent research; an important milestone since this is where product preferences are first formed.

Significant increase in investment – largely against Internet – to drive revenue growth

The investment programme for 2000 has been very successful in this dramatic upgrading of our products and of our marketing and sales activities, and in reigniting creativity and innovation across the organisation. Budgeted at £260m/€420m, actual spend in 2000 was £10m/€16m higher. This level of investment can be expected to increase as successes are built upon. An additional £20m/€32m is budgeted in 2001, with increases in Science & Medical and Legal and a modest reduction in Business.

Aggressive cost saving programmes

Cost savings of £143m/€235m have been achieved in 2000, £13m/€21m ahead of plan. These have been derived principally from non-revenue generating areas, e.g. production, infrastructure and support staff. We remain on track to deliver the full £170m/€278m of targeted savings in 2001.

Expand geographically to build global capability and leadership position

We have extended and strengthened our position in global markets through acquisition and launch. In Science & Medical, ScienceDirect is now a fully global product. Within Legal, businesses have been acquired in the US, UK, Asia and Latin America. Global content, technology and branding strategies have been developed. In Business, acquisitions have been made to fill out our presence in the global chemicals and construction sectors. Exhibitions businesses have been acquired in continental Europe.

Continue to target acquisitions/alliances to accelerate achievement of strategic goals

We completed over 50 acquisitions, totalling £952m/€1,562m including CMD Group (construction information), e:Logic (application service provider), Miller Freeman Europe (exhibitions) and legal publishing businesses internationally. These have expanded our global capability and leadership position across target markets. Together with the disposal of non core businesses, they are focused on accelerating growth and are performing to our expectation. Alliances have been formed to enhance the scope and penetration of our Internet services. Reed Elsevier Ventures has been launched to participate in emerging businesses that present strategically and financially attractive opportunities.

A more detailed review of progress by business is included in the Review of Operations.

ACQUISITION OF HARCOURT GENERAL STM AND EDUCATION BUSINESSES

The acquisition of Harcourt General's Science, Technical and Medical (STM) business and its US Schools Education and Testing businesses represents a major step forward in our strategy. The acquisition will give Reed Elsevier a leading position across the Scientific, Technical and Medical spectrum, and an excellent position in the fast growing US Schools education market. The very positive performance of these businesses reported by Harcourt for the year to October 2000 and our meetings with management and staff have reaffirmed our high expectations.

The acquisition, which is subject to normal regulatory processes, will be effected by the purchase of the whole of Harcourt General, Inc and the onsale to The Thomson Corporation of the Higher Education business and certain Corporate and Professional Services businesses that we do not wish to retain. The total cost of the transaction, after taking into account the onsale and debt assumed and other liabilities, will be approximately \$4.5 billion.

To finance the acquisition, in November 2000, Reed International and Elsevier raised £1,263m/€2,071m through the issue of new shares representing an additional 9.9% of their respective ordinary share capitals. The remainder of the transaction cost will be funded from available debt facilities.

PARENT COMPANY EARNINGS AND DIVIDENDS

For the parent companies, Reed International and Elsevier, the adjusted earnings per share were 5% lower at 23.3p and up 4% at €0.59 respectively. At constant exchange rates, this represents a reduction of 5%. The reported

earnings per share, including exceptional items and the amortisation of goodwill and intangible assets, was for Reed International shareholders 1.0p (1999 loss 3.4p) and for Elsevier shareholders €0.04 (1999 loss €0.07).

The proposed Reed International final dividend is 6.9p per share, which together with the interim dividend of 3.1p gives a total 2000 dividend of 10.0p, unchanged from the prior year. As announced in February 2000, the 2000 interim dividend was reduced by one-third and the proposed final dividend adjusted upwards correspondingly to restore normal proportions between the interim and final dividends following the dividend reduction in 1999. The Elsevier 2000 final dividend under the equalisation arrangements is €0.19 per share. Together with the interim dividend of €0.09, the 2000 total Elsevier dividend will be €0.28, up 4%. The differences in dividend growth between Reed International and Elsevier reflect the impact of currency movements.

OUTLOOK

We are very encouraged by the progress made over the last year in reshaping and reinvigorating the business, with the focus on leadership, superior products and growth. There is more to do, and the priority now is even more firmly on execution and delivery. 2001 should see Reed Elsevier move very significantly towards our stated goal of above market revenue growth and double-digit earnings growth in 2002 and beyond. The acquisition of Harcourt will add meaningfully over and above that progress. Whilst the slowing US economy will have some impact on our Business to Business operations, we believe this to be manageable. The Science & Medical, Legal and Education businesses should be largely unaffected.

With a clear strategy in place, a strengthened well-motivated organisation, and total focus on execution and delivery, Reed Elsevier is well placed to accelerate momentum and capitalise on the significant underlying strengths of the business.

Morris Tabaksblat
Chairman

Crispin Davis
Chief Executive Officer

REVIEW OF OPERATIONS

	2000 £m	1999 £m	2000 €m	1999 €m	% change at constant currencies
Turnover					
Science & Medical	693	652	1,137	991	7%
Legal	1,201	1,087	1,970	1,652	5%
Education	202	181	331	275	9%
Business	1,672	1,470	2,742	2,235	12%
Total	3,768	3,390	6,180	5,153	9%

Adjusted operating profit

Science & Medical	252	231	413	351	12%
Legal	237	282	389	428	(19)%
Education	40	34	66	52	15%
Business	264	245	433	373	7%
Total	793	792	1,301	1,204	(1)%

Unless otherwise indicated, all percentage movements in the following commentary refer to constant currency rates, using 1999 full year average rates, and are stated before the amortisation of goodwill and intangible assets and exceptional items. The Education business, previously reported within the Legal segment, has been presented separately for the first time in 2000. Comparatives have been restated accordingly.

SCIENCE & MEDICAL

	2000 £m	1999 £m	2000 €m	1999 €m	% change at constant currencies
Turnover					
Elsevier Science	592	534	971	812	12%
Medical Businesses	101	118	166	179	(15)%
	693	652	1,137	991	7%
Adjusted operating profit	252	231	413	351	12%
Operating margin	36.4%	35.4%	36.4%	35.4%	1.0 pts

2000 has been a very successful year for Elsevier Science. Our results have demonstrated the good growth momentum in the business and we have made major progress in the execution of our strategy. We have significantly expanded ScienceDirect accelerating the migration of our business from print to electronic information services, and we are now reaching new usage groups. Our sales and customer services activities have been significantly expanded and we have continued to upgrade our systems infrastructure to support our growth strategy.

Turnover and operating profit in the Science & Medical business increased by 7% and 12% respectively at constant rates of exchange, or 8% and 12% excluding acquisitions and disposals. The good sales growth was driven by the stronger subscription renewals in the year and the increasing contribution from Internet services. The previously adverse subscriber attrition trends were reversed. Operating margins were slightly higher reflecting the strong revenue growth, with the significant increase in investment, in new product and sales and marketing initiatives, offset by cost savings in production, distribution and back office functions.

The customer takeup of the ScienceDirect online services continues to progress well. ScienceDirect now covers over 45% of the subscription revenues, up from 25% a year ago, and usage is growing rapidly with more than 15 million page views in January 2001. Over 1,200,000 scientific articles can now be retrieved in full text search over the web. New functionalities and customised web services for specific user groups, such as PhysicsDirect, PharmaDirect, and EngineeringDirect, have been introduced, increasing utility and relevance and expanding the user base. The ScienceDirect sales force was doubled and customer service activities significantly expanded to capture the market opportunity.

In addition to the positive impact on subscription renewals, the Internet services contributed an additional 2 percentage points to sales growth. The new policy on pricing introduced for the 2000 subscription year, moderating increases and the impact of currencies so as to give more predictable journal pricing for customers, also contributed to the stronger renewals and helped accelerate the migration from print to electronic products.

The breadth of Elsevier Science's services has extended through acquisition: to the library community with Endeavor, the leading provider of digital library systems, and to the pharmaceutical industry through Afferent, with its advanced drug screening software. In June, the Springhouse business, focused on the nursing community, was sold for \$105 million.

The medical publishing and communications business in 2000 reported turnover lower by 15% due to the disposal of Springhouse. Underlying sales were marginally ahead and operating profits up 22% following reorganisation of the sponsored communications business and in France after the weak

performance in 1999. The year ended with good growth momentum as the benefit of the sales force expansion began to take effect.

The outlook for the Science & Medical business is good. Revenue growth momentum is strong with high subscription renewals expected and an expanding customer base for the ScienceDirect product. Initiative spending will remain high as further progress is made on customisation, functionalities and marketing with the increased investment balanced by further cost savings expected from the full year effect of savings in 2000 and as new systems go live.

LEGAL

	2000 £m	1999 £m	2000 €m	1999 €m	% change at constant currencies
Turnover					
LEXIS-NEXIS US	947	854	1,553	1,298	4%
LEXIS-NEXIS International	254	233	417	354	11%
	1,201	1,087	1,970	1,652	5%
Adjusted operating profit	237	282	389	428	(19)%
Operating margin	19.7%	25.9%	19.7%	25.9%	(6.2) pts

In 2000, we have made strong progress against our key strategic priorities. We have launched new and upgraded Internet products and services which have been well received, most importantly the core research services of lexis.com and nexis.com for the US legal and corporate/government markets respectively. We have significantly expanded our sales and marketing activities, and have been building our global capability and presence through acquisition and alliance. Our results have been impacted by this investment programme, but the progress made is substantial.

Turnover in the Legal business increased by 5%, or 3% excluding acquisitions, and operating profit was down 19%. This reflects the significant step up in investment, particularly at LEXIS-NEXIS, to deliver substantially upgraded products and services, and sales and marketing programmes. The investment was partly funded by the major cost savings programme. Operating margins were correspondingly lower by 6.2 percentage points at 19.7%, from which they are expected to recover as the investment pays off. At LEXIS-NEXIS, turnover excluding acquisitions was up 2% whilst operating profits were 24% lower.

In the US Legal Markets, online revenues grew 5% with the second half growth showing a continuing improvement over the first. This is partly offset by lower print and CD-ROM sales as business migrates online. Online usage is growing dramatically as customers migrate to the significantly upgraded functionalities and services of the lexis.com platform, which now accounts for

more than 65% of searches. The Martindale Hubbell legal directory business had another successful year.

The enhanced lexis.com is a truly competitive product and we continue to add content and functionality to improve and differentiate our service. Key content licences were secured through long term agreements with CCH and Tax Analysts, both leading publishers of highly valued tax material, making LEXIS-NEXIS the most comprehensive online source of tax and accounting information available worldwide. Case law summaries have now been added to the LEXIS-NEXIS federal and state case law collection. These summaries cover cases since 1995 and we are working aggressively to include earlier years, having started with those cases most often accessed.

Particularly encouraging for the future has been the success in meeting our goal of competitive parity in product preference in law schools, where user preferences are first formed. The most recent independent market research shows lexis.com to have parity preference amongst law students, a substantial improvement from a year ago and representing an important milestone.

To meet the needs of US attorneys in small firm and single-lawyer practices, the lexisONE.com service was launched with free and fee-based research and legal forms, as well as resources to help attorneys manage firm business, client relationships and their careers.

In US Corporate and Federal Markets, Nexis online revenues grew by 4%, a major turnaround from the 4% decline seen the previous year, with a particularly strong second half. The launch of the significantly upgraded flagship product, nexis.com, has been exceptionally well received in the market and is driving new sales and expansion of existing customer accounts.

As in US Legal Markets, we are building customised solutions with our customers that are both industry and function specific, eg. insurance, media, sales support, mergers and acquisitions, business intelligence etc, that integrate searching across a customer's Intranet, LEXIS-NEXIS and other information sources, including the web. Alliances with major systems suppliers, such as Siebel and Verity, have embedded nexis.com in their products extending our penetration of the business market.

Across LEXIS-NEXIS the major re-engineering programme has continued to deliver substantial cost savings, in excess of \$90m, with almost every area reengineered, including production, IT, administration and other support services. In addition to releasing substantial funds for reinvestment, the re-engineering is making LEXIS-NEXIS a leaner, faster moving organisation.

LEXIS-NEXIS International businesses outside the US (formerly the Reed Elsevier Legal Division) reported turnover and operating profit up 11% and 1% respectively, or 5% and flat excluding acquisitions, reflecting solid sales performance and a significant increase in new product and marketing investment.

In the UK, the Butterworth Lexis Direct service has maintained a leadership position with expanded content and new functionalities. During the year, customised services were added in specialist fields, such as Human Rights

Direct and EU Direct, and, in partnership with a leading legal training firm, CPD Direct was launched, providing online training and professional development. In France, a major initiative was the launch of the pre-eminent French case law database, Juris-Data, as an online service.

Acquisitions were also made in the year in US, UK, Asia and Latin America to extend our global capability. In International Markets, Eclipse in the UK added a leading publisher in UK employment law and related fields which is an important growing area of law. In Corporate and Federal Markets, we acquired the Riskwise group of companies which provide online identify verification and fraud-risk solutions for the rapidly growing e-commerce industry and is an excellent fit with our existing public record business.

In recognition that our markets and customers are increasingly becoming global, we took steps to develop a global product and technology platform to serve as an underpinning to link all of our individual country offerings, and to ensure that content available on any Reed Elsevier legal offering can be delivered to any of our customers anywhere else around the globe. We also made the important decision to adopt Lexis-Nexis as our global brand. This will be implemented progressively across our International markets this year.

The outlook for the Legal business is positive and improving. The success of lexis.com, and the significantly upgraded sales and marketing efforts, will start to be reflected in the results going forward as opportunities are presented when subscriptions come up for renewal, and as ingrained preferences for competitor products are overcome. There is now real momentum behind nexis.com, and international markets outside the US continue to perform.

EDUCATION

	2000 £m	1999 £m	2000 €m	1999 €m	% change at constant currencies
Turnover					
Reed Educational & Professional Publishing	202	181	331	275	9%
Adjusted operating profit	40	34	66	52	15%
Operating margin	19.8%	18.8%	19.8%	18.8%	1.0 pts

Reed Educational & Professional Publishing saw revenues and operating profit increase by 9% and 15% respectively. Rigby, the US supplementary business, had a particularly good year with revenues 37% ahead driven by market share gains and a very successful launch of the new Rigby literacy programme. In UK Schools, sales in the Primary market were lower than the

prior year which benefited from exceptional, ring fenced government funding for literacy materials. In Secondary, however, sales were up 23% on strong new publishing programmes addressing curriculum changes. The Australian schools business also performed well. The outlook for Reed Educational & Professional Publishing business remains good.

BUSINESS

	2000 £m	1999 £m	2000 €m	1999 €m	% change at constant currencies
Turnover					
Cahners Business Information	665	542	1,090	824	15%
Reed Business Information	270	243	443	369	11%
Elsevier Business Information (including Tuition)	278	270	456	411	11%
Reed Exhibition Companies	358	301	587	458	18%
OAG Worldwide	72	85	118	129	(19)%
Other	29	29	48	44	
	1,672	1,470	2,742	2,235	12%
Adjusted operating profit	264	245	433	373	7%
Operating margin	15.8%	16.7%	15.8%	16.7%	(0.9) pts

2000 has seen a good recovery in trading performance and major progress on our strategic initiatives to accelerate growth. The businesses have been brought together in one cohesive global division and the portfolio refocused on fewer, faster growing sectors through a programme of acquisitions and disposals. We have successfully launched Internet portals in key sectors, as well as new print magazines and exhibitions. Efficiency was significantly improved through the major cost savings programmes, funding in part the substantial increase in investment.

Turnover and operating profit in the Business segment increased by 12% and 7% respectively at constant rates of exchange. Excluding acquisitions and disposals, the figures were 4% and 3% respectively. Turnover growth was held back by the unfavourable cycling of non-annual exhibitions and lower revenues in the travel businesses being sold. Operating margins at 15.8% were 0.9 percentage points lower reflecting the significant increase in investment, although this is substantially funded by the cost saving programme.

Cahners Business Information turnover and operating profits were up 5% and 30% respectively before the impact of acquisitions. The Electronics, Supply Chain, Retail and Entertainment sectors performed particularly well, with Manufacturing flat and Cahners Travel Group lower. New product launches in both print and Internet services added 2% to revenue growth. Operating margins improved, despite a significant increase in new product investment, reflecting the major restructuring programme in the second half of 1999.

Substantial progress has been made in the last 12 months in the development and execution of Cahners Internet strategy, through launch, alliance and acquisition. Internet portals have been launched in key sectors including Electronics, Manufacturing, Entertainment, Television and Telecommunications and in over 15 other sectors using the e:Logic platform. The market opportunities have been reassessed as clearer business models emerge and are not considered as large as first thought. Our portals have, however, been well received in their markets with good growth in traffic and growing advertising revenues. We have reprioritised some of the Internet

investment to take account of this. For instance, within the Manufacturing sector we are migrating the joint venture with i2 into a more straightforward licensing arrangement and refocused the web service on the design, automation and supply chain/logistics segments of Manufacturing. The recent downturn in so many dot.com valuations reinforces the importance of the strengths that we have in strong brands, key content and an established customer base.

In May, Cahners made the \$300 million acquisition of CMD Group, a leading international supplier of information to the construction industry. Combined with Cahners existing construction magazines and websites, CMD provides a strong platform from which to lead the industry in print and online information services.

Cahners also acquired, in June for \$73 million, e:Logic, a fast growing and leading application service provider of web development, design and delivery systems to media and Internet companies. e:Logic provides Cahners with world class content management technology and is accelerating our strategy of building leading Internet portals.

At Reed Business Information, turnover increased by 11%, or 7% excluding acquisitions, with stronger growth and market share gains in display and recruitment advertising in the UK magazines and in Internet revenues. The Computer, Personnel, Aerospace and Science sectors performed particularly well. Underlying operating profits were 1% lower, reflecting the major increase in investment, particularly in totaljobs.com, the online recruitment service, which commands the leading market share in the UK. Other initiatives include the 75/25 computerweekly.com joint venture with InterX to combine RBI's brands, content and publishing expertise with InterX's technical and product data services.

At OAG Worldwide, turnover declined by 19% due to portfolio rationalisation ahead of its impending sale and lower sales of the print product. Investment

has been significantly increased in new web products and the OAG.com and OAGMobile services were launched in the second half. The sale of the business is well advanced.

At Elsevier Business Information, turnover and operating profits were up 11% and 5% respectively, or 7% and 10% excluding acquisitions. Strong performances were seen across the businesses in the Netherlands, Belgium, Spain and France. In the Netherlands, the Business and Management, Personnel, Healthcare and Retail sectors were particularly strong and buoyant advertising demand was captured with the launch of supplements. EBI's zibb.nl was successfully launched in the year and is now a leading general business information portal in the Netherlands.

The portfolio was extended by the acquisition in July of the Stammer business in Italy, as part of the Miller Freeman Europe transaction, and other acquisitions were made in France, Spain and Germany. Disposal of the K G Saur reference business was completed and a number of the non core Tuition businesses have been, or are in the process of being, sold.

Turnover at Reed Exhibition Companies increased by 18% and operating profit by 19%. As several major non-annual shows in the UK and US did not take place in 2000, excluding acquisitions, revenue grew by 1% and operating profit declined by 8%. This also reflects the significant new show launch programme, with over 35 new shows launched, and a significant step up in investment in show related websites, of which there are now over 250. These will provide more accessible and focused pre and post event services, including contact broking, to exhibitors and attendees.

In July, Reed Elsevier acquired for £360m/€585m the leading trade exhibition organiser in Europe, Miller Freeman Europe, with operations in France, Spain, Italy, Germany and Scandinavia. The portfolio has over 100 shows and 66 related websites and includes prestigious international and national domestic events across a number of sectors, including building and construction, retail, food and hospitality, and environmental services. The post acquisition performance has been ahead of expectations.

The outlook for the Business segment in 2001 is positive. Investment levels will remain high with more funding behind a number of successful print launches and some cutback on Internet spending to reflect changes in revenue expectations. The slowing of the US economy is a concern. However, it is expected to be manageable as the momentum across the businesses is strong and new product revenues are growing. The disposal of businesses will affect the reported results, balanced by a greater contribution from acquisitions made in the last year and favourable show cycling at Exhibitions.

REVIEW OF 2000 FINANCIAL PERFORMANCE

REED ELSEVIER COMBINED BUSINESSES

Profit and loss

The **reported profit before tax** for the Reed Elsevier combined businesses, including exceptional items and the FRS10 amortisation of goodwill and intangible assets, was £192m/€315m, which compares with a reported profit of £105m/€160m in 1999. The increase includes the favourable movement in exceptional items with lower reorganisation costs and the gain on disposals of businesses. The **reported attributable profit** of £33m/€54m compares with a reported attributable loss of £63m/€95m in 1999.

Turnover increased by 11% expressed in sterling to £3,768m, and by 20% expressed in euros to €6,180m.

Excluding exceptional items and the amortisation of goodwill and intangible assets, **adjusted operating profits** were flat expressed in sterling at £793m, and up 8% expressed in euros at €1,301m. Operating margins at 21.0% were 2.4 percentage points below the prior year principally reflecting the major investment programme less cost reductions achieved in production, distribution and support areas. Excluding acquisitions and disposals and currency translation effects, revenue growth was 5% whilst costs increased by 6%.

The **amortisation charge** for goodwill and intangible assets amounted to £468m/€768m, up £95m/€201m reflecting acquisitions made in 1999 and 2000, and currency translation effects.

Exceptional items showed a pre-tax charge of £30m/€49m, comprising £38m/€63m on acquisition related costs, £77m/€126m in respect of the major restructuring programme initiated in 1999, less £85m/€140m profit on sale of businesses. This compares with a net charge on exceptional items in 1999 of £232m/€352m, of which £161m/€244m related to restructuring.

Net interest expense, at £103m/€169m, was £21m/€44m higher than in the previous year principally due to the financing of acquisitions completed in 2000 and currency translation. Net interest cover was 8 times.

Adjusted profit before tax, which excludes the amortisation of goodwill and intangible assets and exceptional items, at £690m/€1,132m, was 3% lower than in previous years expressed in sterling, and 5% higher expressed in euros, or 3% lower at constant exchange rates.

The **effective tax rate** on adjusted earnings was slightly higher at 25.9% (1999 25.6%). The **adjusted profit attributable** to shareholders of £511m/€838m compared to £527m/€801m in 1999, 3% lower at constant exchange rates.

Cash flows, acquisitions, disposals and debt

Reed Elsevier generates significant cash flows as its principal businesses do not require major fixed or working capital investments. Capital expenditure principally relates to computer equipment and, increasingly, investment in systems infrastructure to support electronic publishing activities.

Total capital expenditure in the year amounted to £144m/€236m, broadly similar to the prior year level. Depreciation in the year was £118m/€194m. Working capital requirements are negative overall, due to the substantial proportion of revenues received through subscription and similar advanced receipts.

Adjusted operating cash flow, before exceptional items, was £775m/€1,271m, representing a conversion rate of operating profit into cash flow of 98%, as for 1999.

Free cash flow – after interest, taxation and dividends but before acquisition spend and exceptional receipts and payments – was £334m/€548m compared to £187m/€286m in 1999. The increase in 2000 principally reflects reduced dividend payments as a result of the adjustment to dividend policy, and reduced taxation payments. **Net exceptional cash inflows** of £90m/€148m relate to the £153m/€251m proceeds from sale of businesses, less exceptional acquisition related costs and restructuring.

In 2000, acquisitions were made for a total consideration of £952m/€1,562m, including debt of £48m/€79m. An amount of £998m/€1,637m was capitalised as goodwill and intangible assets. The 2000 acquisitions contributed £12m/€20m to adjusted operating profit in the year and added £33m/€54m to operating cash flow.

Net borrowings at 31 December 2000 were £433m/€697m, a reduction of £633m/€1,020m on the prior year end, which reflected proceeds from the joint international share offering by Reed International and Elsevier in November 2000, together with the free cash flow and exceptional receipts, less spend on acquisitions.

Gross borrowings at 31 December 2000 amounted to £2,027m/€3,263m, denominated mostly in US dollars and partly offset by cash balances totalling £1,594m/€2,566m invested in short term deposits and marketable securities. Approximately 98% of cash balances were held in sterling, euros and US dollars. A total of 46% of Reed Elsevier's gross borrowings were at fixed rates, including £516m/€831m of floating rate debt fixed through the use of interest rate swaps. At 31 December 2000, the fixed rate debt had a weighted average interest coupon of 6.6% and an average remaining life of 7.7 years. The net interest expense also reflects the interest yield differentials between the short term investments and long term fixed rate borrowings.

THE HARCOURT ACQUISITION AND EQUITY AND DEBT FINANCING

On 27 October 2000, Reed Elsevier entered into a definitive agreement with Harcourt General, Inc (Harcourt) to make a tender offer of \$59 per share of common stock, or share equivalent, for the entire issued share capital of Harcourt. The offer values the company at \$4.45 billion (£3.10 billion/€5.37 billion at exchange rates then prevailing). Reed Elsevier plc also entered into a definitive agreement with The Thomson Corporation (Thomson) to on-sell, for pre-tax proceeds of \$2.06 billion, the Harcourt Higher Education business and the Corporate and Professional Services businesses other than educational and clinical testing.

Following completion of the offer and the on-sale of businesses, Reed Elsevier will have acquired Harcourt's Scientific, Technical and Medical (STM) business and its K-12 (kindergarten to grade 12) Schools Education and Testing businesses for an implied value of approximately \$4.5 billion, taking into account corporate net debt, taxes payable on the on-sale proceeds and the assumption of other corporate liabilities. In the year to 31 October 2000, these businesses had sales of \$1.7 billion (STM \$688m; 1999 \$633m and Education and Testing \$990m, 1999 \$787m), adjusted operating profits (pre-amortisation of goodwill and intangible assets) of \$371 million (STM \$161m; 1999 \$138m and Education and Testing \$210m, 1999 \$159m), and net assets of \$1.1 billion (including \$0.7 billion of goodwill and intangible assets) before corporate net debt of \$1.2 billion.

The acquisition and the on-sale to Thomson is subject to customary regulatory approvals, which may require some divestment of assets.

In order to fund the acquisition a placing of new shares in Reed International and Elsevier was undertaken jointly in November 2000 and new debt facilities obtained. The placing of new ordinary shares in the parent companies was executed through an accelerated bookbuild process completed on 29 November 2000. The net proceeds of the placing totalled £1,263m/€2,071m through the issue of 113.7m ordinary shares in Reed International at 625 pence per share and 66.26m ordinary shares in Elsevier at €14.50 per share, including the exercise of over-allotment options by the joint bookrunners. The majority of the proceeds have been hedged into US dollars.

This amount represented 9.9% of the share capitals of both parent companies. It is intended that Reed International should subscribe for additional R-shares in Elsevier, which represent the cross-shareholding of Reed International in Elsevier, so as to maintain Reed International's indirect equity interest at 5.8% on a fully diluted basis. This will reflect the respective economic interests of the shareholders of Reed International and Elsevier in the combined businesses represented by the equalisation arrangements. The equalisation ratio is unaffected.

The initial acquisition funding will be provided by cash and short term borrowings off commercial paper programmes or draw down against committed credit facilities, and potentially by the assumption of up to \$850 million of Harcourt public debt securities. The facilities include \$6.5bn of new bank facilities put in place in November 2000. The on-sale agreement between Reed Elsevier and Thomson has conditions which in effect mirror the terms of the merger agreement between Reed Elsevier and Harcourt, and the on-sale should therefore be completed at the time of the Harcourt acquisition or shortly thereafter dependent on the tender offer process. It is intended that the majority of the short term borrowings should be refinanced through the issuance of term debt securities.

The blended financing rate on the debt component of the funding, inclusive of the Harcourt public debt which Reed Elsevier may potentially assume, and the cost of long term debt including interest rate hedging undertaken, is expected to be approximately 7.2%.

Proforma combined net borrowings of the Reed Elsevier businesses (as at 31 December 2000) and Harcourt (as at 31 October 2000), and taking into account the acquisition financing and the on-sale of businesses to Thomson, would be approximately £3.2 billion/€5.2 billion.

PARENT COMPANIES

Profit and loss account

Adjusted earnings per share for Reed International were 23.3p, a decline of 5% compared to the previous year. Adjusted earnings per share for Elsevier were €0.59, an increase of 4%. The difference in percentage change is

entirely attributable to the impact of the strengthening, on average, of sterling against the euro in 2000. At constant rates of exchange, the adjusted earnings per share of both companies would have shown a decline of 5% over the previous year.

After their share of the exceptional items and the charge in respect of goodwill and intangible assets amortisation, the **reported earnings per share** of Reed International after tax credit equalisation and Elsevier were 1.0p and €0.04, compared to a loss per share in 1999 of 3.4p and €0.07, respectively.

Dividends

Dividends to Reed International and Elsevier shareholders are equalised at the gross level, including the benefit of the UK attributable tax credit of 10% received by certain Reed International shareholders. The exchange rate used for each dividend calculation – as defined in the Reed Elsevier merger agreement – is the spot euro/sterling exchange rate, averaged over a period of five business days commencing with the tenth business day before the announcement of the proposed dividend.

The board of Reed International has proposed a final dividend of 6.9p, giving a total dividend of 10.0p for the year, the same as for 1999. The boards of Elsevier, in accordance with the dividend equalisation arrangements, have proposed a final dividend of €0.19. This results in a total dividend of €0.28 for the year, 4% higher than in 1999. The difference in percentage growth is attributable to currency movements.

Dividend cover for Reed International, using adjusted earnings, was 2.1 times. For Elsevier, the adjusted dividend cover was 2.1 times. Measured for the combined businesses, dividend cover was 2.1 times compared with 1999 at 2.3 times.

FORWARD-LOOKING STATEMENTS

These Preliminary Statements contain forward-looking statements within the meaning of Section 27A of the Securities Act 1933, as amended, and Section 21E of the Securities Exchange Act 1934, as amended. These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently being anticipated as reflected in such forward-looking statements. The terms 'expect', 'should be', 'will be', and similar expressions identify forward-looking statements. Factors which may cause future outcomes to differ from those foreseen in forward-looking statements include, but are not limited to, general economic conditions and business conditions in Reed Elsevier's markets, customers' acceptance of its products and services, the actions of competitors, changes in law and legal interpretation affecting Reed Elsevier's intellectual property rights, and the impact of technological change.

COMBINED PROFIT AND LOSS ACCOUNT
12

FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £m	1999 £m	2000 €m	1999 €m
Turnover					
Including share of turnover of joint ventures		3,836	3,464	6,291	5,265
Less: share of turnover of joint ventures		(68)	(74)	(111)	(112)
	3	3,768	3,390	6,180	5,153
Continuing operations before acquisitions		3,589	3,390	5,886	5,153
Acquisitions		179	–	294	–
Cost of sales		(1,332)	(1,185)	(2,185)	(1,801)
Gross profit		2,436	2,205	3,995	3,352
Operating expenses		(2,239)	(2,028)	(3,672)	(3,083)
Before amortisation and exceptional items		(1,659)	(1,420)	(2,721)	(2,159)
Amortisation of goodwill and intangible assets		(465)	(369)	(762)	(561)
Exceptional items	4	(115)	(239)	(189)	(363)
Operating profit (before joint ventures)		197	177	323	269
Continuing operations before acquisitions		282	177	462	269
Acquisitions		(85)	–	(139)	–
Share of operating profit of joint ventures		13	3	21	5
Operating profit including joint ventures		210	180	344	274
Non operating exceptional items	4				
Net profit on sale of fixed asset investments and businesses		85	7	140	11
Profit on ordinary activities before interest		295	187	484	285
Net interest expense		(103)	(82)	(169)	(125)
Profit on ordinary activities before taxation		192	105	315	160
Tax on profit on ordinary activities		(159)	(167)	(261)	(254)
Profit/(loss) on ordinary activities after taxation		33	(62)	54	(94)
Minority interests		–	(1)	–	(1)
Profit/(loss) attributable to parent companies' shareholders		33	(63)	54	(95)
Equity dividends paid and proposed		(245)	(234)	(402)	(356)
Retained loss taken to combined reserves		(212)	(297)	(348)	(451)

ADJUSTED FIGURES

	Note	2000 £m	1999 £m	2000 €m	1999 €m
Adjusted operating profit	5	793	792	1,301	1,204
Adjusted profit before tax	5	690	710	1,132	1,079
Adjusted profit attributable to parent companies' shareholders	5	511	527	838	801

Adjusted figures, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, and are presented as additional performance measures.

COMBINED CASH FLOW STATEMENT

13

FOR THE YEAR ENDED 31 DECEMBER 2000

	Note	2000 £m	1999 £m	2000 €m	1999 €m
Net cash inflow from operating activities before exceptional items	6	907	898	1,487	1,365
Payments relating to exceptional items charged to operating profit	6	(94)	(138)	(154)	(210)
Net cash inflow from operating activities		813	760	1,333	1,155
Dividends received from joint ventures		6	4	10	6
Interest received		20	33	33	50
Interest paid		(124)	(114)	(204)	(173)
Returns on investments and servicing of finance		(104)	(81)	(171)	(123)
Taxation (including £31m/€51m (1999 £74m/€112m) exceptional inflow)		(110)	(99)	(180)	(150)
Purchase of tangible fixed assets		(141)	(137)	(231)	(208)
Proceeds from sale of tangible fixed assets		3	15	5	23
Capital expenditure		(138)	(122)	(226)	(185)
Acquisitions		(914)	(167)	(1,499)	(254)
Exceptional net proceeds from sale of fixed asset investments and businesses		153	3	251	5
Acquisitions and disposals		(761)	(164)	(1,248)	(249)
Equity dividends paid to the shareholders of the parent companies		(196)	(339)	(321)	(515)
Cash outflow before changes in short term investments and financing		(490)	(41)	(803)	(61)
(Increase)/decrease in short term investments		(1,137)	297	(1,865)	451
Financing		1,634	(197)	2,679	(300)
Increase in cash		7	59	11	90

Short term investments include deposits of under one year if the maturity or notice period exceeds 24 hours, commercial paper investments and interest bearing securities that can be realised without significant loss at short notice.

ADJUSTED FIGURES

	Note	2000 £m	1999 £m	2000 €m	1999 €m
Adjusted operating cash flow	5	775	780	1,271	1,186
Adjusted operating cash flow conversion		98%	98%	98%	98%

Reed Elsevier businesses focus on adjusted operating cash flow as the key cash flow measure. Adjusted operating cash flow is measured after dividends from joint ventures, tangible fixed asset spend and proceeds from the sale of fixed assets but before exceptional payments and proceeds. Adjusted operating cash flow conversion expresses adjusted operating cash flow as a percentage of adjusted operating profit.

COMBINED BALANCE SHEET

14

AS AT 31 DECEMBER 2000

	2000 £m	1999 £m	2000 €m	1999 €m
Fixed assets				
Goodwill and intangible assets	4,127	3,400	6,644	5,474
Tangible assets	416	386	670	622
Investments	153	119	247	192
	4,696	3,905	7,561	6,288
Current assets				
Stocks	114	113	184	183
Debtors – amounts falling due within one year	860	666	1,385	1,072
Debtors – amounts falling due after more than one year	164	148	264	238
Cash and short term investments	1,594	440	2,566	708
	2,732	1,367	4,399	2,201
Creditors: amounts falling due within one year	(3,379)	(2,676)	(5,441)	(4,308)
Net current liabilities	(647)	(1,309)	(1,042)	(2,107)
Total assets less current liabilities	4,049	2,596	6,519	4,181
Creditors: amounts falling due after more than one year	(873)	(620)	(1,406)	(998)
Provisions for liabilities and charges	(128)	(113)	(206)	(182)
Minority interests	(7)	(8)	(11)	(14)
Net assets	3,041	1,855	4,896	2,987
Capital and reserves				
Combined share capitals	185	168	298	270
Combined share premium accounts	1,621	341	2,610	549
Combined reserves	1,235	1,346	1,988	2,168
Combined shareholders' funds	3,041	1,855	4,896	2,987
Net borrowings	433	1,066	697	1,717

Approved by the Boards of Reed International P.L.C. and Elsevier NV, 21 February 2001.

COMBINED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £m	1999 £m	2000 €m	1999 €m
Profit/(loss) attributable to parent companies' shareholders	33	(63)	54	(95)
Exchange translation differences	113	17	150	405
Total recognised gains and losses for the year	146	(46)	204	310

COMBINED SHAREHOLDERS' FUNDS RECONCILIATION

FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £m	1999 £m	2000 €m	1999 €m
Profit/(loss) attributable to parent companies' shareholders	33	(63)	54	(95)
Equity dividends paid and proposed	(245)	(234)	(402)	(356)
Issue of ordinary shares, net of expenses and less capital redemptions	1,285	5	2,107	8
Exchange translation differences	113	17	150	405
Net increase/(decrease) in combined shareholders' funds	1,186	(275)	1,909	(38)
Combined shareholders' funds at 1 January	1,855	2,130	2,987	3,025
Combined shareholders' funds at 31 December	3,041	1,855	4,896	2,987

1 Basis of preparation

The Reed Elsevier combined financial statements encompass the businesses of Reed Elsevier plc and Elsevier Reed Finance BV and their respective subsidiaries, joint ventures and associates, together with the parent companies, Reed International and Elsevier. Financial information is presented in both sterling and euros.

2 Exchange rates

	Profit & loss		Balance sheet	
	2000	1999	2000	1999
Euros to sterling	1.64	1.52	1.61	1.61
US dollars to sterling	1.51	1.62	1.49	1.62
Euros to US dollars	1.09	0.94	1.08	0.99

3 Segment analysis

	Turnover		Adjusted operating profit		Turnover		Adjusted operating profit	
	2000	1999	2000	1999	2000	1999	2000	1999
	£m	£m	£m	£m	€m	€m	€m	€m
Geographical origin								
North America	2,098	1,836	335	359	3,441	2,791	549	547
United Kingdom	734	698	191	191	1,204	1,061	313	290
The Netherlands	399	391	136	135	654	594	223	205
Rest of Europe	356	307	102	87	584	467	167	132
Rest of World	181	158	29	20	297	240	49	30
Total	3,768	3,390	793	792	6,180	5,153	1,301	1,204

	2000	1999	2000	1999
	£m	£m	€m	€m
Geographical market				
North America	2,152	1,906	3,529	2,898
United Kingdom	521	484	855	736
The Netherlands	234	237	384	360
Rest of Europe	478	418	784	635
Rest of World	383	345	628	524
Total	3,768	3,390	6,180	5,153

4 Exceptional items

	2000	1999	2000	1999
	£m	£m	€m	€m
Reorganisation costs	(77)	(161)	(126)	(244)
Acquisition related costs	(38)	(28)	(63)	(43)
Year 2000 compliance costs	–	(50)	–	(76)
Charged to operating profit	(115)	(239)	(189)	(363)
Net profit on sale of fixed asset investments and businesses	85	7	140	11
Total exceptional charge	(30)	(232)	(49)	(352)
Net tax credit	20	15	33	23

5 Adjusted figures

Adjusted profit and cash flow figures are used by the Reed Elsevier businesses as additional performance measures. These exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, and are derived as follows:

	2000 £m	1999 £m	2000 €m	1999 €m
Operating profit including joint ventures	210	180	344	274
Adjustments:				
Amortisation of goodwill and intangible assets	468	373	768	567
Exceptional items	115	239	189	363
Adjusted operating profit	793	792	1,301	1,204
Profit before tax	192	105	315	160
Adjustments:				
Amortisation of goodwill and intangible assets	468	373	768	567
Exceptional items	30	232	49	352
Adjusted profit before tax	690	710	1,132	1,079
Profit/(loss) attributable to parent companies' shareholders	33	(63)	54	(95)
Adjustments:				
Amortisation of goodwill and intangible assets	468	373	768	567
Exceptional items	10	217	16	329
Adjusted profit attributable to parent companies' shareholders	511	527	838	801
Net cash inflow from operating activities	813	760	1,333	1,155
Dividends received from joint ventures	6	4	10	6
Purchase of tangible fixed assets	(141)	(137)	(231)	(208)
Proceeds from sale of fixed assets	3	15	5	23
Payments in relation to exceptional items charged to operating profit	94	138	154	210
Adjusted operating cash flow	775	780	1,271	1,186

6 Reconciliation of net cash inflow from operating activities

	2000 £m	1999 £m	2000 €m	1999 €m
Operating profit (before joint ventures)	197	177	323	269
Exceptional charges to operating profit	115	239	189	363
Operating profit before exceptional items	312	416	512	632
Amortisation of goodwill and intangible assets	465	369	762	561
Depreciation	118	117	194	178
Net SSAP24 pension credit	(1)	(3)	(2)	(5)
Total non cash items	582	483	954	734
Increase in stocks	(3)	(9)	(5)	(14)
Increase in debtors	(110)	(8)	(181)	(12)
Increase in creditors	126	16	207	25
Movement in working capital	13	(1)	21	(1)
Net cash inflow from operating activities before exceptional items	907	898	1,487	1,365
Payments relating to exceptional items charged to operating profit	(94)	(138)	(154)	(210)
Net cash inflow from operating activities	813	760	1,333	1,155

7 Reconciliation of net borrowings

	2000 £m	1999 £m	2000 €m	1999 €m
Net borrowings at 1 January	(1,066)	(962)	(1,717)	(1,366)
Increase in cash	7	59	11	90
Increase/(decrease) in short term investments	1,137	(297)	1,865	(451)
(Increase)/decrease in borrowings	(347)	202	(569)	308
Change in net borrowings resulting from cash flows	797	(36)	1,307	(53)
Loans in acquired business	(48)	–	(79)	–
Inception of finance leases	(3)	(11)	(5)	(17)
Exchange translation differences	(113)	(57)	(203)	(281)
Net borrowings at 31 December	(433)	(1,066)	(697)	(1,717)

Basis of preparation

The results for the year ended 31 December 2000 reflect the 52.9% economic interest of Reed International's shareholders in the Reed Elsevier combined businesses, after taking account of results arising in Reed International and its subsidiary undertakings. These interests have been accounted for on an equity basis. Adjusted figures, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, are presented as additional performance measures.

Summary consolidated profit and loss account

FOR THE YEAR ENDED 31 DECEMBER 2000	2000 £m	1999 £m
Share in combined turnover	1,994	1,793
Share of combined adjusted profit before tax	365	376
Share of amortisation	(248)	(197)
Share of exceptional items before tax	(15)	(122)
Elsevier's share of UK tax credit on distributed earnings	(6)	(6)
Profit on ordinary activities before taxation	96	51
Tax on profit on ordinary activities	(85)	(90)
Profit/(loss) attributable to ordinary shareholders	11	(39)
Equity dividends paid and proposed	(123)	(116)
Retained loss taken to reserves	(112)	(155)
Basic earnings/(loss) per share	1.0p	(3.4)p
Diluted earnings/(loss) per share	1.0p	(3.4)p
Adjusted earnings per share	23.3p	24.4p

Adjusted earnings per share is based upon the Reed International's shareholders' 52.9% share of the adjusted profit attributable of the Reed Elsevier combined businesses. Tax on profit on ordinary activities includes £83m (1999 £95m) in respect of joint ventures.

Dividends

The directors of Reed International have proposed a final dividend of 6.9p per ordinary share (1999 5.4p) which when added to the interim dividend already paid of 3.1p per ordinary share (1999 4.6p), amounts to a total 2000 dividend of 10.0p per ordinary share (1999 10.0p). The Reed International final dividend will be paid on 14 May 2001, with an ex-dividend and record date of 18 April and 20 April 2001, respectively. Dividends paid to Reed International and Elsevier shareholders are equalised at the gross level inclusive of the UK tax credit received by certain Reed International shareholders. The equalisation adjustment equalises the benefit of the tax credit between the two sets of shareholders in accordance with the equalisation agreement.

Summary consolidated cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2000	2000 £m	1999 £m
Net cash outflow from operating activities	(1)	(2)
Dividends received from Reed Elsevier plc	97	172
Equity dividends paid	(98)	(173)
(Increase)/decrease in short term investments	(431)	2
Financing (including issue of ordinary shares £709m (1999 £nil))	430	(9)
Other cash flows	3	10
Change in net cash	-	-

Summary consolidated balance sheet

AS AT 31 DECEMBER 2000	2000 £m	1999 £m
Fixed asset investment in joint ventures	801	857
Net current assets	844	160
Creditors: amounts falling due after more than one year	(36)	(36)
Net assets	1,609	981

Net current assets includes short term investments of £431m (1999 £nil) and amounts owed by Reed Elsevier plc group of £512m (1999 £233m).

On 5 December 2000, the company issued 113,700,000 new 12.5 pence ordinary shares at 625 pence each following a joint international offering by Reed International and Elsevier. The purpose of the offering was to finance the proposed acquisition by Reed Elsevier of the Scientific, Technical and Medical business and the Schools Education and Testing business of Harcourt General, Inc. The aggregate nominal value of the shares issued was £14.2m and the total net proceeds were £694m.

The financial information set out above has been abridged from the financial statements for the year ended 31 December 2000, which have been audited by Deloitte & Touche, and will be filed with the UK Registrar of Companies following the Annual General Meeting. The audit report was unqualified and did not contain statements under S237(2) or (3) Companies Act 1985.

Basis of preparation

The results for the year ended 31 December 2000 reflect the 50% economic interest of Elsevier's shareholders in the Reed Elsevier combined businesses, which is accounted for on an equity basis. Adjusted figures, which exclude the amortisation of goodwill and intangible assets, exceptional items and related tax effects, are presented as additional performance measures.

Summary profit and loss account

FOR THE YEAR ENDED 31 DECEMBER 2000	2000 €m	1999 €m
Share of combined turnover	3,091	2,577
Share of combined adjusted profit before tax	566	540
Share of amortisation	(384)	(284)
Share of exceptional items before tax	(25)	(176)
Taxation	(130)	(128)
Profit/(loss) attributable to shareholders	27	(48)
Allocation of profit/(loss)		
Equity dividends paid and proposed	200	179
Transfer from reserves	(173)	(227)
Profit/(loss) attributable to shareholders	27	(48)
Adjusted earnings per share (in euros)	0.59	0.57

Adjusted earnings per share is based upon the Elsevier shareholders' 50% share of the adjusted profit attributable of the Reed Elsevier combined businesses.

Dividends

The directors of Elsevier have proposed a final dividend of €0.19 per ordinary share (1999 €0.15), which when added to the interim dividend already paid of €0.09 per ordinary share (1999 €0.12), amounts to a total 2000 dividend of €0.28 per ordinary share (1999 €0.27), an increase of 4%. The Elsevier final dividend will be paid on 14 May 2001, with an ex-dividend date of 18 April 2001. Dividends paid to Reed International and Elsevier shareholders are equalised at the gross level inclusive of the UK tax credit received by certain Reed International shareholders.

Summary cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2000	2000 €m	1999 €m
Net cash outflow from operating activities	(2)	(5)
Dividends received from joint ventures	623	254
Equity dividends paid	(160)	(255)
Increase in short term investments	(952)	(2)
Investment in joint venture	(533)	–
Financing (including issue of ordinary shares €956m (1999 €8m))	1,016	5
Other cash flows	8	3
Change in net cash	–	–

Summary balance sheet

AS AT 31 DECEMBER 2000	2000 €m	1999 €m
Fixed assets	1,674	1,559
Net current assets/(liabilities)	822	(22)
Creditors: amounts falling due after more than one year	(6)	(8)
Provisions	(42)	(36)
Net assets	2,448	1,493

Net current assets includes short term investments of €971m (1999 €19m).

On 5 December 2000, the company issued 66,255,000 new €0.06 ordinary shares at €14.50 each following a joint international offering by Reed International and Elsevier. The purpose of the offering was to finance the proposed acquisition by Reed Elsevier of the Scientific, Technical and Medical business and the Schools Education and Testing business of Harcourt General, Inc. The aggregate nominal value of the shares issued was €4.0m and the total net proceeds were €933m.

The financial information in respect of the year ended 31 December 2000 has been extracted from the statutory accounts of Elsevier which have been audited by Deloitte & Touche.

ADDITIONAL INFORMATION FOR US INVESTORS

REED ELSEVIER SUMMARY COMBINED
FINANCIAL INFORMATION UNDER US GAAP

SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN UK AND DUTCH GAAP AND US GAAP

Basis of preparation

The combined financial statements for Reed Elsevier are prepared in accordance with UK and Dutch GAAP, which differ in certain significant respects from US GAAP. The principal differences relate to the US GAAP requirements in respect of the capitalisation and amortisation of goodwill and other intangible assets and deferred taxes. A more complete explanation of accounting policies used by the combined businesses and the differences between UK and Dutch GAAP and US GAAP will be set out in the 2000 Reed Elsevier Annual Report and Reed Elsevier Annual Report on Form 20-F.

Net income

FOR THE YEAR ENDED 31 DECEMBER 2000	2000 £m	1999 £m	2000 €m	1999 €m
Net income/(loss) under UK and Dutch GAAP	33	(63)	54	(95)
US GAAP adjustments:				
Amortisation of goodwill and other intangible assets	(78)	(83)	(128)	(126)
Deferred taxation	85	67	139	101
Pensions	22	6	36	9
Other items	(2)	–	(3)	–
Net income/(loss) under US GAAP	60	(73)	98	(111)

Combined shareholders' funds

AS AT 31 DECEMBER 2000	2000 £m	1999 £m	2000 €m	1999 €m
Combined shareholders' funds under UK and Dutch GAAP	3,041	1,855	4,896	2,987
US GAAP adjustments:				
Goodwill and other intangible assets	604	553	973	890
Deferred taxation	(203)	(180)	(327)	(290)
Pensions	86	63	138	102
Other items	2	5	3	8
Ordinary dividends not declared in the period	177	127	285	204
Combined shareholders' funds under US GAAP	3,707	2,423	5,968	3,901

Both Reed International ('RUK', CUSIP No. 758212872) and Elsevier ('ENL', CUSIP No. 290259100) have American Depositary Shares (ADSs) listed on the New York Stock Exchange (Depositary: Citibank NA). An ADS in Elsevier represents two ordinary shares in Elsevier, while a Reed International ADS represents four ordinary shares in Reed International. Final dividends on Reed International and Elsevier ADSs will be paid on 21 May 2001.

Reed Elsevier is a world leading publisher and information provider and its principal operations are in North America and Europe. Its two parent companies – Reed International P.L.C. ('Reed International') and Elsevier NV ('Elsevier') – are listed on the Amsterdam, London and New York Stock Exchanges and the returns to their respective shareholders are equalised in terms of dividend and capital rights. 'Reed Elsevier' and 'the combined businesses' comprise Reed International and Elsevier plus their two jointly owned companies, Reed Elsevier plc and Elsevier Reed Finance BV and their respective subsidiaries and joint ventures.

The Reed Elsevier Annual Review 2000 and Reed International P.L.C. 2000 Report and Accounts are being posted to Reed International shareholders on 10 March 2001. Copies of the Reed Elsevier Annual Review 2000 and Elsevier NV Annual Report 2000 will be available to shareholders in Elsevier on request. Copies of the Preliminary Statement are available to the public from the respective companies:

Reed International P.L.C.

25 Victoria Street
London SW1H 0EX
UK

Elsevier NV

Van de Sande Bakhuyzenstraat 4
1061 AG, Amsterdam
The Netherlands

Copies of all recent announcements, including this Preliminary Statement, and additional information on Reed Elsevier can be found on the Reed Elsevier Home Page on the World Wide Web:

<http://www.reedelsevier.com>