



REED ELSEVIER

INTERIM STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 1995

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# REED ELSEVIER

TO THE SHAREHOLDERS OF  
REED INTERNATIONAL P.L.C. AND ELSEVIER NV

This Interim Statement presents the results of the Reed Elsevier combined businesses for the six months ended 30 June 1995 together with the summary results covering the same period for both Reed International P.L.C. and Elsevier NV, the two parent companies.

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Reed Elsevier is a world leading publisher and information provider and its principal operations are in the USA, the UK and the Netherlands. Reed International P.L.C. and Elsevier NV are listed on the Amsterdam, London and New York Stock Exchanges and the returns to their shareholders are equalised in terms of dividend and capital rights.

## FINANCIAL HIGHLIGHTS: COMBINED BUSINESSES

Results for the six months ended 30 June 1995

Year ended 31 December 1994	£ million	Six months ended		% change
		30 June 1995	30 June 1994	
<b>Highlights in reported currencies</b>				
3,035	Sales	1,811	1,506	20%
663	Operating profit	422	340	24%
620	Profit before tax	370	332	11%
468	Profit attributable	280	251	12%
<b>Headline figures</b>				
606	Headline profit before tax	370	314	18%
452	Headline profit attributable	280	231	21%
<b>Operating performance</b>				
21.8%	Operating margin	23.3%	22.6%	
670	Operating cash flow	297	217	
101%	Operating cash flow conversion	70%	64%	

The combined financial statements encompass the businesses of Reed Elsevier plc and Elsevier Reed Finance BV together with their two parent companies, Reed International P.L.C. and Elsevier NV ("the combined businesses"). The basis for arriving at "headline" figures is explained in the Financial Review on page 6.

## FINANCIAL HIGHLIGHTS: PARENT COMPANIES

Results for the six months ended 30 June 1995

Reed International P.L.C.			Elsevier NV		
Six months ended		% change	Six months ended		% change
30 June 1995 £ m	30 June 1994 £ m		30 June 1995 Dfl m	30 June 1994 Dfl m	
148	133	11%	360	356	1%
148	122	21%	360	328	10%
			2.57	2.84	-10%
			Dfl	Dfl	
26.3	21.8	21%	0.52	0.471	10%
9.375	8.375	12%	0.18	0.176	2%
7.5	6.7	12%			

The results for Elsevier NV reflect its 50% share of the Reed Elsevier combined businesses. The results for Reed International P.L.C. reflect the 52.9% economic interest of its shareholders, through a 50% share of the Reed Elsevier combined businesses and a 5.8% interest in Elsevier NV.

## CHAIRMEN'S STATEMENT

The results for the six months to 30 June reflect good progress in our businesses and a strong contribution from our most recent major acquisition, LEXIS-NEXIS.

Operating profit increased by 24% to £422 million, with operating margin improving by 0.7 points to 23.3%. Headline pre-tax profit increased by 18% to £370 million and headline profit attributable grew by 21% to £280 million.

Operating highlights include journal subscription renewal levels in scientific publishing ahead of last year, further profit improvements at Martindale-Hubbell and strong growth in UK recruitment advertising. The medical, travel and consumer books markets remain flat. LEXIS-NEXIS is continuing to exceed our pre-investment expectations and is now expected to be earnings accretive in the first full year of ownership before the tax benefit on amortisation of intangibles.

### STRATEGIC DEVELOPMENTS

On 18 July we announced our intention to dispose of most of our consumer publishing businesses. This move continues the strategy of increasing the focus of management and financial resources on the high value-added areas of information publishing within the Scientific, Professional and Business segments of the portfolio.



Ian Irvine  
Chairman  
Reed International P.L.C.

### PARENT COMPANIES' EARNINGS AND DIVIDENDS

Reed International P.L.C. is reporting an increase of 21% in its headline earnings per share to 26.3p while Elsevier NV reports an increase of 10% to Dfl 0.52. The disparity in growth rates is attributable to a 10% strengthening of the guilder against sterling since the first half of 1994.

Given the good results achieved in the first half of 1995 and a positive outlook for the full year the two parent companies have decided to increase their respective interim dividends. The Reed International dividend will be raised by 12% to 7.5p per share and, in accordance with the dividend equalisation arrangements, Elsevier shareholders will receive a dividend of Dfl 0.18. This represents an increase in the Elsevier dividend of 2%, reflecting a 9% strengthening of the Dutch guilder versus sterling since last year's interim dividend was declared.

### PROSPECTS

We do not expect any significant changes in our markets during the remainder of 1995. Our businesses are performing well and we are confident that the second half will see further growth and strong cash generation.



Herman Bruggink  
Chairman, Executive Board  
Elsevier NV

## REVIEW OF OPERATIONS

This review summarises the performance trends for each of the major business areas.

Year ended 31 December 1994	£ million	Turnover			
		Six months ended		% change	% change constant rates
		30 June 1995	30 June 1994		
514	Scientific and Medical	271	254	7%	3%
513	Professional	464	247	88%	94%
1,099	Business	610	579	5%	8%
909	Consumer	466	426	9%	7%
3,035	Total	1,811	1,506	20%	21%

Year ended 31 December 1994	£ million	Operating profit			
		Six months ended		% change	% change constant rates
		30 June 1995	30 June 1994		
177	Scientific and Medical	102	83	23%	16%
132	Professional	113	65	74%	83%
224	Business	143	135	6%	8%
130	Consumer	64	57	12%	10%
663	Total	422	340	24%	24%

The pro forma results of the continuing businesses, excluding those consumer businesses which are intended to be divested, are given on page 6. Unless otherwise stated, all figures quoted in the following commentary refer to percentage movements at constant rates of exchange, using the 1994 full year average rates.

### SCIENTIFIC AND MEDICAL

Operating profit for the Scientific and Medical segment was up 16% at constant exchange rates, before the favourable effect of the stronger Dutch guilder on Elsevier Science's reported profit. The improvement also in part was a reflection of the reorganisation charges in the first half of 1994 within Medical.

Elsevier Science's operating profit was up 11%, with journal subscription renewal rates ahead of 1994. More electronic products were launched in the first half and, in particular, Elsevier Science began to offer libraries complete electronic versions of its traditional research journals. Further efficiencies are being achieved in the production process and costs are well under control.

In medical publishing, revenue was flat as pharmaceutical companies continued to cut back their marketing expenditure in certain markets. This was most evident in the United States, Germany and Italy, with more favourable trends in France, the Netherlands, UK and Asia/Pacific.

Underlying operating profit in medical publishing was up 9% on last year's first half.

### PROFESSIONAL

The Professional segment's results were substantially affected by the first full reporting period contribution from LEXIS-NEXIS, acquired in December 1994. Operating profit for the segment as a whole was up 74% at actual rates of exchange and operating margin was down 1.9 points but, excluding the dilutive effect of LEXIS-NEXIS's lower margin, it would have been up 2.1 points.

In legal publishing – where the results are phased more towards the second half – operating profit was up 9% in generally stable markets. The launch of Simon's Direct Tax Service on CD-ROM was a highlight of Butterworths' new electronic delivery programme, as was the launch in Australia of its first major CD-ROM product, Halsbury's Laws of Australia. The Juta tax list was acquired in South Africa to strengthen the legal division's prominent market position there.

## REVIEW OF OPERATIONS

The LEXIS-NEXIS acquisition made a £40 million operating profit contribution in the period at actual exchange rates. Demand for online products continued to be strong, particularly from businesses and government agencies. Revenue growth was 10% and operating profit increased by more than 50% versus the equivalent period in 1994, which partially reflects a favourable phasing of marketing and product development expenditure.

Operating profit in Reed Reference Publishing increased by 19% with Martindale-Hubbell once more achieving very good revenue and profit growth. The results in the first half benefited, in part, from favourable phasing.

Reed Educational Publishing improved its UK leadership position in a market where spending in the first half slowed as schools faced budget pressures. There were encouraging performances from Rigby in the United States and from English Language Teaching (ELT). Elsevier Tuition increased its profit in a better market. Together with good growth from professional book publishing, operating profit increased overall by 6%.

### BUSINESS

Operating profit for the Business segment was 8% ahead of the equivalent period in 1994 at constant exchange rates, despite the difficult market conditions in travel and US business magazines. Operating margin was ahead 0.1 points to 23.4%.

Trading at Reed Travel Group continued to be difficult, particularly for the hotel directory business, but there was an improvement in underlying profitability. This favourable trend was, however, largely offset by higher product development expenditure. OAG and ABC International have now been successfully merged to form the Airline Division.

At Reed Exhibition Companies, operating profit was up 12% on 1994. All the major geographical markets showed favourable trends and the results from the MIDEM portfolio, with its recently launched MIDEM Asia show in Hong Kong, were particularly notable.

The good results from many areas of the Cahners portfolio were offset by weakness in the computer cluster and higher launch costs. Overall, operating profit from Cahners business magazines was flat in the first half. In the UK, operating profit at Reed Business Publishing was up over 50%, led by strong growth in high-margin recruitment advertising accompanied by firm control of costs. The European business magazines at Misset and PEPCO grew operating profit by 21% as trading conditions improved.

### CONSUMER

The Consumer businesses increased operating profit by 12% over the first half of 1994 at actual exchange rates, and operating margin improved by 0.3 points to 13.7%, due largely to a three point improvement in margins at IPC Magazines.

In the UK, IPC Magazines increased its first half operating profit by 30% on the strength of good circulation and advertising growth. Reed Regional Newspapers benefited from improvements in many of its markets and operating profit was 40% ahead of 1994.

The UK and Australian book retailing markets showed little sign of improvement and the results at Reed Consumer Books were down on the first half of 1994. The key period for the books business, however, is the second half of the year and it should benefit from a strong publishing programme.

In the Netherlands, although circulation was under pressure, higher advertising revenue pushed operating profit marginally ahead at both Dagbladunie and Bonaventura.

## FINANCIAL REVIEW

The combined financial statements encompass the businesses of Reed Elsevier plc and Elsevier Reed Finance BV together with their two parent companies, Reed International P.L.C. and Elsevier NV ("Reed Elsevier" or "the combined businesses").

### TURNOVER

Reed Elsevier's turnover increased by 20% to £1,811 million, including £207 million from LEXIS-NEXIS, acquired in December 1994 for \$1.5 billion.

### OPERATING PROFIT

Operating profit was ahead by £82 million over the first half of 1994, with a £40 million contribution from LEXIS-NEXIS.

### NET INTEREST EXPENSE

The net interest expense, at £52 million, was double the charge in the first half of 1994 due primarily to the financing costs of the LEXIS-NEXIS acquisition.

Reed Elsevier's net interest cover for the 1995 first half was eight times operating profit, compared with 13 times in the equivalent six months of 1994.

### HEADLINE FIGURES

The headline figures exclude exceptional items of £18 million (before tax relief of £2 million) in the first half of 1994 which represented the profit on the final instalments from the sale of the investment in BSKyB (£40 million) less losses on the disposal or surrender of a number of property interests (£22 million).

### TAXATION

The effective tax rate of 24.1% compares with 24.4% in last year's first half. Excluding the impact of 1994 exceptional items and the UK tax credit on dividends from Reed Elsevier plc to Elsevier NV in both years, the underlying rate was 24.7%, compared with 27.1% in the prior half year, largely as a result of the additional US tax amortisation attributable to the LEXIS-NEXIS acquisition.

### CASH FLOW

Operating cash flow of £297 million was £80 million higher than in the comparative six months. Free cash flow, after interest, tax and dividend payments which were higher than in 1994, was £20 million (1994: £30 million). Cash inflows are weighted heavily to the second half of the year.

## PRO FORMA RESULTS EXCLUDING BUSINESSES TO BE DIVESTED

The reported results excluding the businesses which are intended to be divested are shown below.

Year ended 31 December 1994	£ million	Six months ended		% change
		30 June 1995	30 June 1994	
	<b>Turnover</b>			
3,035	As reported	1,811	1,506	20%
575	To be divested	288	260	11%
2,460	Pro forma	1,523	1,246	22%
	<b>Operating profit</b>			
663	As reported	422	340	24%
76	To be divested	29	30	-3%
587	Pro forma – Total	393	310	27%
54	Pro forma – Consumer	35	27	30%
	<b>Operating margin %</b>			
21.8%	As reported	23.3%	22.6%	
13.2%	To be divested	10.1%	11.5%	
23.9%	Pro forma	25.8%	24.9%	

# REED ELSEVIER COMBINED PROFIT AND LOSS ACCOUNT

For the six months ended 30 June 1995

Year ended 31 December 1994	£ million	Six months ended		% change
		30 June 1995	30 June 1994	
3,035	<b>Turnover</b>			
	Continuing operations	1,809	1,506	20%
	Acquisitions	2		
3,035		1,811	1,506	20%
(1,183)	Cost of sales	(681)	(575)	
1,852	Gross profit	1,130	931	
(1,208)	Net operating expenses	(718)	(603)	
19	Income from interests in associated undertakings	10	12	
663	<b>Operating profit</b>	421	340	24%
	Continuing operations			
	Acquisitions	1		
663	<b>Operating profit before exceptional items</b>	422	340	24%
	Exceptional items:			
14	Profit on disposal of fixed assets	-	18	
677	<b>Profit on ordinary activities before interest</b>	422	358	18%
(57)	Net interest expense	(52)	(26)	
620	<b>Profit on ordinary activities before taxation</b>	370	332	11%
(151)	Tax on profit on ordinary activities	(89)	(81)	
469	<b>Profit on ordinary activities after taxation</b>	281	251	12%
(1)	Minority interests and preference dividends	(1)	-	
	<b>Profit attributable to parent companies'</b>			
468	<b>shareholders</b>	280	251	12%
(250)	Ordinary dividends paid and proposed	(89)	(78)	
218	<b>Retained profit transferred to combined reserves</b>	191	173	10%

## RECONCILIATION TO HEADLINE FIGURES

Year ended 31 December 1994	£ million	Six months ended		% change
		30 June 1995	30 June 1994	
620	<b>Profit before tax as reported above</b>	370	332	11%
	Adjustment:			
(14)	Profit on disposal of fixed assets	-	(18)	
606	<b>Headline profit before tax</b>	370	314	18%
468	<b>Profit attributable as reported above</b>	280	251	12%
	Adjustment:			
(16)	Profit on disposal of fixed assets	-	(20)	
452	<b>Headline profit attributable</b>	280	231	21%

## HIGHLIGHTS IN CONSTANT CURRENCIES

(Restated on basis of 1994 full year average rates)

Year ended 31 December 1994	£ million	Six months ended		% change
		30 June 1995	30 June 1994	
3,035	Sales	1,810	1,499	21%
663	Operating profit	420	338	24%
606	Headline profit before tax	366	313	17%
452	Headline profit attributable	277	225	23%

The interim figures for the six months ended 30 June 1995 and the comparative amounts to 30 June 1994 are unaudited. The figures for the year to 31 December 1994 are abridged from the combined financial statements set out in the Reed Elsevier Annual Review 1994 which have been audited.

# REED ELSEVIER SUMMARISED COMBINED BALANCE SHEET

As at 30 June 1995

As at 31 December 1994	£ million	As at 30 June 1995	As at 30 June 1994
2,794	Intangible assets	2,777	2,363
487	Tangible assets	498	367
138	Investments	140	150
3,419	Fixed assets	3,415	2,880
1,234	Current assets	1,291	1,191
(2,221)	Creditors: amounts falling due within 1 year	(1,822)	(1,349)
(987)	Net current liabilities	(531)	(158)
2,432	Total assets less current liabilities	2,884	2,722
(872)	Creditors: amounts falling due after more than 1 year	(1,148)	(784)
(132)	Provisions for liabilities and charges	(108)	(76)
(9)	Minority interests	(10)	(4)
1,419	Net assets	1,618	1,858
1,419	Combined shareholders' funds	1,618	1,858

# REED ELSEVIER SUMMARISED COMBINED CASH FLOW STATEMENT

For the six months ended 30 June 1995

Year ended 31 December 1994	£ million	Six months ended	
		30 June 1995	30 June 1994
748	Net cash inflow from operating activities	329	257
(273)	Return on investments and servicing of finance	(220)	(161)
(106)	Taxation	(23)	(46)
(1,138)	Investing activities	(93)	(83)
(769)	Net cash outflow before financing	(7)	(33)
142	Financing	260	63
(627)	<b>Increase/ (decrease) in net cash and cash equivalents</b>	<b>253</b>	<b>30</b>

The cash flow statement uses the captions required by the UK Financial Reporting Standard 1. Cash equivalents include short term investments with an original maturity of within 3 months less short term borrowings payable within 3 months. Net cash inflow from operating activities includes operating profit, before depreciation and other non cash items, as well as working capital movements. Reed Elsevier businesses focus on operating cash flow as the key cash flow measure. Operating cash flow is measured after tangible fixed asset spend, dividends from associated undertakings and proceeds from the sale of investments and tangible and intangible fixed assets. A memorandum reconciliation is provided below.

Year ended 31 December 1994	£ million	Six months ended	
		30 June 1995	30 June 1994
748	Net cash inflow from operating activities	329	257
(97)	Payments to acquire tangible fixed assets	(48)	(51)
8	Sale of investments and tangible and intangible fixed assets	9	6
11	Dividends received from associated undertakings	7	5
670	<b>Operating cash flow before exceptional items</b>	<b>297</b>	<b>217</b>
101%	<b>Operating cash flow % of operating profit</b>	<b>70%</b>	<b>64%</b>

# REED ELSEVIER NOTES TO THE COMBINED FINANCIAL STATEMENTS

## 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 and associates, together with their two parent companies, Reed International P.L.C. and Elsevier NV ("the combined businesses").

These interim combined financial statements are unaudited and have been prepared in accordance with the accounting policies set out in the Reed Elsevier Annual Review 1994. The figures for the year ended 31 December 1994 are abridged from the combined financial statements set out in the Reed Elsevier Annual Review 1994 which have been audited.

## 2. EXCHANGE RATES

The combined financial statements are presented in pounds sterling. Profit and loss items are translated at the average exchange rates for the period and balance sheet items are translated at period end exchange rates. The appropriate rates for the main currencies were :

Year ended 31 December 1994		Six months ended	
		30 June 1995	30 June 1994
<i>Average rates:</i>			
2.78	Dutch guilders to sterling	2.57	2.84
1.53	US dollars to sterling	1.59	1.49
1.82	Dutch guilders to US dollars	1.62	1.91
<i>Period end rates:</i>			
2.71	Dutch guilders to sterling	2.47	2.76
1.56	US dollars to sterling	1.59	1.55
1.74	Dutch guilders to US dollars	1.55	1.78

## 3. CASH FLOW STATEMENT

- a) Net cash inflow from operating activities is stated after adjustments for non cash items including depreciation charges of £52 million (1994: £32 million) and a net SSAP 24 pension credit of £4 million (1994: £4 million).
- b) Returns on investments and servicing of finance comprise net interest payments of £49 million (1994: £13 million); dividends paid to the two parent companies' shareholders and minorities of £178 million (1994: £153 million); and dividends received from associated undertakings of £7 million (1994: £5 million).
- c) Investing activities comprise payments to acquire tangible fixed assets of £48 million (1994: £51 million); net disposal proceeds of £9 million (1994: £46 million); acquisition costs of £27 million (1994: £62 million); and other items of £27 million (1994: £16 million), principally payments against acquisition provisions.
- d) Financing comprises a net increase in long term borrowings of £275 million (1994: £22 million); a net increase of £32 million (1994: £36 million net decrease) in short term investments with an original maturity of between 3 and 12 months; and share issue proceeds of £17 million (1994: £5 million).
- e) Free cash inflow was £20 million (1994: £30 million) after net interest, tax and dividend payments totalling £250 million (1994: £213 million) and a £27 million outflow (1994: £26 million inflow) principally in respect of acquisition provisions and 1994 exceptional items.

## 4. NET BORROWINGS

Net borrowings at 30 June 1995 comprised gross borrowings of £1,546 million, predominantly in US dollars, partially offset by cash balances totalling £293 million, mainly in Dutch guilders, which were invested short term. New finance leases added £9 million to net borrowings in the period. Differences in exchange rates since 31 December 1994, notably the weakening of the US dollar and the considerable strengthening of the Dutch guilder, have reduced Reed Elsevier's net borrowings by £41 million.

**REED INTERNATIONAL P.L.C. SUMMARY FINANCIAL INFORMATION**

## 1. BASIS OF PREPARATION

The Reed International results reflect Reed International P.L.C.'s 50% share of the Reed Elsevier combined businesses and a 5.8% shareholding in Elsevier NV, both of which are accounted for on an equity basis. The interim figures for the six months ended 30 June 1995 and the comparative amounts to 30 June 1994 are unaudited. The financial information for the year ended 31 December 1994 has been extracted from the financial statements for that year, which have been filed with the UK Registrar of Companies and received an unqualified audit report from Touche Ross & Co.

## 2. PROFIT AND LOSS ACCOUNT

Year ended 31 December 1994	£ million	Six months ended		% change
		30 June 1995	30 June 1994	
	Share of profit before tax:			
310	Reed Elsevier combined businesses (50%)	185	166	
18	Elsevier NV (5.8%)	11	10	
328		196	176	11%
	Elsevier NV's share of UK tax credit on			
(14)	distributed earnings	(5)	(4)	
(81)	Taxation	(48)	(43)	
	Share of attributable profit after tax credit			
233	equalisation	143	129	11%
(121)	Dividends paid and proposed	(42)	(38)	
112	Retained profit	101	91	
41.5p	Statutory earnings per share	25.4p	22.9p	11%
	<b>Reed International P.L.C. earnings per share (EPS)</b>			
41.5p	Reed International P.L.C. statutory EPS	25.4p	22.9p	11%
2.6p	Effect of tax credit equalisation (see 3 below)	0.9p	0.7p	
	Share of earnings from Reed Elsevier combined			
44.1p	businesses (52.9%)	26.3p	23.6p	11%
(1.5)p	Adjustments to arrive at headline EPS	-	(1.8)p	
42.6p	Headline EPS	26.3p	21.8p	21%

## 3. UK TAX CREDIT ON DISTRIBUTED EARNINGS

The Reed International P.L.C. share of the Reed Elsevier combined results has been calculated on the basis of the 52.9% economic interest of the Reed International P.L.C. shareholders in the Reed Elsevier combined businesses. Dividends paid to Reed International P.L.C. and Elsevier NV shareholders are equalised at the gross level inclusive of the UK tax credit received by many Reed International P.L.C. shareholders. In the statutory accounts of Reed International P.L.C. an adjustment is required to equalise the benefit of the tax credit between the two sets of shareholders in accordance with the equalisation agreement. This equalisation adjustment arises only on dividends paid by Reed International P.L.C. to its shareholders and reduces the attributable earnings of the company by 47.1% of the amount of the tax credit.

## 4. DIVIDENDS

The directors of Reed International P.L.C. have declared an interim dividend of 7.5 pence (1994 : 6.7 pence), an increase of 12%. In 1994 the full year dividend was 21.5 pence. The gross interim dividend used in the equalisation formula is 9.375 pence (1994: 8.375 pence).

# ELSEVIER NV SUMMARY FINANCIAL INFORMATION



## 1. BASIS OF PREPARATION

The Elsevier results reflect Elsevier NV's 50% share of the Reed Elsevier combined businesses accounted for on an equity basis. The interim figures for the six months ended 30 June 1995 and the comparative amounts to 30 June 1994 are unaudited. The financial information in respect of the year ended 31 December 1994 has been extracted from the statutory accounts of Elsevier NV for that year and the auditors, Deloitte & Touche, have confirmed that "our opinion on such statutory accounts was unqualified".

## 2. PROFIT AND LOSS ACCOUNT

Year ended 31 December 1994	Dfl million	Six months ended		% change
		30 June 1995	30 June 1994	
860	Share of profit before tax from Reed Elsevier combined businesses (50%)	475	471	1%
(210)	Taxation	(115)	(115)	
650	Share of attributable profit	360	356	1%
Allocation of profit:				
359	Proposed dividend	120	116	
291	Added to reserves	240	240	
650		360	356	
<b>Elsevier NV earnings per share (EPS)</b>				
Dfl 0.93	Share of earnings from Reed Elsevier combined businesses (50%)	Dfl 0.52	Dfl 0.511	2%
Dfl (0.03)	Adjustments to arrive at headline EPS	-	Dfl (0.040)	
Dfl 0.90	Headline EPS	Dfl 0.52	Dfl 0.471	10%

## 3. SHARE SPLIT

At the Extraordinary General Meeting of Shareholders on 30 August 1994, the ordinary shares of Dfl 1.00 par value were split into 10 ordinary shares of Dfl 0.10 par value effective from 5 October 1994. On the share split, the equalisation ratio was changed from 7.69 to 0.769 such that one Elsevier share is, in essence, equivalent to 0.769 Reed International PLC. shares. Comparative amounts for dividends and earnings per share have been restated.

## 4. DIVIDENDS

The directors of Elsevier NV have declared an interim dividend payment of Dfl 0.18 (1994 : Dfl 0.176). The dividend reflects the equalisation arrangements, under which Reed International and Elsevier dividends are equalised at the gross level. It has been calculated by applying the exchange rate in the period immediately preceding the interim results announcement of Dfl 2.48 (1994 : Dfl 2.73) to the Reed International gross dividend and multiplying the result by the equalisation ratio of 0.769. The 9% strengthening of the guilder versus sterling compared with the same period last year has resulted in a smaller percentage increase in the Elsevier dividend compared with the Reed International dividend.

## ADDITIONAL INFORMATION FOR US INVESTORS

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

The combined financial statements are prepared in accordance with UK and Dutch Generally Accepted Accounting Principles (GAAP), which differ in certain respects from US GAAP. The most significant differences relate to the US GAAP requirements in respect of the capitalisation and amortisation of goodwill and other intangibles.

The approximate effects on net income and combined shareholders' funds of differences between UK and Dutch GAAP and US GAAP are set out below.

Year ended 31 December 1994	£ million	Six months ended	
		30 June 1995	30 June 1994
	<b>Net income</b>		
468	Net income under UK and Dutch GAAP	280	251
	US GAAP adjustments:		
(100)	Amortisation of goodwill and other intangibles	(60)	(49)
(19)	Deferred taxation	(14)	(3)
(7)	Other items	1	(1)
342	Net income under US GAAP	207	198
As at 31 December 1994	£ million	As at 30 June	
		1995	1994
	<b>Combined shareholders' funds</b>		
1,419	Combined shareholders' funds under UK and Dutch GAAP	1,618	1,858
	US GAAP adjustments:		
1,120	Goodwill and other intangibles	1,067	694
(173)	Deferred taxation	(184)	(147)
(10)	Other items	(7)	(29)
173	Ordinary dividends not declared in the period	89	78
2,529	Combined shareholders' funds under US GAAP	2,583	2,454

### HIGHLIGHTS IN US DOLLARS

Highlights of the Reed Elsevier combined figures in US dollars are given below. This is a simple translation into US dollars at the average rates of exchange for the respective periods and does not represent a restatement under US GAAP.

Year ended 31 December 1994	US \$ million	Six months ended		% change
		30 June 1995	30 June 1994	
4,644	Sales	2,879	2,244	28%
1,014	Operating profit	671	507	32%
927	Pre-tax profit : headline	588	468	26%
949	Pre-tax profit : reported	588	495	19%
692	Profit attributable : headline	445	344	29%
716	Profit attributable : reported	445	374	19%
	Average exchange rates:			
1.53	US dollar to sterling	1.59	1.49	7%

Both Reed International P.L.C. ("RUK" CUSIP No.758212872) and Elsevier NV ("ENL" CUSIP No.290259100) have American Depositary Shares (ADS) listed on the New York Stock Exchange (Depositary – Citibank NA). In each case the ADS represents two shares in the respective company.

# SHAREHOLDER INFORMATION

## FINANCIAL DIARY

### 1995

<b>10 August</b>	Announcement of Interim Results for the six months ended 30 June 1995
<b>16 August</b>	ADSs in Elsevier go ex-dividend for interim dividend
<b>18 August</b>	Record date – ADSs in Elsevier
<b>21 August</b>	Ordinary shares in Reed International P.L.C. and Elsevier NV go ex-dividend for interim dividend
<b>28 August</b>	ADSs in Reed International P.L.C. go ex-dividend for interim dividend
<b>30 August</b>	Record date – Reed International P.L.C. ordinary shares Record date – ADSs in Reed International P.L.C.
<b>9 October</b>	Interim dividends for 1995 paid on Reed International P.L.C. and Elsevier NV ordinary shares
<b>17 October</b>	Interim dividends for 1995 paid on Reed International P.L.C. and Elsevier NV ADSs
<b>31 December</b>	Financial year end

### 1996

<b>13 March</b>	Announcement of Preliminary Results for the year ended 31 December 1995
<b>17 April</b>	Annual General Meetings

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## ADR DEPOSITARY

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111 Wall Street, New York, NY 10043, USA

## STOCK EXCHANGE QUOTATIONS

Reed International's shares and Elsevier's shares are quoted on the stock exchanges in Amsterdam, London and New York. Trading on the New York Stock Exchange is in the form of American Depositary Shares (ADSs), evidenced by American Depositary Receipts (ADRs). In addition, Elsevier's shares are quoted on the stock exchanges in Basle, Geneva and Zurich and are also traded in the Freiverkehrsmarkt in Frankfurt.

This statement is being mailed to shareholders in Reed International P.L.C. on 10 August 1995 and will be available to the shareholders in Elsevier NV upon request. Copies are available to the public from the respective companies:

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