

REED ELSEVIER

INTERIM STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 1996

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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 1996 together with the summary results covering the same period for both Reed International P.L.C. and Elsevier NV, the two parent companies.

REED ELSEVIER is a world leading publisher and information provider and its principal operations are in North America and Europe. 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: Reed Elsevier Combined

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 1996

Year ended		Six months ended			
31 December		30 June	30 June		
1995	£ million	1996	1995	% change	
<b>Highlights in reported currencies</b>					
3,205	Continuing operations	Sales	1,700	1,591	7%
761		Operating profit	439	389	13%
788		Operating cash flow	284	270	5%
23.7%		Operating margin	25.8%	24.5%	
104%		Operating cash flow conversion	65%	69%	
3,649	Total operations	Sales	1,700	1,811	-6%
828		Operating profit	439	422	4%
835		Operating cash flow	284	297	-4%
22.7%		Operating margin	25.8%	23.3%	
101%		Operating cash flow conversion	65%	70%	
723		Headline profit before tax	416	370	12%
552		Headline profit attributable	311	280	11%
680	Financing	Net borrowings	247	1,253	
8		Interest cover	19	8	
<b>Highlights in constant currencies</b>					
(restated on basis of 1995 full year average rates)					
3,205	Continuing operations	Sales	1,675	1,600	5%
761		Operating profit	433	391	11%

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 the two parent companies, Reed International P.L.C. and Elsevier NV ("the combined businesses"). Discontinued operations comprise consumer publishing businesses sold in 1995. The "headline" figures exclude exceptional items.

# Financial Highlights: Parent Companies

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 1996

Reed International P.L.C.				Elsevier NV		
Six months ended		Six months ended				
30 June	30 June			30 June	30 June	
1996	1995			1996	1995	% change
£ m	£ m	% change		Dfl m	Dfl m	% change
165	148	11%	Profit attributable	399	360	11%
164	148	11%	Headline profit attributable	398	360	11%
Average exchange rate Dfl:£				2.56	2.57	-
pence	pence	% change		Dfl	Dfl	% change
29.0	26.3	10%	Earnings per share – headline	0.57	0.52	10%
10.3125	9.375	10%	Dividend per share (gross)	0.20	0.18	11%
8.25	7.5	10%	Dividend per share (net)	-	-	

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

## Chairmen's Statement

We are pleased to report a 12% increase in Reed Elsevier's headline pre-tax profit for the half year to £416 million. This has been achieved after absorbing the 4% dilutive effect of last year's consumer business divestment programme. Our businesses have again demonstrated strong organic profit growth in a period when we are investing more heavily in new electronic information products to take advantage of market opportunities. Operating margin improved by 2.5 percentage points to 25.8%; for the continuing businesses the margin improvement was 1.3 percentage points.

Operating highlights for the first half include strong journal subscription renewals in scientific publishing and good revenue growth across all our professional publishing businesses. Lexis-Nexis continues to exceed our expectations in this second year of Reed Elsevier ownership. In business publishing, the travel information business saw reduced revenue from hard copy products as the business migrates to electronic delivery. This was more than made up for by the strong advances in exhibitions worldwide and in business magazines in each of our three major markets of the USA, UK and the Netherlands.

The half year results include no significant contribution from acquisitions. With a balance sheet at 30 June 1996 which has net debt of only £247 million, we have stepped up our pursuit of acquisitions in the higher value added scientific, professional and business information markets.

In July we were pleased to announce the acquisition, in alliance with Times Mirror, of Shepard's, the premier US legal citation business. This transaction, which is expected to enhance pre-tax earnings from the outset, should be completed within the next two months.

### PARENT COMPANIES' EARNINGS AND DIVIDENDS

At the parent company level, both Reed International and Elsevier headline earnings per share increased for

the first half of 1996 by 10% to 29.0 pence and Dfl 0.57, respectively.

Given the strong first half performance and their confidence in Reed Elsevier's prospects, the Boards of Reed International and Elsevier have each declared an increase in their interim dividends. For Reed International shareholders the dividend will rise by 10% to 8.25 pence per share, while the equalised dividend for Elsevier shareholders will increase by 11% to Dfl 0.20 per share. The higher Elsevier dividend increase reflects the strengthening of sterling versus the guilder since last year's interim dividend declaration.

### MANAGEMENT SUCCESSION

Nigel Stapleton succeeded Ian Irvine on his retirement as co-Chairman of Reed Elsevier plc on 2 July and will become Chairman of Reed International P.L.C. at the Annual General Meeting in April 1997.

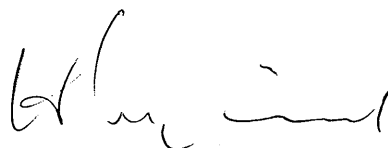
### PROSPECTS

Reed Elsevier continues to focus on organic growth and on opportunities to add further to shareholder value by using its strong cash flows to fund acquisitions. To reinforce the organic growth potential in business information markets, we are refocusing our operations in our principal markets of the USA, the UK and Continental Europe to place greater emphasis on developing Reed Elsevier's position in its chosen end markets. We are also investing in the expansion and geographical diversification of our technological infrastructure, building upon the expertise at Lexis-Nexis. This will support the increasing number of online information offerings to our targeted customer communities.

Our businesses continue to perform well and we remain confident about the outlook for the second half of the year.



**IAN IRVINE**  
CHAIRMAN  
REED INTERNATIONAL P.L.C.



**HERMAN BRUGGINK**  
CHAIRMAN  
EXECUTIVE BOARD, ELSEVIER NV

# Review of Operations

Year ended 31 December 1995	£ million	Six months ended			% change	% change constant currencies
		30 June 1996	30 June 1995			
<b>Turnover</b>						
532	Scientific	273	257	6%	5%	
937	Professional	527	464	14%	10%	
1,240	Business	674	641	5%	3%	
496	Consumer	226	229	-1%	-2%	
3,205	Continuing operations	1,700	1,591	7%	5%	
444	Discontinued operations	—	220	—	—	
3,649	Total	1,700	1,811	-6%	-8%	

Year ended 31 December 1995	£ million	Six months ended			% change	% change constant currencies
		30 June 1996	30 June 1995			
<b>Operating profit</b>						
211	Scientific	112	101	11%	10%	
226	Professional	134	113	19%	14%	
255	Business	165	149	11%	9%	
69	Consumer	28	26	8%	8%	
761	Continuing operations	439	389	13%	11%	
67	Discontinued operations	—	33	—	—	
828	Total	439	422	4%	2%	

Following the sales of the consumer publishing businesses and integration of the majority of medical businesses within the scientific publishing activities, a number of magazine titles were transferred from the Consumer and Scientific segments into the Business segment with effect from 1 January 1996. The comparative figures for the six months ended 30 June 1995 and year ended 31 December 1995 have been restated accordingly.

Unless otherwise stated, all figures quoted in the following commentary refer to percentage movements at constant exchange rates, using the 1995 full year average rates.

## SCIENTIFIC

Operating profit for the Scientific segment increased by 11% at actual exchange rates and there was a further improvement in operating margin to 41.0%.

Elsevier Science revenue was ahead by 5% on the corresponding period in 1995 with strong renewal rates for 1996 journal subscriptions. Operating profit increased by 11% despite a higher development spend. Good revenue and profit growth was achieved in the medical business and the sale of 13 non-core medical journals in the USA was concluded satisfactorily.

Considerable progress is being made by Elsevier Science on a number of significant projects which will both improve operational efficiency and develop the infrastructure to expand its electronic publishing. Of particular note is the centralisation in Oxford of the principal fulfilment and distribution activities, the

extension of computer aided production and the investment in electronic warehousing of information. In conjunction with Lexis-Nexis, an online host infrastructure for scientific information is being constructed; by mid 1997 the first stage will provide access to more than 300 journals in life sciences.

## PROFESSIONAL

The excellent results of the Professional segment were driven by strong performances from the Reed Elsevier Legal Division and Lexis-Nexis. Operating profit increased by 19% over the first half of 1995 at actual exchange rates. Operating margin was 1 point ahead at 25.4%.

Reed Elsevier Legal Division's operating profit was ahead 21% with good growth seen in all of its businesses, most notably in the larger markets of the UK,

# Review of Operations

Australia and France. Strong publishing programmes were reinforced by recent product launches, many in CD-ROM formats.

Lexis-Nexis increased its operating profit by 18% driven by stronger revenue growth in online sales from both new and existing customers. Operating margins improved by 1 percentage point despite higher IT development spend. A particular focus has been on finalising the new technology platform. Scheduled for release later in the year, this will enhance the user friendliness of the Lexis-Nexis mainstream product and enable faster end user product development. Growth in demand for online business information continues to outstrip that of legal information. Extra content is continually being added to the NEXIS database and Dun & Bradstreet and Bloomberg were notable new information sources in this half year.

Reed Reference Publishing's operating profit was up 12% largely reflecting continued growth from the *Martindale-Hubbell Law Directory*, which from 1 June has also been available on the Internet.

Educational publishing and tuition businesses increased their underlying operating profit by 16%. Strong performances by Heinemann and Ginn in the UK reflect market share gains backed by successful new products and, in the United States, Rigby continues its strong growth. The tuition activities in Belgium and the Netherlands performed well.

## **BUSINESS**

Operating profit for the Business segment was 11% ahead of the first half of 1995 at actual exchange rates. Excellent profit growth in business magazine publishing and in exhibitions was partly offset by a profit downturn in the travel information division. Operating margin was 1.3 points ahead at 24.5%.

Reed Exhibitions, whose results are phased heavily to the first half, increased its operating profit by 12%, helped by good growth from both existing and new shows and some favourable cycling. The biennial *Asian Aerospace* show in Singapore reported a particularly strong result.

Reed Travel Group saw a continued decline in

revenue from its traditional hard copy products, and the shortfall was only partly made up through increased sales of electronic products and further growth at Utell. Overall, operating profit fell by 7% against the comparative period.

In US business magazines, Cahners increased its operating profit by 23% with the Electronics and Entertainment clusters reporting notably good performances. Electronic initiatives are being stepped up and the launch of a major new offering for the Manufacturing marketplace, available over the World Wide Web and on CD-ROM, was announced in the period.

In the UK, underlying operating profit at Reed Business Publishing was up 34% with good growth in both advertising and copy sales. Electronic publishing initiatives, including an online offering for the property market, *Estates Gazette Interactive*, launched in June, have been well received. In Continental Europe, both Misset and Bonaventura, which following the disposal of its consumer titles is now within the Business segment, saw good profit growth.

## **CONSUMER**

The Consumer businesses increased operating profit by 8% over the first half of 1995, with a good performance from IPC Magazines offsetting a disappointing result from Reed Books and its 50% associate, Book Club Associates. The overall operating margin was 1 point higher at 12.4%.

IPC increased its first half operating profit by 10%. Underlying profit was ahead of the comparative period despite the weaker markets carried over from the second half of 1995 and the full effect of last year's paper cost increases. Paper costs have recently started to fall and there were encouraging signs in the second quarter of improvement in IPC's advertising markets.

The performance of Reed Books in the first half of 1996, where the seasonal first half loss was slightly higher than last year, reflected the continued difficult trading conditions in retail book markets and a reorganisation implemented after the decision to defer the sale of the business in the short term.

# Financial Review

## TURNOVER

Turnover of the continuing businesses for the six months to 30 June 1996 increased by 7% to £1,700 million. Of this, £1 million was contributed by acquisitions. Reflecting last year's divestment of the majority of consumer publishing businesses, total turnover reduced by 6% on the corresponding period in 1995.

## OPERATING PROFIT

Operating profit from the continuing businesses grew by 13% to £439 million. There was no contribution from acquisitions, while currency translation increased the reported profit by £8 million against the 1995 first half.

## NET INTEREST EXPENSE

The net interest expense, at £23 million, was significantly lower principally due to the reduction in net borrowings from free cash flow and the receipt of the proceeds from divestments. The net expense in part reflects the interest yield differentials between the interest income on short term cash balances and the interest paid on long term fixed rate borrowings.

Reed Elsevier's net interest cover for the 1996 first half was 19 times operating profit, compared with 8 times in the equivalent six months in 1995.

## TAXATION

The effective tax rate of 25.2% compares with 24.1% in last year's first half. Excluding the impact of the UK tax credit on dividends from Reed Elsevier plc to Elsevier NV, the underlying rate was 25.6%, 0.9 points higher than in

1995. This reflects mainly the effect of marginal tax rates on incremental earnings.

## CASH FLOW

Operating cash flow was £284 million in the first six months of 1996. Due to the phasing of operating cash flows and the timing of dividend payments, free cash flow mostly arises in the second half of the year. In the six months to 30 June 1996, free cash flow, after interest, tax and dividend payments but before acquisition spend and exceptional net receipts, was an outflow of £13 million.

Exceptional net receipts totalled £450 million and represented £355 million of net proceeds from the 1995 consumer business disposals, £32 million from the disposal of other non-core businesses and £63 million from the sale of surplus properties.

## BALANCE SHEET

Net borrowings of £247 million at 30 June 1996 comprised gross borrowings of £1,415 million, predominantly in US dollars, less cash balances and short term investments totalling £1,168 million, held principally in US dollars, sterling and Dutch guilders. Reed Elsevier's gross borrowings included £916 million of medium and long term fixed rate debt, with a weighted average interest coupon of 7.9% and an average remaining life of 8.9 years. Net borrowings at 30 June 1996 were £433 million lower than at 31 December 1995 reflecting, in particular, the large exceptional receipts in the period. Differences in exchange rates since 31 December 1995 have added £10 million to Reed Elsevier's net borrowings reported in sterling.

### Review Report to the Board of Directors of Reed International P.L.C. and to the Members of the Supervisory and Executive Boards of Elsevier NV by Deloitte & Touche on the interim financial information

We have reviewed the combined interim financial information of Reed International P.L.C., Elsevier NV, Reed Elsevier plc and Elsevier Reed Finance BV and their respective subsidiaries (together "the combined businesses"), and the interim financial information of Reed International P.L.C. and Elsevier NV for the six months ended 30 June 1996 set out on pages 7 to 11 which is the responsibility of, and has been approved by, the directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin "Review of Interim Financial Information", issued by the Auditing Practices Board. This review consisted principally of applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities, and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review, in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted in the Reed Elsevier Annual Review 1995 and we are not aware of any material modifications that should be made to the interim financial information as presented.

Deloitte & Touche  
Chartered Accountants  
London  
7 August 1996

Deloitte & Touche  
Registeraccountants  
Amsterdam

# Reed Elsevier Combined Profit and Loss Account

FOR THE SIX MONTHS ENDED 30 JUNE 1996

Year ended 31 December 1995	£ million		Six months ended		% change
			30 June 1996	30 June 1995	
3,205	<b>Turnover</b>	Continuing operations	1,700	1,591	7%
444		Discontinued operations	–	220	
3,649			1,700	1,811	-6%
(1,428)	Cost of sales		(629)	(681)	
2,221	Gross profit		1,071	1,130	
(1,413)	Net operating expenses		(645)	(718)	
20	Income from interests in associated undertakings		13	10	
761	<b>Operating profit</b>	Continuing operations	439	389	13%
67		Discontinued operations	–	33	
828	<b>Operating profit before exceptional items</b>		439	422	4%
	Exceptional items:				
13	Profit on sale of businesses		–	–	
–	Profit on sale of property interests		1	–	
841	<b>Profit on ordinary activities before interest</b>		440	422	4%
(105)	Net interest expense		(23)	(52)	
736	<b>Profit on ordinary activities before taxation</b>		417	370	13%
(181)	Tax on profit on ordinary activities		(105)	(89)	
555	<b>Profit on ordinary activities after taxation</b>		312	281	11%
(1)	Minority interests and preference dividends		–	(1)	
554	<b>Profit attributable to parent companies' shareholders</b>		312	280	11%
(293)	Ordinary dividends paid and proposed		(100)	(89)	
261	<b>Retained profit transferred to combined reserves</b>		212	191	11%

## HEADLINE FIGURES (excluding exceptional items)

Year ended 31 December 1995	£ million		Six months ended		% change
			30 June 1996	30 June 1995	
723	<b>Headline profit before tax</b>		416	370	12%
552	<b>Headline profit attributable</b>		311	280	11%

# Reed Elsevier Combined Cash Flow Statement

FOR THE SIX MONTHS ENDED 30 JUNE 1996

Year ended		Six months ended	
31 December		30 June	30 June
1995	£ million	1996	1995
928	Net cash inflow from operating activities	311	329
(121)	Net interest paid	(26)	(49)
(270)	Dividends paid to shareholders of the parent companies and minorities	(205)	(178)
14	Dividends received from associated undertakings	9	7
(377)	Return on investments and servicing of finance	(222)	(220)
(112)	Taxation	(55)	(23)
(74)	Acquisitions	(12)	(27)
(124)	Payments to acquire tangible fixed assets	(46)	(48)
Exceptional items			
354	Proceeds from sale of businesses	387	–
–	Proceeds from sale of property interests	63	–
17	Proceeds from sale of other fixed assets	10	9
(53)	Other items (mainly payments against acquisition provisions)	(11)	(27)
120	Investing activities	391	(93)
559	Net cash inflow/(outflow) before financing	425	(7)
33	Issue of ordinary shares	22	17
266	(Decrease)/increase in long term borrowings	(8)	275
(19)	Increase in short term investments	(334)	(32)
280	Financing	(320)	260
839	Movement in net cash and cash equivalents	105	253

Net cash inflow from operating activities includes £33 million and £75 million within discontinued operations respectively for the six months ended 30 June 1995 and year ended 31 December 1995. Cash equivalents include short term investments with an original maturity of within 3 months less short term borrowings with an original maturity of less than 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 fixed assets. A memorandum reconciliation is provided below.

Year ended		Six months ended	
31 December		30 June	30 June
1995	£ million	1996	1995
928	Net cash inflow from operating activities	311	329
(124)	Payments to acquire tangible fixed assets	(46)	(48)
17	Proceeds from sale of fixed assets (excluding exceptional items)	10	9
14	Dividends received from associated undertakings	9	7
835	<b>Operating cash flow before exceptional items</b>	<b>284</b>	<b>297</b>
101%	<b>Operating cash flow conversion</b>	<b>65%</b>	<b>70%</b>

In the six months to 30 June 1996, free cash flow before exceptional items was an outflow of £13 million (1995: inflow of £20 million) after net interest, tax and dividend payments totalling £286 million (1995: £250 million) and an £11 million outflow (1995: £27 million) principally in respect of acquisition provisions.

# Reed Elsevier Summarised Combined Balance Sheet

AS AT 30 JUNE 1996

As at 31 December 1995	£ million	As at 30 June 1996	As at 30 June 1995
2,708	Intangible assets	2,667	2,777
384	Tangible assets	326	498
145	Investments	151	140
3,237	Fixed assets	3,144	3,415
2,262	Current assets	2,162	1,291
(2,165)	Creditors: amounts falling due within 1 year	(1,708)	(1,822)
97	Net current assets/(liabilities)	454	(531)
3,334	Total assets less current liabilities	3,598	2,884
(1,089)	Creditors: amounts falling due after more than 1 year	(1,151)	(1,148)
(162)	Provisions for liabilities and charges	(133)	(108)
(8)	Minority interests	(8)	(10)
2,075	Net assets	2,306	1,618
2,075	Combined shareholders' funds	2,306	1,618

## Reed Elsevier Notes to the 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 the two parent companies, Reed International P.L.C. and Elsevier NV ("the combined businesses").

The interim combined financial statements have been prepared on the basis of the accounting policies set out in the Reed Elsevier Annual Review 1995. The interim combined financial statements are unaudited but have been reviewed by the auditors and their report to the Boards of Reed International P.L.C. and Elsevier NV is set out on page 6. The figures for the year to 31 December 1995 are abridged from the audited combined financial statements set out in the Reed Elsevier Annual Review 1995.

### 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 exchange rates for the main currencies were:

Year ended 31 December 1995		Six months ended 30 June 1996	30 June 1995
<i>Average rates:</i>			
2.53	Dutch guilders to sterling	2.56	2.57
1.58	US dollars to sterling	1.53	1.59
1.60	Dutch guilders to US dollars	1.67	1.62
<i>Period end rates:</i>			
2.47	Dutch guilders to sterling	2.64	2.47
1.54	US dollars to sterling	1.55	1.59
1.60	Dutch guilders to US dollars	1.70	1.55

### 3 EXCEPTIONAL ITEMS

In the six months ended 30 June 1996 the divestment of surplus property interests gave rise to a £1 million net profit, before and after tax, and the receipt of exceptional sale proceeds of £63 million. In addition, net exceptional proceeds of £355 million were received in respect of the sale in 1995 of consumer businesses, and a further £32 million on sale of non-core businesses.

The exceptional items in the year ended 31 December 1995 comprised the profit and loss on the completed sales of the consumer publishing businesses and provisions for losses on the intended sales of businesses.



# Reed International P.L.C. Summary Financial Information

## 1 BASIS OF PREPARATION

The results for the six months ended 30 June 1996 reflect Reed International P.L.C.'s 50% share of the Reed Elsevier combined businesses and a 5.8% interest in Elsevier NV, both of which are accounted for on an equity basis. The interim figures for the six months ended 30 June 1996 and the comparative amounts to 30 June 1995 are unaudited but have been reviewed by the auditors and their report to the Board of Reed International P.L.C. is set out on page 6. The financial information for the year ended 31 December 1995 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.

## 2 PROFIT AND LOSS ACCOUNT

Year ended		Six months ended		
31 December		30 June	30 June	
1995	£ million	1996	1995	% change
Share of profit before tax:				
368	Reed Elsevier combined businesses (50%)	209	185	
21	Elsevier NV (5.8%)	12	11	
389		221	196	13%
(16)	Elsevier NV's share of UK tax credit on distributed earnings	(6)	(5)	
(96)	Taxation	(56)	(48)	
277	Share of attributable profit after tax credit equalisation	159	143	11%
(139)	Dividends paid and proposed	(47)	(42)	
138	Retained profit	112	101	
49.1p	Statutory earnings per share	28.1p	25.4p	11%
<b>Earnings per share (EPS)</b>				
49.1p	Reed International P.L.C. statutory EPS	28.1p	25.4p	11%
2.8p	Effect of tax credit equalisation (see note 3)	1.0p	0.9p	
51.9p	Share of earnings from Reed Elsevier combined businesses (52.9%)	29.1p	26.3p	11%
(0.2)p	Adjustments to arrive at headline EPS	(0.1)p	–	
51.7p	Headline EPS	29.0p	26.3p	10%

## 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 8.25 pence (1995 : 7.5 pence), an increase of 10%. In 1995 the full year dividend was 24.5 pence. The gross interim dividend used in the equalisation formula is 10.3125 pence (1995: 9.375 pence).

## 5 RECONCILIATION OF SHAREHOLDERS' FUNDS

Year ended		Six months ended	
31 December		30 June	30 June
1995	£ million	1996	1995
751	Shareholders' funds as at the beginning of period	1,098	751
(11)	Share of associated companies' goodwill written off in period	(5)	(5)
199	Share of associated companies' goodwill reinstated on sale of businesses	10	–
11	Increase in share capital and share premium	10	8
138	Retained profit	112	101
10	Other items including exchange	(5)	1
1,098	Shareholders' funds as at the end of period	1,220	856

# Elsevier NV Summary Financial Information



## 1 BASIS OF PREPARATION

The results for the six months ended 30 June 1996 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 1996 and the comparative amounts to 30 June 1995 are unaudited but have been reviewed by the auditors and their report to the Board of Elsevier NV is set out on page 6. The financial information in respect of the year ended 31 December 1995 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		Six months ended		
31 December		30 June	30 June	
1995	Dfl million	1996	1995	% change
	Share of profit before tax from Reed Elsevier combined businesses (50%)	534	475	12%
(230)	Taxation	(135)	(115)	
701	Share of profit attributable	399	360	11%
Allocation of profit:				
390	Proposed dividend	133	120	
311	Added to reserves	266	240	
701		399	360	
<b>Earnings per share (EPS)</b>				
Dfl 1.00	Share of earnings from Reed Elsevier combined businesses (50%)	Dfl 0.57	Dfl 0.52	10%
–	Adjustments to arrive at headline EPS	–	–	
Dfl 1.00	Headline EPS	Dfl 0.57	Dfl 0.52	10%

## 3 DIVIDENDS

The directors of Elsevier NV have declared an interim dividend of Dfl 0.20 (1995: Dfl 0.18). The dividend reflects the equalisation arrangements, under which Reed International P.L.C. and Elsevier NV dividends are equalised at the gross level. It has been calculated by applying the exchange rates in the period immediately preceding the interim results announcement of Dfl 2.58 (1995: Dfl 2.48) to the Reed International P.L.C. gross dividend and multiplying the result by the current equalisation ratio of 0.769.

## 4 RECONCILIATION OF SHAREHOLDERS' FUNDS

Year ended		Six months ended	
31 December		30 June	30 June
1995	Dfl million	1996	1995
1,922	Shareholders' funds as at the beginning of period	2,563	1,922
55	Increase in share capital	31	24
(27)	Share of associated companies' goodwill written off in period	(12)	(12)
477	Share of associated companies' goodwill reinstated on sale of businesses	24	–
(175)	Currency translation differences and equalisation	172	(176)
701	Share of profit attributable	399	360
(390)	Dividends proposed	(133)	(120)
2,563	Shareholders' funds as at the end of period	3,044	1,998

## Additional Information for US Investors

### HIGHLIGHTS IN US DOLLARS

Highlights of the Reed Elsevier combined results in US dollars are given below. This is a simple translation into US dollars at the average rates of exchange and does not represent a restatement under US Generally Accepted Accounting Principles (GAAP).

Year ended		Six months ended		
31 December		30 June	30 June	
1995	US\$ million	1996	1995	% change
5,064	Sales – continuing businesses	2,601	2,530	3%
1,202	Operating income – continuing businesses	672	619	9%
1,142	Headline income before taxes	636	588	8%
872	Headline net income	476	445	7%
US\$	Headline earnings per ADS	US\$	US\$	
1.63	Reed International P.L.C.	0.89	0.84	6%
1.25	Elsevier NV	0.68	0.64	6%
1.58	Average exchange rates: US dollars to sterling	1.53	1.59	-4%

### 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 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 intangibles, and the definition of continuing and discontinued operations. A more complete explanation of the accounting policies used by the combined businesses and the differences between UK and Dutch GAAP and US GAAP is set out in the Reed Elsevier Annual Review 1995. 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		Six months ended	
31 December		30 June	30 June
1995	£ million	1996	1995
<b>Net income</b>			
554	Net income under UK and Dutch GAAP	312	280
US GAAP adjustments:			
(120)	Amortisation of goodwill and other intangibles	(58)	(60)
(31)	Deferred taxation	(6)	(14)
(11)	Other items	2	1
301	Sale of businesses	–	–
693	Net income under US GAAP	250	207
Analysed:			
304	Continuing operations	257	193
Discontinued operations			
36	– Income from operations	(7)	14
353	– Gain on sales net of provisions	–	–
693		250	207

The adjustment in 1995 in relation to the sale of businesses reflects the substantially lower goodwill and intangible asset values attributed to the businesses concerned under US GAAP due to amortisation in prior periods.

As at		As at	
31 December		30 June	30 June
1995	£ million	1996	1995
<b>Combined shareholders' funds</b>			
2,075	Combined shareholders' funds under UK and Dutch GAAP	2,306	1,618
US GAAP adjustments:			
998	Goodwill and other intangibles	905	1,067
(182)	Deferred taxation	(188)	(184)
(14)	Other items	(12)	(7)
207	Ordinary dividends not declared in period	100	89
3,084	Combined shareholders' funds under US GAAP	3,111	2,583

# Shareholder Information

## FINANCIAL DIARY

### 1996

<b>8 August</b>	Announcement of Interim Results for the six months to 30 June 1996
<b>22 August</b>	ADSs in Elsevier NV go ex-dividend for interim dividend
<b>26 August</b>	Record date – ADSs in Elsevier NV
<b>27 August</b>	Ordinary shares in Reed International P.L.C. and Elsevier NV go ex-dividend for interim dividend
<b>30 August</b>	ADSs in Reed International P.L.C. go ex-dividend for interim dividend
<b>4 September</b>	Record date – Reed International P.L.C. ordinary shares Record date – ADSs in Reed International P.L.C.
<b>7 October</b>	Interim dividends for 1996 paid on Reed International P.L.C. and Elsevier NV ordinary shares
<b>11 October</b>	Interim dividends for 1996 paid on Reed International P.L.C. and Elsevier NV ADSs
<b>31 December</b>	Financial year end

### 1997

<b>12 March</b>	Announcement of Preliminary Results for the year ended 31 December 1996
<b>16 April</b>	Reed International P.L.C. and Elsevier NV Annual General Meetings

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(Trading Symbol: RUK)

**Elsevier NV CUSIP No. 290259100**  
(Trading Symbol: ENL)

## 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 each case the ADS represents two shares in the respective company. 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 the shareholders of Reed International P.L.C. on 8 August 1996 and will be available to the shareholders of Elsevier NV upon request. Copies are available to the public from the respective companies:

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Additional information on Reed Elsevier and its businesses can be found on the Reed Elsevier Home Page on the World Wide Web: <http://www.reed-elsevier.com>

