

Interim Statement

For the six months ended 30 June 1997



REED ELSEVIER

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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 1997 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. Its principal operations are in North America and Europe. It has annual sales of over £3 billion and employs more than 25,000 people.

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 1997

Year ended 31 December 1996	£ million		Six months ended 30 June 1997	30 June 1996	% change	% change constant currencies
3,324		Continuing operations Sales	1,664	1,676	-1%	6%
853		Operating profit	446	440	1%	10%
828		Operating cash flow	301	281	7%	17%
25.7%		Operating margin	26.8%	26.3%		
97%		Operating cash flow conversion	67%	64%		
805		Total operations Headline profit before tax	419	416	1%	10%
603		Headline profit attributable	312	311	-	9%
196		Financing Net borrowings	606	247		
17		Interest cover	17	19		

Continuing operations excludes certain operations of Reed Books which have been divested by the date of this statement.

The percentage change at constant currencies refers to the movements at constant exchange rates, using 1996 full year average rates.

Financial Highlights: Parent Companies

Results for the six months ended 30 June 1997

Reed International P.L.C.				Elsevier NV			
Six months ended 30 June 1997	30 June 1996	% change		Six months ended 30 June 1997	30 June 1996	% change	
£ million	£ million			Dfl million	Dfl million		
165	165	-	Profit attributable	484	399	21%	
			Headline profit attributable				
165	164	1%	- at reported rates	484	398	22%	
176	162	9%	- at constant currencies	438	402	9%	
			Average exchange rate Dfl:£	3.10	2.56	21%	
pence	pence	% change		Dfl	Dfl	% change	
			Headline earnings per share				
14.5	14.5	-	- at reported rates	0.69	0.57	21%	
15.5	14.2	9%	- at constant currencies	0.62	0.57	9%	
5.5	5.15625	7%	Dividend per share (gross)	0.29	0.20	45%	
4.4	4.125	7%	Dividend per share (net)				

Following the resolution at the Annual General Meeting of Reed International P.L.C. in April 1997, the company undertook a two-for-one share split of its ordinary shares on 2 May 1997.

The earnings per ordinary share and dividend per ordinary share for the six months ended 30 June 1996 have been restated to take into account the adjusted number of shares.

The results of Elsevier NV reflect its 50% share of the Reed Elsevier combined businesses. The results of 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% interest in Elsevier NV.

For the half year there was a 10% increase - expressed at constant exchange rates - in Reed Elsevier's headline profit before tax. As a consequence of the considerable strengthening of sterling, particularly since the second half of 1996, the sterling reported headline profit before tax was £419 million, only £3 million higher than the comparative period. The currency movements impact the translation of non-sterling results into sterling and do not affect the underlying performance of our businesses. For Elsevier shareholders, who receive their returns in guilders, the currency movements have had a sharply positive effect.

During the period we made further progress in the implementation of our electronic publishing strategy with acceleration in the development and launch of new electronic products and services. In addition, several high quality businesses were acquired, which have further strengthened our portfolio.

It is with sadness that we report the death of Robert van de Vijver last week. He had been a non-executive director of Reed Elsevier plc since its inception and a member of the Elsevier NV Supervisory Board for many years.

PERFORMANCE REVIEW

Operating profit of the continuing businesses increased by 1% to £446 million, or by 10% at constant exchange rates, while operating margin improved by 0.5 percentage points to 26.8% and operating cash flow was £20 million higher at £301 million.

Overall our businesses continued to demonstrate good underlying operating profit growth. As we noted in our statement accompanying the 1996 annual results, for a period of time the rate of margin growth will be constrained by the higher investment we are making in electronic publishing initiatives, as well as the continuing revenue and profit pressures at Reed Travel Group.

These results include a reduction of £4 million in the net SSAP24 pension credit to reflect the anticipated outcome of the

triennial actuarial valuation of the UK pension scheme which is nearing completion. This takes into account the UK Government's recently announced measures to end the right of UK pension funds to receive tax credits on UK dividends.

BUSINESS DEVELOPMENT

During the first half of 1997 several important initiatives were progressed to drive forward Reed Elsevier's electronic publishing plans. These included the start-up of the new Information Technology Centre in Cambridge, Massachusetts and a major strategic agreement with Microsoft which secures Reed Elsevier's position as Microsoft's key alliance partner in the areas of scientific, professional and business information.

Since the beginning of the year we have committed total expenditures of over £600 million to more than 20 acquisitions. These included the \$320 million (£200 million) public offer for MDL Information Systems, a US quoted company specialising in software systems and information databases for the scientific research and development industry. Other notable additions were Colofon, a Dutch professional and business publisher, and a portfolio of more than 50 US legal titles from The Thomson Corporation. Included in the committed spend is the \$447 million (£270 million) acquisition of Chilton Business Group, a major US business-to-business publisher, which we expect to complete shortly. Chilton will be merged with Cahners Publishing Company to form Reed Elsevier Business Information. The combined business will have leading positions in important segments of the US business information market.

PARENT COMPANIES' EARNINGS AND DIVIDENDS

At constant exchange rates, the growth rate in headline earnings per share was 9% for both Reed International and Elsevier shareholders. At actual exchange rates, Reed International's reported headline eps was unchanged at 14.5 pence, while the headline eps of Elsevier increased by 21% to Dfl 0.69. The difference in growth rates reflects the strengthening of sterling against the guilder since the 1996 half year.

Given the good underlying results achieved in the first half of 1997 and their confidence in the outlook for the full year, the Boards of the two parent companies have decided to increase their respective interim dividends. The Reed International dividend will rise 7% to 4.4 pence per share. The equalised Elsevier dividend will be 45% higher at Dfl 0.29, reflecting the strengthening of sterling versus the guilder since last year's interim dividend was declared. Recent changes in the UK tax credit regime are currently under discussion between the Boards of the two parent companies.

PROSPECTS

Overall, we expect market conditions for the remainder of 1997 to be little different from those experienced in the first half. We are investing in new products and services to secure Reed Elsevier's continuing success and also in our programme to ensure full Year 2000 compliance. Our strong financial position enables us to pursue acquisition opportunities that match our strict strategic and financial criteria. We remain positive about Reed Elsevier's prospects for the rest of 1997 and for the longer term.



Herman Bruggink

Chairman, Executive Board, Elsevier NV



Nigel Stapleton

Chairman, Reed International P.L.C.

Review of Operations

Year ended 31 December 1996	£ million	Six months ended		% change	% change constant currencies
		30 June 1997	30 June 1996		
Turnover					
553	Scientific	273	273	-	12%
1,037	Professional	519	518	-	7%
1,290	Business	665	682	-2%	5%
444	Consumer	207	203	2%	2%
3,324	Continuing operations	1,664	1,676	-1%	6%
57	Discontinued operations	14	24		
3,381	Total	1,678	1,700	-1%	6%

Year ended 31 December 1996	£ million	Six months ended		% change	% change constant currencies
		30 June 1997	30 June 1996		
Operating profit					
231	Scientific	115	112	3%	16%
268	Professional	143	134	7%	14%
279	Business	155	165	-6%	1%
75	Consumer	33	29	14%	14%
853	Continuing operations	446	440	1%	10%
3	Discontinued operations	-	(1)		
856	Total	446	439	2%	10%

Discontinued operations comprise certain operations of Reed Books which have been divested by the date of this statement.

Following the reorganisation of certain businesses and the formation of the Reed Business Information and Elsevier Business Information groups which were effective 1 January 1997, certain operations have been transferred between the reporting segments. Comparative figures for the six months ended 30 June 1996 and the year ended 31 December 1996 have been restated accordingly. Unless otherwise stated, all figures quoted in the following commentary refer to percentage movements at constant currency rates, using 1996 full year average rates.

SCIENTIFIC

Operating profit for the Scientific segment increased by 16% at constant exchange rates; excluding acquisitions the increase was 14%. At actual exchange rates operating profit growth was restricted to 3%, reflecting the effect of sterling's strength on translation of the results of the Continental European and North American scientific businesses.

Elsevier Science operating profit was ahead by 16%. Important features were strong 1997 journal subscription sales and the contribution from MDL Information Systems, acquired at the end of April.

Considerable progress was made in the period on the development of ScienceDirect, Elsevier Science's major online science information service. Market testing of the service was successfully completed and it has now entered its early release phase, with commercial release planned later in the year. Whilst there is growing customer

interest in electronic delivery, sales of electronic products are expected to remain a relatively small proportion of the scientific information market for some time.

The medical publishing businesses showed good growth, with operating profit up 9% in the first half of 1997. This was driven by strong performances from The Lancet, ESME in France and the sponsored medical projects business in the United States.

PROFESSIONAL

Operating profit for the Professional segment increased by 14% at constant exchange rates with good growth from each of the businesses, moderated by adverse publishing phasing. Contributions from 1997 and 1996 acquisitions accounted for seven percentage points of this growth.

Reed Elsevier Legal Division's operating profit was ahead by 25%. Excluding the impact of 1996 and 1997 acquisitions and

disposals, the improvement was 9% driven largely by strong performances from Butterworths in the UK and EJC in France. The results included a good contribution from Tolley, acquired in August 1996, in addition to a number of small acquisitions in France, Switzerland and Poland which were completed in the first half. In June, 50% of Butterworths South Africa was sold to Kagiso, a South African investment trust.

The LEXIS-NEXIS core online businesses increased operating profit by 17% despite increasingly competitive markets. Following last year's reorganisation, LEXIS-NEXIS now includes RTIS and most of the businesses which were formerly part of Reed Reference Publishing. For these and the hard copy businesses managed as part of LEXIS-NEXIS, operating profit was marginally lower, largely due to first half sales phasing of the Martindale-Hubbell Law Directory. For LEXIS-NEXIS as a whole, operating profit grew by 10% including

contributions from the 50% partnership interest in Shepard's, acquired in November 1996, and the legal titles acquired from Thomson in the first half. These titles are being merged with Michie to form Lexis Law Publishing.

Educational publishing and tuition businesses increased their operating profit by 13%. Strong performances by Heinemann in the UK and by Rigby and Greenwood-Heinemann in the US were in part offset by adverse phasing in English Language Teaching. The Tuition activities in the Netherlands and Belgium performed well.

BUSINESS

Operating profit for the Business segment was 1% ahead at constant exchange rates, and 6% lower than the 1996 first half at actual exchange rates. These results were particularly impacted by the significantly increased investment in electronic products at Reed Travel Group, Cahners and Reed Business Information, as well as further decline in hard copy revenues at Reed Travel Group. The contribution of Colofon, acquired in February, added two percentage points of growth in this segment.

Reed Travel Group (RTG), excluding Utell, reported operating profit down 21% on a revenue decline of 6% in the first half, reflecting the continued revenue attrition for its hard copy products. Good progress was made in the two year investment programme designed to position the business in an online environment and, in July, RTG's new electronic travel management and information product was launched under the name *TravelNet*. At its core is the software developed by TravelNet, a company acquired at the beginning of this year. Utell, the hotel reservation and representation business, performed well with revenues 12% ahead.

Operating profit at Reed Exhibition Companies (REC) increased by 14%. While several major non-annual events did not take place in the first half of 1997, the

effect was mitigated by good growth in annual shows and the benefits of REC's aggressive launch programme, which produced 17 new shows in the period. REC also strengthened its portfolio through several small acquisitions in the travel and entertainment markets.

At Cahners, revenue increased by 7% including excellent growth in the Entertainment cluster, partly offset by weaker performances from the Food group and the bibliographic publisher, R.R. Bowker. Operating profit was down 12% as a result of the significant investment in electronic products and considerably higher marketing and promotional costs in the first half. Cahners' *Manufacturing Marketplace*, a major web based service for the US manufacturing community, was formally launched in March. Further investment has been made in expanding editorial, production and sales infrastructures to capitalise on its initial market success.

At Reed Business Information (RBI), operating profit grew 13% despite the higher investment in electronic publishing initiatives. The first half saw RBI launch two further electronic services to add to last year's introduction of *Estates Gazette Interactive* for UK commercial property professionals. The new web based services are *Air Transport Intelligence (ATI)* and *Chemical News & Information (CNI)* serving the aviation and global chemical industries. Buoyant UK recruitment advertising and good performances from its leading titles continued to drive RBI's strong underlying growth.

In Continental Europe, Elsevier Business Information (EBI) increased operating profit by 23%. This reflected good gains at Bonaventura in the Netherlands together with the contribution from the newly acquired Colofon. Colofon's publishing activities reinforce EBI's position as a leading business and professional publisher in the Netherlands and the integration of the business is progressing well.

CONSUMER

Operating profit for the Consumer segment increased by 14% at constant exchange rates, reflecting further growth from IPC Magazines (IPC) and improving performances from Reed Books and the 50% associate, Book Club Associates (BCA).

IPC increased its first half operating profit by 21%, excluding the effect of a gain on title disposals in 1996. IPC's strong performance reflected good advertising growth and lower paper prices. Circulation revenue growth was achieved in generally weak market conditions, principally as a result of IPC's active new launch programme.

The results of Reed Books have been affected by the disposal of the Trade division and the withdrawal from third party print brokering in Hong Kong. The seasonal first half loss reduced slightly over the prior year whilst BCA showed a marked improvement over 1996. It remains Reed Elsevier's intention to dispose of the remaining consumer book publishing activities.

Financial Review

CURRENCY TRANSLATION

The results for the first half of 1997, presented in sterling, have been significantly affected by the strengthening of sterling against all Reed Elsevier's major non-sterling operating currencies, notably the US dollar, Dutch guilder, French franc and Swiss franc. Against these four currencies, which together contributed 64% of Reed Elsevier's profit before tax, the sterling average rate has strengthened by 7%, 21%, 19% and 26%, respectively, versus the first half of 1996.

Year ended 31 December 1996	Average rates:	Six months ended	
		30 June 1997	30 June 1996
2.63	Dutch guilders to sterling	3.10	2.56
1.56	US dollars to sterling	1.63	1.53
Period end rates:			
2.96	Dutch guilders to sterling	3.26	2.64
1.71	US dollars to sterling	1.66	1.55

TURNOVER

Turnover of the continuing businesses decreased by 1% to £1,664 million for the six months to 30 June 1997. The effect of currency movements on translation reduced the reported turnover by £119 million, or 7%. Acquisitions, net of disposals, completed in 1996 and 1997, contributed an additional £39 million of turnover. Organic revenue growth was 5%, before taking into account the 6% decline in the revenues of Reed Travel Group (excluding Utell).

OPERATING PROFIT

Operating profit from the continuing businesses grew by 1% to £446 million. The contribution from acquisitions, net of disposals, that were completed in 1996 and 1997, added £16 million, while currency translation decreased the reported profit by £36 million against the 1996 first half.

The UK Government, in its Budget at the beginning of July 1997, announced measures to end the right of UK pension funds to receive tax credits on UK dividends. The effect of this on the main Reed Elsevier plc UK pension scheme is being evaluated as part of the triennial actuarial valuation which is nearing completion. Neither a credit nor a charge under SSAP24 is included in the interim results, whereas the comparative period included a £4 million net credit. £132 million of the £184 million surplus assessed as at 1 April 1994 is recognised as a prepayment in the Reed Elsevier combined balance sheet. The tax

change will not require a resumption of employer contributions to the Scheme and the full year impact on the profit and loss account is unlikely to differ materially from the approach adopted in these results.

CASH FLOW

Operating cash flow was £309 million in the first six months of 1997 (1996: £284 million). Due to the phasing of operating cash flows and the timing of dividend payments, free cash flow normally arises in the second half of the year. In the six months to 30 June 1997, free cash flow, after interest, tax and dividend payments, but before acquisition spend and exceptional cash flows, was an outflow of £9 million (1996: £13 million outflow).

Exceptional net outflows of £6 million represented payments against prior year exceptional property provisions less net proceeds from the disposal of parts of Reed Books. In the first half of 1996, exceptional net receipts totalled £450 million in relation to the 1995 sale of consumer businesses and the disposals of other non core businesses and surplus properties.

ACQUISITIONS

During the period, acquisitions were made for a total consideration of £383 million, including £4 million of acquired net debt. £359 million was paid in the period, including £5 million in respect of acquisitions made in previous years. In total the estimated fair value of net assets

acquired was £122 million, which included intangible assets of £99 million. Goodwill of £261 million has been written off directly to reserves.

FINANCING

The net interest expense, at £27 million, was £4 million higher than in the prior period. The additional financing cost of recent acquisitions was partly offset by the favourable effect on net borrowings of 1996's free cash flow. Net interest cover was 17 times operating profit for the 1997 first half, compared with 19 times in the corresponding period in 1996.

Net borrowings of £606 million at 30 June 1997 comprised gross borrowings of £1,284 million, predominantly in US dollars, less cash balances and short term investments totalling £678 million, held principally in US dollars and Dutch guilders. Of gross borrowings, £1,082 million were at fixed rates, including £327 million of floating rate debt fixed using interest rate swaps.

TAXATION

The effective tax rate of 25.5% compares with 25.2% in last year's first half. The small increase reflects the effect of marginal tax rates on incremental earnings, offset in part by the benefit of the reduction in the rate of UK corporation tax from 33% to 31%, announced in the July 1997 UK Government Budget.

Combined Profit and Loss Statement

For the six months ended 30 June 1997

Year ended 31 December 1996	£ million		Six months ended		% change	% change constant currencies
			30 June 1997	30 June 1996		
3,324	Turnover	Continuing operations before acquisitions	1,629	1,676		
-		Acquisitions	35	-		
3,324		Continuing operations	1,664	1,676	-1%	6%
57		Discontinued operations	14	24		
3,381			1,678	1,700	-1%	6%
(1,299)	Cost of sales		(598)	(629)		
2,082	Gross profit		1,080	1,071		
(1,248)	Net operating expenses		(646)	(645)		
22	Income from interests in associated undertakings		12	13		
853	Operating profit	Continuing operations before acquisitions	437	440		
-		Acquisitions	9	-		
853		Continuing operations	446	440	1%	10%
3		Discontinued operations	-	(1)		
856	Operating profit before exceptional items		446	439	2%	10%
	Exceptional items:					
1	Profit on disposal of fixed assets		-	1		
857	Profit on ordinary activities before interest		446	440	1%	10%
(51)	Net interest expense		(27)	(23)		
806	Profit on ordinary activities before taxation		419	417	-	9%
(201)	Tax on profit on ordinary activities		(107)	(105)		
605	Profit on ordinary activities after taxation		312	312	-	9%
(1)	Minority interests and preference dividends		-	-		
604	Profit attributable to parent companies' shareholders		312	312	-	9%
(348)	Ordinary dividends		(113)	(100)		
256	Retained profit transferred to combined reserves		199	212		

HEADLINE FIGURES (excluding exceptional items)

Year ended 31 December 1996	£ million		Six months ended		% change	% change constant currencies
			30 June 1997	30 June 1996		
805	Headline profit before tax		419	416	1%	10%
603	Headline profit attributable		312	311	-	9%

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 1996. 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 9. The figures for the year ended 31 December 1996 are abridged from the audited combined financial statements set out in the Reed Elsevier Annual Review 1996.

Combined Cash Flow Statement

For the six months ended 30 June 1997

Year ended 31 December 1996	£ million	Six months ended	
		30 June 1997	30 June 1996
939	Net cash inflow from operating activities	355	320
48	Interest received	32	25
(109)	Interest paid	(47)	(51)
(61)	Returns on investments and servicing of finance	(15)	(26)
(157)	Taxation	(70)	(55)
(115)	Purchase of tangible fixed assets	(48)	(46)
17	Proceeds from sale of fixed assets	2	10
62	Net (costs)/proceeds from exceptional sale of fixed assets	(14)	63
(36)	Capital expenditure	(60)	27
(316)	Acquisitions	(359)	(12)
(24)	Payments against acquisition provisions	(4)	(11)
394	Net proceeds from exceptional sale of businesses	8	387
54	Acquisitions and disposals	(355)	364
(299)	Equity dividends paid to shareholders of the parent companies	(229)	(205)
440	Cash (outflow)/inflow before changes in short term investments and financing	(374)	425
(428)	Decrease/(increase) in short term investments	457	(426)
(10)	Financing	(95)	14
2	(Decrease)/increase in cash	(12)	13

On 31 October 1996, the Accounting Standards Board published a revised version of Financial Reporting Standard 1, "Cash Flow Statements" (FRS1 (Revised)). The revised standard, which introduced a narrower definition of cash and significantly changed the format of the cash flow statement, has been adopted in the preparation of the Combined Cash Flow Statement for the year ended 31 December 1996 and the six months ended 30 June 1997. The figures for the six months ended 30 June 1996 have been restated accordingly.

Short term investments include deposits of under 1 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.

Under FRS1 (Revised), net cash inflow from operating activities includes operating profit, before depreciation and other non cash items, as well as working capital movements and dividends from associates. Reed Elsevier businesses focus on operating cash flow as the key cash flow measure. Operating cash flow is measured after tangible fixed asset spend and proceeds from the sale of fixed assets (other than exceptional items).

Year ended 31 December 1996	£ million	Six months ended	
		30 June 1997	30 June 1996
939	Net cash inflow from operating activities	355	320
(115)	Purchase of tangible fixed assets	(48)	(46)
17	Proceeds from sale of fixed assets	2	10
841	Operating cash flow before exceptional items	309	284
98%	Operating cash flow conversion	69%	65%

Combined Summarised Balance Sheet

As at 30 June 1997

As at 31 December 1996	£ million	As at 30 June 1997	As at 30 June 1996
2,550	Intangible assets	2,681	2,667
323	Tangible assets	329	326
180	Investments	184	151
3,053	Fixed assets	3,194	3,144
2,094	Current assets	1,653	2,162
(2,146)	Creditors: amounts falling due within 1 year	(1,869)	(1,708)
(52)	Net current (liabilities)/assets	(216)	454
3,001	Total assets less current liabilities	2,978	3,598
(851)	Creditors: amounts falling due after more than 1 year	(865)	(1,151)
(75)	Provisions for liabilities and charges	(67)	(133)
(4)	Minority interests	(8)	(8)
2,071	Net assets	2,038	2,306
2,071	Combined shareholders' funds	2,038	2,306

Combined Shareholders' Funds Reconciliation

For the six months ended 30 June 1997

Year ended 31 December 1996	£ million	Six months ended 30 June 1997	30 June 1996
2,075	Combined shareholders' funds as at the beginning of the period	2,071	2,075
604	Profit for the period	312	312
(348)	Ordinary dividends	(113)	(100)
(200)	Goodwill written off on acquisitions	(261)	(9)
31	Goodwill reinstated on sale of businesses	6	19
35	Issue of shares on exercise of options	14	22
(100)	Exchange translation differences	22	(3)
(26)	Elsevier NV exchange translation adjustment	(13)	(10)
2,071	Combined shareholders' funds as at the end of the period	2,038	2,306

Auditors' Review Report

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 1997 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 1996 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
6 August 1997

Deloitte & Touche
Registeraccountants
Amsterdam

Reed International P.L.C. Summary Financial Information

1. BASIS OF PREPARATION

The results for the six months ended 30 June 1997 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 1997 and the comparative amounts to 30 June 1996 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 9. The financial information for the year ended 31 December 1996 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 31 December 1996	£ million	Six months ended		% change
		30 June 1997	30 June 1996	
	Share of profit before tax			
403	Reed Elsevier combined businesses (50%)	210	209	
23	Elsevier NV (5.8%)	12	12	
426		222	221	-
(18)	Elsevier NV's share of UK tax credit on distributed earnings	(6)	(6)	
(106)	Taxation	(57)	(56)	
302	Share of attributable profit after tax credit equalisation	159	159	-
(156)	Ordinary dividends	(50)	(47)	
146	Retained profit	109	112	
26.6p	Statutory earnings per share	14.0p	14.05p	-
	Reed International P.L.C. earnings per share (EPS) - 1996 restated for share split			
26.6p	Reed International P.L.C. statutory EPS	14.0p	14.05p	-
1.6p	Effect of tax credit equalisation (see note 3)	0.5p	0.50p	
28.2p	Share of earnings from Reed Elsevier combined businesses (52.9%)	14.5p	14.55p	-
(0.1)p	Adjustments to arrive at headline EPS	-	(0.05)p	
28.1p	Headline EPS	14.5p	14.50p	-

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 20% UK tax credit received by certain 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 total amount of the tax credit.

4. DIVIDENDS

The directors of Reed International P.L.C. have declared an interim dividend of 4.4 pence (1996: 4.125 pence), an increase of 7%. In 1996 the full year dividend was 13.6 pence. The 1996 dividends have been restated to take into account the two-for-one share split of the ordinary shares on 2 May 1997.

5. RECONCILIATION OF SHAREHOLDERS' FUNDS

Year ended 31 December 1996	£ million	Six months ended	
		30 June 1997	30 June 1996
1,098	Shareholders' funds as at the beginning of the period	1,096	1,098
(106)	Share of associated companies' goodwill written off in the period	(138)	(5)
16	Share of associated companies' goodwill reinstated on sale of businesses	3	10
15	Increase in share capital and share premium	10	10
146	Retained profit	109	112
(73)	Other items including exchange	(2)	(5)
1,096	Shareholders' funds as at the end of the period	1,078	1,220

Elsevier NV Summary Financial Information

1. BASIS OF PREPARATION

The results for the six months ended 30 June 1997 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 1997 and the comparative amounts to 30 June 1996 are unaudited but have been reviewed by the auditors and their report to the Boards of Elsevier NV is set out on page 9. The financial information in respect of the year ended 31 December 1996 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 1996	Dfl million	Six months ended		% change
		30 June 1997	30 June 1996	
	Share of profit before tax from Reed Elsevier			
1,060	combined businesses (50%)	650	534	22%
(266)	Taxation	(166)	(135)	
794	Share of attributable profit	484	399	21%
	Allocation of profit:			
506	Proposed dividends	193	133	
288	Added to reserves	291	266	
794		484	399	
	Elsevier NV earnings per share (EPS)			
	Share of earnings from Reed Elsevier combined			
Dfl 1.13	businesses (50%)	Dfl 0.69	Dfl 0.57	21%
-	Adjustments to arrive at headline EPS	-	-	
Dfl 1.13	Headline EPS	Dfl 0.69	Dfl 0.57	21%

3. DIVIDENDS

The directors of Elsevier NV have declared an interim dividend of Dfl 0.29 (1996: Dfl 0.20). 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 3.41 (1996: Dfl 2.58) to the Reed International P.L.C. dividend, inclusive of UK tax credit, and multiplying the result by the current equalisation ratio of 1.538. The equalisation ratio changed from 0.769 following the two-for-one share split of the ordinary shares of Reed International P.L.C. effected on 2 May 1997.

4. RECONCILIATION OF SHAREHOLDERS' FUNDS

Year ended 31 December 1996	Dfl million	Six months ended	
		30 June 1997	30 June 1996
2,563	Shareholders' funds as at the beginning of the period	3,065	2,563
55	Increase in share capital	13	31
(263)	Share of associated companies' goodwill written off in the period	(405)	(12)
41	Share of associated companies' goodwill reinstated on sale of businesses	9	24
381	Currency translation differences and equalisation	349	172
794	Attributable profit	484	399
(506)	Proposed dividends	(193)	(133)
3,065	Shareholders' funds as at the end of the period	3,322	3,044

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 31 December 1996	US\$ million	Six months ended		% change
		30 June 1997	30 June 1996	
5,185	Sales - continuing operations	2,712	2,564	6%
1,331	Operating profit - continuing operations	727	673	8%
1,256	Headline profit before tax	683	636	7%
941	Headline profit attributable	509	476	7%
\$	Headline earnings per American Depository Share	\$	\$	
1.75	Reed International P.L.C.	0.95	0.89	7%
1.34	Elsevier NV	0.73	0.68	7%
Average exchange rates				
1.56	US dollars to sterling	1.63	1.53	7%

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 differs 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 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 1996. 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 1996	£ million	Six months ended	
		30 June 1997	30 June 1996
Net Income			
604	Net income under UK and Dutch GAAP	312	312
US GAAP adjustments :			
(107)	Amortisation of goodwill and other intangibles	(62)	(58)
(27)	Deferred taxation	(15)	(6)
23	Other items	13	2
493	Net income under US GAAP	248	250
Analysed:			
488	Continuing operations	253	257
5	Discontinued operations - Income from operations	(5)	(7)
493	Net income under US GAAP	248	250

Discontinued operations represent the consumer book publishing operations, certain of which were divested in the period. It is the intention to sell the remaining business in due course.

As at 31 December 1996	£ million	As at 30 June 1997	As at 30 June 1996
2,071	Combined shareholders' funds under UK and Dutch GAAP	2,038	2,306
US GAAP adjustments :			
952	Goodwill and other intangibles	1,144	905
(191)	Deferred taxation	(219)	(188)
8	Other items	32	(12)
235	Ordinary dividends	113	100
3,075	Combined shareholders' funds under US GAAP	3,108	3,111

FINANCIAL DIARY

1997

7 August	Announcement of Interim Results for the six months to 30 June 1997
18 August	Ordinary shares in Reed International P.L.C. and Elsevier NV go ex-dividend for interim dividend
20 August	ADs in Reed International P.L.C. and Elsevier NV go ex-dividend for interim dividend
22 August	Record date - Reed International P.L.C. ordinary shares Record date - ADs in Reed International P.L.C. and Elsevier NV
6 October	Interim dividends for 1997 paid on Reed International P.L.C. and Elsevier NV ordinary shares
14 October	Interim dividends for 1997 paid on Reed International P.L.C. and Elsevier NV ADs
4 December	Trading Update issued in relation to the 1997 financial year

1998

25 February	Announcement of Preliminary Results for the year ended 31 December 1997
15 April	Reed International P.L.C. and Elsevier NV Annual General Meetings

AUDITORS

Deloitte & Touche Hill House, 1 Little New Street London EC4A 3TR, UK	Deloitte & Touche Orlyplein 50, 1043 DP Amsterdam The Netherlands
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STOCKBROKERS

Cazenove & Co 12 Tokenhouse Yard London EC2R 7AN, UK	MeesPierson Rokin 55, 1012 KK Amsterdam The Netherlands
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ADR DEPOSITARY

Citibank NA 111 Wall Street, New York, NY 10043, USA	
Reed International P.L.C. CUSIP No. 758212872 (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. In addition, Elsevier's shares are quoted on the EBS stock exchange in Switzerland and are also traded in the Freiverkehrsmarkt in Frankfurt. Trading on the New York Stock Exchange is in the form of American Depositary Shares (ADs), evidenced by American Depositary Receipts (ADRs). An ADS in Elsevier NV represents two ordinary shares in Elsevier, whilst a Reed International ADS represents four ordinary shares in Reed International.

This statement is being mailed to the shareholders of Reed International P.L.C. on 8 August 1997 and will be available to the shareholders of Elsevier NV upon request. Copies are available to the public from the respective companies:

Reed International P.L.C. 25 Victoria Street London SW1H 0EX, UK Tel: +44 171 222 8420 Fax: +44 171 227 5799	Elsevier NV Van de Sande Bakhuyzenstraat 4 1061 AG Amsterdam, The Netherlands Tel: +31 20 515 9341 Fax: +31 20 683 2617
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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>

