



Interim Statement **1999**  
SIX MONTHS ENDED 30 JUNE

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## FORWARD-LOOKING STATEMENTS

The Interim Statement contains forward-looking statements within the meaning of Section 27A of the Securities Act 1933 and Section 21E of the Securities Exchange Act 1934, as amended. These statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently anticipated, as reflected in such forward-looking statements. The terms 'expect', 'should be', 'will be', and similar expressions identify forward-looking statements. Factors which may cause future outcomes to differ from those foreseen in forward-looking statements include, but are not limited to, general economic conditions and business conditions in Reed Elsevier's markets, customers' acceptance of its products and services, the actions of competitors and the impact on Reed Elsevier of internal and external Year 2000 issues and risks.

# Financial highlights

FOR THE SIX MONTHS ENDED 30 JUNE 1999

# Highlights

## Reed Elsevier combined businesses

Year ended 31 December 1998	£ million		Six months ended		% change	% change at constant currencies
			30 June 1999	30 June 1998		
3,163		<b>Continuing operations</b>				
		Turnover	<b>1,696</b>	1,569	+8%	<b>+6%</b>
813		Adjusted operating profit	<b>408</b>	419	-3%	<b>-4%</b>
808		Adjusted operating cash flow	<b>244</b>	301	-19%	<b>-20%</b>
25.7%		Operating margin	<b>24.1%</b>	26.7%	-2.6pts	
99%		Operating cash flow conversion	<b>60%</b>	72%		
773		<b>Total operations</b>				
		Adjusted profit before tax	<b>371</b>	413	-10%	<b>-11%</b>
571		Adjusted profit attributable	<b>276</b>	307	-10%	<b>-11%</b>
<hr/>						
962		<b>Financing</b>				
		Net borrowings	<b>1,247</b>	123		
20x		Interest cover	<b>11x</b>	84x		

The Reed Elsevier 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 Reed Elsevier combined businesses'). Continuing operations exclude the consumer publishing businesses sold in 1998.

The financial highlights presented refer to 'Adjusted' profit and cash flow figures. These figures are stated before exceptional items and the amortisation of goodwill and intangible assets and related tax effects.

The percentage change at constant currencies refers to the movements at constant exchange rates, using 1998 full year average rates.

## Parent companies

Reed International P.L.C.			Elsevier NV		
Six months ended			Six months ended		
30 June 1999	30 June 1998	% change	30 June 1999	30 June 1998	% change
£ million	£ million		Dfl million	Dfl million	
<b>Adjusted profit attributable</b>					
<b>146</b>	162	-10%	<b>453</b>	516	-12%
<b>144</b>	162	-11%	<b>448</b>	502	-11%
			<b>3.28</b>	3.36	-2%
Average exchange rate Dfl:£					
<hr/>					
<b>12.8</b>	14.2	-10%	<b>0.64</b>	0.73	-12%
<b>12.6</b>	14.2	-11%	<b>0.63</b>	0.71	-11%
<b>5.11</b>	5.75	-11%	<b>0.26</b>	0.29	-10%
<b>4.60</b>	4.60	-			

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.

# Chairman's statement

# statement

**Reed Elsevier is a business with an excellent heritage and undoubted potential. But, it is not performing as strongly as it should do at a time when it needs to respond quickly to challenges and opportunities in its markets. With focus and unified leadership, we intend to address these issues and restore the business to growth.**

The key issue that we have had to address was the disjointed structure at Board level which had become a significant impediment to the effective management of the business. This has been remedied following shareholder approval of the unitary management structure in April. We now have in place a talented and experienced non-executive Board, and we were very pleased to announce two weeks ago the appointment of Crispin Davis as the new Chief Executive Officer\*. He joins us on 1 September and his leadership will give a fresh impetus to the management and development of the business.

Over the next few months Crispin Davis and the Board will be carrying out a detailed review of the strategies for each of the businesses and of the group. From this, we will establish the plan of action to realise the growth potential of the business. We will make whatever adjustment may be necessary to the organisation and the resources to achieve it.

We have a good position from which to start this new chapter of Reed Elsevier's development. We have over £3 billion of sales of highly valued information in very attractive markets. Our portfolio is of excellent quality, with brands well regarded by customers and strong market positions. The migration of information delivery from print formats to electronic is underway.

Our priority will be to develop our products in tune with our customers' needs, and our success will be based upon quality products and information services at appropriate prices. In each of our businesses, we must strike the right balance between building our services in electronic media and optimising the performance of our traditional print activities.

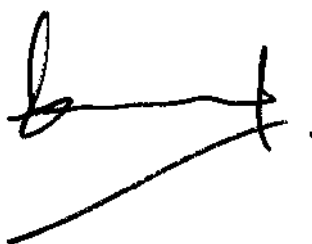
The first half has seen some good progress in the business as well as disappointments. At Elsevier Science, the take up of scientific information electronically through the *ScienceDirect* service is going well and the library market has welcomed a moderation in print journal price increases. At LEXIS-NEXIS, the priority is to reverse a declining market share position in US legal information. We are starting to see the benefits of the acquisition of Matthew Bender and Shepard's particularly through the launch of new legal research products that combine their editorial and analytical publishing expertise with the search and delivery systems of LEXIS. There is much to be done, but the task is in hand. At Cahners, revenue growth has stalled in difficult markets whilst costs have increased. A rigorous review has been carried out to realign the cost base and a restructuring plan announced.

Adjusted pre-tax profits (before exceptional items and amortisation of goodwill and intangible assets) for the first half of 1999 at £371 million are 11% lower than in the comparative period at constant exchange rates. Adjusted earnings per share for Reed International are down 10% and for Elsevier down 12% at reported rates.

The first half of 1999 has been adversely affected by the less favourable market and competitive conditions that we noted in the second half of 1998 and the flow through of the investments made in the cost base. This expectation was indicated at the time of the Preliminary Announcement in March. Revenue growth has, however, been disappointing, particularly at LEXIS-NEXIS and Cahners, with consequential impact on profit. Revenue development and cost trends in the business suggest that the second half is unlikely to see growth in adjusted pre-tax profits over the corresponding prior year period.

The interim dividend for Reed International is unchanged at 4.6p; the equalised Elsevier interim dividend is Dfl 0.26, a decline of 10%, reflecting the reduction in the rate of UK tax credit gross up from 20% to 10% earlier in the year.

Reed Elsevier has been a very successful business and I am sure has a very successful future ahead of it. There remain issues to be resolved but I believe we now have the right leadership structure and the financial strength to tackle them. The goal is growth and, at the time of our results announcement in March, I expect us to report on our action plan to deliver this.



**Morris Tabaksblat**  
Chairman

\*Crispin Davis is appointed Chief Executive Officer of Reed Elsevier plc and Reed International P.L.C., and, subject to formal shareholder approval at an Elsevier NV extraordinary general meeting to be held on 27 August 1999, Chairman of the Executive Board of Elsevier NV.

# Review of operations and financial performance

## performance

### Review of operations

Year ended 31 December 1998	£ million	Six months ended			% change	% change at constant currencies
		30 June 1999	30 June 1998			
	<b>Turnover</b>					
622	Scientific	318	305	+4%	+3%	
1,154	Professional	637	532	+20%	+18%	
1,387	Business	741	732	+1%	-	
3,163	Continuing operations	1,696	1,569	+8%	+6%	
28	Discontinued operations	-	19			
3,191	<b>Total</b>	<b>1,696</b>	<b>1,588</b>	<b>+7%</b>	<b>+5%</b>	
	<b>Adjusted operating profit</b>					
223	Scientific	120	114	+5%	+4%	
330	Professional	152	146	+4%	+3%	
260	Business	136	159	-14%	-15%	
813	Continuing operations	408	419	-3%	-4%	
-	Discontinued operations	-	(1)			
813	<b>Total</b>	<b>408</b>	<b>418</b>	<b>-2%</b>	<b>-3%</b>	

All percentage movements in the following review of operations refer to constant currency rates using 1998 full year average rates and are stated before exceptional items and amortisation of goodwill and intangible assets.

#### SCIENTIFIC

Scientific segment turnover and operating profits increased by 3% and 4% respectively. Sales growth at Elsevier Science of 4%, which included a 2% benefit from acquisitions, was adversely affected by the impact on subscription renewals of currency movements on library budgets, particularly in Japan and continental Europe. Operating profits excluding acquisitions increased by 2%. The medical publishing and communications businesses sales were flat with some weakness in sponsored communications offset by strong performances in the UK and France.

The first half saw a successful take up of *ScienceDirect*, the web-based scientific database. Over 15% of Elsevier Science's journal subscriptions by value are now for both the print journals and the *ScienceDirect* service, and the figure is set to double over the next year. The combination of Elsevier Science's content with the accessibility and search and linking tools of *ScienceDirect* has driven a significant increase in the usage of Elsevier Science's information by research scientists.

The launch of *ScienceDirect* and of other innovative web-based products and information services enables Elsevier Science to add considerably to the value it provides to the scientific community, and to build much stronger relationships with research libraries and scientists. Recognising the significance of the migration from print to electronic delivery, Elsevier Science has taken a lead in introducing a new pricing approach that moderates the impact of movements in currencies so as to give more predictable journal pricing.

In April Elsevier Science added four first class journals to the Life Sciences portfolio through the acquisition of Cell Press which will be the platform for additional journal launches in the molecular biology field.

#### Scientific

£ million	Six months ended		% change at constant currencies
	30 June 1999	30 June 1998	
	<b>Turnover</b>		
Elsevier Science	267	255	+4%
Medical Business	51	50	-
<b>Total</b>	<b>318</b>	<b>305</b>	<b>+3%</b>
Operating profit	120	114	+4%
Operating margin	37.7%	37.4%	+0.3pts

**PROFESSIONAL**

Professional segment turnover and operating profits increased by 18% and 3% respectively. Excluding the effect of acquisitions, principally Matthew Bender and the remaining 50% of Shepard's, turnover increased by 4% and operating profits declined by 10%.

LEXIS-NEXIS, excluding acquisitions, saw 1% turnover growth whilst operating profits were 17% lower. The reduction in operating margin at LEXIS-NEXIS reflects the lack of revenue growth and continued investment spend. In the US legal market, online revenues grew by 2% with a strong performance in the large law firm market partly offset by weaker revenues in other markets. In the online business information market, revenues fell by 4% reflecting pricing pressures across the industry. The print/CD-ROM legal publishing businesses and the Martindale-Hubbell legal directory business performed satisfactorily. Shepard's saw some loss of revenues due to heavy promotion and discounting by a competitor ahead of the expiry in July of its licence to the Shepard's content.

The first half year saw considerable progress in the integration of Matthew Bender and Shepard's with LEXIS Law Publishing and the LEXIS online legal information business. Support functions are being streamlined to yield efficiencies. The most important aspect, however, of bringing the businesses together is to significantly enhance our competitive position through unique content, easier to use interfaces and innovative legal research tools.

A major initiative was the launch in March of the new Shepard's online citation service and, from July, Shepard's is available exclusively through LEXIS-NEXIS. Web browser interfaces have been continually improved and customers are migrating to these easier-to-use formats. Further innovative legal research products are to be rolled out over the coming months. These combine the editorial strengths of the analytical publishing businesses with the online content and delivery systems of LEXIS-NEXIS.

NEXIS is seeing rapid growth in usage of its online business information services. This is not converting into revenue growth due to pricing

£ million	Six months ended		% change at constant currencies
	30 June 1999	30 June 1998	
<b>Turnover</b>			
LEXIS-NEXIS	418	340	+21%
Reed Elsevier Legal Division	106	94	+14%
Educational and Tuition	113	98	+15%
<b>Total</b>	<b>637</b>	<b>532</b>	<b>+18%</b>
Operating profit	152	146	+3%
Operating margin	23.9%	27.4%	-3.5pts

pressures across the industry in a very competitive market. NEXIS is adding further value and product differentiation through enhanced report compilation and innovative data linking technology.

The Reed Elsevier Legal Division, comprising Reed Elsevier's legal businesses outside the US, saw operating profits up 9% on sales up 14%, including the benefit of acquisitions made in Austria and Argentina. Underlying profit growth was 4% on sales up 7%, reflecting the continuing investment in the production and marketing of electronically delivered information and the heavier weighting of revenues in the second half. In the UK, Butterworths Direct, the legal and tax online service, continued its successful expansion.

The Educational Publishing and Tuition businesses had a good first half year with turnover increasing by 15% and operating profits by 24%. Additional Government funding for literacy materials and increased market share has driven revenue growth in the UK and US Schools businesses. The Tuition activities in the Netherlands and Belgium performed well.

**BUSINESS**

Business segment turnover was unchanged whilst operating profits were 15% lower. Comparison with the prior first half is adversely affected by less favourable market conditions, adverse exhibition show cycling and the effect of earlier cost investments.

Cahners Business Information saw flat revenues, excluding minor acquisitions and disposals, and operating profits lower by 45%. Certain sectors, such

## Review of operations and financial performance continued

as Entertainment, performed well but sales growth suffered from weakness in a number of Cahners' key markets, in particular US Manufacturing and Electronics, and from lower sales in Travel publishing. The lower operating profits reflect the flat revenues and the impact of investments made in the editorial, production and sales infrastructure and new product development. Although the slowdown in sales growth began in the second half of last year, the degree to which this has persisted into 1999 was not anticipated. This has generally been reflected across the US business magazine industry. The cost base has been carefully reviewed in the light of lower revenue growth and a restructuring plan announced. This will reduce staffing by approximately 300 employees and result in an exceptional charge in the second half.

The Cahners Travel publishing business is beginning to see the benefits of reorganisation and reinvestment, with revenue declines slowing and the increase in costs levelling off.

At Reed Business Information turnover and operating profits were down 3% and 10% respectively. This reflects the drop in advertising demand, particularly high margin recruitment advertising in the important computing sector. At OAG Worldwide, good progress has been made in the stabilisation of the business.

Elsevier Business Information increased turnover by 3% and operating profits by 2%. The advertising markets had a slow start to the year, with weak demand in a less buoyant economic environment

in continental Europe than in the prior year. The impact of tight cost control was partly offset by additional development activity.

Reed Exhibition Companies saw turnover increase by 4% whereas operating profits were lower by 3%. This reflected in particular the cycling out of non-annual shows which were not held this year including the Asian Aerospace joint venture. The annual shows saw 7% revenue growth, with a strong performance in the US. Demand in Asia Pacific continued to be affected by weak economic conditions.

### Review of financial performance

#### ADJUSTED PROFIT AND LOSS

**Turnover** increased by 8% to £1,696 million for the continuing businesses. Organic revenue growth, excluding the impact of acquisitions and disposals and currency translation effects, was 1% reflecting the slowing of sales growth in several of Reed Elsevier's larger markets.

**Adjusted operating profit** was down 3% to £408 million for the continuing businesses, with operating margins down 2.6 percentage points against the comparative period to 24.1%. Excluding acquisitions and disposals and currency translation effects, revenue growth was 1% whilst costs increased by 5%. This increase in costs represented investment in people, products, marketing, IT and systems.

**Net interest expense**, at £37 million, was £32 million higher than in the corresponding half year, principally due to the financing of acquisitions completed in the second half of 1998. Net interest cover was 11 times.

**Adjusted profit before tax**, at £371 million, was 10% lower than in the first half of 1998. Currency translation effects provided a £4 million benefit.

The **effective tax rate** on adjusted earnings was unchanged at 25.7%. The **adjusted profit attributable** to shareholders of £276 million compared to £307 million in the first half of 1998, a decline of 11% at constant exchange rates.

Business	Six months ended		% change at constant currencies
	30 June 1999	30 June 1998	
£ million			
<b>Turnover</b>			
Cahners Business Information	273	274	-2%
Reed Business Information	175	180	-3%
Elsevier Business Information	109	103	+3%
Exhibitions	180	171	+4%
Other	4	4	
<b>Total</b>	<b>741</b>	<b>732</b>	<b>-</b>
Operating profit	136	159	-15%
Operating margin	18.4%	21.7%	-3.3pts

### REPORTED PROFIT AND LOSS

**Exceptional items** showed a pre-tax charge of £45 million, being costs incurred in the first half of £35 million (1998: £17 million) in respect of the Year 2000 compliance programme and £10 million (1998: £10 million) on acquisition related integration. In the first half of 1998, there was an exceptional net pre-tax gain of £655 million, which included a £692 million profit on sale of IPC Magazines.

The **amortisation charge** for goodwill and intangible assets amounted to £181 million, up £42 million reflecting acquisitions made in 1998 and 1999.

The **reported profit before tax**, including exceptional items and amortisation charges, was £145 million which compares with £929 million in the first half of 1998. The **reported profit attributable** of £68 million compares with £730 million in the 1998 first half. The significant movements between the periods mostly relate to the exceptional items.

### CASH FLOWS, ACQUISITIONS AND DEBT

**Adjusted operating cash flow** was £244 million (1998: £311 million). The substantial majority of annual operating cash flows normally arises in the second half of the year due, in particular, to the phasing of subscription and other advance receipts and working capital. The lower operating cash flow includes the effect of the acceleration of Elsevier Science subscription receipts from 1999 into 1998 arising from improvements made in annual renewal processes.

**Free cash flow** was an outflow of £81 million (1998: £9 million outflow). 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. Exceptional net outflows totalled £5 million (1998: £707 million net inflow).

Spend on **acquisitions** was £97 million, in respect of which an amount of £82 million was capitalised as acquired goodwill and intangible assets.

**Net borrowings** at 30 June 1999 were £1,247 million, an increase of £285 million since 31 December 1998, reflecting spend on acquisitions, free cash outflow

and exchange translation effects. The net borrowings represented gross borrowings of £1,814 million, predominantly in US dollars, largely offset by cash balances and short term investments totalling £567 million, held principally in sterling.

### REED INTERNATIONAL AND ELSEVIER EARNINGS AND DIVIDENDS

**Adjusted earnings per share** for Reed International shareholders in the first half were 12.8p, a decline of 10% compared to the prior first half. Adjusted earnings per share for Elsevier shareholders were Dfl 0.64, a decline of 12%. At constant rates of exchange, the adjusted earnings per share of both companies were 11% lower than in the prior period.

After their share of the exceptional items and the amortisation charge in respect of goodwill and intangible assets, the **reported earnings per share** of Reed International, before tax credit equalisation, and Elsevier were 3.1p (1998: 33.8p) and Dfl 0.16 (1998: Dfl 1.73) respectively.

The Board of Reed International has declared an **interim dividend** of 4.6p, unchanged from the prior year. The Boards of Elsevier, in accordance with the dividend equalisation arrangements, have declared an interim dividend of Dfl 0.26, 10% lower than in the prior year, reflecting the reduction in the level of the UK tax credit gross up from 20% to 10% earlier in the year. The exchange rate applied in the equalisation calculation was Dfl 3.31 to £1 (1998 interim dividend, Dfl 3.31 to £1).

# Combined profit and loss statement

FOR THE SIX MONTHS ENDED 30 JUNE 1999

Year ended 31 December 1998	£ million	Six months ended 30 June 1999			Six months ended 30 June 1998		
		Before exceptional items and amortisation	Exceptional items and amortisation	Total	Before exceptional items and amortisation	Exceptional items and amortisation	Total
<b>Turnover</b>							
3,271	Including share of turnover in joint ventures	1,746	–	1,746	1,643	–	1,643
(80)	Less: share of turnover in joint ventures	(50)	–	(50)	(55)	–	(55)
3,191		1,696	–	1,696	1,588	–	1,588
3,163	Continuing operations before acquisitions	1,689	–	1,689	1,569	–	1,569
–	Acquisitions	7	–	7	–	–	–
3,163	Continuing operations	1,696	–	1,696	1,569	–	1,569
28	Discontinued operations	–	–	–	19	–	19
(1,092)	Cost of sales	(583)	–	(583)	(512)	–	(512)
2,099	Gross profit	1,113	–	1,113	1,076	–	1,076
Net operating expenses before							
(1,304)	exceptional items and amortisation	(708)	–	(708)	(670)	–	(670)
(79)	Exceptional items	–	(45)	(45)	–	(27)	(27)
(323)	Amortisation of goodwill and intangible assets	–	(179)	(179)	–	(134)	(134)
393	<b>Operating profit before joint ventures</b>	<b>405</b>	<b>(224)</b>	<b>181</b>	406	(161)	245
394	Continuing operations before acquisitions	403	(220)	183	407	(161)	246
–	Acquisitions	2	(4)	(2)	–	–	–
394	Continuing operations	405	(224)	181	407	(161)	246
(1)	Discontinued operations	–	–	–	(1)	–	(1)
9	Share of operating profit in joint ventures	3	(2)	1	12	(5)	7
402	<b>Operating profit (including joint ventures)</b>	<b>408</b>	<b>(226)</b>	<b>182</b>	418	(166)	252
<b>Non operating items</b>							
(10)	Continuing – merger expenses	–	–	–	–	(10)	(10)
692	Discontinued – net profit on sale of businesses	–	–	–	–	692	692
1,084	<b>Profit on ordinary activities before interest</b>	<b>408</b>	<b>(226)</b>	<b>182</b>	418	516	934
(40)	Net interest expense	(37)	–	(37)	(5)	–	(5)
1,044	<b>Profit on ordinary activities before taxation</b>	<b>371</b>	<b>(226)</b>	<b>145</b>	413	516	929
(271)	Tax on profit on ordinary activities	(95)	18	(77)	(106)	(93)	(199)
773	<b>Profit on ordinary activities after taxation</b>	<b>276</b>	<b>(208)</b>	<b>68</b>	307	423	730
(1)	Minority interests and preference dividends	–	–	–	–	–	–
772	<b>Profit attributable to parent companies' shareholders</b>	<b>276</b>	<b>(208)</b>	<b>68</b>	307	423	730
(349)	Ordinary dividends paid and proposed	–	–	(107)	–	–	(110)
423	<b>Retained (loss)/profit taken to combined reserves</b>	–	–	<b>(39)</b>	–	–	620

## ADJUSTED FIGURES

Year ended 31 December 1998	£ million	Six months ended	Six months ended
		30 June 1999	30 June 1998
773	Adjusted profit before tax	371	413
571	Adjusted profit attributable to parent companies' shareholders	276	307

Adjusted figures exclude exceptional items and amortisation of goodwill and intangible assets and related tax effects.

## Combined cash flow statement

FOR THE SIX MONTHS ENDED 30 JUNE 1999

Year ended 31 December 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
937	Net cash inflow from operating activities before exceptional items	309	356
(258)	Payments relating to exceptional items charged to operating profit	(67)	(147)
679	<b>Net cash inflow from operating activities</b>	<b>242</b>	<b>209</b>
11	<b>Dividends received from joint ventures</b>	<b>2</b>	<b>9</b>
61	Interest received	20	32
(106)	Interest paid	(52)	(44)
(45)	<b>Returns on investments and servicing of finance</b>	<b>(32)</b>	<b>(12)</b>
(144)	<b>Taxation</b> (including £62 million (1998: £nil) exceptional repayments)	<b>5</b>	<b>(56)</b>
(151)	Purchase of tangible fixed assets	(71)	(56)
11	Proceeds from sale of fixed assets	4	2
(140)	<b>Capital expenditure</b>	<b>(67)</b>	<b>(54)</b>
(1,232)	Acquisitions	(97)	(191)
(11)	Payments against acquisition provisions	–	(3)
913	Exceptional net proceeds from disposal of businesses	–	864
(8)	Merger expenses	–	(10)
(338)	<b>Acquisitions and disposals</b>	<b>(97)</b>	<b>660</b>
(362)	<b>Equity dividends paid to shareholders of the parent companies</b>	<b>(236)</b>	<b>(249)</b>
(339)	<b>Cash (outflow)/inflow before changes in short term investments and financing</b>	<b>(183)</b>	<b>507</b>
63	Decrease/(increase) in short term investments	143	(698)
192	Financing	49	116
(84)	<b>Increase/(decrease) in cash</b>	<b>9</b>	<b>(75)</b>

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

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

### Memorandum reconciliation to adjusted operating cash flow

Year ended 31 December 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
679	Net cash inflow from operating activities	242	209
11	Dividends received from joint ventures	2	9
(151)	Purchase of tangible fixed assets	(71)	(56)
11	Proceeds from sale of fixed assets	4	2
258	Payments relating to exceptional items charged to operating profit	67	147
808	<b>Adjusted operating cash flow</b>	<b>244</b>	<b>311</b>
99%	<b>Adjusted operating cash flow conversion</b>	<b>60%</b>	<b>74%</b>

Discontinued operations contributed £10 million to adjusted operating cash flow in the period to 30 June 1998.

## Combined summarised balance sheet

AS AT 30 JUNE 1999

As at 31 December 1998	£ million	As at 30 June 1999	As at 30 June 1998
3,598	Goodwill and intangible assets	3,641	2,595
399	Tangible assets	428	330
87	Investments	100	262
4,084	<b>Fixed assets</b>	<b>4,169</b>	<b>3,187</b>
101	Stocks	112	115
867	Debtors	793	850
708	Cash and short term investments	567	1,457
1,676	<b>Current assets</b>	<b>1,472</b>	<b>2,422</b>
(2,791)	<b>Creditors: amounts falling due within one year</b>	<b>(2,777)</b>	<b>(2,328)</b>
(1,115)	<b>Net current (liabilities)/assets</b>	<b>(1,305)</b>	<b>94</b>
2,969	<b>Total assets less current liabilities</b>	<b>2,864</b>	<b>3,281</b>
(797)	<b>Creditors: amounts falling due after more than one year</b>	<b>(680)</b>	<b>(783)</b>
(36)	<b>Provisions for liabilities and charges</b>	<b>(22)</b>	<b>(179)</b>
(6)	<b>Minority interests</b>	<b>(7)</b>	<b>(5)</b>
2,130	<b>Net assets</b>	<b>2,155</b>	<b>2,314</b>
2,130	<b>Combined shareholders' funds</b>	<b>2,155</b>	<b>2,314</b>

The interim combined financial statements were approved by the Boards of Reed International P.L.C. and Elsevier NV on 4 August 1999.

## Combined shareholders' funds reconciliation

FOR THE SIX MONTHS ENDED 30 JUNE 1999

Year ended 31 December 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
1,692	Combined shareholders' funds at the beginning of the period	2,130	1,692
772	Profit attributable to parent companies' shareholders	68	730
(349)	Ordinary dividends paid and proposed	(107)	(110)
18	Issue of shares on exercise of options, net of capital redemptions	(1)	8
(3)	Exchange translation differences	65	(6)
2,130	<b>Combined shareholders' funds at the end of the period</b>	<b>2,155</b>	<b>2,314</b>

## Combined statement of total recognised gains and losses

FOR THE SIX MONTHS ENDED 30 JUNE 1999

Year ended 31 December 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
772	Profit attributable to parent companies' shareholders	68	730
(3)	Exchange translation differences	65	(6)
769	<b>Total recognised gains and losses for the period</b>	<b>133</b>	<b>724</b>

## 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, joint ventures and associates, together with the two parent companies Reed International P.L.C. and Elsevier NV ('Reed Elsevier' or 'the Reed Elsevier combined businesses').

The interim combined financial statements, which have been prepared on the basis of the accounting policies set out in the Reed Elsevier Annual Review 1998, 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 13.

### 2 EXCHANGE TRANSLATION RATES

In preparing the financial statements the following exchange rates have been applied:

Year ended 31 December 1998			Profit and loss		Balance sheet	
Profit and loss	Balance sheet		30 June 1999	30 June 1998	30 June 1999	30 June 1998
3.28	3.13	Dutch guilders to sterling	<b>3.28</b>	3.36	<b>3.36</b>	3.39
1.66	1.66	US dollars to sterling	<b>1.62</b>	1.65	<b>1.57</b>	1.66
1.98	1.89	Dutch guilders to US dollars	<b>2.02</b>	2.04	<b>2.14</b>	2.04

### 3 EXCEPTIONAL ITEMS

Exceptional items comprise:

Year ended 31 December 1998			Six months ended	
1998	£ million		30 June 1999	30 June 1998
(26)	Acquisition related integration costs		<b>(10)</b>	(10)
(53)	Year 2000 compliance costs		<b>(35)</b>	(17)
(79)	Charged to operating profit		<b>(45)</b>	(27)
692	Net profit on sale of businesses		–	692
(10)	Merger expenses		–	(10)
603	<b>Total exceptional (charge)/credit</b>		<b>(45)</b>	655
(70)	<b>Tax credit/(charge)</b>		<b>18</b>	(93)

### 4 ADJUSTED EARNINGS FIGURES

The adjusted earnings figures, which exclude exceptional items and the amortisation of goodwill and intangible assets and related tax effects, are derived as follows:

Year ended 31 December 1998			Six months ended	
1998	£ million		30 June 1999	30 June 1998
1,044	Profit before tax		<b>145</b>	929
	Adjustments:			
(603)	Exceptional items		<b>45</b>	(655)
332	Amortisation of goodwill and intangible assets		<b>181</b>	139
773	<b>Adjusted profit before tax</b>		<b>371</b>	413
772	Profit attributable to parent companies' shareholders		<b>68</b>	730
	Adjustments:			
(533)	Exceptional items		<b>27</b>	(562)
332	Amortisation of goodwill and intangible assets		<b>181</b>	139
571	<b>Adjusted profit attributable to parent companies' shareholders</b>		<b>276</b>	307

## Notes to the combined financial statements

### 5 COMBINED CASH FLOW STATEMENT

#### Reconciliation of operating profit to net cash inflow from operating activities

Year ended 31 December 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
393	Operating profit before joint ventures	181	245
79	Exceptional charges to operating profit	45	27
472	<b>Operating profit before exceptional items</b>	<b>226</b>	<b>272</b>
323	Amortisation of goodwill and intangible assets	179	134
97	Depreciation	55	45
(4)	Net SSAP24 pension credit	(2)	(2)
416	<b>Total non cash items</b>	<b>232</b>	<b>177</b>
49	<b>Movement in working capital</b>	<b>(149)</b>	<b>(93)</b>
937	<b>Net cash inflow from operating activities before exceptional items</b>	<b>309</b>	<b>356</b>
(258)	Payments relating to exceptional items charged to operating profit	(67)	(147)
679	<b>Net cash inflow from operating activities</b>	<b>242</b>	<b>209</b>

#### Reconciliation of net borrowings

Year ended 31 December 1998	£ million	Cash	Short term investments	Borrowings	Six months ended	
					30 June 1999	30 June 1998
(630)	Net borrowings at the beginning of the period	26	682	(1,670)	(962)	(630)
(84)	Increase/(decrease) in cash	9	–	–	9	(75)
(63)	(Decrease)/increase in short term investments	–	(143)	–	(143)	698
(174)	Increase in borrowings	–	–	(50)	(50)	(107)
(321)	Change in net borrowings resulting from cash flows	9	(143)	(50)	(184)	516
(10)	Inception of finance leases	–	–	(5)	(5)	–
(1)	Exchange translation differences	(1)	(6)	(89)	(96)	(9)
(962)	<b>Net borrowings at the end of the period</b>	<b>34</b>	<b>533</b>	<b>(1,814)</b>	<b>(1,247)</b>	<b>(123)</b>

### 6 SEGMENT ANALYSIS

Turnover Year ended 31 December 1998	Adjusted operating profit Year ended 31 December 1998	£ million	Turnover Six months ended		Adjusted operating profit Six months ended	
			30 June 1999	30 June 1998	30 June 1999	30 June 1998
<b>Geographical origin</b>						
1,663	390	North America	927	820	182	201
692	204	United Kingdom	340	351	99	97
383	128	The Netherlands	203	193	70	70
293	76	Rest of Europe	155	141	50	42
132	15	Asia/Pacific	71	64	7	9
3,163	813	Continuing operations	1,696	1,569	408	419
28	–	Discontinued operations	–	19	–	(1)
3,191	813	<b>Total</b>	<b>1,696</b>	<b>1,588</b>	<b>408</b>	<b>418</b>
<b>Geographical market</b>						
1,726		North America	951	847		
483		United Kingdom	241	246		
222		The Netherlands	113	107		
407		Rest of Europe	217	203		
325		Asia/Pacific	174	166		
3,163		Continuing operations	1,696	1,569		
28		Discontinued operations	–	19		
3,191		<b>Total</b>	<b>1,696</b>	<b>1,588</b>		

## Independent review report

### Independent review report to the Directors of Reed International P.L.C. and to the Members of the Supervisory and Executive Boards of Elsevier NV

#### Introduction

On the instruction of the Boards of Reed International P.L.C. and Elsevier NV, we have reviewed the combined financial information of Reed International P.L.C., Elsevier NV, Reed Elsevier plc and Elsevier Reed Finance BV and their respective subsidiaries (together 'the Reed Elsevier combined businesses'), and the financial information of Reed International P.L.C. and Elsevier NV for the six months ended 30 June 1999 set out on pages 8 to 12 and 14 to 17, and we have read the other information contained in the Reed Elsevier Interim Statement and considered whether it contains any apparent misstatement or material inconsistencies with the financial information.

#### Directors' responsibilities

The Reed Elsevier Interim Statement, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors of Reed International P.L.C. and Elsevier NV. The Listings Rules of the London Stock Exchange and Generally Accepted Accounting Principles in the UK and the Netherlands require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

#### Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the UK Auditing Practices Board. A review consists principally of making enquiries of the managements of the Reed Elsevier combined businesses and applying analytical procedures to the underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

#### Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 1999.

#### Deloitte & Touche

Chartered Accountants  
London  
4 August 1999

#### Deloitte & Touche

Registeraccountants  
Amsterdam  
4 August 1999

## Year 2000 compliance programme

The Reed Elsevier Year 2000 compliance programme has progressed well. The remediation and testing work on business critical systems is now substantially complete. The state of readiness of key business partners is under continuous review. Comprehensive contingency plans designed to minimise the impact on key business activities of any failures in systems, either within the business or at business partners, are almost finalised. The main focus of activity during the remainder of the year is on maintaining the compliance status of remediated business systems, the completion and rigorous testing of the contingency arrangements and continual assurance work in respect of business partners. The compliance programme continues to receive the highest priority within Reed Elsevier.

Compliance programme costs, which are separately categorised as exceptional items, during the first half of 1999 amounted to £35 million bringing the cumulative profit and loss expense of the programme to 30 June 1999 to £99 million. The total expense is expected to be up to £120 million. This is some £15 million higher than the estimate given in the Reed Elsevier Annual Review 1998 due to additional remediation activity, the continuous testing programme, as well as the scale of the resourcing and deployment of contingency arrangements.

The Year 2000 compliance programme and contingency plans are designed to minimise the risk of disruption to Reed Elsevier arising from the millennium date change. There can, however, be no assurance that the businesses will not be impacted by unforeseen internal and external Year 2000 issues and risks.

## Elsevier NV summary financial information

### 1 BASIS OF PREPARATION

The results for the six months ended 30 June 1999 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 1999 and the comparative amounts to 30 June 1998 are unaudited but have been reviewed by the auditors and their report to the Boards of Elsevier NV is set out on page 13. The financial information for the year ended 31 December 1998 has been abridged 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 1998	Dfl million	Six months ended		% change
		30 June 1999	30 June 1998	
1,268	Share of adjusted profit before tax from the Reed Elsevier combined businesses	<b>609</b>	694	-12%
(545)	Share of amortisation of goodwill and intangible assets	<b>(297)</b>	(233)	
989	Share of exceptional items before tax	<b>(73)</b>	1,100	
(446)	Taxation	<b>(127)</b>	(334)	
1,266	<b>Profit attributable to shareholders</b>	<b>112</b>	1,227	
	Allocation of profit:			
581	Dividends paid and proposed	<b>174</b>	194	
685	Transferred (from)/to reserves	<b>(62)</b>	1,033	
1,266	<b>Profit attributable to shareholders</b>	<b>112</b>	1,227	
	<b>Elsevier NV earnings per share (EPS)</b>			
Dfl 1.79	Share of earnings from the Reed Elsevier combined businesses	<b>Dfl 0.16</b>	Dfl 1.73	
	Adjustments to arrive at Adjusted EPS:			
Dfl (1.24)	Share of exceptional items	<b>Dfl 0.06</b>	Dfl (1.31)	
Dfl 0.77	Share of amortisation of goodwill and intangible assets	<b>Dfl 0.42</b>	Dfl 0.31	
Dfl 1.32	<b>Adjusted EPS</b>	<b>Dfl 0.64</b>	Dfl 0.73	-12%
Dfl 1.79	<b>Diluted EPS</b>	<b>Dfl 0.16</b>	Dfl 1.73	

The Adjusted EPS is based upon Elsevier NV's 50% share of the adjusted profit attributable of the Reed Elsevier combined businesses, which excludes exceptional items and the amortisation of goodwill and intangible assets and related tax effects.

### 3 DIVIDENDS

The Boards of Elsevier NV have declared an interim dividend of Dfl 0.26 (1998 interim: Dfl 0.29). Dividends paid to Reed International P.L.C. and Elsevier NV shareholders are equalised at the gross level inclusive of the UK tax credit (10% from 6 April 1999, previously 20%) received by certain Reed International shareholders. In 1998 the full year dividend was Dfl 0.87. The payment date for the 1999 interim dividend on the ordinary shares is 1 October.

The guildler:sterling exchange rate applied in the dividend equalisation calculation, being the average rate for the five days commencing ten days before the dividend declaration date, was Dfl 3.31:£1 (1998 interim: Dfl 3.31:£1).

## Elsevier NV summary financial information

### 4 RECONCILIATION OF SHAREHOLDERS' FUNDS

Year ended 31 December 1998	Dfl million	Six months ended	
		30 June 1999	30 June 1998
2,826	Shareholders' funds as at the beginning of the period	3,333	2,826
1,266	Profit attributable to shareholders	112	1,227
11	Increase in share capital and paid-in surplus	4	7
(189)	Currency translation differences and equalisation	345	56
(581)	Dividends paid and proposed	(174)	(194)
3,333	<b>Shareholders' funds as at the end of the period</b>	<b>3,620</b>	<b>3,922</b>

The balance sheet of Elsevier NV reflects its 50% share of the net assets of the Reed Elsevier combined businesses. The shareholders' funds are largely represented by the investments in Reed Elsevier.

### 5 SUMMARY FINANCIAL INFORMATION IN EUROS

The Elsevier summary financial information in euros is a simple translation of the information from Dutch guilders into euros based on the fixed conversion rate of one euro to 2.20371 Dutch guilders.

#### Profit and loss account

Year ended 31 December 1998	€ million	Six months ended		
		30 June 1999	30 June 1998	% change
575	Share of adjusted profit before tax from the Reed Elsevier combined businesses	276	315	-12%
(247)	Share of amortisation of goodwill and intangible assets	(135)	(106)	
449	Share of exceptional items before tax	(33)	500	
(203)	Taxation	(57)	(152)	
574	<b>Profit attributable to shareholders</b>	<b>51</b>	<b>557</b>	
	Allocation of profit:			
263	Dividends paid and proposed	79	88	
311	Transferred (from)/to reserves	(28)	469	
574	<b>Profit attributable to shareholders</b>	<b>51</b>	<b>557</b>	
	<b>Elsevier NV earnings per share (EPS)</b>			
€ 0.81	Share of earnings from the Reed Elsevier combined businesses	€ 0.07	€ 0.79	
	Adjustments to arrive at Adjusted EPS:			
€ (0.56)	Share of exceptional items	€ 0.03	€ (0.60)	
€ 0.35	Share of amortisation of goodwill and intangible assets	€ 0.19	€ 0.14	
€ 0.60	<b>Adjusted EPS</b>	<b>€ 0.29</b>	<b>€ 0.33</b>	-12%
€ 0.81	<b>Diluted EPS</b>	<b>€ 0.07</b>	<b>€ 0.79</b>	

#### Reconciliation of shareholders' funds

Year ended 31 December 1998	€ million	Six months ended	
		30 June 1999	30 June 1998
1,282	Shareholders' funds as at the beginning of the period	1,512	1,282
574	Profit attributable to shareholders	51	557
5	Increase in share capital and paid-in surplus	2	3
(86)	Currency translation differences and equalisation	157	26
(263)	Dividends paid and proposed	(79)	(88)
1,512	<b>Shareholders' funds as at the end of the period</b>	<b>1,643</b>	<b>1,780</b>

## Reed International P.L.C. summary financial information

### 1 BASIS OF PREPARATION

The results for the six months ended 30 June 1999 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 1999 and the comparative amounts to 30 June 1998 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 13. The financial information for the year ended 31 December 1998 has been abridged 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 1998	£ million	Six months ended		% change
		30 June 1999	30 June 1998	
1,688	Share of combined turnover	897	840	+7%
	Share of adjusted profit before tax:			
387	Reed Elsevier combined businesses (50%)	186	206	
22	Elsevier NV (5.8%)	10	12	
409		196	218	-10%
(176)	Share of amortisation of goodwill and intangible assets	(96)	(74)	
319	Share of exceptional items before tax	(24)	347	
(12)	Elsevier NV's share of UK tax credit on distributed earnings	(3)	(6)	
540	Profit before tax	73	485	
(144)	Tax	(40)	(105)	
396	Profit attributable after tax credit equalisation	33	380	
(172)	Dividends paid and proposed	(53)	(53)	
224	<b>Retained (loss)/profit</b>	<b>(20)</b>	327	
34.7p	<b>Statutory earnings per share</b>	<b>2.9p</b>	33.3p	
34.6p	<b>Diluted earnings per share</b>	<b>2.9p</b>	33.2p	
	<b>Reed International P.L.C. earnings per share (EPS)</b>			
34.7p	Reed International P.L.C. statutory EPS	2.9p	33.3p	
1.0p	Effect of tax credit equalisation	0.2p	0.5p	
35.7p	Share of earnings from the Reed Elsevier combined businesses	3.1p	33.8p	
	Adjustments to arrive at Adjusted EPS:			
(24.7)p	Share of exceptional items	1.3p	(26.1)p	
15.4p	Share of amortisation of goodwill and intangible assets	8.4p	6.5p	
26.4p	<b>Adjusted EPS</b>	<b>12.8p</b>	14.2p	-10%

The Adjusted EPS is based upon the Reed International P.L.C. shareholders' 52.9% share of the adjusted profit attributable of the Reed Elsevier combined businesses, which excludes exceptional items and the amortisation of goodwill and intangible assets and related tax effects.

### 3 DIVIDENDS

The Board of Reed International P.L.C. has declared an interim dividend of 4.6p (1998 interim: 4.6p). In 1998 the full year dividend was 15.0p. The record and payment dates in respect of the 1999 interim dividend on the ordinary shares are 20 August and 1 October respectively.

## Reed International P.L.C. summary financial information

### 4 UK TAX CREDIT ON DISTRIBUTED EARNINGS

Dividends paid to Reed International P.L.C. and Elsevier NV shareholders are equalised at the gross level inclusive of the UK tax credit (10% from 6 April 1999, previously 20%) 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.

### 5 RECONCILIATION OF SHAREHOLDERS' FUNDS

Year ended 31 December 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
895	Shareholders' funds as at the beginning of the period	1,127	895
224	Retained (loss)/profit	(20)	327
14	(Decrease)/increase in share capital and share premium	(2)	5
(6)	Other items including exchange	35	(3)
1,127	<b>Shareholders' funds as at the end of the period</b>	<b>1,140</b>	1,224

The consolidated balance sheet of Reed International reflects its 52.9% share of the net assets of the Reed Elsevier combined businesses. The shareholders' funds are largely represented by the investments in Reed Elsevier.

## Reed Elsevier Annual Review 1999

The Boards of Reed International and Elsevier have decided to unify and simplify their annual reporting documents with effect from the 1999 financial year. The Report and Accounts of both companies, together with information on the Reed Elsevier combined businesses, will be available in both summary and long form versions. The summary version will consist of an Annual Review and Summary Financial Statements which will provide an overview of the operations and performance as well as abbreviated reports on remuneration and corporate governance. The long form will consist of additional detailed Report and Accounts information in respect of the Reed Elsevier combined businesses and both parent companies, which together with the summary version, will meet the formal reporting requirements of both Reed International and Elsevier. Both versions will be offered to shareholders, although it is expected that many shareholders will choose to receive only the summary version.

## 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 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 related deferred tax effects. 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 1998.

The US GAAP adjustments for amortisation of goodwill and other intangibles for the six months ended 30 June 1998 and the year ended 31 December 1998 reflected a re-evaluation of remaining asset lives under US GAAP, to conform with the asset lives adopted under UK and Dutch GAAP on introduction of the UK Financial Reporting Standard FRS10: Goodwill and Intangible Assets, in the 1998 financial year.

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 1998	£ million	Six months ended	
		30 June 1999	30 June 1998
772	Net income under UK and Dutch GAAP	68	730
	US GAAP adjustments:		
(477)	Amortisation of goodwill and other intangibles	(38)	(437)
77	Deferred taxation	20	50
26	Other items	1	5
398	<b>Net income under US GAAP</b>	<b>51</b>	<b>348</b>
	Analysed:		
(122)	Continuing operations	51	(163)
(1)	Discontinued operations – income from operations	–	(6)
521	– gain on sales	–	517
398	<b>Net income under US GAAP</b>	<b>51</b>	<b>348</b>
As at 31 December 1998	£ million	As at 30 June 1999	As at 30 June 1998
2,130	Combined shareholders' funds under UK and Dutch GAAP	2,155	2,314
	US GAAP adjustments:		
637	Goodwill and other intangibles	612	481
(242)	Deferred taxation	(230)	(82)
64	Other items	62	48
244	Ordinary dividends not declared in the period	107	110
2,833	<b>Combined shareholders' funds under US GAAP</b>	<b>2,706</b>	<b>2,871</b>

## Summary combined financial information in US dollars

FOR THE SIX MONTHS ENDED 30 JUNE 1999

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 1998	US\$ million	Six months ended		
		30 June 1999	30 June 1998	% change
5,251	<b>Continuing operations</b> – Sales	<b>2,748</b>	2,589	+6%
1,350	– Adjusted operating profit	<b>661</b>	691	-4%
1,341	– Adjusted operating cash flow	<b>395</b>	497	-21%
1,283	<b>Total operations</b> – Adjusted profit before tax	<b>601</b>	681	-12%
948	– Adjusted profit attributable	<b>447</b>	507	-12%
\$	Adjusted earnings per American Depositary Share (ADS)	\$	\$	
1.75	Reed International P.L.C. (Each ADS comprises four ordinary shares)	<b>0.83</b>	0.94	-12%
1.34	Elsevier NV (Each ADS comprises two ordinary shares)	<b>0.63</b>	0.72	-12%
Average exchange rates:				
1.66	US dollar to sterling	<b>1.62</b>	1.65	
1.98	Dutch guilders to US dollars	<b>2.02</b>	2.04	

## Summary combined financial information in Dutch guilders

FOR THE SIX MONTHS ENDED 30 JUNE 1999

Highlights of the Reed Elsevier combined results in Dutch guilders are given below. This is a simple translation into Dutch guilders at the average rates of exchange:

Year ended 31 December 1998	Dfl million	Six months ended		
		30 June 1999	30 June 1998	% change
10,375	<b>Continuing operations</b> – Sales	<b>5,563</b>	5,272	+6%
2,667	– Adjusted operating profit	<b>1,338</b>	1,408	-5%
2,650	– Adjusted operating cash flow	<b>800</b>	1,011	-21%
2,535	<b>Total operations</b> – Adjusted profit before tax	<b>1,217</b>	1,387	-12%
1,873	– Adjusted profit attributable	<b>905</b>	1,032	-12%
Average exchange rates:				
3.28	Dutch guilders to sterling	<b>3.28</b>	3.36	

## Summary combined financial information in euros

FOR THE SIX MONTHS ENDED 30 JUNE 1999

Highlights of the Reed Elsevier combined results in euros are given below. This is a simple translation from Dutch guilders at the fixed conversion rate of 1 euro to 2.20371 Dutch guilders, established on the introduction of the euro on 1 January 1999:

Year ended 31 December 1998	€ million	Six months ended		
		30 June 1999	30 June 1998	% change
4,708	<b>Continuing operations</b> – Sales	<b>2,524</b>	2,392	+6%
1,210	– Adjusted operating profit	<b>607</b>	639	-5%
1,203	– Adjusted operating cash flow	<b>363</b>	459	-21%
1,150	<b>Total operations</b> – Adjusted profit before tax	<b>552</b>	629	-12%
850	– Adjusted profit attributable	<b>411</b>	468	-12%

Adjusted figures exclude exceptional items and the amortisation of goodwill and intangible assets and related tax effects.

## Shareholder information

### FINANCIAL DIARY FOR 1999

<b>5 August</b>	Announcement of Interim Results for the six months to 30 June 1999
<b>16 August</b>	Ordinary shares and ADSs in Reed International P.L.C. and Elsevier NV go ex-dividend for interim dividend
<b>18 August</b>	Record date – ADSs in Reed International P.L.C. and Elsevier NV
<b>20 August</b>	Record date – Reed International P.L.C. ordinary shares
<b>1 October</b>	Interim dividends for 1999 paid on Reed International P.L.C. and Elsevier NV ordinary shares
<b>8 October</b>	Interim dividends for 1999 paid on Reed International P.L.C. and Elsevier NV ADSs
<b>9 December</b>	Trading Update issued in relation to the 1999 financial year

### FINANCIAL DIARY FOR 2000

<b>16 March</b>	Announcement of Preliminary Results for the year ended 31 December 1999
<b>26 April</b>	Elsevier NV Annual General Meeting
<b>27 April</b>	Reed International P.L.C. Annual General Meeting
<b>9 August</b>	Announcement of Interim Results for the six months to 30 June 2000

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(Trading Symbol: RUK)	(Trading Symbol: ENL)

### STOCK EXCHANGE QUOTATIONS

Reed International P.L.C. shares and Elsevier NV shares are quoted on the stock exchanges in Amsterdam, London and New York. In addition, Elsevier 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 (ADSs), evidenced by American Depositary Receipts (ADRs). Each Elsevier ADS represents two Elsevier shares and each Reed International ADS represents four Reed International shares. Enquiries concerning Reed International or Elsevier ADSs should be addressed to Citibank Shareholder Services, P.O. Box 2502, Jersey City, NJ 07303 2502 or by telephoning +1 877 248 4237 (toll free if dialled from within the United States).

This statement is being mailed to shareholders of Reed International P.L.C. on 6 August 1999 and will be available to the shareholders of Elsevier NV upon request. Copies are available to the public from the registered offices of 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:

[www.reed-elsevier.com](http://www.reed-elsevier.com)



