

Annual Report 2004




# Annual Report 2004

At Wolters Kluwer, we excel at creating high quality content for use in a professional context in the fields of health, corporate services, finance, tax, accounting, law, regulation, and education.



Wolters Kluwer



## The Professional's First Choice

Wolters Kluwer aspires to be the Professional's First Choice to provide the information, tools and solutions to help them make their most critical decisions effectively and improve their productivity. Because we are innovative and forward looking, we use the latest technologies to customize the products and services we provide our customers, ensuring that we can deliver the solutions they need, when and how they need them.

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## content *in* context

At Wolters Kluwer, we excel at creating content solutions for use in a professional context in the fields of health, corporate services, finance, tax, accounting, law, regulation, and education.

We are professionals serving professionals and are committed to delivering essential content, software, and services to help our customers make their most critical business decisions.

Utilizing the latest in information technology, we ensure that our customers have the solutions they need, when they need them, and in the media best suited to their requirements.

When we achieve this, we deliver on our goal of being the market leader in *content in context*.

### Partners in Innovation

Wolters Kluwer professionals are continuously engaged in an ongoing exchange of expertise and ideas with our customers about their work. This partnership in innovation is at the heart of meeting our commitment to the lawyers, doctors, nurses, tax advisors, teachers, and business executives we serve.

Knowledge of their professional workflows and the ability to apply emerging technologies to make them more efficient and productive are at the heart of this partnership.

### Leading Positions and Brands

Strong market positions are very important to our business strategies at Wolters Kluwer, and we value the leading positions we hold in most of our markets. Across all of our markets, we own strong, enduring brands such as Adis, Bankers Systems, Bildungsverlag EINS, CCH, Croner, CT Corporation, Ipsoa, Kluwer, Lamy, La Ley, Liber, Lippincott Williams & Wilkins, Luchterhand, Ovid, Teleroute, and Wolters-Noordhoff. These brands have promised and delivered high quality information for decades, and we are committed to continuing to do everything necessary to earn, retain, and expand leadership positions in our selected markets.

### Strategy for Growth

The year just ended saw successful completion of the first full year of Wolters Kluwer's new three-year strategy, announced in October of 2003. By reorganizing Wolters Kluwer for growth, reducing costs through lasting structural improvements, and investing in growth around our leading market positions, top-line growth was restored, and Wolters Kluwer laid the foundation for delivering sustainable growth and profitability going forward.

## Corporate Profile

### The Professional's First Choice

Being partners in innovation with our professional customers is deeply important to Wolters Kluwer and at the heart of our competitive advantage.

We lead in our markets because we are continuously striving to be the business partner who best understands our professional customers and their work.

When we succeed at this, we are *The Professional's First Choice*, and this is our ultimate commitment to the professionals we serve.

### Facts

Revenues: €3.3 billion

Employees: 18,400

Markets: Health, Corporate Services, Finance, Tax, Accounting, Law, Regulation, and Education

Operations: Europe, North America, and Asia Pacific

Headquarters: Amsterdam, the Netherlands

Stock listing: Euronext Amsterdam: WLSNC.AS, stock code 39588, ISIN code NL0000395887; included in the AEX and Euronext 100 indices.



## Message from the Chairman



**Nancy McKinstry**

*CEO and Chairman of the Executive Board*



### **DELIVERING ON OUR PROMISE**

I am delighted to report that top-line growth was restored to Wolters Kluwer in 2004, marking a significant reversal compared to the previous year. The first year under our three-year plan has laid the groundwork to ensure that this early success is sustainable. Operationally and financially we are a stronger, more vital company than we were a year ago.

### **PERFORMING WELL AGAINST KEY OPERATIONAL INDICATORS**

We achieved organic growth of 1%, compared to a decline of 2% in the previous year, despite restructuring and difficult market circumstances in Europe. In 2004, Wolters Kluwer generated total revenues of €3.3 billion. The weakening of the U.S. dollar against the euro affected Wolters Kluwer's revenues, resulting in a decline of 1% compared with 2003. Net income improved significantly to €135 million in 2004, compared to minus €69 million in 2003. Funds to invest in future growth are supported by a strong free cash flow, which increased by 16% to €456 million in 2004. Earnings per share improved from minus €0.24 in 2003 to €0.46. For the year, Wolters Kluwer performed in line with or above all six key performance indicators announced in 2003, as part of the three-year strategy.

### **REORGANIZING**

On January 1, 2004, Wolters Kluwer reorganized its businesses for growth into five customer-facing divisions.

Our new structure enables us to strengthen our relationships with customers and more quickly develop leading edge products which combine critical information with forward-looking technology. The new structure also allows greater integration of our businesses, resulting in substantial cost reductions from leveraging common facilities, capabilities and services. In addition, we have strengthened our management teams, particularly in sales and marketing, business development, and technology.

### **REDUCING COSTS**

The beginning of the year also saw an acceleration of the structural cost savings programs put in place late in 2003. Restructuring and organizational improvements have led to a reduction of 1,245 FTEs in total, against our three year target of 1,600. Implementation of other significant cost reduction programs - primarily associated with shared services for accounting, technology, human resources and administrative functions, as well as leveraging our size to achieve more cost effective purchasing - is enabling us to achieve results ahead of schedule and in excess of our savings expectations. By year end, our cost base was improved by €70 million, our businesses were more tightly integrated, and our management processes simplified.

### **INVESTING FOR GROWTH**

We have emphasized to every Wolters Kluwer employee that top-line growth is the key to our long-term success.

We have leading market positions from which to grow and our commitment to partner with our customers and invest strategically is providing significant opportunities. The growth process has begun and we have focused our investments in those key markets where excellent returns are most likely to be achieved. I am confident in the investments we have made in the Company this year, and I am encouraged to see early progress in driving the top-line growth. In 2004, strong growth was delivered in several businesses, most notably Tax and Accounting, Corporate Legal Services, Italy, Central Europe, France, and in Health's Pharma Solutions and Professional & Education units. Importantly, growth of electronic products was strong, supported by truly innovative online products such as Lamyline Reflex in France, and CCH@Hand, in the U.S. Tax and Accounting unit. These investments support Wolters Kluwer's strategy to provide integrated solutions to its customers. We will build on this momentum to achieve the long-term growth objectives set out in our three-year plan.

#### **CONNECTING WITH OUR CUSTOMERS**

Wolters Kluwer is in the business of providing *content in context*. This means we understand the nature of all our customers' work and deliver products and services to make that work more productive and effective. Accomplishing this requires that we become partners in innovation with our customers and that we understand the details of their workflows. Only then can we produce products and services that are precisely aligned with their evolving work processes. This focus is consistent with our vision to always be *The Professional's First Choice* in each of our markets and market segments.

#### **CREATING A WINNING CULTURE**

A personal highlight for me this past year was the way Wolters Kluwer employees worldwide have rallied around our new strategy. Everything we have accomplished during the year has been made possible by the dedication and hard work of our employees. I've been encouraged by the positive attitude that people have had towards the challenging steps taken to restructure and improve our business. With much of the difficult restructuring behind us, management and employees are now focused on building a workplace that fosters and rewards entrepreneurship, flawless execution, and a culture of winning. Our company values - customer focus, innovation, accountability, integrity, and value creation - are increasingly seen in action among Wolters Kluwer employees every day. They guide our actions and define who we are - for our customers, our shareholders, and each other.

#### **DEMONSTRATING OUR COMMITMENT TO SUSTAINABILITY**

While discussing values, it is important to note that Wolters Kluwer is publishing a Sustainable Entrepreneurship Report. This report discusses our commitment to living our values and meeting our corporate responsibilities. In the past, our approach to these matters was local. However, with our new operating company model comes an increased responsibility to report in a transparent and comprehensive way on the actions we take worldwide to be good corporate citizens.

#### **GENERATING SHAREHOLDER VALUE**

On many occasions throughout the past year, I have said that the purpose of our new strategy is to increase value to our shareholders by delivering sustained, profitable growth. I look forward to the opportunity to continue repeating this important objective at every opportunity - internally and externally. We have just completed a year in which Wolters Kluwer improved top-line growth, reduced costs, increased cash flow, and began many initiatives to create a stronger, more vital and productive management and employee team. And, we have had a year in which the market has started to reward these efforts. We are committed to continuing this trend. Our financial targets are clear, transparent, and directly linked to value creation. We know what we have to do, and we are focused on doing it.

#### **LOOKING FORWARD**

I believe all Wolters Kluwer stakeholders should look forward to the future with optimism. Management and employees intend to take full advantage of the momentum created in 2004. We know that our efforts to produce sustainable, profitable growth are being built on a strong foundation and that we look forward to continuing to deliver against our promises in the year to come.

At the end of 2004, Hugh Yarrington retired from the Executive Board but will remain active in an advisory capacity. I would like to sincerely thank Hugh for his years of dedicated service to Wolters Kluwer.

On behalf of Wolters Kluwer management and employees worldwide, I would like to thank our customers for making us the Professional's First Choice and our shareholders for their confidence in our long-term strategy.





## Executive Board

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Nancy McKinstry *CEO and Chairman*

Boudewijn Beerkens

Jean-Marc Detailleur

Hugh Yarrington

### Nancy McKinstry

- The United States, 1959
- Chief Executive Officer and Chairman of the Executive Board since September 1, 2003
- Member of the Executive Board since 2001



### Boudewijn Beerkens

- The Netherlands, 1963
- Chief Financial Officer since November 1, 2002
- Member of the Executive Board since May 1, 2003



### Jean-Marc Detailleur

- France, 1947
- Member of the Executive Board since January 1, 1999



### Hugh Yarrington

- The United States, 1942
- Member of the Executive Board from January 1, 1999 until December 31, 2004



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Nancy McKinstry has more than a decade of experience at Wolters Kluwer. Prior to becoming an Executive Board Member in 2001, she was CEO of Wolters Kluwer's operations in North America. She also served as President and CEO of CCH Legal Information Services, now a part of the Wolters Kluwer Corporate & Financial Services division. Earlier, Ms. McKinstry held executive positions in product management with CCH INCORPORATED, now part of the Wolters Kluwer

Tax, Accounting & Legal division. During her tenure at CCH, the company emerged as a leading provider of electronic publishing products. Additionally, she was CEO of SCP Communications, a medical information company, and a Principal with Booz Allen Hamilton, an international management-consulting firm, where she focused on the media and publishing industries. Nancy McKinstry holds an MBA in Finance and

Marketing from Columbia University, New York, and a bachelor's degree in Economics from the University of Rhode Island, Kingston, where she graduated Phi Beta Kappa. Ms. McKinstry is a member of the Boards of Directors of Ericsson, the American Chamber of Commerce in the Netherlands, and Tias Business School; and a member of the Board of Mortgage IT.

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Boudewijn Beerkens became Wolters Kluwer's CFO in November 2002. Before this, he worked at PricewaterhouseCoopers since 1991. His most recent position there was Managing Partner, responsible for the Corporate Finance and Recovery team. Before this tenure, he worked at Vendex do Brasil for several years in Brazil, where he was responsible for strategic development of the Food division.

Mr. Beerkens holds an MBA from the Rotterdam School of Management (RSM) of the Erasmus Universiteit, Rotterdam, and a master's degree in both Dutch Civil Law and Notarial Law from the Vrije Universiteit, Amsterdam. Boudewijn Beerkens is a member of the Supervisory Boards of Goedland nv, and Versatel Telecom International nv; a member of the Executive Committee of Amsterdam Partners; a member

of the Advisory Committee of Bencis Capital Partners; and a member of the Council of Trustees of the Roomsche Catholijk Oude Armen Kantoort (not for profit).

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Prior to becoming an Executive Board Member, Jean-Marc Detailleur was President Director of Wolters Kluwer France. During his tenure in France, Wolters Kluwer grew to become a leading print and online publisher in the French legal, HR and transport markets. Before joining Wolters Kluwer in 1989, he was managing director of Lamy. Prior to this, he held several HR and operational positions with Groupe D.M.C., Hachette, and Pechiney.

Mr. Detailleur also was Chairman of the FNPS (Federation Nationale Presse d'Information Specialisee) from 1995 to 1999, and Chairman of ECHR (European Club of Human Resources) in Brussels from 2002 to 2004. Jean-Marc Detailleur holds post-graduate degrees in French Public Law and Political Science at Paris University and a "Diplome de l'Institut d'Etudes Politiques de Paris".

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Before becoming an Executive Board Member, Hugh Yarrington was President and CEO of CCH INCORPORATED, and a member of the Wolters Kluwer U.S. Board of Directors. Prior to joining CCH in 1994, he spent 21 years with The Bureau of National Affairs Inc., where he was elected to the Board of Directors in 1980 and to the Executive Committee in 1981. He also was a member of the Board of Directors of the Information Industry Association from 1988 to

1998. At the end of 2004, Mr. Yarrington retired from the Executive Board of Wolters Kluwer but will remain active in an advisory capacity. Hugh Yarrington earned his Juris Doctor degree from George Washington University Law Center and holds a Bachelor of Arts degree from Randolph-Macon College.

# Supervisory Board

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Henny de Ruiter  
Harry Pennings  
Adri Baan  
Jane Frost  
Karel Van Miert  
Henk Scheffers  
Klaas Westdijk

## Henny de Ruiter

- The Netherlands, 1934  
- Chairman  
- Appointed in 1994,  
current term until 2006



Member of the Selection and Remuneration Committee, and member of the Audit Committee

## Harry Pennings

- The Netherlands, 1934  
- Deputy Chairman  
- Appointed in 1995,  
current term until 2007



Chairman of the Selection and Remuneration Committee

## Adri Baan

- The Netherlands, 1942  
- Appointed in 2002,  
current term until 2006



Member of the Selection and Remuneration Committee, and member of the Audit Committee

## Jane Frost

- The United Kingdom, 1957  
- Appointed in 2001,  
current term until 2005<sup>1</sup>



## Karel Van Miert

- Belgium, 1942  
- Appointed in 2000,  
current term until 2008<sup>2</sup>



## Henk Scheffers

- The Netherlands, 1948  
- Appointed in 2004,  
current term until 2008



Member of the Audit Committee

## Klaas Westdijk

- The Netherlands, 1941  
- Appointed in 1993,  
current term until 2005<sup>3</sup>



Chairman of the Audit Committee

<sup>1</sup>Ms. Frost will be nominated for reappointment at the 2005 Annual General Meeting of Shareholders.

<sup>2</sup>Mr. Van Miert will resign due to the increasing workload relating to his other activities.

<sup>3</sup>In accordance with the Supervisory Board's bylaws and rotation plan, Mr. Westdijk will resign in 2005 after serving three four-year periods.

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**Position:**

Former Executive Board Member of Royal Nederlandsche Petroleum Maatschappij nv, and former member of the Group Executive Board of the Royal Dutch Shell Group

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**Position:**

Former Chairman of the Executive Board of Océ nv

**Supervisory Directorships:**

Chairman of the Supervisory Boards of Essent nv, nv Industriebank LIOF, and AZL nv; member of the Supervisory Boards of Océ nv, and Berenschot Holding bv

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**Position:**

Former Executive Board Member of Royal Philips Electronics nv

**Supervisory Directorships:**

Member of the Supervisory Boards of ASM International nv, ICI Ltd (United Kingdom), Port of Singapore Authority Europe Ltd., International Power plc (United Kingdom), Océ nv, Koninklijke Volker Wessels Stevin nv, and Authority for the Financial Markets

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**Position:**

Director of Consumer Strategy, Department of Constitutional Affairs (U.K. Government)

**Supervisory Directorships:**

Non-Executive Director and Trustee of Lowry Arts Centre (United Kingdom), and BBC Children in Need (United Kingdom)

**Additional Positions:**

Supervisory Council Member and Chair of HTI Education Trust (Warwick University); Fellow Chartered Institute of Marketing; and Fellow Royal Society of Arts (United Kingdom)

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**Position:**

Former Vice Chairman of the European Commission, and former Chairman of the Executive Board of Nyenrode Business University

**Supervisory Directorships:**

Member of the Supervisory Boards of Royal Philips Electronics nv, RWE AG (Germany), and Munich Re (Germany); member of the Boards of De Persgroep nv (Belgium), Agfa-Gevaert nv (Belgium), Solvay SA (Belgium), and Anglo American plc (United Kingdom),

member of the Advisory Councils of Guidant Europe nv (Belgium), Eli Lilly Holdings Ltd. (United States), and Goldman Sachs Europe Limited (United Kingdom)

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**Position:**

Member of the Executive Board of Directors of SHV Holdings nv

**Supervisory Directorships:**

Member of the Supervisory Boards of NPM Capital nv, and the David J. Joseph Company

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**Position:**

Former Chairman of the Executive Boards of Royal Pakhoed, and Connexion Holding nv

**Supervisory Directorships:**

Chairman of the Supervisory Boards of ENECO Energie nv, and Connexion Holding nv; Vice Chairman of the Supervisory Board of VastNed Group; and Non-Executive member of the Board of Directors of Fortis nv

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# Corporate Structure

FTEs: 18.270 (average)

Revenues 2004:

EUR 3,261 million

USD 4,055 million

## Corporate Management

Accounting & Control	- Matthijs Lusse
Business Development	- Dave Lampert
Human Resources	- Kathy Baker
Operational Audit	- Paul Kooijmans
Strategy	- Andres Sadler

## Health

CEO **Jeffery McCaulley**

FTEs **2,164** (average)

Revenues 2004:

EUR 623 million

USD 775 million

## Brands

- Adis
- Facts & Comparisons
- Lippincott Williams & Wilkins
- Medi-Span
- Ovid

## Corporate & Financial Services

CEO **Christopher Cartwright**

FTEs **2,789** (average)

Revenues 2004:

EUR 437 million

USD 544 million

## Brands

- Bankers Systems
- CCH CORSEARCH
- CCH Insurance Services
- CCH Wall Street
- CT Corporation
- GainsKeeper
- Summation Technologies
- TyMetrix
- UCC Direct Services
- VMP Mortgage Solutions

## Tax, Accounting & Legal

CEO **Kevin Robert** (Tax and Accounting)

CEO **Robert Becker** (Legal)

FTEs **4,115** (average)

Revenues 2004:

EUR 596 million

USD 741 million

## Brands

- Aspen
- CCH INCORPORATED
- CCH Asia Pacific\*
- Kluwer Law International
- ProSystem fx

## Legal, Tax & Regulatory Europe

CEO **Rolv Eide**

FTEs **7,731** (average)

Revenues 2004:

EUR 1,296 million

USD 1,611 million

## Brands

- Croner.CCH
- Ipsos
- Kluwer
- La Ley
- Lamy
- Luchterhand
- Norstedts Juridik
- Teleroute\*\*

## Education

CEO **Harry Sterk**

FTEs **1,378** (average)

Revenues 2004:

EUR 309 million

USD 384 million

## Brands

- Bildungsverlag EINS
- digital spirit
- Jugend & Volk
- Liber
- Müszaki
- Nelson Thornes
- Wolters-Noordhoff
- Wolters Plantyn

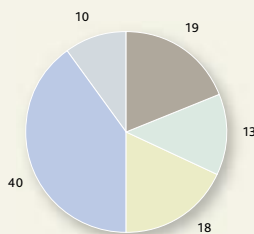
\* CCH Asia Pacific reports to Jean-Marc Detailleur, member of the Executive Board

\*\* Teleroute reports to Jean-Marc Detailleur, member of the Executive Board

# Graphs

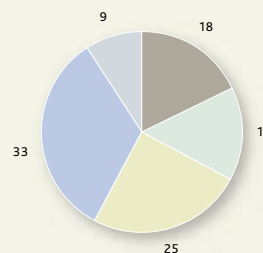
## BREAKDOWN OF 2004 REVENUES BY DIVISION (%)

Health	19
Corporate & Financial Services	13
Tax, Accounting & Legal	18
Legal, Tax & Regulatory Europe	40
Education	10



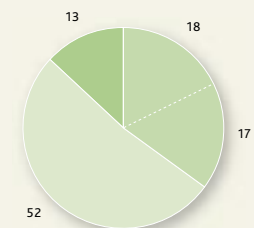
## BREAKDOWN OF 2004 ORDINARY EBITA<sup>4</sup> BY DIVISION (%)

Health	18
Corporate & Financial Services	15
Tax, Accounting & Legal	25
Legal, Tax & Regulatory Europe	33
Education	9



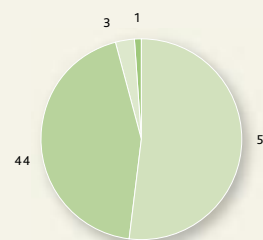
## BREAKDOWN OF 2004 REVENUES BY MEDIA (%)

Electronic:	35
- Internet/Online	18
- CD-ROM/Offline	17
Print	52
Services	13



## GEOGRAPHICAL SPREAD OF 2004 REVENUES (%)

Europe	52
North America	44
Asia Pacific	3
Other	1



# Highlights

IN € MILLIONS (EXCEPT AS OTHERWISE INDICATED)	2004	2003	% change	% change constant currencies
Revenues	3,261	3,436	(5)	(1)
Ordinary EBITA	521	610	(15)	(10)
Ordinary EBITA margin (%)	16	18		
EBITA <sup>5</sup>	477	514	(7)	(1)
EBITA margin (%)	15	15		
Ordinary net income	311	349	(11)	(4)
Ordinary EPS (fully diluted) (€)	1.04	1.18		
Proposed cash distribution per share (€)	0.55	0.55		
Free cash flow	456	393		
Free cash flow per share (fully diluted) (€)	1.51	1.32		
Cash conversion ratio <sup>6</sup>	1.26	1.09		
Return on invested capital (%) <sup>7</sup>	7	7		
Average number of FTEs	18,270	19,540		
Official Dutch GAAP figures				
Operating income	239	91		
Net income/(loss)	135	(69)		
EPS (fully diluted) (€)	0.46	(0.24)		

<sup>4</sup>“Ordinary” refers to figures adjusted for exceptional items and, where applicable, amortization of intangible fixed assets.

<sup>5</sup>“Ordinary” figures are non Dutch GAAP compliant financial figures, but are internally regarded as key financial measures. These figures are presented as additional information and do not replace the information in the profit and loss account and the cash flow statement. The term “Ordinary” is not a defined term under Dutch or International GAAP. Official Dutch GAAP figures represent the information included in the profit and loss account, as per the “Besluit Modellen Jaarrekening”. Ordinary EBITA is defined as operating income before amortization of intangible fixed assets and exceptional items.

<sup>6</sup>EBITA is defined as operating income before amortization of intangible fixed assets.

<sup>7</sup>Cash conversion ratio (CAR) is defined as the cash flow from operations less net expenditure on fixed assets divided by ordinary EBITA.

<sup>7</sup>Return on invested capital is calculated by dividing the full year ordinary EBITA after estimated allocated tax by average invested capital. Average invested capital is defined as capital employed adjusted for non-operating items, such as deferred tax assets and forward contracts, exceptional items, cash, cumulative goodwill and publishing rights amortization and goodwill charged to equity.

# Report of the Executive Board

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## Restoring Top-line Growth

During 2004, the Executive Board worked closely with management and employees in each division to execute the three-year strategy, announced on October 30, 2003, to:

- Reorganize to deliver growth;
- Reduce costs through structural improvements;
- Invest in growth around leading market positions.

In this first full year of the strategy, the restoration of top-line growth, the achievement of structural cost savings of €70 million, and stronger free cash flow were the main achievements.

### REORGANIZING TO DELIVER GROWTH

Five new operating divisions were formed on January 1, 2004:

- Wolters Kluwer Health;
- Wolters Kluwer Corporate & Financial Services;
- Wolters Kluwer Tax, Accounting & Legal;
- Wolters Kluwer Legal, Tax & Regulatory Europe;
- Wolters Kluwer Education.

These divisions are organized to be customer-facing and to enable the partnership in innovation that describes Wolters Kluwer's relationship with its professional customers. The CEO of each division now reports directly to the Chairman of the Executive Board, enabling a much closer knit and more accountable management team.

The organization is designed to take advantage of scale opportunities, to leverage best practices within and across divisions, and to foster innovation. Overall, the reorganization was designed to move Wolters Kluwer from a financial holding company model to an operating company that is aligned tightly with its customers and markets. We believe that this new model already has shown that we are in a much better position now to respond to the needs of our customers and thereby be *The Professional's First Choice*.

In addition to the structural steps taken, we also moved during 2004 to divest non-core activities, such as Bohmann (Austria), ten Hagen & Stam (the Netherlands), and KnowledgePoint (the United States) and to prune the product lines of each division of less profitable products. These steps were taken to ensure that management and employees focus entirely on businesses that offer profitable growth opportunities in our core markets.

### REDUCING COSTS THROUGH STRUCTURAL IMPROVEMENTS

Restructuring initiatives implemented throughout the year considerably reduced Wolters Kluwer's cost base and simplified management of our businesses.

These efforts included:

- Restructuring of certain businesses, including Aspen Publishers, Belgium, the Netherlands, and the United Kingdom;
- The consolidation of real estate around the world, reducing rent and associated expenses and bringing Wolters Kluwer colleagues closer together so that investments, common capabilities, and in-house expertise are better leveraged and more efficiently managed;
- The building of a strong foundation for innovative and cost-effective IT development by creating a hybrid model that combines the best of in-house development with offshore and outsourced services;
- The consolidation of a number of technology platforms and plans to further rationalize the Company's technology spending across its divisions to maximize efficiencies. State of the art tools such as the Documentum enterprise content management platform, Arbortext publishing software, and VPN telecommunications network were selected and implemented to support production improvements, to decrease costs and time-to-market, and to eliminate highly customized middleware and time consuming manual processes;
- Reductions in workforce totaling 1,600 FTEs across the entire business were planned and announced, and 1,245 of these have already taken place;
- An analysis of shared services in North America was completed and significant opportunities for further HR and IT savings were identified.

### INVESTING IN GROWTH AROUND LEADING MARKET POSITIONS

With leadership positions in almost all of its markets, Wolters Kluwer has clear opportunities for further growth. During the year, we established programs for sustained, targeted investments to realize this potential.

These investments were primarily organic, but did involve selected acquisitions. By investing selectively in our strongest positions, Wolters Kluwer has begun to see its top-line growth recover. As our investment programs continue, we will see continuous improvement in this area.



Examples of organic investments in innovation include:

- Continued improvements to Ovid's electronic books platform, Books@Ovid and the launch of Communities@Ovid, a unique service to develop specialized portals that support communities of practitioners and researchers in medicine and science;
- The launch of Lamyline Reflex, a legal resolution tool that simulates the legal thought process;
- New web services functionality and features in Bankers Systems' Atchley anti-money laundering products;
- The launch of TyMetrix 360°, a new web-based tool that enables Corporate Law Departments, Claims Organizations, and Law Firms to increase efficiencies and reduce costs by unifying processes and consolidating data on a single platform;
- New versions of AuthenticWeb, a State Filing product for insurance customers;
- The launch of CCH@Hand, a breakthrough application to speed and integrate tax research with the workflows of accountants, tax preparers, and lawyers;
- Further enhancements to VMP's StateLink solution and electronic documents, online tools for the mortgage industry;
- The launch of blended e-learning solutions Scientifica by Education business, Nelson Thornes, and the mixed media method of Wolters-Noordhoff;
- The launch of a comprehensive online legislative tracking system for banking professionals, LegislativeEye.

Partnerships also were established in 2004 that are strong examples of the recognition and leading position of our health business. These included partnerships with Allscripts, a leading provider of clinical software, connectivity and information solutions that physicians use to improve healthcare; Pharmaceutical Press' *Martindale: the complete drug reference*, the foremost reference used throughout the world among researchers, medical professionals, pharmacists, and clinical education instructors; Epic, a leading provider of health information systems and clinical applications; and Cerner, a healthcare IT industry leader. Acquisitions will always play a role in our growth strategy. In 2004, we succeeded in acquiring Telesoftware, an enterprise dedicated to management software development and maintenance; BEAM Education, one of the United Kingdom's leading mathematical resource publishers and training providers; the market-proven SIAN document management system; and Summation Legal Technologies, Inc., the market leader for integrated litigation support software.

All these investments build upon our leading market positions and proven core capability of creating valuable content for our professional customers. Strengthening customer relationships and providing end-to-end solutions is a key strategic consideration in all Wolters Kluwer investments.

## Responsible and Transparent Organization

Wolters Kluwer recognizes the importance of clear communications to our customers, employees, and shareholders and we improved our performance in this area in 2004. We worked to strengthen customer communications and relations at all levels and to provide a high degree of transparency to investors. Employees were involved in our new strategy and its implementation at every level. And, we have reached out to the business and general media and to the general public to a much greater extent than previously. We believe these programs have been successful and that the Company and its strategy, programs and actions are much better understood by all our stakeholders.

### CUSTOMER RELATIONS

From the Chairman of the Executive Board down through our organization, we have made significant efforts to develop lasting dialogues with our customers and to offer them a "partnership in innovation". Wolters Kluwer distinguishes itself by the importance it places upon getting to know its customers and their workflows, so that we are able to deliver on our promise of providing information, tools, and solutions that help them make better decisions and improve their productivity.

We also ensure that we are easy to find for our customers, providing a wealth of services such as helpdesks, online shops and tools, and corporate websites to ensure that they get the answers to their questions as quickly and simply as possible. The corporate website, [www.wolterskluwer.com](http://www.wolterskluwer.com), provides a portal to all our businesses.

### SHAREHOLDERS AND INVESTORS

We seek to be thoroughly open with shareholders and the investment community, and we are committed to the high degree of transparency in our financial reporting. In 2004, the Company reported full quarterly results and increased the number of roadshows, one-on-one, and group meetings with investors. Wolters Kluwer has developed a comprehensive program for communicating with investors that includes participating in selected sector-specific seminars throughout the year. The purpose of this program is to help

investors become better acquainted with Wolters Kluwer and its management and to maintain a long-term relationship of trust with the investment community at large.

Activities in the year just ended included:

- A full presentation by management (video webcast) of half- and full-year results;
- Conference calls with management (audio webcast) providing first- and third-quarter results;
- Regular office and roadshow meetings with potential and existing shareholders, and sell-side analysts covering the Company;
- In-depth investor and analyst days (video webcast), where divisional management provided a comprehensive review of their businesses and products to the investor community;
- Specific information for shareholders provided via the Investor Relations section of [www.wolterskluwer.com](http://www.wolterskluwer.com), which includes detailed financial information, archived copies of presentations, and webcasts delivered throughout the year.

## Dividend

During the Annual General Meeting of Shareholders on April 14, 2005, Wolters Kluwer will propose to distribute a dividend of €0.55 per share for the year 2004. This corresponds with a dividend yield over the closing share price of December 31, 2004, of almost 4%. Wolters Kluwer's proposed dividend policy is to maintain a full-year dividend of €0.55 going forward, provided there is a minimum dividend cover<sup>8</sup> of 1.5.

In line with previous years, and indicating a strong belief in the future of the Company, Wolters Kluwer proposes to allow its shareholders to choose between a distribution in the form of cash or stock. After acceptance of the proposal at the Annual General Meeting of Shareholders, the shareholders will be asked to make their choice known. The stock dividend ratio will be set on April 25, 2005 (after the close of trading). The cash distribution will be payable as of April 27, 2005. For more information, please see [www.wolterskluwer.com](http://www.wolterskluwer.com).

<sup>8</sup> Dividend cover is defined as the number of times the dividend can be paid from the ordinary net income.

## HUMAN RESOURCES

Human capital continues to be an essential component of Wolters Kluwer's competitive strength.

We reinforced our management team in 2004 with a number of appointments, including a new senior Human Resources management team, the external recruitment of a CEO for the Wolters Kluwer Health division, several country managers in Europe, and business unit managers in North America. Other staffing initiatives included the establishment of a Corporate Business Development function, which focuses on identifying opportunities to leverage products across divisions and to enter new market segments.

In 2004, Wolters Kluwer also adopted new senior management remuneration plans that more closely link rewards with company performance and shareholder return, for more information, see the remuneration report on page 42.

Rigorous control and monitoring of hiring and personnel costs continued throughout 2004. Reductions in staff, as part of restructuring initiatives, occurred on schedule throughout the business units, resulting in a reduction of 1,245 FTEs company-wide. We upheld our commitment to treat fairly employees whose positions were made redundant and to comply with local requirements regarding severance and other benefits. An analysis of shared services in North America was completed and significant efficiency opportunities for HR and IT were identified, with implementation scheduled for early 2005.

In the year just ended, we balanced necessary staff restructuring with a renewed commitment to the development of our employees. We established the foundation for achieving a common Wolters Kluwer culture that reinforces the execution of our business strategy. Guidance for these efforts were the company values established in late 2003: customer focus, innovation, accountability, integrity, and value creation. These values represent the Wolters Kluwer position in all its relations with customers, investors, and employees.

Wolters Kluwer continues its commitment to transparent communications and the achievement of objectives through partnership with employees. Senior management of the Company met with Works Councils in Europe, both local and divisional, and with employees in Europe, North America, and Asia Pacific in Town Hall Meetings throughout the year.

Going forward, the Executive Board approved funding of a comprehensive strategic talent management program for implementation in 2005. The program will focus on the identification of critical skills for the achievement of business objectives. The development and leveraging of internal staff in these skill areas and recruitment strategies

that support external acquisition of these skills where necessary are key features of talent management at Wolters Kluwer.

## Sustainability

Wolters Kluwer is publishing a separate Sustainable Entrepreneurship Report for the year 2004. While Wolters Kluwer has always met its responsibilities, it has done this through its operating companies in their individual locales. With our new, operating company business model comes a new responsibility to report in a comprehensive way on the actions Wolters Kluwer takes worldwide to be a good corporate citizen and to ensure sustainable growth for all its stakeholders and the communities and countries in which Wolters Kluwer operates.

## Financial Developments in 2004

This first year in our three-year strategy delivered a strong and healthy financial basis for sustainable growth for Wolters Kluwer and its stakeholders.

Highlights of Wolters Kluwer financial performance included:

- Recovery of organic growth;
- Implementation of company-wide restructuring initiatives reducing operating costs and improving performance;
- Increased product development spending;
- Significant improvement of free cash flow resulting in a further reduction of net debt;
- Divestiture of non-core businesses.

## content *in* context

### At the core of trademarks

Name  
Kristen Poggensee  
Position  
Paralegal Associate  
Company  
Motorola Inc.  
Location  
The United States

**A legal professional for over twenty years, Kristen Poggensee, Paralegal Associate with Motorola Inc., performs trademark searches as part of her daily work. With each research producing around 300 pages of information, using the highly interactive internet-based trademark clearance platform CCH CORSEARCH Advantage has many clear benefits.**

"CCH CORSEARCH Advantage allows me to perform my work far more efficiently than ever before," explains Ms. Poggensee. "First, I order an online trademark search, specifying what the turnaround time is – whether that's the same day or three days. When the search is complete, I receive notification by email. I can then log on to CCH's site, no matter where I am, and review the search results via the very user-friendly, intuitive navigation. These results also are hyperlinked to

relevant resources, so I'm never more than one click away from any information I need."

**"I'm never more than one click away from the information I need"**

Ms. Poggensee continues, "Another really innovative feature of Advantage is that I can insert my review comments in the same application. These comments can then be viewed by my team members, maximizing our productivity because we never duplicate work. I used to perform these searches manually, which was a far more laborious and inefficient process. The fact that everything is now stored electronically means that Advantage goes a long way to helping Motorola achieve its goal of a paperless environment, and put its vision of 'Seamless Mobility' into practice."



IN € MILLIONS (EXCEPT AS OTHERWISE INDICATED)	2004	2003	% change	% change constant currencies
Revenues	3,261	3,436	(5)	(1)
Ordinary EBITA	521	610	(15)	(10)
Ordinary EBITA margin (%)	16	18		
EBITA	477	514	(7)	(1)
EBITA margin	15	15		
Ordinary net income	311	349	(11)	(4)
Ordinary EPS (fully diluted) (€)	1.04	1.18		
Return on invested capital (%)	7	7		
Official Dutch GAAP figures				
Operating income	239	91		
Net income	135	(69)		
EPS (fully diluted) (€)	0.46	(0.24)		

### PROFIT AND LOSS

Revenues in 2004 were €3,261 million, 5% less than in 2003. The results were affected negatively by the weakening of the U.S. dollar against the euro. In 2004, the average U.S. dollar rate depreciated by 9% to \$1.24, negatively impacting revenues by 4%. In constant currencies, i.e. after adjustment for exchange rate effects, revenues declined by 1%. The net of acquisitions and divestments caused an additional decline in revenues of 2%.

Organic revenue growth - growth net of exchange rate effects, acquisitions, and divestments - was restored in 2004 and amounted to 1% compared to a decline of 2% in the previous year. The Company experienced strong growth in Italy, Spain, Central Europe, and France, as well as in Tax and Accounting, Corporate Legal Services, and Health's Pharma Solutions and Professional & Education units. Growth was largely driven by strong performance of the software and services units and increased product development. Wolters-Noordhoff in the Netherlands improved strongly due to the educational purchase cycle. Revenues declined at Legal, Tax & Regulatory Europe in Belgium, the Netherlands, the United Kingdom, and at Legal North America, mainly as a result of difficult market circumstances and pruning of the product portfolio.

Profitability in 2004 was impacted by reinstatement of one-off cost savings generated in 2003 and additional investments in product development and restructuring. Ordinary EBITA declined in 2004 as was indicated in the Strategy Update, albeit less than was anticipated. Ordinary EBITA was €521 million compared to €610 million in 2003 due to adverse currency movements, additional product development charges, and divestments. Product development expenditures were increased during the year and were expensed as incurred. The ordinary EBITA margin for the year was 16% (2003: 18%). Following the 2003 exceptional restructuring charge of €96 million, the Company charged an additional €44 million in 2004, mainly relating to restructuring initiatives in the Netherlands and France. These charges relate to the restructuring program mentioned above. The EBITA margin therefore remains stable at 15%.

The Wolters Kluwer profit benchmark ordinary net income, declined from €349 million in 2003 to €311 million (approximately minus 4% in constant currencies, minus 11% in euros) as a result of the decline of ordinary EBITA, mitigated by lower financing charges. The financing result decreased by €17 million to €97 million in 2004, primarily due to a lower net debt position.

The effective tax rate on the ordinary net income benchmark remained stable at approximately 28%. As a result of the higher pre-tax income, the tax charge increased from €64 million to €85 million in 2004. Due to lower ordinary net income and the dilutive effects of stock dividends and options, the fully diluted ordinary earnings per share, based on the weighted average number of shares, was €1.04 compared to €1.18 in 2003.

The Company strives to generate returns on invested capital that first meet and then exceed the Company's weighted average cost of capital (WACC). The cost of capital after tax is approximately 8%. The return on invested capital in 2004 was 7% (2003: 7%).

Operating income in 2004 increased to €239 million, as compared to €91 million in 2003, mainly as a result of lower amortization expenses of intangible assets, absence of impairments, and lower exceptional restructuring expenses. Net income improved significantly to €135 million in 2004, compared to minus €69 million in 2003.

## BALANCE SHEET

IN € MILLIONS	2004	2003
Fixed assets	<b>2,944</b>	3,299
Working capital	<b>148</b>	392
Shareholders' equity	<b>775</b>	861
Net interest bearing debt	<b>1,527</b>	1,900

Fixed assets, consisting mainly of goodwill and publishing rights, decreased as a result of adverse currency movements and the amortization expense. In 2004, Wolters Kluwer again performed an impairment test on the book value of goodwill and publishing rights. This test, that entails a comparison of the book value of these assets with their recoverable amounts, did not result in an impairment expense in 2004 (2003: €155 million).

Working capital decreased from €392 million in 2003 to €148 million due to strong cash collections and the reclassification of the redemption obligation of two short-term bond loans to other current liabilities. Shareholders' equity declined as a result of adverse currency movements on net investments, the cash dividend paid in 2004, offset by the profit made in 2004 of €135 million. In 2004, Wolters Kluwer again made successful efforts to

reduce its debt level and to strengthen its balance sheet. To efficiently utilize surplus cash, Wolters Kluwer purchased €68 million of its outstanding 1.00% convertible bonds due 2006. Gross debt decreased from €2.6 billion (2003) to €2.5 billion. Taking into account the cash and cash equivalent balances and the value of related swaps and forward exchange contracts, the net interest bearing debt position decreased from €1.9 billion (2003) to €1.5 billion.

## CASH FLOW

IN € MILLIONS (EXCEPT AS OTHERWISE INDICATED)	2004	2003	% change
Cash flow from operations	<b>731</b>	756	<b>(3)</b>
Free cash flow	<b>456</b>	393	<b>16</b>
Free cash flow per share (fully diluted) (€)	<b>1.51</b>	1.32	
Cash conversion ratio	<b>1.26</b>	1.09	

Working capital management was a main focus in 2004. A program was set up to tighten working capital throughout the Company, which resulted in an improvement in the accounts receivable balance, lower inventories and a more favorable trade creditors position. The overall contribution of autonomous movements in working capital to cash flow from operations in 2004 was €107 million, including contributions of €42 million to the pension funds in the Netherlands and the United States.

Free cash flow provides the funds to invest in business for future growth, acquire companies, pay dividends to shareholders, pay down debt, and repurchase shares. Despite the weak U.S. dollar, free cash flow increased by 16% to €456 million in 2004, due to the improved working capital, lower financing payments, lower tax payments and lower capital expenditures partly offset by increased payments of reorganization provisions. The increased payments of reorganization provisions related to the restructuring program.

The cash conversion ratio, which measures the cash generating ability of the businesses, regardless of tax and financing obligations, improved significantly to 1.26 (2003: 1.09) as a result of positive working capital development and reduced capital expenditures.

## RESTRUCTURING

In October 2003, a restructuring program was initiated to reduce costs by improving operational efficiency and

effectiveness through staff reductions and real estate consolidation. This three-year program requires investments of €215 million in order to reduce costs by €240 million over the 2003-2006 plan period.

This program was continued in 2004 and generated €70 million in savings in 2004. Combined with the structural savings obtained in 2003 of €29 million, total cumulative savings have been realized of €99 million, indicating that the Company is well on track to achieve its stated goals.

The exceptional restructuring expense of €44 million fully relates to this plan.

### CORPORATE COSTS

IN € MILLIONS (EXCEPT AS OTHERWISE INDICATED)	2004	2003
Ordinary EBITA	<b>(39)</b>	<b>(43)</b>
CAPEX	<b>2</b>	<b>2</b>
FTEs (average)	<b>93</b>	<b>90</b>

### IMPACT IFRS ON KEY FINANCIALS

IN € MILLIONS	Full year 2004		
	IFRS	Dutch GAAP	Difference
Revenues	<b>3,261</b>	<b>3,261</b>	<b>-</b>
Operating income	<b>407</b>	<b>239</b>	<b>168</b>
Net income	<b>311</b>	<b>135</b>	<b>176</b>
EPS (Fully diluted in €)	<b>1.04</b>	<b>0.46</b>	<b>0.58</b>
Shareholders' equity at January 1, 2004	<b>652</b>	<b>861</b>	<b>(209)</b>
Shareholders' equity at December 31, 2004	<b>746</b>	<b>775</b>	<b>(29)</b>
<b>BENCHMARK FIGURES</b>			
Ordinary EBITA	<b>516</b>	<b>521</b>	<b>(5)</b>
Ordinary net income	<b>307</b>	<b>311</b>	<b>(4)</b>
Ordinary EPS (fully diluted, in €)	<b>1.02</b>	<b>1.04</b>	<b>(0.02)</b>
Free cash flow	<b>456</b>	<b>456</b>	<b>-</b>

### ACQUISITIONS AND DIVESTMENTS

In 2004, Wolters Kluwer had a selective acquisition program. Four companies were acquired for a total consideration of €32 million, including deferred payments. In combination with deferred payments for prior year acquisitions and increases in participations, the total 2004 consideration amounts to €42 million.

The four acquisitions acquired in 2004 generate annualized revenues in the range of €17 million. The main acquisition was Summation Legal Technologies Inc., a strong player in the market for integrated litigation support software in the United States. Other acquisitions were Telesoftware, a provider of tax compliance and payroll software in Spain; BEAM Education, a specialist mathematics education publisher; and SIAN, a provider of document management systems for Certified Public Accountants.

In 2004, the contribution of these acquisitions to revenues and profit was negligible. With the ten Hagen & Stam transaction, Wolters Kluwer completed the announced divestiture program of non-core activities announced on October 30, 2003, as part of the new strategy for Wolters Kluwer. In addition to the ten Hagen & Stam transaction and the divestment of Austrian publisher Bohmann, a few other small entities were divested, notably the U.S.-based companies KnowledgePoint and Capitol Publishing Group. A result on divestment of €71 million was realized, which related mainly to the ten Hagen & Stam transaction.

### IFRS TRANSITION

Wolters Kluwer prepares its consolidated financial statements under Dutch GAAP. For financial years commencing on or after January 1, 2005, all European publicly listed companies must report on the basis of International Financial Reporting Standards (IFRS). Hence, Wolters Kluwer will prepare its first set of financial reports under IFRS as of the first quarter of 2005.

The Company's first annual report under IFRS will be for 2005. As the Company publishes comparative information for one year in its annual report, the transition date to IFRS is January 1, 2004.

As Wolters Kluwer already has made significant steps in bringing its accounting principles in line with IFRS in 2003 and 2004, the impact of the transition to IFRS has been limited.

For a detailed analysis we refer to the appendix to this Annual Report 2004 on IFRS, in which the 2004 opening and closing balance sheet, profit and loss account, and cash flow statement have been restated applying IFRS.



Wolters Kluwer Health is a leading global provider of information for medical and health professionals. Leveraging its broad array of industry-leading health and medical content, the division creates online information tools, integrated drug and disease databases, and point-of-care tools that aid medical research, disease management, medication error reduction, workflow improvement, and more effective patient care.

### Business overview

Wolters Kluwer Health knows that keeping informed is critical for health and medical professionals, and that knowing how to apply information can mean the difference between adequate and excellent health care. Wolters Kluwer Health not only provides information, it helps professionals put knowledge to work. The division's customer-facing units are:

- Clinical Tools
- Medical Research
- Pharma Solutions
- Professional & Education

Key Health customers include hospitals and libraries, research organizations, medical professionals, students, and pharmaceutical companies. Some of the world's most trusted medical brands are to be found at Wolters Kluwer Health, including traditional publishers of medical and drug reference tools and textbooks, such as Lippincott Williams & Wilkins, and Facts & Comparisons; electronic information providers, such as Ovid Technologies, Medi-Span S KOLAR MD, and Cline-guide; and pharmaceutical information provider Adis International.

### 2004 accomplishments

Throughout 2004, Wolters Kluwer Health again made great steps in strengthening its leading market position. Product launches by Lippincott Williams & Wilkins included a fifth edition of *Stedman's Medical Dictionary*, a new edition of the world's leading oncology reference, *Cancer: Principles and Practice of Oncology*, and the new journal *LPN (Licensed Practical Nurse)*. The *Nursing Made Incredibly Easy* series showed continued success. Adis Online ([www.adisonline.info](http://www.adisonline.info)) also was launched, providing a new web portal designed to help clinicians and researchers stay on top of progress in drug therapies. Ovid Technologies announced major enhancements to its electronic books platform *Books@Ovid* and launched *Communities@Ovid*. From Medi-Span, 2004 saw a new *Medication Order Management Database* that will significantly reduce medication errors. Through upgrading its

€ MILLION	2004	2003	% change	% change constant currencies
<i>(Except as otherwise indicated)</i>				
Revenues	623	663	(6)	3
Ordinary EBITA	103	103	0	10
Ordinary EBITA margin (%)	17	16		
CAPEX	9	20		
FTEs (average)	2,164	2,351		

product offering, Medi-Span also became the first in its industry to meet new directives of the U.S. Joint Commission on Accreditation of Healthcare Organizations (JCAHO) for its National Patient Safety Goal 2b.

Health also formed significant partnerships in 2004. Going forward, Wolters Kluwer Health will:

- Enhance point-of-care decision support with Cerner Corp.;
- Integrate medical and drug information products with Epic System Corporation's health information systems and clinical applications;
- Encourage the adoption of IT tools at the point of care to improve patient safety with Allscripts Healthcare Solutions;
- Bring clinical information, with the BMJ Publishing Group, to 20 medical research institutions and hospitals belonging to the CALIS consortium in China;
- Expand clinical knowledge embedded within Eclipsys' SunriseXA™ advanced information solution;
- Provide electronic access, in partnership with the Nestlé Foundation, to important nutritional resources to address malnutrition problems in developing countries;
- Offer academic and medical institutions and corporations an alternative, cost-effective federated search solution with MuseGlobal Inc.

### Financial overview

Revenues in 2004 of €623 million are down 6% from €663 million in 2003. Currency impact of minus 9% is the major factor. Revenues have grown organically 3% compared to 2003, due to strong performances in pharmaceutical sales, traditional textbooks, and online information.

Ordinary EBITA margin recovered to 17% from 16% last year, primarily due to close management of cost reduction opportunities. Health continues to invest in restructuring and expanding of its business portfolio developing a platform for stronger growth.



**Jeffery McCaulley**

CEO

The United States, 1966

Jeffery McCaulley is CEO of Wolters Kluwer Health since December 2004. He joined Wolters Kluwer from Medtronic, Inc., where he served as VP & General Manager for the worldwide Diabetes Business Unit. In this role, he was responsible for a successful reorganization of this \$600 million business unit, and for introducing major improvements to productivity, along with accelerating new product launches. Previously, he successfully served in a series of progressive leadership roles with General Electric Medical Systems, including President & CEO of GE Clinical Services. Mr. McCaulley holds a Bachelor of Science in Aerospace Engineering from the University of Cincinnati and a Masters of Business Administration from Vanderbilt University.

#### Brands

Adis, Facts & Comparisons, Lippincott Williams & Wilkins, Medi-Span, Ovid

#### Websites

[www.wkhealth.com](http://www.wkhealth.com)  
[www.adis.com](http://www.adis.com)  
[www.factsandcomparisons.com](http://www.factsandcomparisons.com)  
[www.lww.com](http://www.lww.com)  
[www.medi-span.com](http://www.medi-span.com)  
[www.ovid.com](http://www.ovid.com)



Wolters Kluwer Corporate & Financial Services is a leading U.S. provider of registered agent, search and filing services to corporate legal departments and law firms, as well as legal compliance and operational risk management tools, technology, and services for financial services organizations of all sizes.

### Business overview

Corporate & Financial Services holds the # 1 position in its markets, providing its customers with unsurpassed sources of information, solutions, and services in a variety of user-friendly formats. Most of its brands are the leaders in the North American markets. Corporate & Financial Services customer-facing business units are:

- Corporate Legal Services
- Financial Services

The primary customers of this division include law firms, corporate legal departments, banks, credit unions, mortgage lenders, securities and mutual fund firms, insurance companies, U.S. federal and state government agencies, regulators, banking core processors, and other software providers.

Corporate & Financial Services anticipates the evolving needs of its customers by developing flexible solutions and services tailored to their current and evolving business processes and requirements. By combining extensive knowledge, experience, and best practices with proven technology, this division's products help its customers be more efficient and productive, manage risk, and improve workflows.

### 2004 accomplishments

Many new and enhanced products were successfully launched by Corporate & Financial Services throughout 2004.

Within Corporate Legal Services, CT Corporation launched the TyMetrix 360° e-billing and matter management solution, an integrated suite of web-based tools to help corporate law and insurance claims departments control costs and improve performance. CT Corporation also launched hCue version 3.0 to help corporate governance professionals more effectively manage business entity compliance and governance risk. The enhanced product helped to increase sales across the CT product line, including two of the largest hCue sales to date. In 2004, CT also completed

€ MILLION	2004	2003 <sup>9</sup>	% change	% change constant currencies
<i>(Except as otherwise indicated)</i>				
Revenues	437	448	(2)	7
Ordinary EBITA	83	107	(23)	(15)
Ordinary EBITA margin (%)	19	24		
CAPEX	15	8		
FTEs (average)	2,789	2,754		

<sup>9</sup>As of 2004, Wolters Kluwer reports according to the new organizational structure. The 2003 figures have been restated in accordance with the 2004 organizational structure.

the successful acquisition of Summation Legal Technologies, the market leader in litigation support software. Summation's WebBlaze and CaseVault products continued to gain new clients in the fast growing litigation support and electronic discovery markets, and have been selected by a leading litigation support services company to host evidentiary information for their clients via the web. Finally, UCC Direct Services, the market leader in UCC compliance and due diligence servers for secured lenders, signed significant new contracts with major banks due to the continued development of its iLienOnline.com solution, the number one product in its market.

To address the compliance and efficiency needs of financial services organizations, Bankers Systems launched its new on-line Legislative Tracking Service and expanded its ARTA suite of lending software products. BSI acquired Atchley's Systems in 2004 and has made the Anti Money Laundering Solutions available through the internet, making AML solutions highly affordable for small-mid size financial institutions. VMP Mortgage Solutions enhanced its Online Compliance Service and its electronic

document library, helping the mortgage industry reduce transaction costs and increase productivity. GainsKeeper enhanced products and picked up significant new customers and partners. CCH INSURANCE SERVICES released enhanced versions of its AuthenticWeb products.

### Financial overview

Revenues are down minus 2% at €437 million in 2004 from €448 million in 2003. Corporate & Financial Services generated 7% revenue growth on last year in constant currencies. Of this, 5% is organic growth resulting from a strong performance across the business. The recent acquisitions of Atchley Systems, TyMetrix and Summation each performed strongly adding a further 2% of revenue growth. Ordinary EBITA margin declined to 19% from 24% last year, largely due to the reinstatement of one-off cost savings achieved in 2003 and also due to the increased expenditure on product development and a restructuring program, which continued to gain momentum as the year progressed.



**Christopher Cartwright**  
*CEO Corporate & Financial Services*  
The United States, 1965

Christopher Cartwright has been CEO of Wolters Kluwer Corporate & Financial Services since June 2002. Mr. Cartwright also is responsible for Shared Services North America. Prior to his appointment as CEO, he held several positions with Wolters Kluwer including CEO of Legal, Tax & Business North America, and President and CEO of CCH Legal Information Services. He joined the Company in 1997. Under his leadership, CCH Legal Information Services experienced rapid organic growth, expanded its line of technology-based services and products, completed a series of successful acquisitions and became one of Wolters Kluwer's most profitable companies worldwide. Mr. Cartwright earned his bachelor's and master's degrees from the University of Texas at Austin, where he graduated with honors.

### Brands

Bankers Systems, CCH, CCH CORSEARCH, CT Corporation, GainsKeeper, Summation, TyMetrix and VMP Mortgage Solutions.

### Websites

[www.bankerssystems.com](http://www.bankerssystems.com)  
[www.cch.com](http://www.cch.com)  
[www.cchcorsearch.com](http://www.cchcorsearch.com)  
[www.ctcorporation.com](http://www.ctcorporation.com)  
[www.gainskeeper.com](http://www.gainskeeper.com)  
[www.summation.com](http://www.summation.com)  
[www.tymetrix.com](http://www.tymetrix.com)  
[www.vmpmtg.com](http://www.vmpmtg.com)



Wolters Kluwer Tax, Accounting & Legal is a leading provider of tax, accounting, legal, and regulatory information for professionals. With a leading position in research and compliance markets, Tax, Accounting & Legal provides authoritative research products and tools for key specialty areas of law, including securities law where it holds # 1 market position, and is the premier provider of integrated tax and accounting information, productivity software, and services, with customers including 97 of the top 100 U.S. accounting firms.

### Business overview

Wolters Kluwer Tax, Accounting & Legal comprises leading providers of tax, accounting, legal, and business information in North America and Asia Pacific. Its brands are leaders in their markets, with strong reputations for being the authoritative first choice in their fields. Tax, Accounting & Legal's customer-facing business units are:

- Tax and Accounting, with operations in North America and Asia Pacific
- Legal

Key Tax, Accounting & Legal customers include accountants, attorneys, and other tax, legal and business professionals in firms and corporations. Other major purchasers of Tax, Accounting & Legal products and services are U.S. federal and state government agencies, universities and libraries.

Online products and services are among this division's fastest growing product offerings, augmenting traditional books, journals, and loose-leaf publications. Internet-based resources combine news, research, reference materials, discussion forums, services, and productivity software tools in one convenient location and meet customers' evolving needs by providing specialized, streamlined and integrated access to information and tools.

### 2004 accomplishments

In 2004, Tax, Accounting & Legal successfully launched an array of new products, including highly successful specialty integrated libraries in: Pension, Securities, Corporate Governance, Estate Planning, International Tax, State Tax Research and Compliance and Healthcare. The award-winning ProSystem *fx* Office suite of products was further expanded with the addition of ProSystem *fx* Document and Write-Up, as the unit also advanced integration within the product suite, including the integration of ProSystem *fx* Engagement paperless audit system and *Accounting Research Manager* financial disclosure guidance. Continuing to driving innovation in the industry, the division launched CCH@Hand, a breakthrough productivity tool integrated with CCH's expert content on the Internet to allow users to conduct their CCH research directly from Microsoft 2003 applications. *China Law Express* and *ChargeMaster Comply* also proved to be innovative and successful additions to Tax, Accounting & Legal's offerings.

2004 was another year of industry recognition for the division's products, with a leading accounting publication, *Accounting Today*, recognizing 11 CCH Tax and Accounting products in their annual Top 100 Products guide. In addition, ProSystem *fx* Engagement earned one of the first annual CPA Technology Advisor

€ MILLION <i>(Except as otherwise indicated)</i>	2004	2003 <sup>10</sup>	% change	% change constant currencies
Revenues	<b>596</b>	652	(8)	(1)
Ordinary EBITA	<b>139</b>	172	(19)	(12)
Ordinary EBITA margin (%)	<b>23</b>	26		
CAPEX	<b>12</b>	34		
FTEs (average)	<b>4,115</b>	4,360		

<sup>10</sup> As of 2004, Wolters Kluwer reports according to the new organizational structure. The 2003 figures have been restated in accordance with the 2004 organizational structure.

Tax and Accounting Technology Innovation Awards. In its first year as a participant in the Software Information Industry Association Codie Awards contest, CCH Tax and Accounting led the field with the most nominations in its arena. The CCH products selected as finalists in the prestigious award contest recognizing excellence and innovation in information and software products and applications included: CCH Internet Tax Research NetWork, CCH Client Relate, Tax Tracker News.

Strengthened customer relationships and major customer wins also were characteristic of 2004, and included the U.S. Department of Justice, the Administrative Office of the United States Courts and Moss Adams LLP, the largest public accounting firm headquartered in the Western United States. Many innovative partnerships were continued or formed in 2004 with, for example, CCH Tax and Accounting and Best Software announced an agreement to provide complementary products and services to both companies' accountant customers.

### Financial overview

Revenues declined by 8% to €596 million in 2004, from €652 million in 2003. Tax, Accounting & Legal revenues grew 1% in constant currencies. Organic growth was 0.3%. Tax and Accounting revenues benefited from strong software sales and increased 3% in the year. Revenues at the Legal unit were impacted by product-line pruning, and declined organically to minus 4%. Ordinary EBITA margin was 23% in 2004, down from 26% in 2003, caused largely by reinstatement one-off cost savings achieved in 2003, and also due to the increased expenditure on product development and the restructuring program which continued to gain momentum as the year progressed. The decline in margin was softened by the strong performance of the software unit of Tax and Accounting.



**Kevin Robert**  
*CEO Tax and Accounting*  
 The United States, 1956

Prior to the position of CEO of Tax and Accounting, Kevin Robert was President and CEO of CCH Tax Compliance. During his more than 20 years with CCH, he has worked extensively in sales and marketing and was instrumental in the development and launch of such highly successful products as the company's first web-based research service, CCH Internet *Tax Research NetWork*, and the company's core tax preparation software product, *ProSystem fx Tax*. In addition, he was director of customer service for CCH INCORPORATED, implementing new order management and customer service systems. Mr. Robert holds a bachelor's degree from the University of New Orleans and a Masters of Business Administration from Pepperdine University, Malibu, California.



**Robert Becker**  
*CEO Legal*  
 The United States, 1954

Robert Becker is CEO of Wolters Kluwer Legal since January 2004. He joined Wolters Kluwer from Jupiter Media Metrix, where he was CEO since 2001. His extensive leadership experience in the media and information services industry includes 13 years at The Thomson Corporation, where he served as President and CEO of various units. Before joining Thomson, Becker was Senior Vice President of Finance & Customer Operations/CFO at Warren, Gorham and Lamont, Inc. Mr. Becker holds a Bachelors of Science from Marquette University and a Masters of Business Administration from the University of Connecticut.

**Brands**  
 Aspen, CCH INCORPORATED, CCH Asia Pacific, Kluwer Law International and ProSystem *fx*

**Websites**  
[www.aspenpublishers.com](http://www.aspenpublishers.com)  
[www.cch.com](http://www.cch.com)  
[tax.cchgroup.com](http://tax.cchgroup.com)  
[www.kli.com](http://www.kli.com)  
[business.cch.com](http://business.cch.com)  
[health.cch.com](http://health.cch.com)



# Wolters Kluwer

## Legal, Tax & Regulatory Europe

Wolters Kluwer Legal, Tax & Regulatory Europe focuses on the growth potential of six customer segments: legal; fiscal/financial; human resources; public & government administration; health, safety & environment (HSE); and transport.

### Business overview

Many of Legal, Tax & Regulatory Europe's brands have international appeal while others are leaders in local markets and have very strong heritage. Some of the most trusted names include:

- Croner.CCH
- IPSOA
- Kluwer
- La Ley
- Lamy
- Luchterhand
- Norstedts Juridik
- Teleroute

Across Europe, the division offers a broad range of customer-specific sources of information, software, and services. In each country, Wolters Kluwer has established strong partnerships with its customers to enable innovation, delivery of customized online products and, access to key authors and opinion leaders. Key customers include legal, accounting, regulatory, finance, and human resources professionals, corporations and government agencies, insurance, banking, and securities professionals. Legal, Tax & Regulatory Europe provides authoritative, accurate, and reliable content, software, and services in the medium its professional customer needs, wherever and whenever they need it.

### 2004 accomplishments

Throughout 2004, Wolters Kluwer Legal, Tax & Regulatory Europe introduced many new products and continued to improve its existing portfolio:

- In Italy, a unique service was launched by Unicredit called *Osra*, servicing 25,000 employees of a leading Italian Banking Group in their personal tax return (730/2004). The new, comprehensive solution for law firms, *Suite Avvocato*, was developed with a modular approach, and the launch of the new monthly HR periodical, *Guida alle Paghe*, also achieved a positive market response;
- In the Netherlands, *Streetwise*, a blended learning program for the Dutch police force, is now hosted online;
- In Germany, successful product launches included *Jurion Current Awareness Service*, a unique premium web-based service designed for, and in partnership with, Germany's largest law firms; and »*Steuer-Spar-Erklärung*«, a smart tax solution for the B-to-C-Business;
- Wolters Kluwer Spain brand LA LEY launched *WKExplorer*, a smart search engine for legal databases. *CISS* - Information services on taxes, account launched and labor issues, of a number of new books in 2004, producing great sales rates, in particular those on tax laws.
- In the United Kingdom, Croner Information began a series of successful launches of dedicated online products with *Croner-i Human Resources*, and *Croner-i Health and Safety*;
- A legal database is now available with Poland's LEX products via CD-ROM. There was a remarkable boost in renewals of the *ABC* vertical products as a result of the integration of the sales forces of LEX and ABC as well as strong product improvements;

€ MILLION <i>(Except as otherwise indicated)</i>	2004	2003 <sup>11</sup>	% change	% change constant currencies
Revenues	<b>1,296</b>	1,371	(5)	(5)
Ordinary EBITA	<b>183</b>	217	(15)	(15)
Ordinary EBITA margin (%)	<b>14</b>	16		
CAPEX	<b>30</b>	30		
FTEs (average)	<b>7,731</b>	8,504		

<sup>11</sup>As of 2004, Wolters Kluwer reports according to the new organizational structure. The 2003 figures have been restated in accordance with the 2004 organizational structure.

- In Belgium *Jura.be*, a legal online library was launched, over 300,000 documents offer legal professionals fully integrated legislation, jurisprudence and doctrine;
- *Lamyline Reflex* is a daily updated legal online services linked to 1.8 million primary French and EU sources with about 300,000 pages of legal commentaries.

Strong strategic partnerships were forged in 2004, with Croner Consulting achieving Associate Consultancy status with the British Standards Institution. WK Scandinavia company, Norstedts Juridik AB, and the Norwegian Software provider, Mamut, entered a strategic agreement to increase the product and service offering for tax, legal and finance business segments. The Spanish government initiative, RED.es, and WK Spain's PRAXIS online products deliver electronic magazines to more than 17,500 schools all over the country. In Italy, strategic partnership with the National Bar Association (CNF) resulted in a legal databank for all Italian lawyers. Together with all their procedures, the databank contains Wolters Kluwer Italy's legal catalogue, with power brands such as Ipsoa, Cedam, and OA Sistemi, and a version of *Suite Avvocato* integrated with *La Legge*. The acquisition of Telesoftware in Spain, coupled with its existing award-winning operations Atres, will strengthen customer relationships, delivering end-to-end solutions and expanding online products and services. 2004 was also the 25th anniversary of WK Spain's Especial Directivos, which marked this anniversary with significantly increased sales – the highest in its history – through both new customers

and subscription renewals. U.K. product, *CCH TaxManager*, scooped the top award in the Best Tax Software category of the prestigious LexisNexis U.K. Tax Awards. *CCH TaxManager* won praise from the judges for "the breadth of its reporting facilities and its risk assessment capabilities," and was congratulated for "continuing to develop over the years, offering a reliable platform to tax advisers". In 2004, Teleroute, our pan-European transport information services company, advanced its operations geographically, organizationally, and in terms of its portfolio of products and services.

### Financial overview

Revenues for the division were €1,296 million in 2004, showing 5% decline compared to 2003, largely because of the impact of divestments (ten Hagen & Stam in the Netherlands, and Bohmann in Austria). 2004 showed positive top-line growth compared to 2003 in several countries, such as Italy, Central Europe, Spain, France and Scandinavia. Major restructuring programs progressed well in the Netherlands and Belgium. The organic growth rate in 2004 (minus 1.6%) was impacted by difficult market circumstances in the Netherlands, the United Kingdom and Belgium. Ordinary EBITA margin declined to 14% from 16%. The margin benefited from increased cost savings from the restructuring initiatives implemented in 2003 and 2004. However, the impact of divestments, as well as higher costs for restructuring and product development, resulted in a lower ordinary EBITA margin than in 2003.



**Rolv Eide**  
CEO Legal, Tax & Regulatory Europe  
Norway, 1954

Rolv Eide is CEO of Wolters Kluwer Legal, Tax & Regulatory Europe since November 2003. He joined Wolters Kluwer from Tele Atlas Europe, where he was Chief Operating Officer since 2001. From 1985 to 2001, he worked with Dun & Bradstreet, concluding his service there as Executive Vice President. His extensive experience throughout Europe includes the development of electronic platforms for corporate customers in search of critical business information. His knowledge of business and technology is helping to advance the division's strategy to expand its market positions and increase operational efficiencies across Europe through shared services. Mr. Eide holds a degree in Business Administration from the University of Stockholm.

### Brands

Croner.CCH, IPSOA, Kluwer, La Ley, Lamy, Luchterhand, Norstedts Juridik, Teleroute

### Websites

[www.croner.cch.co.uk](http://www.croner.cch.co.uk)  
[www.ipsoa.it](http://www.ipsoa.it)  
[www.kluwer.nl](http://www.kluwer.nl)  
[www.laley.net](http://www.laley.net) (La Ley)  
[www.lamy.fr](http://www.lamy.fr)  
[www.luchterhand.de](http://www.luchterhand.de)  
[www.nj.se](http://www.nj.se) (Norstedts Juridik)  
[www.teleroute.com](http://www.teleroute.com)

Wolters Kluwer Education is the leading provider of primary, secondary, and vocational educational material (print, online and services) in seven European countries (the Netherlands, Sweden, the United Kingdom, Germany, Belgium, Austria, and Hungary).

### Business overview

Wolters Kluwer Education sets the standard in teaching and learning in the European educational world, combining high-quality content, didactic understanding, and state-of-the-art technology to offer educators and students new, more effective ways of teaching and learning. The division collaborates with high-caliber associates to lead in new directions that create value for its customers and strengthen its position as a premier provider of education solutions. Some of Wolters Kluwer Education's most trusted brands include:

- Bildungsverlag EINS
- digital spirit
- Jugend & Volk
- Liber
- Müszaki
- Nelson Thornes
- Wolters-Noordhoff
- Wolters Plantyn

Wolters Kluwer Education serves students, teachers, and lecturers in subjects spanning the curriculum in primary and secondary education, with some higher and vocational educational offerings. Ongoing generations of Europeans are educated with these brands.

### 2004 Accomplishments

Exciting new products and continued successes from Wolters Kluwer Education in 2004 included:

- Cutting edge science lesson resources, *Scientifica*, from leading U.K. educational publisher, Nelson Thornes;
- The first release of "*Fachschule Online*", a blended learning solution for further education in business and management studies in Germany;
- WK Scandinavia's Liber launched *Exec*, a successful, completely new series of books targeting all management at all levels;
- The *Maths Hajdu-series* in Hungary proved a favorite among 1,000 students who gave 80,000 answers in a national survey on the most popular books. This popularity explains why this book series is a market leader, with 32-46% market share in lower primary and 85-90% in upper primary;

€ MILLION	2004	2003	% change	% change constant currencies
<i>(Except as otherwise indicated)</i>				
Revenues	<b>309</b>	302	2	2
Ordinary EBITA	<b>52</b>	54	(5)	(5)
Ordinary EBITA margin (%)	<b>17</b>	18		
CAPEX	<b>7</b>	5		
FTEs (average)	<b>1,378</b>	1,481		

- Dutch educational publisher, Wolters-Noordhoff, continues to hold a leading position in the atlas market. The *Grote Bosatlas* exists since 1877, with over three million copies sold since then. In 2004, a new member of the *Bosatlas* family was launched: the *Wereld Bosatlas*, with over 21,000 copies sold in three months.

Digital spirit developed an e-learning training program with Siemens-VDO for the (in 2005 by EU law mandatory) digital tachograph and will now market this jointly to all European truck drivers, transport companies, workshops, police forces, etc.

Partnerships in 2004 have resulted in strategic strongholds, with Wolters Kluwer acknowledged as Bosch's European preferred partner in education. With innovative core products for the automotive industry (999 products with integrated ICT components), growth of 16% has been achieved in this market segment. In an e-learning joint venture with the Swedish Real Estate Owners Association, Liber Hermods has created a meeting place for knowledge, education, training, and competence development and has coordinated the educational activity nationwide in a common portal. Nelson Thornes has developed *EXP Maths* in association with Keele

University as part of a major research project into the use of interactive whiteboards to teach mathematics and was extensively piloted in schools.

In the United Kingdom, Nelson Thornes became the exclusive preferred partner of the Assessment and Qualifications alliance, the largest examining board in the United Kingdom. This makes Wolters Kluwer's support materials in science the only ones to be officially endorsed. Nelson Thornes' acquisition of BEAM forms part of its long-term strategic plan to enhance its reputation as an innovative and creative solutions provider across all areas of learning, including continued professional development.

BEAM's product portfolio is also part of Nelson Thornes' strategy to offer more e-learning solutions to the education sector.

### Financial overview

Revenues grew by 2% from €302 million in 2003 to €309 million in 2004. Organic revenue growth was 1%. In the Netherlands, secondary education performed strongly, mainly due to the impact of the curriculum change. Ordinary EBITA margin declined from 18% to 17%.



**Harry Sterk**  
CEO Education  
The Netherlands, 1960

Harry Sterk is CEO of Wolters Kluwer Education since December 2001. Prior to joining Wolters Kluwer he was Managing Director of EMAP Communications Netherlands and Board Member of EMAP Communications (UK). Since 1986, he held a number of positions with a strong focus on European markets. Coupled with his strong senior management experience in the information industry, he has continued to lead the extension of Education's product lines to include many innovative electronic teaching tools. Harry Sterk has a BBA from Nijenrode Business University and an MBA from the Rotterdam School of Management.

### Brands

Bildungsverlag EINS, digital spirit  
Jugend & Volk, Liber,  
Műszaki, Nelson Thornes,  
Wolters-Noordhoff, Wolters Plantyn

### Websites

[www.bildungsverlag1.de](http://www.bildungsverlag1.de)  
[www.digital-spirit.de](http://www.digital-spirit.de)  
[www.jugendvolk.co.at](http://www.jugendvolk.co.at)  
[www.liber.se](http://www.liber.se)  
[www.muszakikiado.hu](http://www.muszakikiado.hu)  
[www.nelsonthornes.com](http://www.nelsonthornes.com)  
[www.wolters.nl](http://www.wolters.nl)  
[www.woltersplantyn.be](http://www.woltersplantyn.be)



## Risk Management

### RISK PROFILE

As an internationally active information business, Wolters Kluwer faces and manages various risks, including:

- Business risks, such as the highly competitive and rapidly changing nature of our markets, changes in demand for products by customers, copyright infringements, and the rapidly changing technological environment;
- Financial risks, such as currency movements, interest rate fluctuations, liquidity, and credit risks.

### BUSINESS RISKS

Wolters Kluwer has established a risk management system and embedded it in its business operations. The Company mitigates risks by having a solid strategy in place and hiring the best human resources available. The strategy is focused on serving professionals in information-intensive sectors on a subscription basis. Wolters Kluwer products and services are crucial to these professionals. This means that the Company caters to stable markets with a strong and constant need for up-to-date information, particularly in the rapidly evolving fields of regulation and compliance (tax, fiscal, legal) learning (education) and health (medical). Copyrights and patents protect Wolters Kluwer's portfolio of information, software, and services with a high added value. This portfolio is balanced in terms of markets and geography. As part of its strategy, the Company is implementing a centralized ICT governance model. As much as possible, use is made of shared content and delivery platforms and common back office systems. This enables the Company to build on economies of scale across the organization.

### FINANCIAL RISKS

As is the case with most international businesses, the Company manages a variety of financial risks, including currency and interest rates, liquidity, and credit risk. Fluctuations in exchange and interest rates may affect Wolters Kluwer's reported results. It is the Company's goal to mitigate the effects of exchange rate and interest rate movements on net income, equity, and cash flow. Whenever possible, the Company tries to establish this by creating natural hedges, i.e. income and expenses in the same currency and by matching assets and liabilities.

<sup>12</sup>Net investment is defined as the total of the equity investment in and long-term receivables from our U.S. holding company.

When natural hedges are not present, Wolters Kluwer tries to realize the same effect with the aid of financial instruments.

For this purpose, hedging ranges have been identified and strict policies and governance are in place covering the program. The Company only purchases or holds financial instruments for hedging purposes, and strict authorization procedures are in place and applied, and most of these instruments qualify for hedge accounting as defined in IAS 39. For additional disclosure about financial risks, please refer to Note 19 of the Consolidated Financial Statements.

### Currency risk

The main currency risks identified by Wolters Kluwer are currency transaction and translation risks. The transaction risk exposure within individual Wolters Kluwer entities is considered to be limited. The prices that Wolters Kluwer charges its customers for products and services are mainly denominated in customers' local currencies. Given the nature of the business, almost all related costs are also incurred in those local currencies. Financial instruments to hedge transaction risk are not frequently used.

An instantaneous 1% depreciation of the U.S. dollar against the euro from their levels at December 31, 2004, with all other variables held constant, would have the following impact on the Company's financials:

APPROXIMATE IMPACT IN € MILLION	
Revenues	(16)
Operating income	(1)
Net income	(1)
Shareholders' equity	(14)

In order to hedge its net investment<sup>12</sup> in the United States, the Company currently has U.S. dollar forward contracts outstanding for a total notional amount of €595 million (\$651 million), which represents a U.S. dollar balance sheet cover of approximately 30% (2003: approximately 26%). The total value of forward exchange contracts at spot rates (carrying value) at year-end 2004 was €254 million, of which €157 million is realized and will be received in 2005 (€99 million) and 2006 (€58 million).

Part of the interest charges have (through the use of financial instruments) been swapped into U.S. dollar. Of all interest charges, approximately 38% is payable in U.S. dollars (on principal amounts). An instantaneous 1% depreciation of the U.S. dollar against the euro from their levels at December 31, 2004, with all other variables held constant, would result in a decrease of approximately €0.2 million in the financing results.

#### **Interest rate risk**

The Company seeks to protect results and cash flow from interest rate movements, either by arranging fixed- or variable rate funding, through the use of derivative instruments (Interest Rate Swaps). Of the total interest portfolio (excluding cash and cash equivalents), approximately 24% is variable rate, and 76% is fixed rate. Efforts will be made to achieve a ratio of 67-75% at fixed and 33-25% at variable interest rate. All percentages are calculated on principal amounts.

If interest rates increased instantaneously by 1% from their rates on December 31, 2004, with all other variables held constant, net interest expense would decrease by approximately €1 million in 2005 due to the significant cash position of the Company. This impact is based on the outstanding position at year-end.

#### **Liquidity risk**

In order to reduce liquidity risk, Wolters Kluwer has established the following minimum requirements:

- Repayment of long-term debt should be spread evenly over time;
- Acquire funding at least one year in advance of all maturing long-term debt;
- Minimum headroom (sum of unused committed credit facilities, cash, and cash equivalents) of €500 million.

In June 2004, Wolters Kluwer arranged a new multi-currency credit facility of €750 million, refinancing the existing \$600 million credit facility. The new credit facility has a maturity of five years with two extension options, potentially raising the maturity to seven years.

As Wolters Kluwer has access to unused committed credit facilities of €750 million and has cash and cash equivalents of €687 million, the headroom was approximately €1.4 billion at year end 2004 and reduces the liquidity risk of the Company significantly. No property has been collateralized or in any other way secured under these contracts.

#### **Credit risk**

Credit risk represents the loss that would be recognized if counterparties failed to perform as contracted.

As of December 31, 2004, there are no customers with significant outstanding payments due Wolters Kluwer. It is Wolters Kluwer's policy to conclude financial transactions, where possible, under ISDA (International Swap Dealers Association) master agreements. Cash is invested and financial transactions are concluded only with financial institutions with strong credit ratings. Furthermore credit limits per counterparty are in place.

#### **RISK MANAGEMENT AND INTERNAL CONTROLS**

The Executive Board is responsible for the internal control within Wolters Kluwer and therefore has implemented a risk management and internal control system. The purpose of these systems is to identify any significant risks to which the Company is exposed and enable the effective management of these risks, to meet strategic and operational objectives, to ensure the reliability of the financial reporting, and to comply with relevant laws and regulations. The internal control systems are designed based on the COSO framework. The COSO recommendations are aimed to provide a reasonable level of assurance. Consequently, these systems can never provide absolute assurance regarding the achievement of the Company's objectives, or entirely prevent material errors, losses, fraud, and violation of applicable laws and/or regulations.

The Company employs various mechanisms to ensure that adequate internal control systems are maintained:

- A standard annual planning and reporting cycle, consisting of the annual Business Development Plan (three-year strategic plan) on a divisional and operational entity level, the annual budget, quarterly forecasts, and monthly financial reporting;
- Periodic business reviews are conducted, whereby the C-level of the operating companies and divisional management discuss the progress against plan and actions to mitigate business risks;
- Standard financial and non-financial procedures and policies, including Letters of Representation that have to be signed periodically by all CEOs and CFOs of the divisions and operating companies as well as relevant corporate staff members, our company values and whistle-blowers policies;

- The Company has an operational auditor and internal auditors to ensure compliance with its policies and procedures and detect and address internal control issues;
- Wolters Kluwer has implemented an internal control dashboard including all recommendations and outstanding issues coming from management reviews, internal audit, and external audit. The issues are actively followed-up.

In 2004, we continued to focus on establishing common Wolters Kluwer Internal Control standards. We have built a Wolters Kluwer Internal Control Framework that enables the risk management process to be repeatable, integrated, and structured along the COSO framework

(control environment, risk assessment, control activities, information and communication, and monitoring). The Internal Control Framework is based upon Generic Key Controls, reflecting all major business and financial processes. At the end of 2004, the implementation process of the Internal Control Framework is still ongoing. As part of these activities, areas for further improvement in our risk management and internal control systems have been identified and the Company is taking the necessary steps to accomplish these improvements. We have a system (Internal Control Dashboard) in place to follow progress, and the Audit Committee, the Supervisory Board, and the external auditor are closely involved in monitoring this process and discussing findings with management.

## content *in* context

### Revolutionizing content *in* context

Name  
**Frans Rikhof**  
Position  
**Director**  
Company  
**Centre for Tax and Legal Knowledge & Libraries, Ernst & Young**  
Location  
**The Netherlands**

**What initially began as a six-month project to digitalize Ernst & Young's internal documentation back in 1992, has now developed into an intranet that hosts a full-blown tax and legal electronic library. Containing over several million documents, the vast majority comes from leading Dutch publisher, Kluwer.**

"When we started to expand the project back in 1993, we approached Kluwer with the idea of including their products, *Vakstudie* and *Vakstudie Nieuws*. *Vakstudie* has been 'the Bible' for Dutch tax law professionals for over a hundred years, so it was the obvious backbone for our information system," explains Frans Rikhof, Director of the Centre for Tax and Legal Knowledge & Libraries at Ernst & Young. "At the time, the request we made was very unusual: we needed content that was quick, accurate, and *dynamic*, which is a huge difference to how things used to be. A real period of partnership followed, based on our requests for content that fits our particular context. It was revolutionary of Kluwer to meet this demand." That partnership continues to this day.



**"Kluwer content is the backbone of our information system"**

"The solution that we have developed with Kluwer not only saves time, but the results are far more comprehensive as well. One of the big dangers in this business is missing information, but that also has now decreased dramatically."

Based on the overall risk profile of Wolters Kluwer, the status of the Internal Control Dashboard, and considering the ongoing implementation of the Internal Control Framework, the Executive Board believes that the elements for internal risk management and control systems are in place. The Company is currently engaged in the implementation process and expects to finalize this in the course of 2005. Within Wolters Kluwer, the design and effectiveness of the risk management and control systems are subject to continuous improvement, following the Company's continuing growth and changing risk profile. In the coming years, we will continue to give high priority to improving design and effectiveness, and further integrating the risk management and control systems into our daily operations, with the aim of providing an ever-increasing level of reasonable assurance that the relevant risks are identified and managed.

## Corporate Governance

### GENERAL

Corporate governance is an important subject for Wolters Kluwer. The Executive Board and the Supervisory Board are responsible for the corporate governance structure of the Company.

Important steps that have been taken with respect to corporate governance include:

- New by-laws of the Executive Board, the Supervisory Board, and its regular committees have been adopted;
- The remuneration policy and the Long-Term Incentive Plan for the Executive Board have been adopted and approved by the Annual General Meeting of Shareholders in 2004;
- The introduction of a whistle-blower policy;
- Further improvement of the internal risk management and control systems;
- Increased transparency by adding corporate governance-related information to the website ([www.wolterskluwer.com](http://www.wolterskluwer.com));
- The decision to allow proxy voting for the first time to all shareholders and holders of depositary receipts during the Annual General Meeting of Shareholders in 2005
- Amendment of the Trust Conditions to bring them in line with the Dutch Corporate Governance Code;
- A proposal to amend the Articles of Association of the Company will be submitted to the General Meeting of Shareholders in 2005;

Wolters Kluwer now complies with all of the principles and best practice provisions of the Dutch Corporate Governance Code (the Code), unless stipulated otherwise in this chapter. An outline of the broad corporate governance structure and an explanation of deviances from the Code will be given in this chapter. Corporate governance will be discussed during the Annual General Meeting of Shareholders in 2005.

### EXECUTIVE BOARD

The Executive Board is responsible for the strategy, policy, aims, and results of the Company. The members are appointed by the General Meeting of Shareholders. Reference is made to the proposed amendment of the Articles of Association of the Company for the procedure. The remuneration of the members of the Executive Board is determined by the Supervisory Board, based on advice of the Selection and Remuneration Committee of the Supervisory Board. In line with the Code, the remuneration policy and the Long-Term Incentive Plan (LTIP) for the Executive Board were adopted and approved by the General Meeting of Shareholders in 2004.

Under the LTIP, Executive Board Members can earn depositary receipts for ordinary shares after a period of three years. Granting of the shares is subject to clear and objective three-year performance criteria established in advance. After earning the shares, the Executive Board Members will not be restricted from selling them for a period of five years or until the end of their employment, as recommended in the Code (*Best Practice Recommendation II.2.3*). Wolters Kluwer sees no reason to require the Executive Board Members to hold their shares for five years, because under the plan, grants recur on an annual basis and as such the Executive Board Members will always have a strong incentive to safeguard the long-term interests of the Company. A five year holding period will not add anything to this.

Because the Company is acting in a competitive international environment, it is of crucial importance to have enough flexibility with respect to remuneration and terms of employment when new Executive Board Members are appointed. The Company does therefore not commit to the Best Practice Recommendations in the Code regarding appointment of Executive Board Members for a term of four years and the maximum remuneration in the event of involuntary dismissal (*Best Practice Recommendations II.1.1 and II.2.7*). In each case, the Company will honor existing contracts with Executive Board Members.

Wolters Kluwer has a very strict Code of Conduct for Insider Trading. The Executive Board is only allowed to trade during four Open Periods of two weeks, after publication of the annual, half-year, and quarterly results. There also are restrictions for trading in securities of peer group companies. Under the Wolters Kluwer Code of Conduct for Insider Trading, Executive Board Members are not compelled, however, to periodically notify the compliance officer of changes of their holdings in other Dutch listed companies as recommended in the Code (*Best Practice Recommendation II.2.6*). In the industry in which Wolters Kluwer operates, Board Members in general do not receive sensitive information about other Dutch listed companies in the ordinary course of business. Therefore, the Supervisory Board and the Executive Board see no added value for the Company to monitor trading in securities of all Dutch listed companies by members of the Executive Board.

#### **SUPERVISORY BOARD**

Wolters Kluwer has a two-tier board structure. The Executive Board Members are responsible for the day-to-day operations of the Company. The role of the Supervisory Board is to supervise the policies of the Executive Board and the general affairs of the Company and its affiliated companies, and to assist the Executive Board by providing advice. The General Meeting of Shareholders appoints the members of the Supervisory Board. At present, all Supervisory Board Members are independent from the Company. The number of supervisory board memberships of all Supervisory Board Members is limited to such extent that the proper performance of their duties is assured. None of the Supervisory Board Members is a member of more than five supervisory boards of Dutch listed companies, with any chairmanships counting as two memberships. Wolters Kluwer considers it important that the Supervisory Board Members are well informed about the business and operations of the Company. Towards this end, operating managers, including divisional Chief Executive Officers, hold presentations on their businesses on a regular basis. In addition, the Company facilitates visits to operating companies and individual meetings with staff and line managers. The General Meeting of Shareholders shall determine the remuneration of the Supervisory Board Members. The remuneration shall not depend on the results of the Company. The Supervisory Board Members do not receive shares or stock options by way of remuneration, nor shall they be granted loans. They are bound by the same

Code of Conduct for Insider Trading as the Executive Board Members. They are not compelled to periodically notify the compliance officer of changes of their holdings in other Dutch listed companies as recommended in the Code (*Best Practice Recommendation III.7.3*), for the same reason as explained in the paragraph about the Executive Board. At present, none of the Supervisory Board Members own any securities in Wolters Kluwer.

#### **COMMITTEES**

As part of its responsibilities, the Audit Committee focuses on the operation of internal risk management and control systems and, on the role and functioning of the internal audit department and external auditors. The Audit Committee consists of at least three people. At least one member of the Audit Committee is a financial expert. The Supervisory Board also has installed a Selection and Remuneration Committee. Because appointments and remuneration are often closely related, the Supervisory Board sees no advantages in two separate committees. Installing two separate committees consisting of the same members would only increase the administrative burden. In line with the Code, the Chairman of the Supervisory Board will not be the Chairman of the Selection and Remuneration Committee. The Committee shall in any event be responsible for drafting policies associated with remuneration within the Company and for a proposal to the Supervisory Board regarding the specific remuneration of individual Executive Board Members. It also is responsible for drawing up selection criteria and appointment procedures for Supervisory Board Members and Executive Board Members.

#### **THE SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS**

At least once a year, a General Meeting of Shareholders will be held. The agenda of the Annual General Meeting of Shareholders shall in each case contain the report of the Executive Board, the adoption of the financial statements, the report of the Supervisory Board, and the proposal to distribute dividends or other distributions. Resolutions to approve the management conducted by the Executive Board and the supervision exercised by the Supervisory Board shall be voted on separately. According to the proposed amendment of the Articles of Association, holders of shares or depositary receipts who alone or jointly represent at least half a percent (1/2%) of the capital of Wolters Kluwer or who represent a block of shares or

depository receipts at least worth €50 million, will have the right to request the Executive Board or Supervisory Board to put new items on the agenda of the General Meeting of Shareholders. At the Stock Exchange, depository receipts for ordinary shares (Depository Receipts) are traded. The Wolters Kluwer Trust Office issues the Depository Receipts and holds the underlying ordinary shares. The holders of Depository Receipts can exchange their Depository Receipts into ordinary shares under all circumstances and without limitation. Furthermore, Depository Receipt holders will under all circumstances get the right to vote, regardless of the number of Depository Receipts held by them, and can give a proxy to third parties.

Therefore, the Depository Receipts are not a measure against unfriendly takeovers. The reason for the issuance of Depository Receipts is to prevent a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at a General Meeting of Shareholders. All members of the Board of the Trust Office are independent from the Company. The Trust Conditions and Articles of Association of the Trust Office were changed in January 2005 to reflect the Code. In line with the Code, a separate meeting of Depository Receipt holders was held in February 2005.

For more information on the Trust Office, reference is made to the report of the Trust Office (page 44 of this report).

## content *in* context

### Tailored tax solutions

Name  
**Shon Holyfield**  
Position  
**Senior Manager**  
Company  
**Tax, Cox Communications, Inc**  
Location  
**The United States**

**"At an 80,000 foot level, our job is to identify what's wanted and needed by the tax department's customers and make sure that we are delivering it accurately and with world-class customer service," says Shon Holyfield, Senior Manager of Tax with Cox Communications, Inc. "One of the many services the tax department provides is the execution of sales and use tax billing for its cable television and telephony customers."**

Sales and use tax in the United States does not exist at a federal level. Instead, each state determines and promulgates its own laws and regulations for this tax. Almost every state has sub-jurisdictions as well. This results in a high-volume of varied compliance issues if you are in the business of selling and buying goods throughout the United States – like Cox Communications.

"It's not that any one state is terribly complex; it's just that it's so voluminous that it's nearly impossible to get your arms around it all.

**"CCH's response was simple: happy to assist"**

That is why we are implementing CCH's sales and tax use solution, *CCH ZIP®Comm and Cable Database*," explains Mr. Holyfield. "We chose CCH to help us with our work in this area because they are comprehensive, their automatic updates of changes in tax rates minimize errors, and they deliver excellent customer service. A perfect example: we recently asked CCH to reformat their extremely useful 'look-up tool' to fit our system. Their response was simple: no questions asked, happy to assist."



The only measure against unfriendly takeovers retained by the Company is the ability for the Wolters Kluwer Preference Shares Foundation to exercise its option to acquire newly issued preference shares. This gives the Executive Board time to study takeover proposals thoroughly and to consider alternatives. The Company believes this is in the interest of its shareholders. In this respect, it is important to note that all members of the Board of the Preference Shares Foundation are independent from the Company.

#### AUDIT FUNCTIONS

The Executive Board is responsible for the quality and completeness of publicly disclosed financial reports. The Supervisory Board shall see to it that this responsibility is fulfilled. The external auditor is appointed by the General Meeting of Shareholders. Wolters Kluwer intends to have the auditor appointed by the General Meeting of Shareholders every four years, after a thorough assessment of the performance of the external auditor. In addition to this thorough assessment, the Executive Board and the Audit Committee shall report their dealings with the external auditor to the Supervisory Board on an annual basis. The Supervisory Board has the discretion to put the appointment of the external auditor on the agenda of the General Meeting of Shareholders before the lapse of a four-year period, if so warranted. Reference is made to the Report of the Supervisory Board (page 39 of this report) for more information about the assessment of the external auditor and the proposal to reappoint the external auditor. The external auditor may be questioned by the General Meeting of Shareholders in relation to his auditor's opinion on the financial statements. The external auditor shall, therefore, attend and be entitled to address the General Meeting of Shareholders. In 2004 a new policy on auditor independence has been adopted, which is published on the Company's website ([www.wolterskluwer.com](http://www.wolterskluwer.com)). The internal auditor operates under the responsibility of the Executive Board. The external auditor and the Audit Committee are involved in drawing up the work schedule of the internal auditor. The findings of the internal auditor will be presented to the external auditor and the Audit Committee.

#### LEGAL STRUCTURE

The ultimate parent Company of the Wolters Kluwer Group is Wolters Kluwer nv. In 2002, Wolters Kluwer nv abolished the voluntary application of the structure regime ("structuurregeling"). As a consequence, the structure

regime became applicable to Wolters Kluwer Nederland bv, which is the parent Company of the Dutch operating subsidiaries. Wolters Kluwer International Holding bv is the (in)direct parent company of the operating subsidiaries outside the Netherlands.

#### OUTLOOK 2005

The second year of our three-year strategy started with excellent renewal rates and continued strong subscription levels. We continue to invest in new, state-of-the-art products and services, and the reorganization completed in 2004 has made Wolters Kluwer a stronger, more vital company with employees rallying around the new strategy. This gives us the confidence that we are on our way to achieving the targets set out for 2005.

Our expected outlook for Wolters Kluwer as a whole in 2005 is (in constant currencies of USD/EUR 1.243):

- Organic top-line growth of 1-2%, after approximately €20 million product-line pruning;
- Operating margins of 15-16%, before restructuring charges of approximately €10 million;
- Cash conversion ratio of 95-105%
- Free cash flow of approximately €250 million;
- Return on invested capital of 6-7%;
- Ordinary earnings per share (EPS) of €0.92 - €1.01, including the impact of IFRS treatment on financing costs of €15 million;
- Costs savings upgrade to €80 - €90 million for 2005, long-term target €100 - €110 million.

*Amsterdam, March 1, 2005*

**Executive Board**

# Report of the Supervisory Board

## FINANCIAL STATEMENTS

The Executive Board has submitted the financial statements for the financial year 2004 to the Supervisory Board.

The Supervisory Board also took note of the reports and the statement by KPMG Accountants nv (as referred to in Article 26, paragraph 3 of the Company's Articles of Association), which have been discussed with them.

Taking KPMG's reports into account, the Supervisory Board signed the 2004 financial statements in the presence of the auditor and proposes to shareholders that they adopt these financial statements (see page 53 et seq of this report) at the Annual General Meeting of Shareholders on April 14, 2005. Resolutions to approve the management conducted by the Executive Board and to approve the supervision exercised by the Supervisory Board will be voted on separately at the Annual General Meeting of Shareholders.

It is proposed to distribute a dividend of €0.55 per share in cash or, at the option of our shareholders, in stock.

Stock payments will be determined on April 25, 2005, after close of trading. Upon approval by the Annual General Meeting of Shareholders, the payments will be made as from April 27, 2005. This distribution is in line with the policy on additions to reserves and on dividends that will be discussed separately at the Annual General Meeting of Shareholders on April 14, 2005.

## ACTIVITIES

The Supervisory Board held seven meetings in 2004.

Each meeting started in the absence of the Executive Board Members. Each of the Supervisory Board Members attended five or more of these meetings. One of the meetings was combined with a working visit to operations in the United Kingdom, where local management gave a presentation. In accordance with the Dutch Corporate Governance Code, the functioning of the Supervisory Board and the Executive Board, and the performance of the individual members of both boards were discussed in the absence of the Executive Board. The composition of the Supervisory Board, the Audit Committee, the Selection and Remuneration Committee, and the Executive Board were also discussed in the absence of the Executive Board.

The Executive Board keeps the Supervisory Board closely informed about the execution of the three-year strategy and strategic issues in general. The Supervisory Board actively discussed these matters with the Executive Board in 2004.

All divisional CEOs and some managers of operating companies have given one or more presentations to the Supervisory Board in 2004, in order to give the Supervisory Board insight into the strategic issues facing the business. The Supervisory Board and Audit Committee also were informed about the general and financial risks of the business and about the results of an assessment of internal risk management and control systems.

For more information on internal risk management and control systems, reference is made to page 32 of this report.

The new € 750 million multi-currency credit facility was approved by the Supervisory Board in 2004. Other subjects discussed during the Supervisory Board meetings were the long-term strategy of the Company, acquisitions and divestments, hedging, and branding. The Supervisory Board also was informed about the new plans regarding management development and is very supportive of these plans. During the course of the year, the Executive Board informed the Supervisory Board on the course of business and important developments and decisions. In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board had regular contact with the Chairman and other members of the Executive Board.

The Supervisory Board closely monitors developments with respect to corporate governance. A separate meeting with a delegation of the Supervisory Board was held to discuss the implementation of the new Dutch Corporate Governance Code at Wolters Kluwer. The Supervisory Board determined new bylaws of the Supervisory Board and the Executive Board and the Terms of Reference of the Audit Committee and the Selection and Remuneration Committee, in order to bring them in line with the Corporate Governance Code. For more information about corporate governance and recent steps that have been taken to improve corporate governance, reference is made to page 35 of this annual report.

## AUDIT COMMITTEE

The Audit Committee, comprising Messrs. Westdijk (Chairman), Baan, De Ruiten, and Scheffers (appointed in 2004), met on four occasions in 2004: during the preparation of the annual, half-year and quarterly results.



These meetings were held in the presence of representatives of the Executive Board, the external auditor and corporate staff members. Among the main items discussed were the financial results of the Company, the International Financial Reporting Standards, pensions, internal risk management and control systems, the recommendations and observations of internal and external auditors, the hedging policy, tax planning, the auditor independence policy, and the new €750 million multi-currency credit facility.

The Audit Committee has reviewed the proposed audit scope and approach, the audit fees, the independence of the external auditor, and the non-audit services provided by the external auditor.

### ASSESSMENT OF THE EXTERNAL AUDITOR

In line with the Dutch Corporate Governance Code, a thorough assessment of the external auditor took place in 2004.

The assessment was conducted through an extensive process including in-depth interviews with the Chairmen of the Audit Committee and Supervisory Board, members of the Executive Board, and key officers at both corporate and divisional level. Furthermore, electronic questionnaires were filled out by key financial officers at operating companies. The Audit Committee and Executive Board have informed the Supervisory Board of the results of the assessment. Based on these results the Supervisory Board proposes to the Annual General Meeting of Shareholders on April 14, 2005, to reappoint KPMG Accountants nv for a period of four years.

The Supervisory Board reserves the right to put the appointment of the external auditor on the agenda of the Annual General Meeting of Shareholders before the lapse of the four-year period if so warranted.

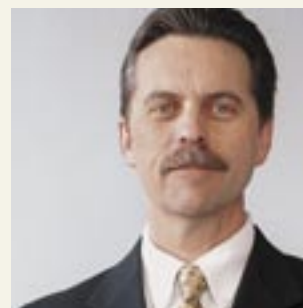
## content *in* context

### Quick and secure compliance

Name  
Steve Bowley  
Position  
President and Compliance Director  
Company  
William Scott & Company  
Location  
The United States

"Securities is probably the most regulated business in the United States - perhaps in the world," declares Steve Bowley, President and Compliance Director of William Scott & Company. "I am responsible for ensuring that our organization complies with all rules and laws related to the securities industry, and that we also provide a comprehensive Written Supervisory Procedures (WSP) manual that details how we do so. Before coming on board with CCH's securities compliance solution, *CCH Wall Street*, this was an extremely time-consuming task for me."

"With *CCH Wall Street*, by answering a series of questions related to our company, a tailor-made WSP manual was automatically generated and populated. And there was no way I could reasonably have achieved this



*"CCH Wall Street is an integral part of our organization"*

level of professionalism in a manual on my own," explains Mr. Bowley. "Another advantage is that it's published online. So any William Scott & Company employee can access the manual to review the rules as needed. *CCH Wall Street* has become an integral part of our organization and I anticipate it will remain that way."

## SELECTION AND REMUNERATION COMMITTEE

This committee met two times in 2004. The committee consists of Messrs. Pennings (Chairman), Baan, and De Ruiter. The committee discussed the remuneration policy for the Executive Board, including the base salary, the new Long-Term Incentive Plan (LTIP) and the Short-Term Incentive Plan. At the Annual General Meeting of Shareholders on April 21, 2004, the remuneration policy was adopted and the LTIP was approved.

The Supervisory Board has decided, based on a proposal from the Selection and Remuneration Committee, to increase the salary of the individual members of the Executive Board in 2005. For more information about the remuneration of the Executive Board Members, reference is made to the Remuneration Report on page 42 of this annual report.

Based on a recommendation of the Selection and Remuneration Committee, the Supervisory Board proposes to the Annual General Meeting of Shareholders on April 14, 2005, an increase of the remuneration of the Supervisory Board Members in 2005. According to the proposal the annual remuneration will be as follows: €45,000 for the Chairman of the Supervisory Board, €40,000 for the Deputy Chairman and €35,000 for the other members. The compensation for the membership of the committees will remain unchanged at €5,000 for chairmen of the committees and €4,000 for members.

The committee also actively searched for a new member for the Supervisory Board in relation to the retirement of Mr. Westdijk in 2005. This has resulted in the nomination of Mr. P.N. Wakkie as a new member of the Supervisory Board at the Annual General Meeting of Shareholders on April 14, 2005.

## COMPOSITION

Members of the Supervisory Board are appointed by the General Meeting of Shareholders. At last year's meeting on April 21, 2004, Mr. Van Miert was reappointed as member of the Supervisory Board. At the same meeting, Mr. Scheffers was appointed as member of the Supervisory Board.

Mr. Westdijk will retire after the Annual General Meeting of Shareholders in 2005 according to the rotation schedule, after having served as member of the Supervisory Board for three periods of four years. The Supervisory Board would like to express its gratitude to Mr. Westdijk for his dedication combined with a high level of expertise and his commitment to the company and the Supervisory Board.

Mr. Van Miert will resign as member of the Supervisory Board due to the increasing workload related to his other activities. The Supervisory Board would like to thank Mr. Van Miert for his commitment.

After careful consideration, the Supervisory Board proposes to the Annual General Meeting of Shareholders on April 14, 2005, to reappoint Ms. Frost as member of the Supervisory Board. Furthermore, the Supervisory Board proposes to appoint Mr. P.N. Wakkie as a new member of the Supervisory Board. Appointment of Mr. Wakkie fits the profile of the Supervisory Board because of his experience in the fields of Dutch and international legal matters, corporate governance and regulations, and knowledge of, and experience with, many of Wolters Kluwer's products. For more information on each of the Supervisory Board Members in accordance with the Dutch Corporate Governance Code, reference is made to page 10 of this report. All members of the Supervisory Board are independent from the Company within the meaning of Best Practice Provision III.2.2 of the Dutch Corporate Governance Code.

We would like to thank Mr. Yarrington, who stepped down from the Executive Board at the end of 2004, for his years of dedicated service to Wolters Kluwer.

Finally, we would like to take this opportunity to thank the Executive Board and all employees for their efforts in the past year.

*Amsterdam, March 1, 2005*

## Supervisory Board

**H. de Ruiter, *Chairman***

**J.V.H. Pennings, *Deputy Chairman***

**A. Baan**

**A.J. Frost**

**K.A.L.M. Van Miert**

**H. Scheffers**

**N.J. Westdijk**

# Remuneration Report

During the Annual General Meeting of Shareholders (AGM) of April 21, 2004, the Remuneration Policy for members of the Executive Board for 2004 and subsequent years was adopted, and the Long-Term Incentive Plan approved. In accordance with the recommendations of the Dutch Corporate Governance Code, any material changes to Wolters Kluwer's Remuneration Policy for members of the Executive Board will be submitted to the AGM for adoption. As there are no material changes to the Remuneration Policy in 2005, it will not be an agenda item at the AGM on April 14, 2005.

The Supervisory Board, based on recommendations from its Selection and Remuneration Committee, determines remuneration of individual Executive Board Members.

## **REMUNERATION POLICY FOR THE EXECUTIVE BOARD**

The Remuneration Policy planned by the Supervisory Board for 2005 and subsequent years is equal to the Remuneration Policy adopted at the Annual General Meeting of Shareholders on April 21, 2004. The goal for Executive Board remuneration is to align individual and Company performance, to strengthen long-term commitment to the Company and to attract and retain the best executive management.

The remuneration of Executive Board Members is based on surveys and analysis by internationally recognized firms specializing in executive compensation. Because Wolters Kluwer is a global organization and its Executive Board represents diverse nationalities, remuneration is benchmarked against surveys from Dutch, other European and U.S. companies.

Remuneration for the Executive Board consists of three elements: a base salary, a Short-Term Incentive Plan (cash bonus) and a Long-Term Incentive Plan (performance shares). The base salary is determined annually. Both the short-term and long-term incentives vary according to performance. Variable elements of the remuneration package make up the largest portion of the Executive Board's total compensation. This reflects the philosophy that all senior executive compensation is linked to shareholder value.

The Short-Term Incentive Plan (STIP) grants to the Executive Board Members a cash bonus if specific targets are met. STIP objectives are financial criteria determined to create

value, such as revenue growth and free cash flow.

Executive Board Members participate in pension schemes of their home countries, except in the Netherlands where an individually defined contribution plan is used, as detailed on page 91 of this report. In France, additional pension insurance has been arranged on top of the local scheme. All current Executive Board members have (leaving aside retirement due to age) employment contracts for an indefinite period of time. Periods of notice vary between 30 and 90 days. The Company does not comply with the Best Practice Recommendations in the Dutch Corporate Governance Code regarding appointment for a limited term of four years and the maximum remuneration in the event of involuntary dismissal (see the explanation in the chapter about corporate governance on page 35 of this report). Existing contracts with current Executive Board members will be honored.

## **REMUNERATION EXECUTIVE BOARD IN 2004**

Fixed and variable compensation and other considerations for members of the Executive Board are shown in detail on pages 91 and 92 of this report. In 2004, base salaries for Executive Board Members were not increased.

The annual bonuses granted in 2004 for performance in 2003 were based on the achievement of budgeted ordinary net income. The bonus for performance on target would have been 70% of the base salary; actual payout was 40% of base salary. The STIP bonus target for performance in 2004 with payout in 2005 for members of the Executive Board was based on free cash flow with a payout of 70% of base salary for performance on target and a maximum payout of 90% of base salary for a stretched target. The amount, payable in March 2005, will be 90% of base salary. Since this bonus is related to 2004 performance, this amount is included in the total remuneration for 2004 as shown on page 91 of this annual report.

## **LONG-TERM INCENTIVE PLAN FOR THE EXECUTIVE BOARD**

At the Annual General Meeting of Shareholders on April 21, 2004, the implementation of a new Long-Term Incentive Plan (LTIP) for Executive Board Members was approved. The LTIP aligns the organization and its management with the strategic goals of the Company thus rewarding the creation of shareholder value. The plan uses performance shares and at the beginning of a three-year period a

conditional award of shares is established. The total number of shares that the Executive Board Members will actually receive at the end of the three-year performance period depends on the achievement of predetermined performance conditions.

#### PERFORMANCE CONDITIONS

Rewards are based on the performance of Wolters Kluwer's Total Shareholder Return (TSR) in relation to a group of 15 peer companies. TSR is calculated as the share price appreciation over a three-year period including dividend reinvestment. The peer group consists of the following companies: Arnaldo Mondadori, Dow Jones & Company, Emap, Grupo PRISA, John Wiley & Sons, Knight Ridder, Lagardère, McGraw-Hill, Pearson, Reed Elsevier, Reuters, T&F Informa, Thomson, United Business Media, and VNU. This peer group represents the media companies from the Morgan Stanley Capital Index (MSCI), the most widely used index by media analysts.

The Executive Board can earn 0-150% of the number of conditionally awarded shares at the end of the three-year period depending on the improvement in Wolters Kluwer's TSR compared to the peer group. The plan for the first

three-year period would pay out 100% of the number of conditionally awarded shares if TSR improved to a second quartile position for Wolters Kluwer (the fifth to eighth position). The conditional share awards for the Executive Board are determined by the comparable market information from Dutch, other European and U.S. companies.

The actual number of conditionally awarded shares over the period 2004-2006 can be found on page 91 of this report. The Company's external auditor or an independent expert appointed by the Supervisory Board will verify whether the performance conditions have been met.

#### SENIOR MANAGEMENT REMUNERATION

Senior management remuneration consists of a base salary, a STIP and a LTIP. The senior management STIP is based on the achievement of specific objective targets that are linked to creating value for shareholders, such as revenue growth and cash flow. The LTIP targets of senior management are similar to those described for members of the Executive Board.

*Amsterdam, March 1, 2005*

**Selection and Remuneration Committee**

## content *in* context

### Increasing interactivity in the classroom

Name  
Sam Thompson  
Position  
Head of Mathematics  
Company  
Acklam Grange School  
Location  
The United Kingdom

**Acklam Grange has been a Specialist College of Mathematics and Computing since September 2003. Head of Mathematics, Sam Thompson, explains, "We implemented Nelson Thornes' blended learning solution, *EXP Maths*, from the beginning and still use it now; despite having seen many alternatives, it remains excellent value for money."**

*"EXP has brought mathematics to life. It has changed the way we used to teach, and pupils now participate much more actively in their lessons.*

*"Nelson Thornes' EXP Maths has changed the way we teach"*

*EXP Maths* was developed in association with Keele University as part of a major research project into the use of interactive whiteboards to teach mathematics, and was extensively piloted in schools throughout the United Kingdom. As Ms. Thompson says,

They love to come to the front of the class and use *EXP* on the interactive whiteboard. One of our pupils recently summed it up: 'Maths lessons are really interesting now and we really like it.' *EXP Maths* has definitely improved motivation and is a significant factor in improved results."



# Report of the Stichting Administratie Kantoor Wolters Kluwer

(WOLTERS KLUWER TRUST OFFICE)

## ACTIVITIES

The Board of the Trust Office met three times in 2004. The Board also attended the Annual General Meeting of Shareholders (AGM). The general developments at Wolters Kluwer, as well as the annual results 2003 and the half-year results 2004 were discussed with representatives of the Executive Board. More specifically, attention was paid to, for example, execution of the strategy, acquisitions, the International Financial Reporting Standards, and the performance of the Divisions. This enabled the Board of the Trust Office to gain good insight into developments at Wolters Kluwer. All information that was disclosed to the Trust Office was publicly known at the moment of disclosure. One of the meetings was entirely dedicated to discussing the Dutch Corporate Governance Code. This subject was also discussed during the other meetings. With respect to corporate governance, and the amendment of the Trust Conditions and Articles of Association of the Trust Office, the Board was advised by Mr. G.W.Ch. Visser (civil-law notary).

Prior to the AGM of 2004, the Board of the Trust Office discussed the agenda for this meeting. During this meeting the Board has thoroughly studied the proposal to adopt the remuneration policy and approve the Long-Term Incentive Plan for the Executive Board. Furthermore, representatives of the Executive Board have answered many questions from the Board of the Trust Office. Taking into account the (publicly available) information received prior to the AGM, and the discussions at the AGM, the Board of the Trust Office decided after careful consideration to support all proposals. The Board of the Trust Office represented 97.7% of the capital with voting rights that was present at the Annual General Meeting of Shareholders.

## CORPORATE GOVERNANCE

The Board of the Trust Office extensively discussed (both during the meetings and in writing) the new Dutch Corporate Governance Code. The Board of the Trust Office agrees to the principle that depositary receipts for ordinary shares are a means of preventing a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at an Annual General Meeting of Shareholders. The Trust Conditions and Articles of Association of the Trust Office have been amended on January 13, 2005, to bring them in line with the Dutch Corporate Governance Code.

All depositary receipt holders can in all circumstances and without limitation exchange their depositary receipts into ordinary shares and have the right to vote during shareholders meetings under all circumstances. Therefore, the depositary receipts are not an anti-takeover measure. The Board of the Trust Office would like to emphasize in this respect that although according to Dutch law it is possible to use depositary receipts as anti-takeover measure in case of threat of an unfriendly takeover (by not allowing depositary receipt holders the right to vote in such case), the Trust Conditions clearly state that, at Wolters Kluwer, no use will be made of this possibility in the law. Also in case of (a threat of) an unfriendly takeover all depositary receipt holders will be allowed to vote without limitation. Furthermore, during the AGM on April 14, 2005, all depositary receipt holders can for the first time give a proxy to third parties to vote on their behalf. The Board of the Trust Office would like to promote as much as possible that depositary receipt holders use the possibility to vote and supports simplifying the procedures as much as possible.

In this respect it is noted that the Company uses a record date for several years already. In line with the Dutch Corporate Governance Code, the new Articles of Association of the Trust Office explicitly stipulate that in exercising its voting rights, the Trust Office shall be primarily guided by the interests of the depositary receipt holders, taking the interests of the Company and its affiliated enterprises into account. According to the old Articles of Association, the Company appointed two of the five members of the Board of the Trust Office. In line with the Dutch Corporate Governance Code the Board of the Trust Office has amended this stipulation in such a way that all members of the Board of the Trust Office will be appointed by the Board of the Trust Office and that all members have to be independent from the Company.

In line with the Dutch Corporate Governance Code, the Board of the Trust Office called for a meeting of holders of depositary receipts, which was held on February 1, 2005. At this meeting only 4.8% of the total capital of outstanding depositary receipts was present. During this meeting, corporate governance was discussed. A big majority of the capital present at the meeting expressed its confidence in the Board of the Trust Office.

Prior to the meeting, a memorandum was made available for the holders of depositary receipts, in which an explanation was given how the Board of the Trust Office will deal with the relevant provisions of the Dutch Corporate Governance Code. This memorandum can be found on the Company's website ([www.wolterskluwer.com](http://www.wolterskluwer.com)) alongside the minutes of the meeting.

The Company provides the Board of the Trust Office with relevant information regularly. The Company shall however not disclose information to the Trust Office that has not been made public.

In line with the Dutch Corporate Governance Code, the Board of the Trust Office will annually publish a report, which will be posted on the website of the Company. Other information available on the website includes the Trust Conditions, the Articles of Association of the Trust Office, information regarding the members of the Board of the Trust Office, and the rotation schedule of the Board of the Trust Office.

The remuneration of the members of the Board of the Trust Office is €9,000 per year for the Chairman and €7,000 per year for the other members. If the members of the Board attend more than three meetings a year, the Chairman will receive an additional compensation of €1,300 per meeting and the other members will receive an additional compensation of €1,000 per meeting. Other costs related to the Trust Office in 2004 are the administration costs (€65,120), insurance costs (€2,675) and costs for the accountant (€3,500).

#### **COMPOSITION OF THE BOARD OF THE TRUST OFFICE**

In 2004, Mr. L. Traas resigned because the Dutch Corporate Governance Code stipulates that Board Members shall resign after three terms of four years.

Mr. S.D. de Bree has succeeded Mr. Traas as Chairman of the Board of the Trust Office. The Board of the Trust Office has appointed Mr. J.F.Th. Vugts as new member of the Board. The Board intends to reappoint Mr. Bolt as member of the Board of the Trust Office during the meeting of the Board of the Trust Office that will be held on April 6, 2005. In accordance with the Articles of Association, an advertisement has been placed in two Dutch nationally distributed newspapers and in the Official Price List of Euronext Amsterdam nv, in which this intention was announced and in which holders of depositary receipts were given the opportunity to recommend other persons in writing.

The members of the Board of the Trust Office have the following functions (including their most recent previous principle function):

**Mr. S.D. de Bree:** Former Chairman of the Executive Board of DSM nv; Chairman of the Supervisory Board of Stork nv; member of the Supervisory Board of Siemens Nederland nv; Board Member of Entergy Corporation; Chairman of the Boards of Stichting Preferente Aandelen Philips nv, and Stichting Administratiekantoor Koninklijke Grolsch.

**Mr. H. Bolt:** Former member of the Executive Board of CSM nv; Chairman of the Supervisory Board of Aegon Nederland nv; and Vice Chairman of the Supervisory Board of Schuitema nv.

**Mr. S.C.J.J. Kortmann:** Professor in Civil Law at the Radboud University in Nijmegen; Chairman of the Board of the Research Centre Company and Law of this university; Deputy Justice of the Courts of Appeals of 's Hertogenbosch and Arnhem; member of the Supervisory Boards of SNS Reaal Groep nv, Kropman bv, and Dela Cooperatie; Chairman of the Boards of Stichting Administratiekantoor Preferente Aandelen Randstad Holding nv, and Stichting Preferente Aandelen Fugro; member of the Boards of Stichting Continuïteit ING nv, Stichting Administratiekantoor van Aandelen Koninklijke Grolsch, Stichting Administratiekantoor SNS REAAL Groep nv, Stichting Preferente Aandelen Koninklijke Nedlloyd Groep, and Stichting Preferente Aandelen DSM; as well as Chairman or Member of Boards of some foundations focusing on educational programs for lawyers.

**Mr. A.H.J. Risseuw:** Former Chairman of the Executive Board of Getronics nv; Chairman of the Supervisory Boards of KPN nv, Intergamma bv, Samas-Group nv, and Groeneveld bv; member of the Supervisory Boards of Heineken nv, and Blokker Holding bv; member of the Supervisory Board of TNO Delft; member of the Boards of the Administratiekantoor ING nv, and Stichting Administratiekantoor Preferente Aandelen Randstad Holding nv; member of the Advisory Board of Deloitte & Touche in Rotterdam.

**Mr. J.F.Th. Vugts:** Former Chairman of the Executive Board of SNS REAAL Groep nv; Chairman of the Supervisory Boards of Alewijnse Holding bv, DKZET Offsetrotatie bv, and MercaChem bv; member of the Supervisory Board of Van Grinsven Drukkers bv and, Tennet bv; member of the Board of the Foundation Catholic University Nijmegen.

## DEPOSITARY RECEIPTS

Depositary receipts were issued and redeemed in 2004 as follows:

Under administration at December 31, 2003	<b>282,717,094</b>
Depositary receipts issued in connection with stock dividend	<b>5,397,251</b>
Depositary receipts issued in exchange of registered shares	<b>625,126</b>
Depositary receipts redeemed	-
Under administration at December 31, 2004	<b>288,739,471</b>

Depositary receipts had been issued for 97% of the issued ordinary share capital at the balance sheet date.

*Amsterdam, March 1, 2005*

**Board of Stichting Administratiekantoor  
Wolters Kluwer**

S.D. de Bree, *Chairman*

H. Bolt, *Deputy Chairman/Deputy Secretary*

S.C.J.J. Kortmann, *Secretary*

A.H.J. Risseeuw

J.F.Th. Vugts

## STATEMENT

The Executive Board of Wolters Kluwer nv and the Board of Stichting Administratiekantoor Wolters Kluwer hereby declare that, in their joint opinion, the requirements regarding the independence of the members of the Board of the Foundation, as laid down in Appendix X to the Listing and Issuing Rules of Euronext nv, have been satisfied.

*Amsterdam, March 1, 2005*

**Executive Board  
Board of Stichting Administratiekantoor  
Wolters Kluwer**

**Board of Stichting Administratiekantoor  
Wolters Kluwer  
p/a Apollolaan 153  
P.O. Box 75248  
1070 AE Amsterdam  
The Netherlands  
trustoffice@wolterskluwer.com**

# Report of Stichting Preferente Aandelen Wolters Kluwer

(WOLTERS KLUWER PREFERENCE SHARES FOUNDATION)

## ACTIVITIES

The Board of the Preference Shares Foundation met twice in 2004. The annual figures of 2003, the third-quarter results of 2004, and the general developments at Wolters Kluwer were among the matters that were discussed. Furthermore, the Board of the Foundation discussed general developments with respect to corporate governance and the implementation of the Dutch Corporate Governance Code at Wolters Kluwer.

The Foundation acquired no preference shares during the year under review.

## EXERCISE OF THE OPTION

The option on the preference shares is at present the only construction at Wolters Kluwer that can be regarded as protection against unfriendly takeover bids. The Foundation is entitled to exercise the option on the preference shares in such a way that the number of preference shares taken will be no more than 100% of the number of issued and outstanding ordinary shares at the time of exercise. Exercise of the option gives the Executive Board the possibility to study proposals thoroughly and to compare these with alternatives.

## COMPOSITION OF THE BOARD OF THE FOUNDATION

Mr. H.G. Bouwman retired by rotation in 2004. He has been reappointed. The Board of the Foundation consists entirely of persons having no association with Wolters Kluwer within the meaning of Appendix X to the Listing and Issuing Rules of Euronext Amsterdam nv.

*Amsterdam, March 1, 2005*

### Board of Stichting Preferente Aandelen Wolters Kluwer

J.C.T. van der Wielen, *Chairman*

S. Bergsma

R.W.J.M. Bonnier

H.G. Bouwman

E.J.J.C. van Groeningen

## STATEMENT

The Executive Board of Wolters Kluwer nv and the Board of Stichting Preferente Aandelen Wolters Kluwer hereby declare that, in their joint opinion, the requirements regarding the independence of the members of the Board of Stichting Preferente Aandelen Wolters Kluwer, as laid down in Appendix X to the Listing and Issuing rules of Euronext Amsterdam nv, have been satisfied.

*Amsterdam, March 1, 2005*

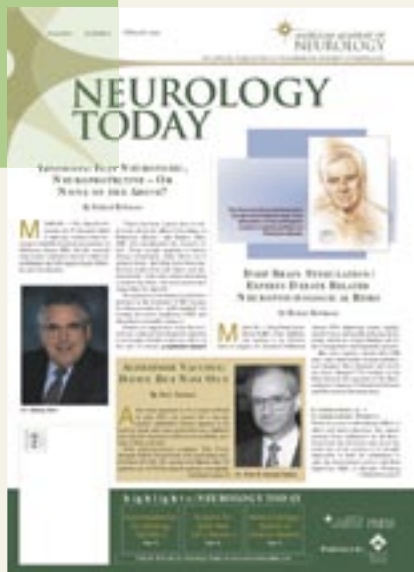
### Executive Board

**Board of Stichting Preferente Aandelen  
Wolters Kluwer**



Partners in growth

Name  
Bruce Polsky  
Position  
Chief Executive Officer  
Company  
AAN Press, The American  
Academy of Neurology  
Location  
The United States



The launch of *Neurology Now*, our new magazine for neurology patients, would not be possible without the business and financial support of Wolters Kluwer's Lippincott Williams & Wilkins," states Chief Executive Officer of the American Academy for Neurology Press, Bruce Polsky. "Publishing expertise and readiness to invest in growth in the health market are critical elements that Wolters Kluwer brings to our partnership. Combine these with the Academy's intellectual property and the loyalty of its membership, and we are confident that this publication - the first broad-interest magazine for neurology - will outstrip even the phenomenal success of our last joint venture, *Neurology Today*."

"One thing that makes neurology so compelling," continues Mr. Polsky, "is that something like one in six Americans is impacted by a neurological ailment of one sort or another, whether that be Alzheimer's, epilepsy, multiple sclerosis or migraine. As many as 50 million people in the United States alone are affected by neurological illness."

"Historically, neurology was an area that, once a neurologist was able to diagnose a disorder - many of which were chronic, debilitating illnesses - there was not much more they could do. The difference today is that as a result of a number of medical advances, there are treatments that can either help to slow the course of disease or make coping with neurological disease a lot more bearable. Given the pace of advances, and the efficacy of a number of new therapies, we felt that it was an appropriate time to launch a patient magazine."

With almost 19,000 members in total, including 4,500 internationally-based, the not-for-profit American Academy of Neurology is the largest organization of neurologists in the world. Among the Academy's missions is to provide continuing education to physicians, to advance the funding for and dissemination of research, and to draft evidence-based guidelines for the practice of neurology - but in all these initiatives, the ultimate goal is improving the quality of life for patients and their caregivers.

"As many as 50 million people in the United States alone are affected by neurological illness."

"We feel confident that Wolters Kluwer provides a strong, stable partnership for the Academy," states Mr. Polsky. With twenty-five years experience in publishing, he is ideally placed to evaluate the services Wolters Kluwer provides. "There is a new esprit de corps at the organization and staff are unified and focused on implementing a number of strategic initiatives vital to the growth of our partnership."

*Neurology Now* will publish quarterly both in print and online beginning in April 2005. The online version will be freely accessible in order to reach as many patients and caregivers as possible. A familiar practice by the Academy, Mr. Polsky explains, "The mission at the Academy is truly predicated on the well-being of patients and caregivers. It is our sense that making *Neurology Now* freely available to the public is an ideal way to advance that mission."

# Report of the Trustee

Originally amounting €700 million 1% convertible unsubordinated bonds 2001 due 2006 of Wolters Kluwer nv

In compliance with the provisions of III, article 2 of the trust deed executed before Mr. C.J. Groffen, civil-law notary practicing in Amsterdam, on November 30, 2001, we report as follows.

Unless previously purchased, redeemed or converted as provided in the trust deed, the bonds will be redeemed at 107.88 % of their principal amount on November 30, 2006. Up to and including November 16, 2006, the bonds are convertible into depositary receipts, each issued for one ordinary share Wolters Kluwer nv with a nominal value of €0,12 at a conversion price of €31.

During the year under review, €67,905,000 in principal amount of bonds was purchased by the Company. At December 31, 2004, the amount outstanding of the bonds was €422,128,000.

In compliance with I, article 9 of the trust deed, a sufficient stock of depositary receipts has been deposited with the Trustee as is needed to enable complete conversion of all the bonds in issue.

Wolters Kluwer nv is authorized to redeem all of the bonds outstanding:

1. provided that, within a period of thirty consecutive trading days, the closing price of depositary receipts of Wolters Kluwer nv on Euronext Amsterdam for twenty trading days shall have been at least 130% of the then applicable conversion price;
2. if 85% of the bonds originally issued have been converted or purchased.

Upon the occurrence of a "Change of Control", referred to in I, article 4.g, 5.c, and 17 of the trust deed, Wolters Kluwer nv will fix a date for early redemption of the bonds and notify the bondholders of such date and at the option of the bondholders redeem the bonds on the date fixed for redemption at its accreted principal amount on such date as stipulated in I, article 5 of the trust deed, together with interest accrued to such date.

*Amsterdam, March 1, 2005*

**N.V. Algemeen Nederlands Trustkantoor ANT**  
**L.J.J.M. Lutz, Director**

# Information for Shareholders

## CAPITAL STOCK

The ordinary shares have a nominal value of €0.12. The number of ordinary shares issued amounted to 297,673,617 on December 31, 2004 (2003: 292,051,797). The weighted average number of fully diluted ordinary shares used to compute the fully diluted per share figures was 310.1 million (2003: 309.3 million). Out of the money stock options are not included in this number. If these stock options are however taken into account, the total weighted average number of fully diluted shares was 318.9 million (2003: 318.7 million).

## MARKET CAPITALIZATION ON DECEMBER 31, 2004

On the basis of ordinary shares issued: €4.4 billion (2003: €3.6 billion).

## LISTING OF CAPITAL STOCK

Amsterdam (Euronext Amsterdam: WLSNC.AS, stock code 39588, ISIN code NL0000395887), and Frankfurt: depositary receipts for Wolters Kluwer ordinary shares.

USA (over-the counter, WTKWY, CUSIP No. 977874 20 5): American Depositary Receipts.

## ADR TRUST OFFICE

Morgan Guaranty Trust Company of New York  
60 Wall Street New York, NY 10260 United States

## OTHER WOLTERS KLUWER SECURITIES

Wolters Kluwer Bonds listed in Amsterdam:

- 6.250% subordinated bonds, 1997/2007, NLG 500 million (€226 million) issued and outstanding (ISIN code XS0076781425)
- 5.250% senior bonds, 1998/2008, NLG 500 million (€227 million) (ISIN code NL0000121911)
- 5.125% subordinated bonds, 1998/2005, NLG 400 million (€182 million) issued and outstanding (ISIN code XS0092962710)
- 6.875% perpetual cumulative subordinated bonds 2001 €225 million issued and outstanding (ISIN code NL0000119105)

Wolters Kluwer Convertible Bond listed in Amsterdam:

- 1.000% convertible unsubordinated bonds, 2001/2006, €700 million issued; €422 million outstanding (ISIN NL0000119634)

Wolters Kluwer Bonds listed in Amsterdam and Luxembourg:

- 5.500% senior bonds, 1999/2006, €750 million issued; €214 million outstanding (ISIN code XS0101766110)
- 6.125% senior bonds, 2000/2005, €550 million issued; €170 million outstanding (ISIN code XS0121316235)
- 5.125% senior bonds, 2003/2014, €700 million issued and outstanding (ISIN code XS0181273342)

### GEOGRAPHICAL SPREAD OF SHAREHOLDERS

Institutional investors hold the majority (75%) of the shares in Wolters Kluwer. With over 500 institutional investors in 25 countries, ownership is international in make up.

Investors in North America had an interest of 40% in the Company in 2004 (2003: 35%), while European shareholders held an interest of 58% (2003: 62%).

Below is a table showing the geographical spread of shareholders in approximate percentages on December 31, 2004, compared to the previous year.

SHAREHOLDERS (%)	2004	2003
North America	40	35
The Netherlands	20	24
The United Kingdom	28	24
Belgium/Luxembourg	1	2
Switzerland	2	2
France	4	3
Scandinavia	-	1
Germany	2	3
Other	3	6
<b>TOTAL</b>	<b>100</b>	<b>100</b>

### SHAREHOLDINGS EXCEEDING 5%

In accordance with the Major Holdings in Listed Companies Disclosure Act (WMZ):

- Internationale Nederlanden Groep nv: 9.4%, disclosed on February 28, 1992.



## Financial Statements 2004

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## Consolidated Profit and Loss Account

€ MILLIONS	2004		2003	
Revenues (Note 2)		3,261		3,436
Cost of revenues		1,243		1,354
<b>GROSS RESULT</b>		<b>2,018</b>		<b>2,082</b>
Sales costs	532		523	
General and administrative costs				
- General and administrative operating expenses (Note 5)	965		949	
- Amortization of goodwill and publishing rights (Note 6)	238		423	
- Exceptional restructuring expense (Note 7)	44		96	
Total operating expenses		1,779		1,991
<b>OPERATING INCOME</b>		<b>239</b>		<b>91</b>
Results from divestments (Note 3/8)		71		23
Income from investments (Note 9)		6		-
Interest income		14		33
Interest expense		(111)		(147)
<b>INCOME BEFORE TAXATION</b>		<b>219</b>		<b>0</b>
Taxation on income (Note 10)		(85)		(64)
Net results from associates (Note 14)		1		(3)
<b>INCOME AFTER TAXATION</b>		<b>135</b>		<b>(67)</b>
Minority interests (Note 11)		-		(2)
<b>NET INCOME (LOSS)</b>		<b>135</b>		<b>(69)</b>
Earnings per share (€)		0.46		(0.24)
Fully diluted earnings per share (€)		0.46		(0.24)



## Consolidated Balance Sheet

### BEFORE APPROPRIATION OF RESULTS

€ MILLIONS AS AT DECEMBER 31	2004		2003	
<b>FIXED ASSETS</b>				
Intangible fixed assets (Note 12)	2,639		3,042	
Tangible fixed assets (Note 13)	208		243	
Financial fixed assets (Note 14)	97		14	
<b>TOTAL FIXED ASSETS</b>		2,944		3,299
<b>CURRENT ASSETS</b>				
Inventories (Note 15)	134		146	
Accounts receivable (Note 16)	1,031		1,195	
Cash and cash equivalents (Note 17)	687		404	
<b>TOTAL CURRENT ASSETS</b>	1,852		1,745	
<b>CURRENT LIABILITIES</b>				
Deferred income	586		617	
Trade creditors	318		268	
Other current liabilities (Note 18)	800		468	
<b>TOTAL CURRENT LIABILITIES</b>	1,704		1,353	
<b>WORKING CAPITAL</b>		148		392
<b>CAPITAL EMPLOYED</b>		<b>3,092</b>		<b>3,691</b>

€ MILLIONS AS AT DECEMBER 31	2004		2003	
<b>LONG-TERM LIABILITIES</b> (Note 19)				
Subordinated bonds	227		410	
Bonds	1,142		1,312	
Convertible bonds	422		490	
Perpetual cumulative subordinated bonds	225		225	
Other loans from credit institutions	77		84	
<b>TOTAL LONG-TERM LIABILITIES</b>		2,093		2,521
<b>PROVISIONS</b> (Note 20)		218		306
<b>GROUP EQUITY</b>				
Issued share capital	36		35	
Share premium reserve	91		92	
Non-distributable reserve for translation differences	(148)		-	
Other reserves	661		803	
Unappropriated net income (loss)	135		(69)	
<b>SHAREHOLDERS' EQUITY</b> (Note 21)		775		861
Minority interests (Note 11)		6		3
<b>TOTAL GROUP EQUITY</b>		781		864
<b>TOTAL FINANCING</b>		<b>3,092</b>		<b>3,691</b>

## Consolidated Cash Flow Statement

€ MILLIONS	2004		2003	
Operating income	239		91	
Depreciation	103		112	
Amortization of goodwill and publishing rights	238		423	
Exceptional restructuring expense	44		96	
Autonomous movements in working capital	107		34	
<b>CASH FLOW FROM OPERATIONS</b>		731		756
Paid financing costs	(62)		(134)	
Paid corporate income tax	(83)		(106)	
Appropriation of reorganization provisions	(55)		(24)	
Other	3		8	
		(197)		(256)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		534		500
Net expenditure fixed assets	(73)		(92)	
Appropriation of acquisition provisions	(5)		(15)	
Acquisition spending	(56)		(97)	
Divestments of activities	(5)		500	
<b>CASH FLOW INVESTMENTS</b>		(139)		296
<b>CASH FLOW SURPLUS</b>		395		796
Cash receipts derivatives	35		23	
Movements in long-term loans	(418)		(432)	
Movements in short-term borrowings	353		(184)	
Dividend payments	(83)		(75)	
Dividend on own shares	2		2	
Repurchased shares	-		(10)	
<b>CASH FLOW FINANCING</b>		(111)		(676)
<b>NET CASH FLOW</b>		284		120
Cash and cash equivalents as at January 1	404		293	
Exchange differences on cash and cash equivalents	(1)		(9)	
		403		284
<b>CASH AND CASH EQUIVALENTS AS AT DECEMBER 31</b>		<b>687</b>		<b>404</b>

# Summary of Significant Accounting Policies

*Unless otherwise indicated the figures in these financial statements are in millions of euros.*

## Changes in Accounting Policies and Presentation in 2004

As of 2004, Wolters Kluwer nv (the Company) reports a functional profit and loss account. This further aligns the Company's internal and external reporting procedures and facilitates the comparison with results of the peers. For the same reason, the Company will deviate from the prescribed model F of the "Besluit modellen jaarrekening" as included in the "Richtlijnen voor de Jaarverslaggeving"; the exceptional restructuring expense is presented as a separate line item.

As of 2004, results from non-consolidated participating interests and minority interest of consolidated participations are no longer presented as one item in the profit and loss account, but presented separately as net results from associates and minority interests at the face of the profit and loss account.

As of 2004, the Company no longer presents minority interest as a separate item at the face of the balance sheet, but it forms part of group equity. In line with the balance sheet presented before appropriation of results, net result for the year is shown separately as part of shareholders' equity.

These changes in presentation have no effect on revenues, net income, and equity.

## Principles of Consolidation

The consolidation comprises Wolters Kluwer nv and all group companies in which Wolters Kluwer nv exercises a controlling influence on management and financial policy. Joint ventures are recognized using proportionate consolidation. Insofar as compliant with the requirements for exemption in section 403 of the Dutch Civil Code, Book 2, Title 9, the financial statements of these subsidiaries have not been made up in accordance with the regulations laid down in the Dutch Civil Code, Book 2, Title 9. The operational results of the subsidiaries that have been acquired or divested in the course of the year are included in

the consolidated profit and loss account from or until the date of transfer of control. Wolters Kluwer nv has filed a list of the subsidiaries at the Trade Register in Amsterdam. As provided in section 402 of the Dutch Civil Code, Book 2, the profit and loss account of Wolters Kluwer nv includes only the after-tax results of participating interests, as Wolters Kluwer nv's figures are included in the consolidated financial statements.

## Accounting Estimates

The preparation of financial statements in conformity with Dutch Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

## Principles for the Valuation of Assets and Liabilities

### GENERAL

The assets and liabilities are recorded at historical costs. Assets and liabilities not mentioned hereafter are recorded at face value, in the case of assets after deduction of necessary provisions.

### FOREIGN CURRENCY

Foreign currency items in the balance sheet are translated at the exchange rates prevailing at the balance sheet date. The translation differences are reflected in the profit and loss account. Transactions in foreign currencies are recorded at exchange rates prevailing at the transaction date. The translation of assets and liabilities of consolidated foreign subsidiaries and related long-term loans in foreign currencies and related financial instruments is effected using the exchange rates, prevailing at the balance sheet date. The resulting translation differences are taken to shareholders' equity. The results of the consolidated foreign subsidiaries are translated at the average exchange rates during the year. The arising differences between the average exchange rates and the year-end rates are taken to shareholders' equity.

The main exchange rates to the euro were:

€ =	2004	2003	2004	2003
	Rate at 31 December		Average rate	
US dollar	1.36	1.26	1.24	1.13
GB pound	0.71	0.71	0.68	0.69

## INTANGIBLE FIXED ASSETS

### Goodwill

Goodwill represents the difference between the cost of acquisition of an enterprise and the fair value of identifiable assets less identifiable liabilities acquired, taking into account related tax effects to the extent that these are considered realizable. The assets may include publishing rights not previously capitalized by the acquiree and other intangible fixed assets. The liabilities include provisions considered necessary for reorganizations and restructurings.

As from January 1, 1996, goodwill is capitalized and amortized on a straight-line basis over the estimated useful economic life of the business acquired. The estimated useful economic life is assumed not to exceed 20 years, unless there are compelling grounds on which to rebut this maximum.

The book value of goodwill is reassessed periodically on the basis of actual income and expectations of future cash flows. If and to the extent that goodwill is considered to be impaired in value, this is charged to the profit and loss account as an impairment.

### Publishing rights

Publishing rights acquired from third parties, including subscription accounts and databases, are valued at the lower of cost or market value using the following methods:

- the value of publishing rights is established on the basis of discounted future cash flows. The rates used vary with the market share of the associated publishing right and its profitability;
- subscription accounts are valued on the basis of discounted future cash flows for a number of years, after allowing for compensation of other factors of production, including royalties;
- the value of publishing rights and subscription accounts has been based on an estimate of the cost of replacing or reproducing the asset.

Publishing rights acquired from third parties and valued as mentioned above are shown net of deferred taxation.

With effect from January 1, 2001, publishing rights are amortized over the estimated useful economic life, which is assumed not to exceed 20 years, unless there are compelling grounds on which to rebut this assumption. If and to the extent that publishing rights are considered to be impaired in value, this is charged to the profit and loss account as an impairment.

### Other intangible fixed assets

Other intangible fixed assets relate to license fees, subscriber lists, information systems (for internal use), and depreciable publishing rights that are valued at cost less depreciation. If and to the extent that other intangibles are considered to be impaired in value, this is charged to the profit and loss account as depreciation. Development costs of software are expensed as incurred until its technological and economic feasibility have been demonstrated. Capitalized software is depreciated using the straight-line method over the economic life of the software, not to exceed five years.

Amortization (applied to goodwill and publishing rights) and depreciation (applied to other intangibles) are calculated as follows:

Goodwill	<b>05-20 years</b>
Publishing rights	<b>05-20 years</b>
Other intangible fixed assets	<b>03-05 years</b>

## TANGIBLE FIXED ASSETS

Tangible fixed assets, consisting of land and buildings, machinery and equipment and other fixed assets such as office equipment and vehicles are valued at cost less accumulated depreciation. Depreciation is calculated as follows:

Buildings	<b>20-30 years</b>
Machinery and equipment	<b>05-10 years</b>
Other	<b>03-10 years</b>

No depreciation is applied to land.

#### **FINANCIAL FIXED ASSETS**

Financial fixed assets include non-consolidated participating interests. Participating interests held on a permanent basis over which significant influence can be exercised are valued at net asset value according to the group's accounting principles. Other participating interests are valued at the lower of cost and market value.

#### **INVENTORIES**

Inventories are valued at the lower of cost and net realizable value, taking into account a systematically determined provision for obsolescence. Cost is determined using the first-in-first-out principle. The cost price of internally produced goods is generally the manufacturing and publishing cost. Trade goods purchased from third parties are valued at the purchase price.

#### **ACCOUNTS RECEIVABLE**

Trade and other accounts receivable are carried at face value less any provisions considered necessary. Accounts receivable include deferred tax claims to the extent these are considered realizable. Tax claims are calculated by the same method as used for determining the provision for deferred taxation.

#### **FINANCIAL INSTRUMENTS**

Results from financial instruments are accounted for in the same manner as the underlying exposure. Premiums and discounts are accounted for as interest charges and are amortized over the life of the financial instruments.

#### **PROVISIONS**

A provision is recognized if the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reasonably estimated.

#### ***Deferred taxation***

The provision for deferred taxation is determined on the basis of the differences between commercial and tax valuations of assets and liabilities, at the applicable tax rate.

#### ***Reorganization/restructuring***

The provision for reorganization/restructuring relates to provisions for integration of activities and other substantial changes of the organizational structure. Costs for terminations

of employment and onerous contracts (such as costs for the termination of lease commitments and discontinuation of business lines) are taken into account.

The short-term commitments relating to expected spending due within one year are presented under other current liabilities.

#### ***Employee benefits/pensions***

The Company has arranged pension schemes in various countries for most of its employees, in accordance with the legal requirements, customs, and the local situation in the countries involved. These pension schemes are partly managed by the Company itself and partly entrusted to external entities, such as industry pension funds, Company pension funds, and insurance companies. In addition, the Company also provides certain employees with other benefits upon retirement. These benefits include contributions towards medical health plans in the United States, where the employer refunds part of the insurance premium for retirees or, in the case of uninsured schemes, bears the medical expenses himself while deducting the participants' contributions.

Defined benefit plan pension obligations are calculated in accordance with the projected unit credit method of actuarial cost allocation. Under this method, differences between the expected and actual return on the plan assets, as well as actuarial changes, are only recorded in the profit and loss account if the total of these accumulated differences and changes exceeds a bandwidth of 10% of the largest of the present value of the plan liabilities and the fair value of the related plan assets. The part that exceeds the bandwidth is charged to the profit and loss account over the members' remaining years of service. Changes of defined benefit obligations resulting from revised plans regarding prior service periods (past service cost) are recognized on a straight-line basis over the average period of the members' remaining years of service, so until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, the defined benefit plans, these changes are recognized in the profit and loss account immediately. Gains or losses on curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss comprises any resulting change in the present value of the defined benefit obligations and in the fair value of the plan assets, and any related actuarial gains or losses and past service cost that had not been previously recognized.

A curtailment occurs when the Company is demonstrably committed to make a material reduction in the number of employees either as a result of a divestment or restructuring, resulting in substantial lower defined benefit obligations in the future.

The pension premiums of defined contribution plans are expensed as incurred.

#### **MINORITY INTERESTS**

Minority interests are carried at the third parties' share of the underlying shareholders' equity of the group Company concerned. Minority interests are classified as a separate component of group equity.

## **Principles for the Determination of Results**

#### **REVENUE RECOGNITION**

Revenues represent the revenues billed to third parties net of value-added tax and discounts. Shipping and handling fees billed to customers are included in revenues.

Subscription income received or receivable in advance of the delivery of services or publications is included in deferred income.

#### **Goods**

Revenue from the sale of goods is recognized upon shipment and transfer of the significant risks and rewards of ownership to the customer, provided that the ultimate collectibility and final acceptance by the customer is reasonably assured. Revenue from the sale of goods is recognized net of estimated returns.

#### **Services**

Revenue from the sale of services is recognized on a straight-line basis over the specified period, unless there is evidence that a different method better represents the stage of completion of the service at the balance sheet date. Revenues of products that consist of a combination of goods and services are recognized based on a split of the fair value of the individual components. If returns on a product category exceed a threshold, it is assumed that the transfer of the ownership of the product has only occurred upon receipt of the payment from the customer.

#### **COST OF REVENUES**

Cost of revenues comprises the directly attributable costs of goods and services sold and delivered. These costs include such items as the costs of raw materials, subcontracted work, other external expenses and salaries, wages and social charges for personnel to the extent that these costs are directly related to the goods and services sold and delivered.

Royalties owed to professional societies relating to contract publishing, unless identified as an agency contract, are included in cost of revenues.

#### **GENERAL AND ADMINISTRATIVE COSTS**

General and administrative costs include costs which are neither directly attributable to goods and services, nor costs of sales and marketing activities. This would include costs such as product development, ICT and general overhead.

#### **EMPLOYEE BENEFITS/LONG-TERM INCENTIVE PLAN**

The Company's Long-Term Incentive Plan qualifies as an equity-settled share-based payment plan. As a result, the Company recognizes the costs of the plan and the corresponding increase in equity, based on the fair value of the equity instruments granted, at the grant date. The costs are recognized ratably over the vesting period.

#### **AMORTIZATION OF INTANGIBLE FIXED ASSETS**

Amortization of goodwill and publishing rights includes both the amortization calculated using the straight-line method over the estimated useful economic life (with a maximum of 20 years unless there are compelling grounds on which to rebut this assumption) and impairments. Goodwill and publishing rights are tested for impairment annually. An impairment loss is recognized if the book value, computed as mentioned above, permanently exceeds the value of the asset.

#### **EXCEPTIONAL ITEMS**

Exceptional items are defined as items arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the Company. As a result of the strategic update as announced on October 30, 2003, a restructuring program has been initiated. The exceptional restructuring expense fully relates to this restructuring program.

## TAXATION

Corporate taxation is calculated on the basis of income before taxation, taking into account the various local tax rates and regulations in the different countries. The effects of changes in tax rates on the provision for deferred taxation are taken to the profit and loss account if and to the extent that this provision was originally formed as a charge to the profit and loss account.

Gains and losses recognized directly in equity are disclosed net of tax.

## MINORITY INTERESTS

The minority interest relates to the proportion of net income attributable to third parties, based on their share in the shareholders' equity of the group Company.

## Principles Underlying the Cash Flow Statement

### CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities is calculated by the indirect method, by adjusting the consolidated operating income for exceptional items and expenses that are not cash flows (such as amortization and depreciation), and for movements in consolidated working capital. Operating cash flows also include the costs of financing of operating activities, income taxes paid on all activities, and spending on reorganization provisions.

### CASH FLOW INVESTMENTS

Cash flow investments are those arising from investments in fixed assets, from the acquisition and divestment of subsidiaries and business activities. Cash flows connected to spending of provisions for reorganization/restructuring created by acquisition of subsidiaries are also comprised. Cash and cash equivalents available at the time of acquisition or divestment are deducted from the related payments or proceeds.

### CASH FLOW FINANCING

Cash flow financing comprises the proceeds from issue and repayments of equity and debt instruments, including the cash receipts from derivatives. Cash flows from short-term financing are also included. Movements in share capital due to stock dividend are not classified as cash flow.

## IFRS

In accordance with the decision of the European Commission to require all companies listed on a stock exchange within the European Union to prepare its 2005 financial statements in accordance with IFRS, Wolters Kluwer will apply IFRS from January 1, 2005.

Since IFRS requires comparables to be restated for the reporting period prior to the first adoption of IFRS, Wolters Kluwer has thus also prepared its 2004 financials based on the IFRS prevailing per December 31, 2004, for comparison purposes only. These restated 2004 overviews are included in the Appendix to this report.

IFRS and their interpretation are however still subject to change. Thus the IFRS that will be prevailing per December 31, 2005, that should be applied to prepare the 2005 Financial Statements, including the 2004 comparable information, are unknown at this time. Therefore, the information contained in the appendix of this report has been prepared for information purposes only and could be subject to change.

We refer to the Appendix to this Annual Report.





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## Note 1 - Benchmark Figures

	2004	2003	
			% change constant currencies
Revenues	<b>3,261</b>	3,436	(1)
Ordinary EBITA	<b>521</b>	610	(10)
Ordinary EBITA margin (%)	<b>16.0</b>	17.8	
Ordinary net income	<b>311</b>	349	(4)
Free cash flow <sup>13</sup>	<b>456</b>	393	
Cash conversion ratio (CAR) <sup>14</sup>	<b>1.26</b>	1.09	
Return on invested capital (ROIC) (%)	<b>6.8</b>	7.1	
Net (interest bearing) debt <sup>15</sup>	<b>1,527</b>	1,900	
Guarantee equity <sup>16</sup>	<b>1,233</b>	1,499	
Shareholders' equity to total assets (ratio)	<b>0.16</b>	0.17	
Guarantee equity to total assets (ratio)	<b>0.26</b>	0.30	
Fully diluted ordinary EPS (€)	<b>1.04</b>	1.18	
Fully diluted free cash flow per share (€)	<b>1.51</b>	1.32	

<sup>13</sup>Free cash flow is defined as the cash flow available for acquisitions, payments of dividend to shareholders, down payments of debt, and repurchasing shares.

<sup>14</sup>Cash conversion is defined as cash flow from operations less net expenditure on fixed assets (Gross Cash Flow) divided by ordinary EBITA.

<sup>15</sup>Defined as: sum of (long-term) loans, unsubordinated convertible bonds, perpetual cumulative subordinated bonds, cash loans minus cash and cash equivalents, and value of related swaps and forward exchange contracts.

<sup>16</sup>Defined as: sum of subordinated bonds, perpetual cumulative subordinated bonds, and group equity.

RECONCILIATION OF BENCHMARK FIGURES

<b>RECONCILIATION BETWEEN OPERATING INCOME, EBITA, AND ORDINARY EBITA</b>	2004	2003
Operating income	239	91
Amortization of goodwill and publishing rights	238	423
<b>EBITA</b>	<b>477</b>	<b>514</b>
Exceptional restructuring expense	44	96
<b>ORDINARY EBITA</b>	<b>521</b>	<b>610</b>

<b>RETURN ON INVESTED CAPITAL (ROIC)</b>	2004	2003
Ordinary EBITA	521	610
Allocated tax	(148)	(183)
<b>NET OPERATING PROFIT AFTER ALLOCATED TAX (NOPAT)</b>	<b>373</b>	<b>427</b>
Average invested capital	5,468	6,004
ROIC (NOPAT/Average invested capital) (%)	6.8	7.1

<b>RECONCILIATION BETWEEN NET INCOME AND ORDINARY NET INCOME</b>	<b>2004</b>	<b>2003</b>
Net income (A)	135	(69)
Amortization of goodwill and publishing rights	238	423
Tax on amortization	(21)	(46)
Exceptional other income/results from divestments (after taxation)	(70)	(20)
Exceptional restructuring expense (after taxation)	29	61
<b>ORDINARY NET INCOME (B)</b>	<b>311</b>	<b>349</b>

<b>RECONCILIATION BETWEEN CASH FLOW FROM OPERATIONS AND FREE CASH FLOW</b>	<b>2004</b>	<b>2003</b>
Cash flow from operating activities	534	500
Net expenditure fixed assets	(73)	(92)
Appropriation of acquisition provisions	(5)	(15)
<b>FREE CASH FLOW (C)</b>	<b>456</b>	<b>393</b>

<b>RECONCILIATION BETWEEN WEIGHTED AVERAGE NUMBER OF SHARES AND DILUTED WEIGHTED AVERAGE NUMBER OF SHARES</b>	2004	2003
IN MILLIONS OF SHARES		
Weighted average number of shares (D)	<b>295.6</b>	289.8
Long-Term Incentive Plan	<b>1.5</b>	-
Unsubordinated convertible bonds	<b>15.6</b>	22.0
Stock options	<b>0.6</b>	0.3
Repurchased shares	<b>(3.2)</b>	(2.8)
<b>DILUTED WEIGHTED AVERAGE NUMBER OF SHARES (E)<sup>17</sup></b>	<b>310.1</b>	<b>309.3</b>

<b>PER SHARE INFORMATION</b>	2004	2003
Correction to income of 2.5% unsubordinated convertible bonds (net of taxes) on assumed conversion (F) (€ million)	<b>11.2</b>	15.9
Ordinary EPS (B/D) (€)	<b>1.05</b>	1.20
Fully diluted ordinary EPS (minimum of ordinary EPS and [(B+F)/E]) (€)	<b>1.04</b>	1.18
EPS <sup>18</sup> (A/D) (€)	<b>0.46</b>	(0.24)
Fully diluted EPS (minimum of EPS and [(A+F)/E]) (€)	<b>0.46</b>	(0.24)
Free cash flow per share (C/D) (€)	<b>1.54</b>	1.36
Fully diluted free cash flow per share (minimum of free cash flow per share and [(C+F)/E]) (€)	<b>1.51</b>	1.32

<sup>17</sup> Stock options that are not in the money and related interest are excluded from the diluted earnings per share calculation.

<sup>18</sup> Defined as: the profit or loss attributable to ordinary shareholders of the parent entity (the numerator) divided by the weighted average number of ordinary shares outstanding (the denominator) during the period.

## Note 2 - Segment Reporting

BUSINESS BY DIVISION	HEALTH		CFS		TAL	
	2004	2003	2004	2003	2004	2003
Revenues	623	663	437	448	596	652
Cost of revenues	294	319	134	151	170	200
Gross result	329	344	303	297	426	452
Sales costs	101	106	68	52	114	113
Total general and administrative cost						
- General and administrative operating expenses	125	135	152	138	173	167
- Amortization of goodwill and publishing rights	48	51	19	25	105	204
- Exceptional restructuring expense	4	16	6	11	3	5
<b>TOTAL OPERATING EXPENSE</b>	<b>278</b>	<b>308</b>	<b>245</b>	<b>226</b>	<b>395</b>	<b>489</b>
<b>OPERATING INCOME</b>	<b>51</b>	<b>36</b>	<b>58</b>	<b>71</b>	<b>31</b>	<b>(37)</b>
Amortization of goodwill and publishing rights*	48	51	19	25	105	204
Exceptional restructuring expense	4	16	6	11	3	5
<b>ORDINARY EBITA</b>	<b>103</b>	<b>103</b>	<b>83</b>	<b>107</b>	<b>139</b>	<b>172</b>
Total capital employed at December 31	519	641	157	(152)	958	1,536
Depreciation	17	18	16	17	20	21
CAPEX	9	20	15	8	12	34
Cash flow from operations	155	106	118	125	190	212
Average number of FTEs	2,164	2,351	2,789	2,754	4,115	4,360
*of which impairment charges				1		87

The Company provides segment information in two formats. The primary segment reporting format is per division.<sup>19</sup> Internal deliveries between the divisions have been eliminated. The secondary segment reporting format is geographically. Given the alignment of the divisions with the geographical segments, the information of total book value of assets and net expenditures has not been presented separately as it can largely be derived from the primary segment reporting per division. The Asia Pacific region, which forms a relatively small part of the Company's operations, is primarily included in the Tax, Accounting & Legal division.

<sup>19</sup>The 2003 numbers have been restated in accordance with the 2004 organizational divisional structure.

	LTRE		EDUCATION		CORPORATE		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003
	<b>1,296</b>	1,371	<b>309</b>	302	-	-	<b>3,261</b>	3,436
	<b>511</b>	554	<b>134</b>	130	-	-	<b>1,243</b>	1,354
	<b>785</b>	817	<b>175</b>	172	-	-	<b>2,018</b>	2,082
	<b>215</b>	221	<b>34</b>	31	-	-	<b>532</b>	523
	<b>387</b>	379	<b>89</b>	87	<b>39</b>	43	<b>965</b>	949
	<b>56</b>	114	<b>4</b>	14	<b>6</b>	15	<b>238</b>	423
	<b>30</b>	45	<b>1</b>	13	-	6	<b>44</b>	96
	<b>688</b>	759	<b>128</b>	145	<b>45</b>	64	<b>1,779</b>	1,991
	<b>97</b>	58	<b>47</b>	27	<b>(45)</b>	(64)	<b>239</b>	91
	<b>56</b>	114	<b>4</b>	14	<b>6</b>	15	<b>238</b>	423
	<b>30</b>	45	<b>1</b>	13	-	6	<b>44</b>	96
	<b>183</b>	<b>217</b>	<b>52</b>	<b>54</b>	<b>(39)</b>	<b>(43)</b>	<b>521</b>	<b>610</b>
	<b>610</b>	680	<b>108</b>	111	<b>740</b>	875	<b>3,092</b>	3,691
	<b>41</b>	46	<b>8</b>	8	<b>1</b>	2	<b>103</b>	112
	<b>30</b>	30	<b>7</b>	5	<b>2</b>	2	<b>75</b>	99
	<b>230</b>	287	<b>79</b>	58	<b>(41)</b>	(32)	<b>731</b>	756
	<b>7,731</b>	8,504	<b>1,378</b>	1,481	<b>93</b>	90	<b>18,270</b>	19,540
		53		9		5		155

<b>GEOGRAPHICAL SEGMENTS</b>	2004	2003
Revenues were generated in the following regions:		
Europe	<b>1,711</b>	1,790
North America	<b>1,419</b>	1,491
Asia Pacific	<b>108</b>	119
Rest of the world	<b>23</b>	36
<b>TOTAL</b>	<b>3,261</b>	<b>3,436</b>



## Note 3 - Acquisitions and Divestments

	2004		2003	
	Acquisitions	Divestments	Acquisitions	Divestments
Fixed assets	4	(34)	2	(1)
Current assets	1	(23)	29	(3)
Current liabilities	(11)	(29)	(24)	(13)
Long-term loans	12	-	(43)	-
Provisions	-	1	14	-
Minority interests	(4)	-	-	-
<b>NET IDENTIFIABLE ASSETS AND LIABILITIES</b>	<b>2</b>	<b>(85)</b>	<b>(22)</b>	<b>(17)</b>
Goodwill on acquisitions	40	-	127	-
<b>CONSIDERATION</b>	<b>42</b>	<b>(85)</b>	<b>105</b>	<b>(17)</b>

The cash effect of the acquisitions and divestments is:

	2004		2003	
	Acquisitions	Divestments	Acquisitions	Divestments
Consideration (payable)/receivable	(42)	85	(105)	17
Cash acquired/(disposed of)	1	(12)	(7)	6
Other assets obtained	-	(78)	-	-
Cash from (payables)/receivables	(15)	-	15	477
<b>CASH INFLOW/(OUTFLOW)</b>	<b>(56)</b>	<b>(5)</b>	<b>(97)</b>	<b>500</b>

The other assets obtained of €78 million relate to the ten Hagen & Stam transaction, according to which Wolters Kluwer obtained a 25.9% participation in the shares of Sdu Uitgevers B.V., and to the loan for financing the management buy out of Bohmann.

In 2004, four companies were acquired and a few participations were increased. The main acquisition was Summation Legal Technologies Inc., a strong player in the market for integrated litigation support software in the United States.

Other acquisitions were Telesoftware, a provider of tax compliance and payroll software in Spain, BEAM, a specialist mathematics education publisher, and SIAN, a provider of document management systems for CPAs.

In addition to the ten Hagen & Stam transaction, the Austrian publisher Bohmann and a few other small U.S.-based companies KnowledgePoint and Capitol Publishing Group were divested in 2004.

## Note 4 - Personnel Costs<sup>20</sup>

<b>SALARIES AND WAGES, SOCIAL SECURITY CHARGES, AND PENSIONS</b>	2004	2003
Salaries and wages	910	939
Social security charges	148	141
Pension expenses	24	42
<b>TOTAL</b>	<b>1,082</b>	<b>1,122</b>

In 2004 an amount of €7.6 million has been expensed as part of salaries and wages for the shares conditionally granted under the long-term incentive plan.

<b>AVERAGE NUMBER OF EMPLOYEES, EXPRESSED IN FULL TIME EQUIVALENTS</b>	2004	2003
the Netherlands	1,802	2,311
Outside the Netherlands	16,468	17,229
<b>TOTAL</b>	<b>18,270</b>	<b>19,540</b>

## Note 5 - Depreciation

	2004	2003
Intangible fixed assets	44	49
Tangible fixed assets	59	63
<b>TOTAL</b>	<b>103</b>	<b>112</b>

## Note 6 - Amortization of Goodwill and Publishing Rights

	2004	2003
Amortization goodwill and publishing rights	238	268
Impairments	-	155
<b>TOTAL</b>	<b>238</b>	<b>423</b>

See note 2 for detail by division.

<sup>20</sup>Including the exceptional personnel-related restructuring costs of €26 million (see note 7), total personnel costs for 2004 would be €1,108 million.

## Note 7 - Exceptional Restructuring Expense

	2004	2003
Personnel-related restructuring costs	26	63
Onerous contracts/discontinuation costs	18	33
<b>TOTAL</b>	<b>44</b>	<b>96</b>

As a result of the strategic update as announced on October 30, 2003, a restructuring program has been initiated. The charge to exceptional restructuring expense fully relates to this restructuring program. The personnel-related restructuring costs mainly relate to severance payments.

The onerous contracts mainly relate to lease commitments of vacant offices due to the integration of businesses and discontinuation costs relate to the discontinuation of certain product lines.

## Note 8 - Results from Divestments

	2004	2003
Results from divestments	71	23

The Company realized the results from divestments in 2004, mainly from the ten Hagen & Stam transaction, the Netherlands.

## Note 9 - Income from Investments

	2004	2003
Income from investments	6	-

Income from investments relates mainly to dividend on the shares in Sdu Uitgevers B.V. obtained in 2004.

## Note 10 - Taxation on Income

	2004	2003
Movements in overall tax position:		
<b>POSITION AT JANUARY 1</b>		
Tax receivable	(37)	(1)
Provision for deferred taxation	8	59
Deferred tax assets	(250)	(269)
<b>OVERALL TAX POSITION</b>	<b>(279)</b>	<b>(211)</b>
<b>MOVEMENTS</b>		
Total taxation on income	85	64
Acquisitions/divestments	(1)	(10)
Tax payments	(83)	(106)
Exchange differences and other movements	68	(16)
<b>TOTAL MOVEMENTS</b>	<b>69</b>	<b>(68)</b>
<b>POSITION AT DECEMBER 31</b>		
Tax receivable	(2)	(37)
Provision for deferred taxation	10	8
Deferred tax assets	(218)	(250)
<b>OVERALL TAX POSITION</b>	<b>(210)</b>	<b>(279)</b>
Reconciliation from the normative to the actual taxation on income is as follows:		
Normative taxation on income	69	(8)
Tax effect of:		
Non tax-deductible intangible fixed assets	71	118
Financing activities	(33)	(33)
Utilization of tax losses carry forward	(3)	(5)
Tax exemption on results from divestments	(23)	(6)
Tax incentives and other	4	(2)
<b>TAXATION ON INCOME</b>	<b>85</b>	<b>64</b>

Wolters Kluwer has applied the CFA regime as from 1999 and based on the EC decision of February 18, 2003, regarding a state aid investigation against the CFA regime, Wolters Kluwer

is of the opinion that this regime can be applied until December 31, 2008. This treatment has been confirmed by the Dutch tax authorities. The impact of the decrease of the Dutch income tax rate

from 34.5% to 31.5% in 2005 on the deferred tax position of the Company as at December 31, 2004, is not material due to low deferred tax positions in the Netherlands.

## Note 11 - Minority Interests

Wolters Kluwer's share in the most important consolidated participations that are not fully owned at December 31, 2004, were:

%	Ownership
Akadémiai (Hungary, Budapest)	74.0
Cedam (Italy, Padova)	50.0

Minority interest of consolidated participations in the income of the Company in 2004 was nil (2003: €2 million loss).

Minority interests in the equity of consolidated participations,

totaling €6 million (2003: €3 million), are based on the third-party shareholding in the underlying shareholders' equity.

## Note 12 - Intangible Fixed Assets

	Goodwill	Publishing rights	Other	2004	2003
<b>POSITION AT JANUARY 1</b>					
Purchase value	3,335	1,245	284	4,864	5,254
Cumulative amortization, depreciation, and impairments	(1,099)	(558)	(165)	(1,822)	(1,463)
<b>BOOK VALUE AT JANUARY 1</b>	<b>2,236</b>	<b>687</b>	<b>119</b>	<b>3,042</b>	<b>3,791</b>
<b>MOVEMENTS</b>					
Investments	-	-	36	36	46
Acquisitions	40	-	-	40	127
Divestments	(20)	(9)	(2)	(31)	(1)
<b>NET EXPENDITURES</b>	<b>20</b>	<b>(9)</b>	<b>34</b>	<b>45</b>	<b>172</b>
Amortization and depreciation	(173)	(65)	(44)	(282)	(317)
Impairments	-	-	-	-	(155)
Reclassifications	(30)	30	-	-	-
Exchange differences and other movements	(119)	(35)	(12)	(166)	(449)
<b>TOTAL MOVEMENTS</b>	<b>(302)</b>	<b>(79)</b>	<b>(22)</b>	<b>(403)</b>	<b>(749)</b>
<b>POSITION AT DECEMBER 31</b>					
Purchase value	3,165	1,179	233	4,577	4,864
Cumulative amortization, depreciation and impairments	(1,231)	(571)	(136)	(1,938)	(1,822)
<b>BOOK VALUE AT DECEMBER 31</b>	<b>1,934</b>	<b>608</b>	<b>97</b>	<b>2,639</b>	<b>3,042</b>

## Note 13 - Tangible Fixed Assets

	Land and Buildings	Machinery and equipment	Other fixed assets	2004	2003
<b>POSITION AT JANUARY 1</b>					
Purchase value	147	40	441	628	683
Cumulative depreciation	(47)	(30)	(308)	(385)	(387)
<b>BOOK VALUE AT JANUARY 1</b>					
	100	10	133	243	296
<b>MOVEMENTS</b>					
Investments	2	1	34	37	46
Acquisitions	-	-	-	-	2
Divestments	-	-	(3)	(3)	(1)
<b>NET EXPENDITURES</b>					
	2	1	31	34	47
Depreciation	(5)	(3)	(51)	(59)	(63)
Exchange differences and other movements	(3)	(2)	(5)	(10)	(37)
<b>TOTAL MOVEMENTS</b>					
	(6)	(4)	(25)	(35)	(53)
<b>POSITION AT DECEMBER 31</b>					
Purchase value	146	30	406	582	628
Cumulative depreciation	(52)	(24)	(298)	(374)	(385)
<b>BOOK VALUE AT DECEMBER 31</b>					
	94	6	108	208	243

## Note 14 - Financial Fixed Assets

	Associates/ Investments	Receivables	2004	2003
<b>BOOK VALUE AT JANUARY 1</b>	<b>9</b>	<b>5</b>	<b>14</b>	20
Impairments of non-consolidated participating interests	-	-	-	(5)
Divestments of non-consolidated participating interests	-	-	-	(2)
Obtained in exchange for sale of assets	<b>70</b>	<b>8</b>	<b>78</b>	-
Acquisitions	<b>4</b>	-	<b>4</b>	-
Net results from associates	<b>1</b>	-	<b>1</b>	(3)
Other movements	<b>(1)</b>	<b>1</b>	-	4
<b>BOOK VALUE AT DECEMBER 31</b>	<b>83</b>	<b>14</b>	<b>97</b>	<b>14</b>

The financial fixed assets obtained in exchange for sale of assets of €78 million relate to the divestment of ten Hagen & Stam in exchange for a 25.9% participation in the shares of Sdu Uitgevers B.V. and to the loan granted to management to purchase the shares of Bohmann. These are recognized at fair value on the date of the transaction.

The most important non-consolidated participating interests at December 31, 2004, were:

%	Ownership
Boekhandels Groep Nederland (the Netherlands, Deventer)	32.8
Manz Iura, Manz Schulbuch (Austria, Vienna)	40.0
Sdu Uitgevers B.V. (the Netherlands, the Hague)	25.9

## Note 15 - Inventories

	2004	2003
Raw materials	7	8
Work in progress	29	33
Finished products and trade goods	98	105
<b>TOTAL</b>	<b>134</b>	<b>146</b>

At December 31, 2004, the provision for obsolescence deducted from inventory book values totaled €74 million (2003: €71 million).

## Note 16 - Accounts Receivable

	2004	2003
Trade receivables	426	517
Deferred tax assets	218	250
Prepayments	84	119
Tax receivable	2	37
Value at spot rates of forward exchange contracts	254	252
Other receivables	47	20
<b>TOTAL</b>	<b>1,031</b>	<b>1,195</b>

At December 31, 2004, the provision for doubtful accounts amounted to €36 million (2003: €47 million).

The deferred tax assets, which are capitalized to the extent that it is more likely than not that taxable income will be available against which the loss carry-forwards and temporary differences can be utilized, include €181 million (2003: €197 million) due in more than one year.

The value at spot rates of forward exchange contracts includes €136 million due in more than one year (2003: €219 million). These contracts are closed with some high-quality credit institutions with strong ratings.

The bond discount as at December 31, 2004, which is presented under "other receivables" amounted €5.5 million (2003: €5.5 million).



## Note 17 - Cash and Cash Equivalents

	2004	2003
Deposits	637	351
Cash and bank balances	50	53
<b>TOTAL</b>	<b>687</b>	<b>404</b>

## Note 18 - Other Current Liabilities

	2004	2003
Bonds	353	-
Salaries, holiday allowances	108	93
Royalties payable	69	89
Other liabilities and accruals	69	92
Social security premiums and other taxation	57	56
Interest payable	86	49
Reorganization/restructuring commitments	51	60
Acquisition payments	7	29
<b>TOTAL</b>	<b>800</b>	<b>468</b>

## Note 19 - Financial Instruments

<b>LONG-TERM LOANS</b>	2004	2003
Subordinated convertible staff bonds	1	2
Subordinated bonds	226	408
Bonds	1,142	1,312
Unsubordinated convertible bonds	422	490
Perpetual cumulative subordinated bonds	225	225
Other loans from credit institutions	77	84
<b>LONG-TERM LOANS</b>	<b>2,093</b>	<b>2,521</b>
Short-term loans (due within 1 year)	375	35
Minus:		
Cash and cash equivalents	(687)	(404)
Value at spot rates of forward exchange contracts	(254)	(252)
<b>NET (INTEREST BEARING) DEBT</b>	<b>1,527</b>	<b>1,900</b>

<b>BREAKDOWN OF LONG-TERM LOANS</b>	Nominal interest rate	Repayment commitments 1-5 years	> 5 years	2004	2003
Subordinated convertible staff bonds 2000-2005	5.500%	-	-	-	1
Subordinated convertible staff bonds 2002-2007	3.000%	1	-	1	1
Subordinated bonds 1998-2005	5.125%	-	-	-	182
Subordinated bonds 1997-2007	6.250%	226	-	226	226
Bonds 2000-2005	6.125%	-	-	-	170
Bonds 1999-2006	5.500%	215	-	215	215
Bonds 1998-2008	5.250%	227	-	227	227
Bonds 2003-2014	5.125%	-	700	700	700
Unsubordinated convertible bonds 2001-2006	1.000%	422	-	422	490
Perpetual cumulative subordinated bonds	6.875%	-	225	225	225
Multicurrency roll-over facility 2004-2009		-	-	-	-
Other loans		27	50	77	84
<b>TOTAL</b>		<b>1,118</b>	<b>975</b>	<b>2,093</b>	<b>2,521</b>

The nominal interest rates on the bonds mentioned above are all fixed until redemption, except for the variable interest rate on the multicurrency roll-over facility.

## Loan Maturity

The following amounts of long-term loans as of December 31, 2004, are due within and after five years:

### LOAN MATURITY

IN € MILLIONS	Amounts
2005	375
2006	645
2007	236
2008	232
2009	5
Due after 2009	975
<b>TOTAL</b>	<b>2,468</b>

### SUBORDINATED BONDS

Wolters Kluwer has outstanding subordinated bonds of €183 million due 2005 (NLG 400 million) and €227 million due 2007 (NLG 500 million).

Subordinated bonds define that subordinated obligations of the Company rank pari passu without any preference among themselves and with all other present and future equally subordinated obligations of the Company.

### BONDS

Wolters Kluwer has unsubordinated bonds outstanding for an amount of approximately €1,312 million.

On November 19, 2003, Wolters Kluwer issued unsubordinated bonds due 2014 with a nominal value of €700 million. The coupon on the bonds is 5.125% with an issue price of 99.618%. Additionally, Wolters Kluwer has outstanding unsubordinated bonds of €170 million due 2005, €215 million due 2007, and €227 million due 2008.

### UNSUBORDINATED CONVERTIBLE BONDS

On November 30, 2001, a convertible (unsubordinated) bond loan with a nominal value of €700 million was issued.

The conversion price was fixed at €31.00 per depositary receipt issued for one ordinary share of Wolters Kluwer.

The issue price of the bonds was 100%. The coupon was set at 1.00% per annum. The yield to maturity was set at 2.50%, and the bonds will be redeemed at 107.88% of their principal amount on the maturity date (November 30, 2006), unless previously redeemed, converted or purchased and cancelled.

The convertible bonds will at any moment be valued against the accreted principal while the corresponding coupon costs and accrued redemption premium are charged to the profit and loss account. The issuing costs are capitalized and amortized over five years. Over 2003, Wolters Kluwer repurchased approximately €210 million at an average price of 101.25. Over 2004, Wolters Kluwer repurchased approximately €68 million at an average price of 104.24, resulting in an outstanding balance of €422 million per 2004.

### PERPETUAL CUMULATIVE SUBORDINATED BONDS

On May 14, 2001, a perpetual cumulative subordinated bond loan with a nominal value of €225 million was issued. The issue price of the bonds was 100%. These bonds bear interest at 6.875%. Wolters Kluwer has the right to redeem the loan as from May 2008.

Wolters Kluwer is allowed to refrain from paying interest if there is not declared or made available any dividend for payment. The accrued interest will be paid in a subsequent year where there is dividend declared and paid. In case of bankruptcy, Wolters Kluwer has no obligation to pay any accrued interest, the nominal amounts of the bond will then become a subordinated liability. The proceeds from this bond issue were used to refinance bank facilities, as well as for general corporate purposes.

### MULTI-CURRENCY SYNDICATED CREDIT FACILITY

In July 2004, Wolters Kluwer has signed a €750 million multi-currency credit facility. The transaction raised commitments from thirteen banks across Europe, the United States, and Australia. The credit facility has a maturity of five years with two extension options of a year, potentially raising the maturity to seven years.

<b>MARKET VALUE OF LONG-TERM LOANS, SWAPS, AND FORWARD EXCHANGE CONTRACTS</b>	<b>DECEMBER 31, 2004</b>		<b>DECEMBER 31, 2003</b>	
	Carrying value	Fair value	Carrying value	Fair value
Long-term loans <sup>21</sup>	<b>(1,773)</b>	<b>(1,898)</b>	<b>(1,823)</b>	<b>(1,852)</b>
Unsubordinated convertible bonds <sup>21</sup>	<b>(440)</b>	<b>(441)</b>	<b>(501)</b>	<b>(494)</b>
Perpetual cumulative subordinated bonds <sup>21</sup>	<b>(233)</b>	<b>(237)</b>	<b>(232)</b>	<b>(227)</b>
Interest rate swaps	-	<b>33</b>	-	<b>26</b>
Forward exchange contracts	<b>254</b>	<b>239</b>	<b>252</b>	<b>224</b>

The carrying value of forward exchange contracts amounts to €254 million (2003: €252 million) of which €157 million is realized and will be received in 2005 (€99 million) and 2006 (€58 million). The value of forward contracts mitigates the loss on equity, resulting from a deteriorating U.S. dollar over 2004. The fair value of outstanding long-term loans at the balance sheet date can deviate from the value at which they

have been recorded in the balance sheet. The fair value of swaps, which Wolters Kluwer uses to hedge the exchange rate and interest risks (cross currency swaps and interest rate swaps) and the forward contracts have been included in the table above. This fair value is determined based on the discounted value method or listings from financial institutions.

<sup>21</sup> Carrying value is defined as book value including accrued interest less the capitalized portion of the issuing costs.

## Note 20 - Provisions

	2004	2003
Provision for pensions	148	227
Other post-employment obligations	27	28
Reorganization/restructuring commitments	33	43
Deferred taxation	10	8
<b>TOTAL</b>	<b>218</b>	<b>306</b>

The short-term commitments relating to expected spending due within one year are presented under other current liabilities.

### Provision for Pensions

#### ACTUARIAL ASSUMPTIONS

The following weighted average actuarial assumptions were employed to determine the net periodic pension and post retirement plans' expense and the net liability.

<b>ACTUARIAL ASSUMPTIONS</b>	2004	2003
<b>PENSION SCHEMES (%)</b>		
Discount rate	4.9	5.3
Expected return on assets	5.8	6.3
Average increase salaries	3.5	2.9
<b>POST RETIREMENT MEDICAL PLANS (%)</b>		
Discount rate	6.0	6.8
Medical trend rate	5.0	9.5

The mortality tables used are generally accepted in the applicable countries.  
The average increase in salaries is based on the non-closed pension plans.  
The medical trend rate has decreased significantly in 2004 because of the change of the post-retirement medical plan in the United States.

## PLAN LIABILITIES AND ASSETS

	2004	2003	2004	2003
	Pension plans		Post-retirement medical plans	
Fair value at January 1	816	834	120	127
Service costs	15	20	3	5
Interest costs	43	42	5	7
Benefits paid	(31)	(32)	(5)	(5)
Actuarial (gain) or loss	100	(22)	(14)	7
Employee contributions	7	6	-	1
Curtailment (gain) or loss	(18)	-	-	-
Exchange rate gain or (loss)	(18)	(33)	(7)	(22)
Plan amendments	5	1	(28)	-
<b>FAIR VALUE AT DECEMBER 31</b>	<b>919</b>	<b>816</b>	<b>74</b>	<b>120</b>
<b>PLAN ASSETS</b>				
Fair value at January 1	727	699	-	-
Return on plan assets	67	55	-	-
Benefits paid by fund	(34)	(32)	(5)	(5)
Employer contribution	57	21	5	4
Employee contribution	7	6	-	1
Exchange rate gain or (loss)	(7)	(22)	-	-
<b>FAIR VALUE AT DECEMBER 31</b>	<b>817</b>	<b>727</b>	<b>0</b>	<b>0</b>
<b>FUNDED STATUS</b>				
Funded status at December 31	102	89	74	120
Unrecognized past service costs	(5)	-	15	-
Unrecognized net gain or (loss)	(41)	30	3	(12)
<b>NET LIABILITY AT DECEMBER 31</b>	<b>56</b>	<b>119</b>	<b>92</b>	<b>108</b>
<b>PENSION COSTS</b>				
Service costs	15	20	3	5
Interest costs	43	42	5	8
Expected return on assets	(46)	(42)	-	-
Amortization unrecognized past service costs	-	-	(13)	-
Amortization unrecognized net (gain) or loss	(2)	-	-	-
<b>TOTAL PENSION COSTS</b>	<b>10</b>	<b>20</b>	<b>(5)</b>	<b>13</b>

The amortization of unrecognized past service costs of €13 million relates to the 2004 plan change in the United States.

The curtailment gain of €18 million relates to the restructuring programs in the Netherlands and Belgium, and the divestment of ten Hagen & Stam.

## Provision for Reorganization/Restructuring Commitments

	2004	2003
Position at January 1	43	42
Add: short-term commitments	60	21
<b>TOTAL AT JANUARY 1</b>	<b>103</b>	<b>63</b>
<b>MOVEMENTS</b>		
Addition charged as exceptional restructuring expense	44	96
Addition charged to ordinary operating result	2	4
Addition in respect of acquisitions	-	2
<b>TOTAL ADDITIONS</b>	<b>46</b>	<b>102</b>
Appropriation of acquisition provisions	(5)	(15)
Appropriation of exceptional reorganization provisions	(52)	(16)
Appropriation of reorganization provisions	(5)	(8)
Exchange differences and other movements	(3)	(23)
<b>TOTAL APPROPRIATIONS</b>	<b>(65)</b>	<b>(62)</b>
Total at December 31	84	103
Less: short-term commitments	(51)	(60)
<b>POSITION AT DECEMBER 31</b>	<b>33</b>	<b>43</b>

## Note 21 - Shareholders' Equity

	Issued share capital	Share premium reserve	Other reserve	Non distributable reserve for translation differences	Unappropriated result	Shareholders' equity
<b>BALANCE AT JANUARY 1, 2003</b>	<b>34</b>	<b>93</b>	<b>1,069</b>	<b>51</b>	<b>-</b>	<b>1,247</b>
Change in accounting principles	-	-	31	-	-	31
Unappropriated net income (loss)	-	-	-	-	(69)	(69)
Exchange rate differences	-	-	(214)	(51)	-	(265)
<i>Total comprehensive income (loss), net of tax</i>	-	-	(183)	(51)	(69)	(303)
Cash dividend 2002	-	-	(73)	-	-	(73)
Stock dividend 2002	1	(1)	-	-	-	-
Repurchased shares	-	-	(10)	-	-	(10)
<b>BALANCE AT DECEMBER 31, 2003</b>	<b>35</b>	<b>92</b>	<b>803</b>	<b>0</b>	<b>(69)</b>	<b>861</b>
<b>BALANCE AT JANUARY 1, 2004</b>	<b>35</b>	<b>92</b>	<b>803</b>	<b>0</b>	<b>(69)</b>	<b>861</b>
Unappropriated net income (loss)	-	-	-	-	135	135
Exchange rate differences	-	-	-	(148)	-	(148)
<i>Total comprehensive income (loss), net of tax</i>	-	-	-	(148)	135	(13)
Appropriation of result previous year	-	-	(69)	-	69	0
Share-based payments	-	-	8	-	-	8
Cash dividend 2003	-	-	(81)	-	-	(81)
Stock dividend 2003	1	(1)	-	-	-	0
<b>BALANCE AT DECEMBER 31, 2004</b>	<b>36</b>	<b>91</b>	<b>661</b>	<b>(148)</b>	<b>135</b>	<b>775</b>

### Share Capital

The authorized capital amounts to €143.04 million consisting of €71.52 million ordinary shares (nominal value €0.12) and €71.52 million preference shares. The issued share capital consists of ordinary shares. The number of issued ordinary shares increased from 292.1 million to 297.7 million as a result of stock dividend.

To cover the dilutive effect of stock options the Company has, as per the balance sheet date, 3.2 million repurchased shares in stock. Depositary receipts had been issued for 97% of the issued ordinary share capital (288.7 million shares).

### Dividends

Of the 2003 dividend, 51.3% was distributed as cash dividend (2002: 48.4%).

### Share-based payments

Share-based payments relate to the equity-settled Long-Term Incentive Plan 2004-2006.



## Note 22 - Share-based Payments

### Long-Term Incentive Plan 2004-2006

In late 2003, a new strategic vision was announced that focuses on value creation. As a result, a new incentive plan for Executive Board members and senior executives has been implemented, to align compensation with value creation. Under the new plan, stock options have ceased to be granted. Instead, Executive Board members and senior executives have been granted 1,530,000 shares under the equity-settled Long-Term Incentive Plan (LTIP) 2004-2006. The vesting period of the plan is three years, at the beginning of which a base number of shares ("norm payout") is conditionally awarded to each beneficiary.

Actual awards will range anywhere from 0% to 150% of target amounts; the percentage depends on the Company's Total Shareholder Return (TSR) relative to a pre-defined group of 15 peer companies. We refer to the Remuneration Report on pages 42 for more details.

Total expenses for LTIP 2004-2006 will be ratably allocated

to the profit and loss account over the period of the plan. Vesting of the grants is subject to the non-market condition that the participant stays with the Company until the plan's maturity at December 31, 2006. In 2004, €7.6 million has been recorded as personnel expenses in the profit and loss account.

	Number of shares
Outstanding at 1 January 2004	-
Awarded	<b>1,530,000</b>
Exercised	-
Forfeited	<b>36,000</b>
Outstanding at December 31, 2004	<b>1,494,000</b>

The fair market value of each share was €13.10, as determined by an outside consulting firm.

### Stock Option Plan

At December 31, 2004, options were outstanding for 8.6 million (depository receipts of) ordinary shares Wolters Kluwer.

<b>STOCK OPTION PLANS</b>	1999	2000	2001	2002	2003	2004	TOTAL
END OF EXERCISE PERIOD	2004 and 2005	2005	2006 <sup>22</sup>	2007 and 2009	2010	2011	
Initial number of options	578,200	2,505,340	2,729,750	2,912,250	2,778,500	40,000	
Exercise rate (average) (€)	43.18	23.50	28.88	23.07	10.55	13.47	
Number of options outstanding at January 1, 2004	397,000	1,984,240	2,198,250	2,597,750	2,637,000	-	<b>9,814,240</b>
<b>MOVEMENTS</b>							
Options granted	-	-	-	-	-	40,000	<b>40,000</b>
Options expired/eliminated	(317,000)	(204,080)	(224,500)	(257,500)	(273,500)	-	<b>(1,276,580)</b>
Options exercised	-	-	-	-	-	-	-
<b>NUMBER OF OPTIONS OUTSTANDING AT DECEMBER 31, 2004</b>	<b>80,000</b>	<b>1,780,160</b>	<b>1,973,750</b>	<b>2,340,250</b>	<b>2,363,500</b>	<b>40,000</b>	<b>8,577,660</b>

For members of the Executive Board and approximately 550 managers within the Company, a stock option plan applied until January 1, 2004. Stock options granted before January 1, 2004, have not been cancelled. In 2004, no new stock options have been granted, except for 40,000 stock options to a former member of the Executive Board according to his 2003 resignation agreement. Consequently, no pro forma option value information is presented. Options are granted at fair market value at the date of grant. Every option entitles the holder to purchase

one share each, for the share price on the date at which the option is granted.

The exercise period starts at least two years after the date the options are granted until five years maximum or in some cases six years. For options granted after August 2002 the maturity period is seven years after the grant date.

Wolters Kluwer accounts for stock options using the intrinsic value method. Accordingly, no compensation costs have been recorded for the options granted.

## Note 23 - Related Party Transactions

Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. In 2004, the Company sold the shares of its subsidiary Bohmann to management and granted a loan to management in order to finance this transaction.

<sup>22</sup>The French option plans of 2001 and 2002 expire in 2007 and 2008, respectively.

## Note 24 - Contingent Liabilities

Per December 31, 2004, annual commitments under rental and operational lease agreements amounted to €79 million (2003: €83 million). The average term of these commitments is approximately 5.4 years (2003: 5.8 years).

Per December 31, 2004, the Company has outstanding guarantees regarding royalty payments to Societies during the coming years of around €13 million.

Pursuant to section 403 of the Dutch Civil Code, Book 2, the Company has assumed joint and several liabilities for the debts arising out of the legal acts of a number of subsidiaries. The relevant declarations have been filed with and are open for inspection at the Trade Register for the district in which the legal entity, in respect of which liability has been assumed, has its registered office.

The Company has issued formal guarantees for bank credit facilities for a total amount of €40 million (2003: €49 million), on behalf of a number of its foreign subsidiaries. At December 31, 2004, €0.5 million of these credit facilities had been utilized. Per December 31, 2004, other bank guarantees were issued, at the request of Wolters Kluwer or subsidiaries, for a total amount of €6.4 million (2003: €7.8 million). These guarantees mainly relate to rent for real estate.

The Company forms part of a Dutch fiscal entity, and pursuant to standard conditions has assumed joint and several liability for the tax liabilities of the fiscal entity.

In December 2004, the Company reached a seven-year agreement with Perot Systems Corporation to provide data center management, back-office support, and other information technology services. The total contract value of the agreement is approximately €146 million.

## Note 25 - Audit Fees

The aggregate fees billed by our auditor KPMG for professional services rendered in 2004 and 2003 are as follows:

	2004	2003
Audit fees	5	4
Audit-related fees	1	1
Tax fees	2	2
Other fees	-	1
<b>TOTAL</b>	<b>8</b>	<b>8</b>

Audit fees consist of fees for the audit of both the consolidated financial statements and local statutory financial statements. Audit-related fees primarily consist

of fees in connection with acquisitions and divestments, attest services not required by statute or regulation, and accounting-related advice (for example IFRS).

## Note 26 - Remuneration of the Executive Board and Supervisory Board

For details on the Company's remuneration policy, please see the report from the Remuneration Committee of the Supervisory Board on page 42 of this report.

## Remuneration Executive Board Members

	Salary	Bonus	Pension	Social security	Other benefits	Tax gross up <sup>23</sup>	2004 Total <sup>24</sup>	2003 Total
€ THOUSAND								
N. McKinstry, <i>Chairman</i>	772	815	191	27	174 <sup>25</sup>	158	2,137	1,603
B.L.J.M. Beerkens	525	473	100	11	29	-	1,138	367
J.M. Detailleur	449	404	248	90	79	-	1,270	1,310
H.J. Yarrington	646	582	39	18	22	-	1,307	1,283
R. Pieterse <sup>26</sup>	-	-	-	-	-	-	-	1,037
<b>TOTAL</b>	<b>2,392</b>	<b>2,274</b>	<b>578</b>	<b>146</b>	<b>304</b>	<b>158</b>	<b>5,852</b>	<b>5,600</b>

The 2004 bonuses as presented above relate to performance year 2004 and will be paid in 2005. In previous years bonuses actually paid in the calendar year covered in this report but based on prior year's performance were included in the Executive Board Members' remuneration overview.

The 2004 pension contributions as presented above concern the accrued pension costs for the financial year 2004.

In previous years, the pensions shown in the Executive Board Member remuneration overview represented pension premiums and similar obligations actually paid.

In 2004, the Company paid €0.6 million and granted 40,000 stock options to a former member of the Executive Board.

At balance sheet date, Mr. Detailleur and Mr. Yarrington own 802 and 404 depositary receipts of ordinary shares, respectively.

## Long-Term Incentive Plan Executive Board Members

The Executive Board Members have been conditionally awarded in 2004 the following number of shares based on a 100% pay out, subject to the conditions of the Long-Term Incentive Plan 2004-2006, as described in the Remuneration Report:

	Balance at January 1, 2004	Conditionally granted during 2004	Balance at December 31, 2004
N. McKinstry	-	200,000	200,000
B.L.J.M. Beerkens	-	80,000	80,000
J.M. Detailleur	-	80,000	80,000
H.J. Yarrington	-	120,000	120,000
<b>TOTAL</b>	<b>-</b>	<b>480,000</b>	<b>480,000</b>

Fair market value of each share was €13.10. The plan has a vesting period of three years, except for Mr. Yarrington for whom a two years vesting period has been agreed.

<sup>23</sup>Tax gross up relates to the tax expense incurred by the Company relating to tax equalization for salary and benefits paid in 2004 (thus including the bonus over 2003, which was paid in 2004) per the contract between the company and Ms. McKinstry.

<sup>24</sup>Company's costs of the Long-Term Incentive Plan 2004-2006 are not included in the Executive Board Members' remuneration as it comprises a conditional element of compensation.

<sup>25</sup>Other benefits consist mainly of a housing allowance and children's school fees.

<sup>26</sup>Mr. Pieterse resigned as Chairman of the Executive Board per September 1, 2003.

## Stock Options Executive Board Members

	Granted	Exercise price (€)	January 1, 2004	Granted during the year	Expired during the year	Exercised during the year	December 31, 2004	End of exercise period
N. McKinstry <i>Chairman</i>	2001	29.16	100,000	-	-	-	100,000	2006
	2002	24.00	90,000	-	-	-	90,000	2007
	2002	18.27	80,000	-	-	-	80,000	2009
	2003	13.00	80,000	-	-	-	80,000	2010
B.L.J.M. Beerkens	2003	10.10	15,000	-	-	-	15,000	2010
	2003	13.00	40,000	-	-	-	40,000	2010
J.M. Detailleur	1999	43.18	80,000	-	-	-	80,000	2005
	2000	23.32	80,000	-	-	-	80,000	2005
	2000	24.06	32,400	-	-	-	32,400	2005
	2001	29.16	20,000	-	-	-	20,000	2006
	2001	29.16	60,000	-	-	-	60,000	2007
	2002	24.00	55,000	-	-	-	55,000	2008
	2002	24.00	5,000	-	-	-	5,000	2007
	2002	18.27	40,000	-	-	-	40,000	2009
	2003	13.00	40,000	-	-	-	40,000	2010
H.J. Yarrington	1999	43.18	80,000	-	(80,000)	-	0	2004
	2000	23.32	120,000	-	-	-	120,000	2005
	2000	24.06	36,800	-	-	-	36,800	2005
	2001	29.16	120,000	-	-	-	120,000	2006
	2002	24.00	90,000	-	-	-	90,000	2007
	2002	18.27	80,000	-	-	-	80,000	2009
	2003	13.00	80,000	-	-	-	80,000	2010
<b>TOTAL</b>			<b>1,424,200</b>		<b>(80,000)</b>		<b>1,344,200</b>	

## Remuneration Supervisory Board Members

€ THOUSAND	Member of Selection and Remuneration Committee	Member of Audit Committee	Remuneration 2004	Remuneration 2003
H. de Ruiter <i>Chairman</i>	■	■	48	49
J.V.M. Pennings <i>Deputy Chairman</i>	■		40	39
A. Baan	■	■	38	30
A.J.Frost			30	30
K.A.L.M Van Miert			30	30
H. Scheffers <sup>27</sup>		■	34	-
A.H.C.M. Walravens <sup>28</sup>			-	10
N.J. Westdijk		■	35	35
<b>TOTAL</b>			<b>255</b>	<b>223</b>

The Supervisory Board Members do not have investments in Wolters Kluwer nv.

<sup>27</sup>Mr. Scheffers was appointed as member of the Supervisory Board by the Annual General Meeting of Shareholders on April 21, 2004.

<sup>28</sup>Mr. Walravens resigned in April 2003.

# Financial Statements of Wolters Kluwer nv

## PROFIT AND LOSS ACCOUNT WOLTERS KLUWER NV

	2004		2003	
Results subsidiaries after tax/other net income		135		(69)
<b>NET INCOME/(LOSS)</b>		<b>135</b>		<b>(69)</b>

## BALANCE SHEET WOLTERS KLUWER NV (BEFORE APPROPRIATION OF RESULTS)

	2004		2003	
<b>FIXED ASSETS</b>				
Intangible fixed assets	3		3	
Tangible fixed assets	2		2	
Financial fixed assets	2,416		2,719	
<b>TOTAL FIXED ASSETS</b>		<b>2,421</b>		<b>2,724</b>
<b>CURRENT ASSETS</b>				
Accounts receivable	543		521	
Cash and cash equivalents	604		343	
<b>TOTAL CURRENT ASSETS</b>	<b>1,147</b>		<b>864</b>	
<b>CURRENT LIABILITIES</b>	<b>777</b>		<b>290</b>	
<b>WORKING CAPITAL</b>		<b>370</b>		<b>574</b>
<b>CAPITAL EMPLOYED</b>		<b>2,791</b>		<b>3,298</b>
<b>FINANCING</b>				
Subordinated bonds	227		410	
Bonds	1,142		1,312	
Unsubordinated convertible bonds	422		490	
Perpetual cumulative subordinated bonds	225		225	
Total long-term liabilities		<b>2,016</b>		<b>2,437</b>
Provisions		-		-
Shareholders' equity (Note 21)		<b>775</b>		<b>861</b>
<b>TOTAL FINANCING</b>		<b>2,791</b>		<b>3,298</b>

## Accounting Policies

For the principles for the valuation of assets and liabilities, and for the determination of results, we refer to the principles for the consolidated balance sheet, and profit and loss account.

### NOTES TO THE FINANCIAL STATEMENTS OF WOLTERS KLUWER NV

	2004	2003
<b>FINANCIAL FIXED ASSETS</b>		
Net asset value of subsidiaries at January 1	(531)	63
Movements related to results	61	(119)
Movements related to revaluations and exchange differences	34	66
Movements related to capital payments	115	-
Movements related to dividend payments	(42)	(541)
Net asset value of subsidiaries at December 31	(363)	(531)
Long-term receivables from subsidiaries	2,779	3,250
	2,416	2,719
<b>CURRENT LIABILITIES</b>		
Debts to subsidiaries	276	110
Bankers	-	56
Other liabilities	148	124
Subordinated bonds	353	-
	777	290
<b>PROVISIONS</b>		
Provisions for deferred taxation	(4)	(5)
Provision for pensions	1	1
Provisions for reorganization/restructuring commitments	3	4
	0	0

The above provisions are mainly long-term in nature.

*Amsterdam, March 1, 2005*

#### Executive Board

N. McKinstry, *Chairman*  
 B.L.J.M. Beerkens  
 J.M. Detailleur

#### Supervisory Board

H. de Ruiter, *Chairman*  
 J.V.H. Pennings, *Deputy Chairman*  
 A. Baan  
 A.J. Frost  
 K.A.L.M. Van Miert  
 H. Scheffers  
 N.J. Westdijk



# Other Information

## Report of Independent Auditors

### INTRODUCTION

We have audited the financial statements of Wolters Kluwer nv for the year 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

### SCOPE

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used, and significant estimates made, by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company at December 31, 2004, and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands, and comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.

*Amsterdam, March 1, 2005*  
**KPMG Accountants nv**

## Appropriation of Net Income

### ARTICLE 28 OF THE ARTICLES OF ASSOCIATION:

#### ■ Paragraph 1

From the profit as it appears from the annual accounts adopted by the General Meeting, a dividend shall be distributed on the preference shares, whose percentage is equal to that of the average of the interest rate on basic refinancing transactions of the European Central Bank - weighted according to the number of days on which this interest rate applied - during the financial year or part of the financial year for which the dividend is distributed, increased by three. The dividend on the last-mentioned preference shares shall be calculated on an annual basis on the paid-up part of the nominal amount. If in any year the profit shall not be sufficient thereto, from the profit of any succeeding year the deficient dividend shall first be distributed, prior to any further distribution of profit. No further dividend shall be distributed on the preference shares.

#### ■ Paragraph 2

Subsequently, such allocations to reserves shall be made as the Executive Board shall determine, subject to the approval of the Supervisory Board.

#### ■ Paragraph 3

Any balance remaining after that shall be distributed as dividend on the ordinary shares.

#### ■ Paragraph 5

Distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.

#### ■ Paragraph 7

If a loss is suffered for any year, that loss shall be transferred to a new account for set-off against future profits and for that year no dividend shall be distributed. On the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting may resolve, however, to wipe off such a loss by writing it off on a reserve that need not be maintained according to the law.

### ARTICLE 29.2 OF THE ARTICLES OF ASSOCIATION:

On the proposal of the Executive Board that has been approved by the Supervisory Board the General Meeting may resolve on distributions in money or in the manner as referred to in Paragraph 1 to holders of ordinary shares against one or more reserves that need not be maintained under the law.

## PROPOSED CASH DISTRIBUTION

€ MILLION	2004	2003
Proposed cash distribution	164	161
	<b>164</b>	<b>161</b>

Pursuant to Article 29 of the Articles of Association, and with the approval of the Supervisory Board, a proposal will be submitted to the Annual General Meeting of Shareholders to make a distribution in cash of €0.55 per share or shares (at a ratio to be determined and announced on April 25, 2005).

### Post Balance Sheet Events

On January 12, 2005, the Company announced that it has signed an agreement with De Agostini Group for the acquisition of De Agostini Professionale and UTET Professionale, part of De Agostini Editore in Italy. De Agostini Professionale and UTET Professionale are major publishing companies in public administration and enjoy an excellent reputation in legal, tax, and business markets with well established brands such as De Agostini, UTET, ETI and Leggi d'Italia. The agreement on the acquisition of De Agostini Professionale and UTET Professionale is subject to approval by the Italian antitrust authorities.

On January 31, 2005, Wolters Kluwer finalized the acquisition of PCi Corporation, a provider of lending compliance management solutions in the United States.

## APPENDIX<sup>29</sup>

### Restatement of Financial Information for 2004 under International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS)

#### INTRODUCTION

Wolters Kluwer currently prepares its consolidated financial statements under Dutch GAAP. By means of regulation 1606/2002, the European Commission has stipulated that all listed companies within the European Union member states are required to prepare their consolidated financial statements under International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as from January 1, 2005.

Hence, Wolters Kluwer will prepare its first set of financial reports under IFRS as of the first quarter 2005. The Group's first annual report under IFRS will be for 2005. As the Company publishes comparative information for one year in its annual report, the transition date to IFRS is January 1, 2004.

This appendix is intended to provide the users of Wolters Kluwer's financial reports with an analysis of the impact of the transition to IFRS. It consists of the following items:

- Main impact of the adoption of IFRS
- Benchmark figures
- Description of the accounting changes
- Reconciliations between Dutch GAAP and IFRS of:
  - Shareholders' equity at January 1, and December 31, 2004;
  - Consolidated balance sheet at January 1, 2004;
  - Consolidated profit and loss account 2004;
  - Consolidated balance sheet at December 31, 2004;
  - Consolidated cash flow statement 2004
  - Segment information.

The financial information has been prepared on the basis of IFRS expected to be effective per December 31, 2005. However, IFRS are subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance from the IASB and are therefore still subject to change. We will update our restated financial information for any such changes when they are made. As a consequence, these figures and the discussion in this appendix should be treated with appropriate caution as they might need to be revised in the light of such changes.

<sup>29</sup>The data in this appendix are unaudited.

Furthermore, IFRS 1 includes an exemption for 2004 from the requirement to restate the financial information for IAS 32 and IAS 39 that contain specific accounting guidelines with regard to financial instruments. Wolters Kluwer has elected to apply this exemption and will therefore only apply these standards in its IFRS financial reports as of January 1, 2005.

For the reasons mentioned above, the information contained in this appendix might not be indicative of the impact of IFRS on Wolters Kluwer's future results and its financial position.

#### **MAIN IMPACT OF THE ADOPTION OF IFRS**

Over the last few years, Dutch GAAP has already incorporated some important IFRS standards.

These adoptions prompted Wolters Kluwer to change its accounting policies for revenue recognition (RJ 270, similar to IAS 18) and pensions (RJ 271, similar to IAS 19) per January 1, 2003. Consequently, there is no change to revenue recognition at the transition date. Likewise, the change to pension accounting is limited.

To the extent that the accounting principles applied under Dutch GAAP differ from the accounting principles as prescribed under IFRS, we have adjusted our accounting principles as set out below. To the extent that the accounting principles are not affected, we refer to page 59 to 63 of the annual report.

The main impact of the adoption of IFRS is in the following areas, that are discussed in the following paragraphs:

- Share-based payments
- Business combinations
- Presentation
- Cash flow statement
- Taxation
- Employee benefits
- Financial instruments

It should be emphasized that IFRS has no impact on the overall cash flow of the Company. Furthermore, the adoption of IFRS is not expected to have an effect on the dividend policy, as announced previously.

#### **BENCHMARK FIGURES**

In addition to its Dutch GAAP figures, Wolters Kluwer

presents ordinary figures that are regarded internally as key performance measures of our operations.

Wolters Kluwer intends to continue to use these benchmark figures in the future, in line with common market practice.

The definition of these benchmark figures has not changed as a result of the adoption of IFRS.

Ordinary EBITA excludes the impact of the exceptional restructuring expense, relating to the restructuring program announced in October 2003 and acquisitions, and the expenses from acquired intangibles.

Ordinary net income excludes the impact of the exceptional restructuring expense, as mentioned above, the expenses from acquired intangibles, results from divestments and the related tax effects.

Free cash flow is the cash flow generated by the activities of the Company that is available for acquisitions, dividend payments, and debt redemption.

During 2005, usage of the benchmarks will be revisited based on emerging market practice.

## OVERVIEW OF THE IMPACT

IN MILLIONS OF EUROS	Full Year 2004		
	IFRS	Dutch GAAP	Difference
Revenues	3,261	3,261	-
Operating income	407	239	168
Net income	311	135	176
EPS (fully diluted in €)	1.04	0.46	0.58
Shareholders' equity at January 1, 2004	652	861	(209)
Shareholders' equity at December 31, 2004	746	775	(29)
<b>BENCHMARK FIGURES</b>			
Ordinary EBITA	516	521	(5)
Ordinary net income	307	311	(4)
Ordinary EPS (fully diluted, in €)	1.02	1.04	(0.02)
Free cash flow	456	456	-

### Description of the accounting changes

IFRS 1 allows companies to elect to use one or more exemptions from IFRS in its transition.

Wolters Kluwer has elected to use the following exemptions:

- Business combinations: the Company has not retrospectively applied IFRS 3 on business combinations to acquisitions prior to the transition date;
- Employee benefits: the Company has elected to recognize all actuarial gains and losses at the transition date;
- Cumulative translation differences: the Company has elected to deem the cumulative translation differences of all foreign operations to be zero at the date of transition to IFRS;
- Share-based payment transactions: the Company has elected not to apply IFRS 2 on share-based payments to equity instruments that were granted on or before November 7, 2002.

Wolters Kluwer has also elected not to restate its comparative 2004 financial results for the impact of IAS 32 and IAS 39, which deals with financial instruments. With regard to compound financial instruments, the Company has elected not to recognize the two portions of compound

financial instruments separately to the extent that the liability component is no longer outstanding at the transition date.

### IFRS 2 SHARE-BASED PAYMENTS

IFRS 2 requires a company to reflect in its profit and loss account and its balance sheet the effect of share-based payment transactions.

Wolters Kluwer has elected to use the transition arrangement under IFRS 1, which allows companies not to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002. The IFRS reconciliation therefore solely relates to the stock options granted after November 7, 2002. As a result, an expense of €3 million was recognized in the profit and loss account for 2004.

Dutch GAAP also requires companies to recognize compensation costs of shares that are (conditionally) granted to employees. Wolters Kluwer has elected to apply the calculation methodology as prescribed by IFRS 2 to calculate the expense of the Long-Term Incentive Plan 2004-06 in its 2004 financial statements under Dutch GAAP. As a result there is no difference between Dutch GAAP and IFRS.

### IFRS 3 BUSINESS COMBINATIONS

IFRS 3 requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value may not be recoverable.

Wolters Kluwer has elected to apply the transition arrangement under IFRS 1, which allows for the prospective application of IFRS 3 from January 1, 2004. The impact of IFRS 3 and the associated transitional arrangements is that all goodwill reported under Dutch GAAP is frozen as of January 1, 2004. The amortization expense of goodwill for 2004 is reversed in the profit and loss account.

As a result, the amortization expense of goodwill and publishing rights decreased by €173 million. Since a part of goodwill is amortized for tax purposes, the tax benefit has also been reversed in the profit and loss account and as a result the tax expense increased by €18 million. The net impact on net income thus amounts to €155 million. The publishing rights acquired as a result of business combinations meet the recognition criteria of IFRS 3.

The impairment test prescribed by IFRS is similar to the impairment test that Wolters Kluwer has historically applied to goodwill and publishing rights under Dutch GAAP.

Thus, the impairment test that was performed at the transition date has not resulted in additional impairments having to be recognized. Under IFRS, reorganization provisions can no longer be charged as part of accounting for acquisitions.

## IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

### **Offsetting**

IAS 1 does not allow assets and liabilities to be offset unless required or permitted by another Standard or Interpretation. Under Dutch GAAP, Wolters Kluwer used to offset trade debtors and deferred income to the extent that the amounts related to subscription billings were not yet due. The impact of IAS 1 is that trade debtors and deferred income are no longer offset for an amount of €218 million per January 1, 2004 and of €219 million per December 31, 2004).

### **Deferred taxation**

Deferred tax assets that are expected to be realized after more than one year should be presented within financial fixed assets. As a consequence, an amount of €37 million has been reclassified from receivables to financial fixed assets per January 1, 2004 (per December 31, 2004 €34 million).

### **Receivables from forward contracts**

Receivables from forward contracts, that are expected to be realized after more than one year, should be presented within financial fixed assets. As a consequence, an amount of €219 million has been reclassified from receivables to financial fixed assets per January 1, 2004 (€136 million per December 31, 2004).

## IAS 7 CASH FLOW STATEMENT

IAS 7 contains guidelines to be applied to the presentation of the cash flow statement.

Cash payments to employees and suppliers should all be recognized as cash flows from operating activities.

As a result, the cash flow from acquisition provisions has been reclassified to cash flow from operating activities.

Cash receipts and payments from forward contracts and swaps should be classified in the same manner as the cash flows of the positions being hedged. Wolters Kluwer has primarily used derivatives for the purpose of hedging its net investments in the United States. As a result, the cash receipts from derivatives have been reclassified to the cash flow from investing activities.

## IFRS 1 / IAS 12 TAXATION

IAS 12 requires recognition of a deferred tax liability for almost all differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

A deferred tax liability should therefore be recognized on publishing rights that are acquired as part of a business combination. According to the IFRS transition arrangements, goodwill and the (carrying value of the) publishing rights should not be changed as a result of the transition to IFRS, except in specific circumstances. It was therefore concluded that the deferred tax liability on the publishing rights had to be charged to equity.

Therefore, a deferred tax liability of €221 million is charged to equity relating to the publishing rights that were carried in the balance sheet per January 1, 2004.

In 2004, €25 million was credited to income, reflecting the tax credit on the amortization expense of the publishing rights including €3 million that was credited to the results from divestments. In 2004, €11 million was added to goodwill relating to the deferred tax liability on acquired publishing rights that were recognized in 2004. The impact on equity per December 31, 2004, was therefore €196 million negative. It should be noted that this deferred tax liability is not expected to result in actual cash payments.

## IAS 19 EMPLOYEE BENEFITS

### **Pensions**

Wolters Kluwer adopted Dutch accounting guideline RJ 271 as per January 1, 2003. The impact of this guideline for Wolters Kluwer is similar to the adoption of IAS 19. Wolters Kluwer has elected to apply the transition arrangement under IFRS 1, which allows for the recognition of all cumulative actuarial gains and losses at January 1, 2004 and hence the amortization credit of such unrecognized gain or loss under Dutch GAAP in 2004 has been reversed in the profit and loss account under IFRS in 2004. As a result, the pension provision on the balance sheet decreased by €23 million, pension costs increased by €2 million, having a negative impact on net income of 2004 of €1 million, after allowing for the related tax benefit of €1 million. As a result, the pension provision decreased by €21 million per December 31, 2004.

### **Other employee benefits**

IAS 19 requires a provision to be charged for long-term employee benefits such as jubilee or other long-term service benefits.

Wolters Kluwer has typically recognized this expense on a cash basis, except for a few businesses that already recognized an accrual for long-term employee benefits. These accruals were previously presented as other current liabilities, and will be reclassified to provisions under IFRS. As a result, Wolters Kluwer has recognized a provision for long-term service benefits of €4 million. The impact on equity of the adjustments mentioned above, net of related deferred taxes, is €12 million.

**IFRS TO BE APPLIED FROM JANUARY 1, 2005:  
IAS 32 AND IAS 39 FINANCIAL INSTRUMENTS**

IAS 32 and IAS 39 contain guidelines for the presentation, disclosure, recognition, and measurement of financial instruments.

IFRS 1 contains an exemption from the requirement to restate comparative information for IAS 32 and IAS 39 for 2004. Wolters Kluwer has elected to apply this exemption. Consequently, Dutch GAAP has been consistently applied in the 2004 IFRS financial statements.

In accordance with IFRS 1, Wolters Kluwer has also elected not to recognize the separate components of the convertible bond to the extent that the convertible bond is no longer outstanding per January 1, 2005.

The main effects of the adoption of IAS 32, and IAS 39 for Wolters Kluwer are as follows:

- Recognition of derivatives at fair value. Unless hedge accounting is applied, changes in the fair value will impact net income;
- Recognition of the convertible bond as a compound financial instrument to the extent that there is an outstanding balance per 1 January 2005, and consequently, the classification of the convertible bond into its separate financial components;
- Recognition of financial assets and liabilities at amortized cost including the transaction costs if held to maturity, unless hedge accounting is applied.

Per January 1, 2005, the impact before taxation of the adoption of IAS 32 and IAS 39 is approximately €35 million positive on equity. The adoption of these standards will inherently result in greater volatility of Wolters Kluwer's results.

As a result to the adoption of IAS 32 and IAS 39, it is expected that financing costs will increase by approximately €15 million in 2005. The treatment of the convertible bond as a compound financial instrument and the resulting recognition at amortized cost of the debt component, results in an additional interest expense in 2005 of approximately €10 million. This additional expense will not impact the financing cash flow however. The application of these standards to our derivative portfolio is expected to result in an additional interest expense of approximately €5 million. This does not include the fair value adjustment that will need to be reflected in the profit and loss account of derivatives for which no hedge accounting is applied, since these will depend on actual currency and interest rate changes.

**Reconciliation between Dutch GAAP and IFRS**

UNLESS OTHERWISE INDICATED, THE FIGURES IN THESE RECONCILIATIONS ARE IN MILLIONS OF EUROS.

**RECONCILIATION OF SHAREHOLDERS' EQUITY AT JANUARY 1, 2004**

Dutch GAAP shareholders' equity at January 1, 2004	861
Taxation	(221)
Employee benefits	12
<b>IFRS SHAREHOLDERS' EQUITY AT JANUARY 1, 2004</b>	<b>652</b>

**RECONCILIATION OF SHAREHOLDERS' EQUITY AT DECEMBER 31, 2004**

Dutch GAAP shareholders' equity at December 31, 2004	775
Business combinations	155
Taxation	(196)
Employee benefits	11
Exchange rate differences	1
<b>IFRS SHAREHOLDERS' EQUITY AT DECEMBER 31, 2004</b>	<b>746</b>

## Consolidated Balance Sheet at January 1, 2004

	January 1, 2004 DUTCH GAAP	Taxation IAS 12	Employee benefits IAS 19	Presentation IAS 1	January 1, 2004 IFRS
<b>FIXED ASSETS</b>					
Intangible fixed assets	3,042				3,042
Tangible fixed assets	243				243
Financial fixed assets	14			256	270
<b>TOTAL FIXED ASSETS</b>	<b>3,299</b>			<b>256</b>	<b>3,555</b>
<b>CURRENT ASSETS</b>					
Inventories	146				146
Accounts receivable	1,195			(251)	944
Cash and cash equivalents	404				404
<b>TOTAL CURRENT ASSETS</b>	<b>1,745</b>			<b>(251)</b>	<b>1,494</b>
<b>CURRENT LIABILITIES</b>					
Deferred income	617			218	835
Trade creditors	268				268
Other current liabilities	468		(1)		467
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,353</b>		<b>(1)</b>	<b>218</b>	<b>1,570</b>
<b>WORKING CAPITAL</b>	<b>392</b>		<b>1</b>	<b>(469)</b>	<b>(76)</b>
<b>CAPITAL EMPLOYED</b>	<b>3,691</b>	<b>-</b>	<b>1</b>	<b>(213)</b>	<b>3,479</b>

	January 1, 2004 DUTCH GAAP	Taxation IAS 12	Employee benefits IAS 19	Presentation IAS 1	January 1, 2004 IFRS
<b>LONG-TERM LIABILITIES</b>	2,521				2,521
<b>PROVISIONS</b>					
Provision for pensions	227		(23)		204
Provision long service benefits	-		4		4
Other post employment obligations	28				28
Reorganization/restructuring commitments	43				43
Deferred taxation	8	221	8	(213)	24
<b>TOTAL PROVISIONS</b>	306	221	(11)	(213)	303
<b>GROUP EQUITY</b>					
Issued share capital	35				35
Share premium reserve	92				92
Non-distributable reserve for translation differences	-				-
Other reserves	734	(221)	12		525
<b>SHAREHOLDERS' EQUITY</b>	861	(221)	12		652
Minority interests	3				3
<b>TOTAL GROUP EQUITY</b>	864	(221)	12		655
<b>TOTAL FINANCING</b>	<b>3,691</b>	<b>0</b>	<b>1</b>	<b>(213)</b>	<b>3,479</b>



## Consolidated Profit and Loss Account 2004

	2004 DUTCH GAAP	Business combi- nations IFRS 3	Taxation IAS 12	Share- based payments IFRS 2	Employee benefits IAS 19	2004 IFRS
Revenues	3,261					3,261
Cost of revenues	1,243					1,243
<b>GROSS RESULT</b>	<b>2,018</b>					<b>2,018</b>
Sales costs	532					532
General and administrative costs						
- General and administrative operating expenses	965			3	2	970
- Amortization of goodwill and publishing rights	238	(173)				65
- Exceptional restructuring expense	44					44
<i>Total operating expenses</i>	<i>1,779</i>	<i>(173)</i>		<i>3</i>	<i>2</i>	<i>1,611</i>
<b>OPERATING INCOME</b>	<b>239</b>	<b>173</b>	<b>-</b>	<b>(3)</b>	<b>(2)</b>	<b>407</b>
Results from divestments	71		3			74
Income from investments	6					6
Interest income	14					14
Interest expense	(111)					(111)
<b>INCOME BEFORE TAXATION</b>	<b>219</b>	<b>173</b>	<b>3</b>	<b>(3)</b>	<b>(2)</b>	<b>390</b>
Taxation on income	(85)	(18)	22		1	(80)
Net results from associates	1					1
<b>INCOME AFTER TAXATION</b>	<b>135</b>	<b>155</b>	<b>25</b>	<b>(3)</b>	<b>(1)</b>	<b>311</b>
Minority interests	-					-
<b>NET INCOME</b>	<b>135</b>	<b>155</b>	<b>25</b>	<b>(3)</b>	<b>(1)</b>	<b>311</b>
Earnings per share (€)	0.46					1.05
Fully diluted earnings per share (€)	0.46					1.04



## Consolidated Balance Sheet at December 31, 2004

	December 31, 2004 DUTCH GAAP	Business combinations IFRS 3	Taxation IAS 12	Share-based payments IFRS 2	Employee benefits IAS 19	Presentation IAS 1	Exchange rate differences	December 31, 2004 IFRS
<b>FIXED ASSETS</b>								
Intangible fixed assets	2,639	173	11				(11)	2,812
Tangible fixed assets	208							208
Financial fixed assets	97					170		267
<b>TOTAL FIXED ASSETS</b>	<b>2,944</b>	<b>173</b>	<b>11</b>			<b>170</b>	<b>(11)</b>	<b>3,287</b>
<b>CURRENT ASSETS</b>								
Inventories	134							134
Accounts receivable	1,031					(135)		896
Cash and cash equivalents	687							687
<b>TOTAL CURRENT ASSETS</b>	<b>1,852</b>					<b>(135)</b>		<b>1,717</b>
<b>CURRENT LIABILITIES</b>								
Deferred income	586					219		805
Trade creditors	318							318
Other current liabilities	800				(1)			799
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,704</b>				<b>(1)</b>	<b>219</b>		<b>1,922</b>
<b>WORKING CAPITAL</b>	<b>148</b>				<b>1</b>	<b>(354)</b>		<b>(205)</b>
<b>CAPITAL EMPLOYED</b>	<b>3,092</b>	<b>173</b>	<b>11</b>	<b>0</b>	<b>1</b>	<b>(184)</b>	<b>(11)</b>	<b>3,082</b>

	December 31, 2004 DUTCH GAAP	Business combinations IFRS 3	Taxation IAS 12	Share-based payments IFRS 2	Employee benefits IAS 19	Presentation IAS 1	Exchange rate differences	December 31, 2004 IFRS
<b>LONG-TERM LIABILITIES</b>	<b>2,093</b>							<b>2,093</b>
<b>PROVISIONS</b>								
Provision for pensions	148				(21)			127
Provision long service benefits					4			4
Other post-employment obligations	27							27
Reorganization/restructuring commitments	33							33
Deferred taxation	10	18	207		7	(184)	(12)	46
<b>TOTAL PROVISIONS</b>	<b>218</b>	<b>18</b>	<b>207</b>		<b>(10)</b>	<b>(184)</b>	<b>(12)</b>	<b>237</b>
<b>SHAREHOLDERS' EQUITY</b>								
Issued share capital	36							36
Share premium reserve	91							91
Non-distributable reserve for translation differences	(148)						1	(147)
Other reserves	661		(221)	3	12			455
Net result for the year	135	155	25	(3)	(1)			311
<b>SHAREHOLDERS' EQUITY</b>	<b>775</b>	<b>155</b>	<b>(196)</b>	<b>0</b>	<b>11</b>		<b>1</b>	<b>746</b>
Minority interests	6							6
<b>TOTAL GROUP EQUITY</b>	<b>781</b>	<b>155</b>	<b>(196)</b>	<b>0</b>	<b>11</b>			<b>752</b>
<b>TOTAL FINANCING</b>	<b>3,092</b>	<b>173</b>	<b>11</b>	<b>0</b>	<b>1</b>	<b>(184)</b>	<b>(11)</b>	<b>3,082</b>

## Consolidated Cash Flow Statement 2004

	Full Year 2004		
	DUTCH GAAP	RESTATE- MENT	IFRS
Operating income	239	168	407
Depreciation	103		103
Amortization of goodwill and publishing rights	238	(173)	65
Exceptional restructuring expense	44		44
Autonomous movements in working capital	107		107
<b>CASH FLOW FROM OPERATIONS</b>	<b>731</b>	<b>(5)</b>	<b>726</b>
Paid financing costs	(62)		(62)
Paid corporate income tax	(83)		(83)
Appropriation of reorganization provisions	(55)	(5)	(60)
Other	3	5	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>534</b>	<b>(5)</b>	<b>529</b>
Net expenditure fixed assets	(73)		(73)
Appropriation of acquisition provisions	(5)	5	0
Acquisition spending	(56)		(56)
Divestments of activities	(5)		(5)
Cash receipts derivatives	0	35	35
<b>CASH FLOW INVESTMENTS</b>	<b>(139)</b>	<b>40</b>	<b>(99)</b>
<b>CASH FLOW SURPLUS</b>	<b>395</b>	<b>35</b>	<b>430</b>
Cash receipts derivatives	35	(35)	-
Movements in long-term loans	(418)		(418)
Movements in short-term borrowings	353		353
Dividend payments	(83)		(83)
Dividend on own shares	2		2
Repurchased shares	-		-
<b>CASH FLOW FINANCING</b>	<b>(111)</b>	<b>(35)</b>	<b>(146)</b>
<b>NET CASH FLOW</b>	<b>284</b>		<b>284</b>
Cash and cash equivalents at January 1	404		404
Exchange differences on cash and cash equivalents	(1)		(1)
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31</b>	<b>687</b>	<b>0</b>	<b>687</b>

## Segment Information

	Full Year 2004		
	DUTCH GAAP	RESTATEMENT	IFRS
<b>REVENUES</b>			
Health	623		623
Corporate & Financial Services	437		437
Tax, Accounting & Legal	596		596
Legal, Tax & Regulatory Europe	1,296		1,296
Education	309		309
<b>TOTAL REVENUES</b>	<b>3,261</b>	<b>0</b>	<b>3,261</b>
<b>OPERATING INCOME</b>			
Health	51	39	90
Corporate & Financial Services	58	14	72
Tax, Accounting & Legal	31	71	102
Legal, Tax & Regulatory Europe	97	35	132
Education	47	4	51
Corporate	(45)	5	(40)
<b>TOTAL OPERATING INCOME</b>	<b>239</b>	<b>168</b>	<b>407</b>
<b>ORDINARY EBITA</b>			
Health	103		103
Corporate & Financial Services	83	(1)	82
Tax, Accounting & Legal	139	(1)	138
Legal, Tax & Regulatory Europe	183		183
Education	52		52
Corporate	(39)	(3)	(42)
<b>TOTAL ORDINARY EBITA</b>	<b>521</b>	<b>(5)</b>	<b>516</b>

Under IFRS, 2004 operating income is on balance €168 million higher because of the cancellation of the amortization of goodwill (€173 million), the increased pension costs at the Divisions Tax, Accounting & Legal (€1 million) and Corporate & Financial Services (€1 million), and the costs of the share-based payments (€3 million) at Corporate, relating to the stock options that were granted in 2003.

Ordinary EBITA is restated for pension costs at Tax, Accounting & Legal (€1 million) and Corporate & Financial Services (€1 million) and costs of the share-based payments (€3 million) at Corporate regarding the share options that were granted in 2003.

## Reconciliation of Benchmark Figures

	Full Year 2004		
	DUTCH GAAP	RESTATEMENT	IFRS
<b>RECONCILIATION BETWEEN OPERATING INCOME AND ORDINARY EBITA</b>			
Operating income	239	168	407
Amortization of goodwill and publishing rights	238	(173)	65
Exceptional restructuring expense	44		44
<b>ORDINARY EBITA</b>	<b>521</b>	<b>(5)</b>	<b>516</b>
<b>RECONCILIATION BETWEEN NET INCOME AND ORDINARY NET INCOME</b>			
Net income	135	176	311
Amortization of goodwill and publishing rights	238	(173)	65
Tax on amortization	(21)	(4)	(25)
Exceptional other income/results from divestments (after taxation)	(70)	(3)	(73)
Exceptional restructuring expense (after taxation)	29		29
<b>ORDINARY NET INCOME (B)</b>	<b>311</b>	<b>(4)</b>	<b>307</b>
<b>RECONCILIATION OF ROIC</b>			
Ordinary EBITA	521	(5)	516
Allocated tax	(148)	1	(147)
Net Operating Profit After Allocated Tax (NOPAT)	373	(4)	369
Average invested capital	5,468	(5)	5,463
<b>ROIC (NOPAT / AVERAGE INVESTED CAPITAL) (%)</b>	<b>6.8</b>		<b>6.8</b>
<b>RECONCILIATION BETWEEN CASH FLOW FROM OPERATING ACTIVITIES AND FREE CASH FLOW</b>			
Cash flow from operating activities	534	(5)	529
Net expenditure fixed assets	(73)		(73)
Appropriation of acquisition provisions	(5)	5	0
<b>FREE CASH FLOW</b>	<b>456</b>	<b>0</b>	<b>456</b>

	Full Year 2004		
	DUTCH GAAP	RESTATE-MENT	IFRS
<b>PER SHARE INFORMATION</b>			
Weighted average number of shares (in millions) (D)	295.6	-	295.6
Fully diluted weighted average number of shares (in millions) (E)	310.1	-	310.1
Correction to income of 2.5% unsubordinated convertible bonds (net of taxes) on assumed conversion (F) (€million)	11.2	-	11.2
Ordinary EPS (B/D) (€)	1.05	(0.01)	1.04
Fully diluted ordinary EPS (minimum of ordinary EPS and [(B+F)/E]) (€)	1.04	(0.02)	1.02



## Key Figures

	2004	2003	2002 restated <sup>30</sup>	2001	2000	1999	1998	1997	1996	1995
Revenues	<b>3,261</b>	3,436	3,969	3,837	3,664	3,081	2,739	2,364	1,958	1,336
Operating income	<b>239</b>	91	264	459	514	692	600	504	381	276
Net income	<b>135</b>	(69)	382	140	186	358	309	263	217	205
Ordinary EBITDA	<b>624</b>	722	881	919	878	813	732	613	472	303
Ordinary EBITA	<b>521</b>	610	763	812	789	735	668	552	421	276
Ordinary net income	<b>311</b>	349	442	436	412	410				
(Proposed) Dividend/cash distribution	<b>164</b>	161	156	150	140	128	110	93	76	66
Dividend proposal in % of ordinary net income	<b>52.7</b>	46.1	35.3	34.4	34.0	31.2				
Pay out in % of net income	<b>121.5</b>	n.a.	40.8	107.1	75.3	35.7	35.7	35.4	35.1	32
Free cash flow	<b>456</b>	393	400	328	363	386				
Cash conversion (ratio)	<b>1.26</b>	1.09	0.91							
Shareholders' equity	<b>775</b>	861	1,278	1,379	1,146	1,488	1,011	823	541	333
Guarantee equity <sup>31</sup>	<b>1,233</b>	1,499	2,100	2,200	1,744	2,089	1,616	1,243	731	333
Net (interest bearing) debt <sup>32</sup>	<b>1,527</b>	1,900	2,664	2,821	2,614	2,363	2,202	1,659	1,364	
Capital employed	<b>3,092</b>	3,691	4,590	4,779	3,951	4,132	3,531	2,668	2,141	391
Total assets	<b>4,796</b>	5,044	6,161	6,520	5,792	5,696	4,743	3,771	3,061	
Amortization of goodwill and publishing rights	<b>238</b>	423	415	353	275	89	68	48	30	
Net investments fixed assets	<b>73</b>	92	147	151	124	117	74	96	51	39
Depreciation of fixed assets	<b>103</b>	112	118	107	89	78	64	60	51	27
<b>RATIOS (%)</b>										
Growth percentage of:										
Revenues	<b>(5.1)</b>	(13.4)	1.5	4.7	18.9	12.5	15.9	20.7	46.6	7.6
Ordinary EBITDA	<b>(13.6)</b>	(18.0)	(2.5)	4.7	8.1	11.0	19.4	29.9	55.7	11.8
Ordinary EBITA	<b>(14.6)</b>	(20.0)	(4.3)	2.9	7.3	10.1	20.9	31.3	52.4	12.0
Ordinary net income	<b>(10.9)</b>	(21.0)	4.0	5.7	0.5					
Net income	<b>295.7</b>	(118.1)	134.4	(24.7)	(48.0)	15.9	17.6	21.0	5.9	
<b>AS % OF REVENUES:</b>										
Ordinary EBITDA	<b>19.1</b>	21.0	22.0	23.9	24.0	26.4	26.7	25.9	24.1	22.7
Ordinary EBITA	<b>16.0</b>	17.8	19.2	21.2	21.5	23.9	24.4	23.4	21.5	20.7
Ordinary net income	<b>9.5</b>	10.2	11.1	11.4	11.3	13.3				
Net income	<b>4.1</b>	(2.0)	9.6	3.7	5.1	11.6	11.3	11.1	11.1	
<b>ROIC</b>	<b>6.8</b>	7.1	8.1							
Net interest coverage <sup>33</sup>	<b>5.4</b>	5.4	5.5	4.5	4.4	5.1	5.3	5.5	5.6	
<b>NET GEARING<sup>34</sup></b>	<b>2.0</b>	2.2	2.1	2.0	2.3	1.6	2.2	2.0	2.5	
Shareholders' equity to capital employed	<b>0.25</b>	0.23	0.28	0.29	0.29	0.36	0.29	0.31	0.25	0.85
Guarantee equity to total assets	<b>0.26</b>	0.30	0.34	0.34	0.30	0.37	0.34	0.33	0.24	

	2004	2003	2002 restated <sup>30</sup>	2001	2000	1999	1998	1997	1996	1995
<b>INFORMATION PER SHARE (€)</b>										
On the basis of 'fully diluted':										
Fully diluted earnings per share	<b>0.46</b>	(0.24)	1.30	0.52	0.68	1.29	1.12	0.96	0.80	0.76
Fully diluted ordinary earnings per share	<b>1.04</b>	1.18	1.50	1.54	1.47	1.48	1.34	1.13	0.90	0.76
Fully diluted free cash flow	<b>1.51</b>	1.32	1.36	1.17	1.30	1.39				
Weighted average number of shares, fully diluted (x million)	<b>310.1</b>	309.3	306.2	289.7	284.2	281.2	278.9	276.7	273.2	269.5
Ordinary earnings per share	<b>1.05</b>	1.20	1.56	1.55	1.48	1.48	1.34	1.13	0.90	0.77
Earnings per share	<b>0.46</b>	(0.24)	1.34	0.50	0.67	1.29	1.12	0.96	0.80	0.77
Free cash flow per share	<b>1.54</b>	1.36	1.41	1.16	1.30	1.39				
Dividend/cash distribution per share <sup>35</sup>	<b>0.55</b>	0.55	0.55	0.53	0.50	0.46	0.40	0.34	0.28	0.25
Weighted average number of shares issued (x million)	<b>295.6</b>	289.8	284.3	281.8	279.4	277.2	274.8	272.7	270.0	266.4
<b>STOCK EXCHANGE</b>										
Highest quotation	<b>15.55</b>	17.35	26.45	33.00	44.30	48.56	45.72	33.09	26.43	17.23
Lowest quotation	<b>11.90</b>	8.66	13.40	20.51	20.10	27.30	28.54	23.84	16.93	13.36
Quotation at December 31	<b>14.77</b>	12.40	16.60	25.60	29.04	33.60	45.58	29.71	26.04	17.22
Average daily trading volume Wolters Kluwer on Euronext Amsterdam nv number of shares (x 1,000)	<b>1,245</b>	1,660	1,129	2,037	2,750	2,160	2,100	1,492	1,192	1,132
<b>EMPLOYEES</b>										
Headcount at December 31	<b>18,393</b>	19,689	20,833	20,297	19,209	18,793	17,431	15,385	14,948	8,993
In full time equivalents at December 31	<b>17,515</b>	18,687	19,617	19,317	18,269	17,812	16,505	14,538	14,010	8,369
In full time equivalents average per annum	<b>18,270</b>	19,540	20,284	19,766	19,009	17,452	16,297	14,543	13,768	8,523

<sup>30</sup>2002 figures have been restated to reflect the new accounting principles adopted in 2003, with the exception of growth percentages

<sup>31</sup>Defined as: sum of group equity, subordinated (convertible) bonds, perpetual cumulative bonds

<sup>32</sup>Defined as: sum of (long-term) loans, unsubordinated convertible bonds, perpetual cumulative subordinated bonds, cash loans minus cash and cash equivalents, and value of related swaps and forward exchange contracts

<sup>33</sup>Ratio between operating income before amortization of intangible assets and exceptional items (ordinary EBITA), against net interest costs

<sup>34</sup>Defined as: net (interest bearing) debt as % of shareholders' equity.

<sup>35</sup>Proposed dividend/cash distribution per share.

## Calendar 2005

Meeting of Trust Office	February 1
2004 Full-Year Results	March 2
Publication 2004 Annual Report	March 21
Annual General Meeting of Shareholders	April 14
Ex-dividend date	April 18
2005 Results	
First-Quarter	May 11
Half-Year	August 3
Third-Quarter	November 9

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# Information on the Annual Report

This annual report is available in print in Dutch and English;  
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Photographs of Executive Board,  
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## content in context

**Forward-Looking Statements** This Annual Report contains forward-looking statements. These statements may be identified by words such as “expect,” “should,” “could,” “shall,” and similar expressions. These statements are subject to risks and uncertainties, and actual results and events could differ materially from what is contemplated by the forward-looking statements. Factors which could cause actual results to differ from these forward-looking statements may include, without limitation, general economic conditions, conditions in the markets in which Wolters Kluwer is engaged, behavior of customers, suppliers and competitors, technological developments, as well as legal and regulatory rules affecting Wolters Kluwer’s businesses. In addition, financial risks, such as currency movements, interest rate fluctuations, liquidity and credit risks could influence future results. The foregoing list of factors should not be construed as exhaustive. Wolters Kluwer disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.