

CHANGES IN ACCOUNTING POLICIES AND PRESENTATION IN 2003

In 2003, Wolters Kluwer nv ('the company') has made the following changes in its accounting policies, in accordance with changes in Dutch accounting standards:

- RJ 270 (profit and loss account, corresponding with IAS 18);
- RJ 271 (employee benefits, corresponding with IAS 19);
- RJ 160 (which relates to post balance sheet events, corresponding with the IFRS accounting standard IAS 10).

See below the 2003 accounting changes (Dutch GAAP)

Unless otherwise indicated figures are in millions of euros.

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The following overview shows the total effect of these changes on revenues, net income and opening balance equity:

In millions of euros	2003	2002	2003	2002	January 1, 2003
Impact on	revenue	revenue	net income	net income	equity
RJ 270 Profit and loss account	84	75	9	(7)	(67)
RJ 271 Employee benefits	-	-	(3)	61	(58)
RJ 160 Post balance sheet events	-	-	-	-	156
TOTAL	84	75	6	54	31

Guideline RJ 270 includes detailed revenue recognition criteria. The impact on Wolters Kluwer's business primarily relates to the definition of revenues and the timing of revenue recognition.

Revenues are defined as benefits arising in the course of ordinary activities. We concluded that shipping and handling fees should now be included in revenues and that the royalties owed to professional societies relating to contract publishing should, unless identified as an agency contract, be included in cost of revenues rather than in revenues. Previously, shipping and handling fees were credited to cost of sales and royalties were charged to revenues.

Revenues of products that consist of a combination of goods and services are now recognized based on a split of the fair value of the individual components. Previously, revenues of these products were mainly recognized upon shipment rather than 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. Previously, full revenues were recognized after a deduction of a provision for estimated returns.

Within RJ 271 there are multiple options on how to account for pension costs and liabilities. Wolters Kluwer has adopted the variant based on IAS 19. Under IAS 19, calculations may be based on long-term assumptions for both pension commitments and the return on assets of the fund, with variances between the estimates and actual figures being spread over a large number of years.

In compliance with RJ 160 the declaration of a cash distribution or dividend is regarded as a post balance sheet event and therefore no longer presented under current liabilities.

The company has made some presentation changes to further align its balance sheet and profit and loss account with the Dutch guidelines for presentation 'Besluit modellen jaarrekening'. However, for reasons of international peer comparison the company has decided to present the exceptional restructuring expense in one separate line.

In line with RJ 140, which deals with changes in accounting policies, the 2002 figures have been restated.

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. Insofar as complied with the requirements for exemption in section 403 of the Dutch Civil Code, Book 2, 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 fiscal year are included in the consolidated profit and loss account from 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 company profit and loss account 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 as 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 valuation 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:

1 EURO is	2003	2002	2003	2002
	Rate as at Dec. 31	Rate as at Dec. 31	Average rate	Average rate
US DOLLAR	1.26	1.05	1.13	0.94
GB POUND	0.71	0.65	0.69	0.63

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 enterprise 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) is calculated as follows:

GOODWILL	05 - 20 years
PUBLISHING RIGHTS	05 - 20 years
OTHER INTANGIBLE FIXED ASSETS	03 - 05 years

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	20 - 30 years
MACHINERY AND EQUIPMENT	05 - 10 years
OTHER	03 - 10 years

No appreciation 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. 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 excluding overheads. 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.

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 magnitude 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 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 year of service, so until the benefits become vested. To the extent the benefits are already immediately vested following the introduction of, or changes to, the defined benefit plans, these changes are recognized in the profit and loss account immediately.

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.

PRINCIPLES FOR THE DETERMINATION OF RESULTS

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.

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 collectability 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.

COSTS OF RAW MATERIALS, SUBCONTRACTED WORK AND OTHER EXTERNAL EXPENSES

These costs relate to raw materials, subcontracted work and other external expenses directly relating to products and services generated during the year and the purchase price of trade goods sold.

SALARIES AND WAGES, SOCIAL SECURITY CHARGES AND PENSIONS

These categories include all labor costs regarding personnel employed on the basis of a contract. If there is no relationship between the labor costs and the actual FTEs, expenses are accounted in 'other operating expenses'.

OTHER OPERATING EXPENSES

Other operating expenses include housing and office costs, promotion, storage and distribution costs, training costs and other general costs.

DEPRECIATION

Depreciation relates to intangible fixed assets other than goodwill and publishing rights and tangible fixed assets. Depreciation is calculated using the straight-line method over the economic life of each asset category. Depreciation also includes book results attributable to fixed asset divestments.

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.

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.

NON-CONSOLIDATED AND 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. Also included are the results from non-consolidated interests.

PRINCIPLES UNDERLYING THE CASH FLOW STATEMENT

CASH FLOW FROM OPERATING ACTIVITIES

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

IFRS

The European Commission has stipulated that all listed companies in the European Union member states are required to publish their consolidated annual accounts using IFRS as from January 1, 2005. Wolters Kluwer nv has commenced preparations for the implementation of IFRS. IFRS did and to some extent still does differ in certain material aspects from the Dutch Generally Accepted Accounting Principles (GAAP). Five principal areas of difference have been identified:

- employee benefits;
- revenue recognition;
- intangible fixed assets;
- share-based compensation;
- financial instruments.

As a result of alignment between Dutch GAAP and IFRS, employee benefits and revenue recognition have been implemented in 2003. Intangible fixed assets, share-based compensation and financial instruments are described below.

Implementation of IFRS might lead to a change in the manner in which Wolters Kluwer accounts for its intangible fixed assets. Intangible fixed assets (mostly goodwill and publishing rights) are currently recorded in Wolters Kluwer's balance sheet at historic cost less accumulated amortization. If and to the extent goodwill is considered to be impaired in value, this is charged to the profit and loss account. The proposed guideline from the International Accounting Standards Board (Exposure Draft 3) relating to intangible assets proposes that goodwill will no longer be amortized. Periodic impairment reviews have to be performed, in a manner similar to our current impairment procedure.

Wolters Kluwer already discloses information regarding share-based compensation of employees. After implementation of IFRS, the fair value of the options granted will be accounted for as personnel cost.

The implementation of IFRS will lead to a change in the manner in which the company accounts for financial instruments. Financial instruments are used by the group in the normal course of business to hedge the effects on results of fluctuations in exchange rates and interest rates. As we are awaiting the endorsement of the standards by the European Commission, the impact of any changes cannot be quantified yet.

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