**Dividends**
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 of €0.67 per share in cash or in shares at a ratio to be determined and announced on May 13, 2011. Of the 2009 dividend of €0.66 per share, 59.5% was distributed as cash dividend (2008 dividend: 67.3%).

**Number of shares**
For a reconciliation of average number of shares and earnings per share, see > note 4.

**Option preference shares**
The Company has granted an option to purchase preference shares to the Wolters Kluwer Preference Shares Foundation *(Stichting Preferente Aandelen Wolters Kluwer)*. The dividend on these shares would equal a normal market rate of return, based on a weighted average of interest rate applied by the European Central Bank. Therefore, the fair value of the option is deemed to be zero.

**Share buy-back**
The company intends to execute a €100 million share-buy-back plan in 2011.

| **Number of shares** in thousands | Number of ordinary shares | | Number of treasury shares | | Total outstanding shares | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| At January 1 | 292,799 | 287,086 | (761) | (1,100) | 292,038 | 285,986 |
| Stock dividend | 5,166 | 4,703 | - | - | 5,166 | 4,703 |
| Long-Term Incentive Plan | 694 | 1,010 | 297 | 271 | 991 | 1,281 |
| Stock options | 0 | 0 | 415 | 68 | 415 | 68 |
| **At December 31** | **298,659** | **292,799** | **(49)** | **(761)** | **298,610** | **292,038** |

# Share-based Payments note 27

**Long-Term Incentive Plan**
In 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 was implemented to align compensation with value creation. Under the plan, share options ceased to be awarded. Instead, Executive Board members and senior executives are awarded shares under the equity-settled Long-Term Incentive Plan (LTIP). The performance period of the LTIP is three years at the beginning of which a base number of shares (norm pay-out) are conditionally awarded to each beneficiary.

Actual awards will range anywhere from 0% to 150% of the norm pay-out; the percentage depends on the Group's Total Shareholder Return (TSR) relative to a pre-defined group of 15 peer companies. See for more details > Remuneration Report.

The expense of the LTIP is recognized ratably in the statement of income over the performance period.

Vesting of the conditional grants is subject to the non-market condition that the participant stays with the Group until the plan's maturity. These terms and conditions apply to all running plans (LTIP 2008-10, LTIP 2009-11 and LTIP 2010-12). In 2010, €16.0 million has been recognized within personnel expenses in the statement of income (2009: €16.8 million) related to the total cost of the LTIP 2008-10, 2009-11, and 2010-12.

**LTIP 2007-09**
The LTIP 2007-09 vested on December 31, 2009. Total Shareholder Return (TSR) ranked seventh relative to its peer group of 15 companies, resulting in a pay-out of 75% of the conditional base number of shares awarded to the Executive Board and 100% pay-out to the senior executives. As a result, 989,527 shares were released on February 25, 2010.

**LTIP 2008-10**
The LTIP 2008-10 vested on December 31, 2010. Total Shareholder Return (TSR) ranked tenth relative to its peer group of 15 companies, resulting in a pay-out of 0% of the conditional base number of shares awarded to the Executive Board and in a pay-out of 75% of the conditional base number of shares awarded to senior executives. The shares will be released on February 24, 2011.

**LTIP 2008-10**
number of shares

| | |
|---|---|
| Total grant | 1,395,816 |
| Forfeited in previous years | (164,756) |
| Shares outstanding at January 1, 2010 | 1,231,060 |
| Forfeited and vested during year | (80,150) |
| Effect of 0% vesting based on TSR ranking Executive Board | (303,616) |
| Effect of 75% vesting based on TSR ranking senior executives | (211,819) |
| **Vested at December 31, 2010** | **635,475** |

## LTIP 2009-11 and LTIP 2010-12

| **LTIP 2009-11 and 2010-12**<br>base numbers of shares at 100% pay-out | LTIP 2009-11 | LTIP 2010-12 | Total |
|---|---|---|---|
| Total grant 2009 | 1,517,237 | - | 1,517,237 |
| Forfeited in previous years | (43,750) | - | (43,750) |
| Shares outstanding at January 1, 2010 | 1,473,487 | 0 | 1,473,487 |
| Conditionally awarded grant 2010 | - | 1,499,358 | 1,499,358 |
| Forfeited and vested in 2010 | (127,800) | (56,637) | (184,437) |
| **Outstanding at December 31, 2010** | **1,345,687** | **1,442,721** | **2,788,408** |

The fair value of each conditionally awarded share under the running LTIP grants, as determined by an outside consulting firm, for the Executive Board and for the senior managers of the Group was summarized as follows:

| **Fair value of conditionally awarded shares under each LTIP-grant** | Executive Board Fair value (€) | Executive Board Vesting (in %) | Senior Executives Fair value (€) | Senior Executives Vesting (in %) |
|---|---|---|---|---|
| LTIP 2010-2012 | 11.08 | - | 13.46 | - |
| LTIP 2009-2011 | 9.13 | - | 11.27 | - |
| LTIP 2008-2010 | 14.71 | 0 | 18.49 | 75 |
| LTIP 2007-2009 | 14.55 | 75 | 17.91 | 100 |

The fair value of a conditional awarded share under the LTIP 2010-12 increased compared to previous year, mainly as a result of the share price of Wolters Kluwer at January 1, 2010.

**Stock option plans**
At December 31, 2010, 20,000 options for ordinary shares in Wolters Kluwer were outstanding.

| Stock option plans | 2003 | 2004 | Total |
|---|---|---|---|
| End of exercise period | 2010 | 2011 | |
| Initial number of options | 2,778,500 | 40,000 | |
| Exercise rate (average) (€) | 10.55 | 13.47 | |
| Number of options outstanding at January 1, 2010 | 425,500 | 40,000 | 465,500 |
| **Movements** | | | |
| Options expired/eliminated | (30,500) | - | (30,500) |
| Options exercised | (395,000) | (20,000) | (415,000) |
| **Number of options outstanding at December 31, 2010** | **0** | **20,000** | **20,000** |

For members of the Executive Board and managers within the Group a share option plan applied until January 1, 2004. Stock options awarded before January 1, 2004, have not been cancelled. After that date, no new stock options have been awarded, except for 40,000 stock options in 2004 to a former member of the Executive Board. Consequently, no pro forma option value information is presented.

Options are awarded at fair value at the grant date. Every option entitles the holder to purchase one share each, for the share price on the date at which the option is awarded. As at December 31, 2010, the outstanding options relate to options awarded after August 2002. The maturity period for these option grants is seven years after the grant date.

# Related Party Transactions note 28

The Company has a related party relationship with its subsidiaries (Wolters Kluwer nv has filed a list of the subsidiaries at the Trade Register in The Hague), equity-accounted investees, joint venture, the pension funds, and members of the Supervisory Board and the Executive Board. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. For transactions with key management reference is made to > note 30 Remuneration of the Executive Board and Supervisory Board.

**Related party transactions**
The Group has one joint venture accounted for under the proportionate share method in the consolidated financial statements of the Group. The revenues of this joint venture on a 100% basis amounts to €12 million (2009: € 12 million).

The Group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.

| Joint venture transactions | 2010 | 2009 |
|---|---|---|
| Sales of goods and services bought from joint venture | 9 | 9 |
| Services provided to joint venture | (3) | (3) |
| Net amounts payable | 4 | 4 |

# Commitments and Contingent Liabilities note 29

**Leases**
The Group leases a number of offices under operating leases. The leases typically run for a period of 3-10 years, with an option to renew the lease. Lease payments are increased to reflect market rentals. None of the leases include contingent rentals.

At December 31, 2010, annual commitments under rental and operational lease agreements amounted to €60 million (2009: €58 million). The average term of these commitments is approximately 4.5 years (2009: 5.1 years).

Non-cancelable operating lease rentals are payable as follows:

| Non-cancelable operating lease rentals | 2010 | 2009 |
|---|---|---|
| Less than one year | 20 | 12 |
| Between one and five years | 43 | 55 |
| More than five years | 41 | 53 |

Some of the leased property is sublet by the Group. Sublease payments of €3 million (2009: €3 million) are expected to be received during the following financial year. The Group has recognized a provision of €2 million in respect of these subleases (2009: €1 million).

Non-current assets include €2 million (2009: €7 million) relating to finance lease arrangements. The amount due within the first year is €1 million (2009: €3 million), the amount due in the second to fifth years is €1 million (2009: €4 million). The present value of the lease payments does not differ materially from the nominal value.

**Guarantees**
At December 31, 2010, the Group has outstanding guarantees regarding royalty payments to societies during the coming years of €4 million (2009: €4 million).

The Group has issued formal guarantees for bank credit facilities for a total amount of €131 million (2009: €115 million) on behalf of a number of its foreign subsidiaries. At December 31, 2010, €1 million of these credit facilities had been utilized (2009: €0.8 million). At December 31, 2010, other bank guarantees had been issued at the request of the Company or its subsidiaries for a total amount of €8 million (2009: €7 million). These guarantees mainly relate to rent for real estate. In addition, parental performance guarantees to third parties have been issued for €2 million (2009: €2 million).

**Legal and judicial proceedings, claims**
The Group is involved in legal and judicial proceedings and claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists.

A liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability, and consequently may affect the financial performance and position.

**Acquisition agreements**
Wolters Kluwer is obliged to purchase the remaining outstanding shares of One Legal LLC (65%) it does not yet own, if certain conditions related to the financial performance of One Legal LLC are met. As of the balance sheet date the Group has not recognized a liability, as it does not believe that these conditions will be met. Even if these conditions will be met, it is deemed unlikely that the resulting liability would be material for the Group as a whole.

# Remuneration of the Executive Board and Supervisory Board note 30

For details on the Group's remuneration policy, see
> Remuneration Report.

| **Remuneration Executive Board members** in thousands of euros | Salary | Bonus | Pension | Social security | Other benefits | Tax gross up [1] | **2010** | 2009 |
|---|---|---|---|---|---|---|---|---|
| N. McKinstry, Chairman | 1,014 | 1,204 | 27 | 7 | 291 | 212 | 2,755 | 2,432 |
| B.L.J.M. Beerkens | 604 | 654 | 131 | 8 | 30 | - | 1,427 | 1,341 |
| J.J. Lynch, Jr. | 490 | 433 | 12 | 27 | 27 | 352 | 1,341 | 1,020 |
| **Total** | **2,108** | **2,291** | **170** | **42** | **348** | **564** | **5,523** | **4,793** |

[1] Ms. McKinstry's compensation is €1,013,599. The bonus is calculated on a dollar denominated equivalent of total salary as: $1,155,660 × 138.20 (equivalent to €1,204,422).

The Company's cost of the Long-Term Incentive Plans (LTIP) is not included in the Executive Board members' remuneration, as it comprises a conditional element of compensation. Social security costs paid by the Company in 2010 on shares that were released under LTIP are included in the remuneration. The tax gross up relates to the tax expense that was paid by the Company in 2010 relating to tax equalization for salary and benefits per the contract between the Company and Ms. McKinstry and Mr. Lynch.

The 2010 bonuses as presented above relate to the performance year 2010 and will be paid in 2011. The 2010 pension contributions as presented above reflect the accrued pension cost for the financial year 2010.

## Long-Term Incentive Plan (LTIP) for Executive Board Members

**LTIP 2007-09**

The table presents the number of shares that vested under the LTIP 2007-09 and were released to members of the Executive Board on February 25, 2010.

The volume weighted average price of the shares of Wolters Kluwer nv was €14.62 on February 25, 2010.

| **LTIP 2007-09** number of shares | |
|---|---|
| N. McKinstry, Chairman | 143,250 |
| B.L.J.M. Beerkens | 51,750 |
| J.J. Lynch, Jr. | 33,000 |
| **Total** | **228,000** |

### LTIP 2008-10

The LTIP 2008-10 vested on December 31, 2010. Total Shareholder Return (TSR) ranked tenth relative to its peer group of 15 companies, resulting in a pay-out of 0% of the conditional base number of shares awarded to the Executive Board members.

| **LTIP 2008-10** number of shares | Outstanding January 1, 2010 | Deduction on conditional number of base shares (100%) | Vested December 31, 2010 |
|---|---|---|---|
| N. McKinstry, Chairman | 189,770 | (189,770) | 0 |
| B.L.J.M. Beerkens | 70,458 | (70,458) | 0 |
| J.J. Lynch, Jr. | 43,388 | (43,388) | 0 |
| **Total** | **303,616** | **(303,616)** | **0** |

### LTIP 2009-11 and LTIP 2010-12

The Executive Board members have been conditionally awarded the following conditional number of shares based on a 100% pay-out, subject to the conditions of the LTIP for 2009-11 and 2010-12, as described in > Remuneration Report.

| **LTIP 2009-11 and 2010-2012** base numbers of shares at 100% pay-out | Conditionally awarded LTIP 2009-11 | Conditionally awarded LTIP 2010-12 | Total conditionally awarded at December 31, 2010 |
|---|---|---|---|
| N. McKinstry, Chairman | 297,134 | 255,250 | 552,384 |
| B.L.J.M. Beerkens | 113,520 | 95,412 | 208,932 |
| J.J. Lynch, Jr. | 65,233 | 71,542 | 136,775 |
| **Total** | **475,887** | **422,204** | **898,091** |

The fair value of each conditionally awarded share under the running LTIP grants to the Executive Board members, as determined by an outside consulting firm, was as follows:

| **Fair value of conditionally awarded shares under each LTIP-grant** | Executive Board Fair value (€) | Executive Board Vesting (in %) |
|---|---|---|
| LTIP 2010-2012 | 11.08 | - |
| LTIP 2009-2011 | 9.13 | - |
| LTIP 2008-2010 | 14.71 | 0 |
| LTIP 2007-2009 | 14.55 | 75 |

The plans have a performance period of three years.

## Stock options Executive Board members

| Stock options for Executive Board members | Grant date | Exercise price (€) | January 1, 2010 | Expired during the year | Exercised during the year | December 31, 2010 | End of exercise period |
|---|---|---|---|---|---|---|---|
| N. McKinstry, Chairman | 2003 | 13.00 | 80,000 | - | (80,000) | 0 | 2010 |
| B.L.J.M. Beerkens | 2003 | 10.10 | 15,000 | - | (15,000) | 0 | 2010 |
| | 2003 | 13.00 | 40,000 | - | (40,000) | 0 | 2010 |
| **Total** | | | **135,000** | **0** | **(135,000)** | **0** | |

**Shares owned by Executive Board members**
At December 31, 2010, the Executive Board jointly held 170,000 shares (2009: 170,000 shares), of which 112,500 shares (2009: 112,500 shares) were held by Ms. N. McKinstry and 57,500 shares by Mr. B.L.J.M. Beerkens (2009: 57,500 shares).

Mr. B.L.J.M. Beerkens owns perpetual bonds issued by the Company for a nominal value of €158,000.

| Remuneration of Supervisory Board members<br>in thousands of euros | Member of Selection and Remuneration Committee | Member of Audit Committee | Remuneration 2010 | Remuneration 2009 |
|---|---|---|---|---|
| A. Baan, Chairman[1] | • | • | 57 | 60 |
| P.N. Wakkie, Deputy Chairman | • | | 51 | 51 |
| B.F.J. Angelici[1] | | • | 44 | 42 |
| B.M. Dalibard[2] | | | 42 | 28 |
| L.P. Forman | • | • | 51 | 51 |
| A.J. Frost[2] | | | - | 14 |
| S.B. James[3] | • | | 44 | 42 |
| H. Scheffers | | • | 47 | 47 |
| **Total** | | | **336** | **335** |

[1] Mr. Baan resigned as per April 2010 as a member of the Audit Committee. Mr. Angelici succeeded him as of that date.
[2] Ms. Frost resigned as per April 2009. Ms. Dalibard succeeded her as of that date.
[3] Mr. James became member of the Selection and Remuneration Committee as per April 2010.

**Shares owned by Supervisory Board members**
The Supervisory Board members do not own shares in Wolters Kluwer.

# Accounting Estimates and Judgments note 31

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expense. Actual results may differ from those estimates.

Policies that are critical for the presentation of the financial position and financial performance of the Group and that require estimates and judgments are discussed below.

**Revenue recognition**

Revenue recognition requires estimates and judgments as far as it relates to estimating expected returns from customers and non-renewed orders. The Group recognizes a provision for these delivered goods or rendered services based on historical rates. If these rates exceed a certain threshold, revenue is recognized only upon receipt of the payment or the order. Revenue of a combination of goods and services is recognized based on estimates of the fair value of the individual components.

**Employee benefits**

Wolters Kluwer has material defined benefit pension plans in some countries and also post-retirement medical plans in the United States. The net assets and liabilities of these plans are presented in the balance sheet of the Group. The costs related to these pension plans and post-retirement medical plans are included in the statement of income. The assets and liabilities as well as the costs are based upon actuarial and economic assumptions. The main economic assumptions are:

- discount rate;
- expected return on plan assets;
- asset mix of the fund;
- indexation ambition;
- average increase salaries; and
- medical trend rate.

For actuarial assumptions the Group uses generally accepted mortality rates (longevity risk). The withdrawal rates and retirement rates are based upon statistics provided by the relevant entities based on past experiences.

**Capitalized software**

Software development costs are only capitalized if, and only if, the entity can demonstrate the technical feasibility of completing the software project so that it will be available for use or sale and if the entity can demonstrate that the project complies with the following requirements: the intention to complete the development project; the ability to sell or use the end-product; demonstration of how the end-product will yield probable future economic benefits; the availability of adequate technical, financial and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Capitalized software is amortized using the straight-line method over the economic life of the software, between 3 and 10 years. Capitalization of software is dependent on several assumptions as indicated above. While management has procedures in place to control the software development process, there is uncertainty with regard to the outcome of the development process.

**Useful lives of assets**

The useful life has to be determined for assets such as publishing rights; other intangible assets, which mainly consist of self-developed software, and property, plant, and equipment. The useful lives are estimated based upon best practice within the Group and in line with common market practice.

**Valuation and impairment testing intangibles**

Upon acquisition, the values of intangible assets acquired are estimated, applying the methodologies as set out under the accounting policies. These calculations are usually performed by an outside consulting firm in close cooperation with management of the acquiring entity. These calculations require estimates of future cash flows, useful life, and rate of return. The estimates are based upon best practice within the Group, and the methodology applied is in line with normal market practice.

IFRS 3 requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value of the goodwill may not be recoverable. The impairment reviews require estimates of a discount rate, future cash flows, and a perpetual growth rate. These estimates are made by management that manages the business with which the goodwill is associated. The future cash flows are based on Business Development Plans, prepared by management and approved by the Executive Board of the Group and covers a five years period.

The fair value of the assets, liabilities, and contingent liabilities of an acquired entity should be measured within 12 months from the acquisition date. For some acquisitions, provisional fair values have been included in the balance sheet and final valuation of the identifiable tangible assets is still pending, but will be completed within the 12 months timeframe. Actual valuation of these assets, liabilities, and contingent liabilities may differ from the provisional valuation.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events (earn-out), the Group includes initial recognition at fair value of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. The measurement will usually be based on estimates of future results of the business combination. Subsequent changes are recognized in the statement of income.

**Accounting for income taxes**

Corporate taxation is calculated on the basis of income before taxation, taking into account the local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined, resulting in deferred tax assets or liabilities. These calculations might deviate from the final tax assessments, which will be received in future periods.

A deferred tax asset is recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Management assesses the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized.

**Legal and judicial proceedings, claims**

For legal and judicial proceedings and claims against the Company and its operating entities, a liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability, and consequently may affect the actual result. The prediction of the outcome and the assessment of a possible loss by management are based on management's judgments and estimates. Management usually consults lawyers and other specialists for support.