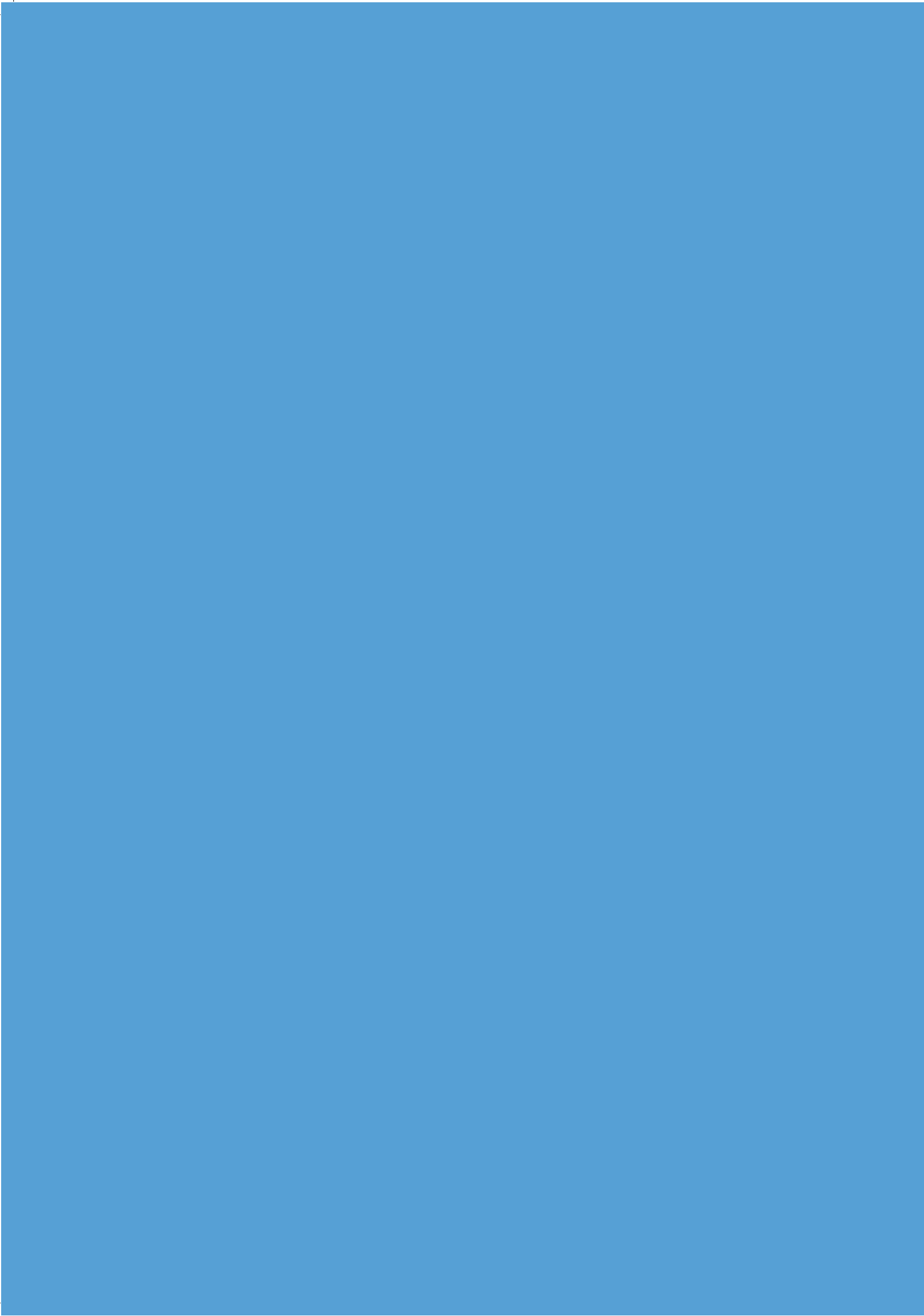


Sdu

ANNUAL REPORT 2006



## CONTENTS

Presentation to the shareholder of Sdu Holding B.V.	4
Consolidated key figures of Sdu B.V.	6
Report of the executive board	8
The annual account	15
Consolidated balance sheet as at 31 December 2006	16
Consolidated profit and loss account for the financial year 2006	17
Consolidated cash flow statement	18
Principles of consolidation, valuation and the determination of the result	19
Notes to the consolidated balance sheet	24
Notes to the consolidated profit and loss account	30
Company balance sheet as at 31 December 2006	32
Company profit and loss account for the financial year 2006	32
Notes to the company balance sheet	33
Other information	37
Auditor's report	38

*This publication is produced in both Dutch and English and comprises the full Annual Report for 2006 of Sdu B.V. This document complies with the applicable Dutch regulations. For Dutch statutory purposes the official Dutch language version of the Annual Report prevails.*

## PRESENTATION TO THE SHAREHOLDER OF SDU HOLDING B.V.

**Enclosed, you will find the annual accounts of Sdu B.V. (known until 22 March 2007 as Sdu nv) as prepared by the undersigned in their capacity as executive board members of Sdu Holding B.V., i.e. the Board of Directors of Sdu B.V. PricewaterhouseCoopers Accountants N.V. has audited these annual accounts and issued an unqualified auditor's report. We propose to adopt the present annual accounts and the audit report after examination.**

In 2006, Sdu nv was managed by a Board of Management consisting of Mr L. Jongsma and Mr S. van Oostrom and a Supervisory Board consisting of Mr W.E. Scherpenhuijsen Rom RA, president, and Mr S.E. Eisma and Mr H. Zwarts.

The above members of the Board of Management changed roles after the sales procedure. The members of the Supervisory Board retired as at 22 March 2007 and were discharged by the Shareholder for the actions in respect of their management up to that date.

The changes in the governance structure are disclosed as an event after balance sheet date as included under the other information of the annual report.

*The Hague, 16 May 2007*

*Sdu B.V.*

*Mr. S. van Oostrom*

*Dr. M.J.H. Jetten RA*

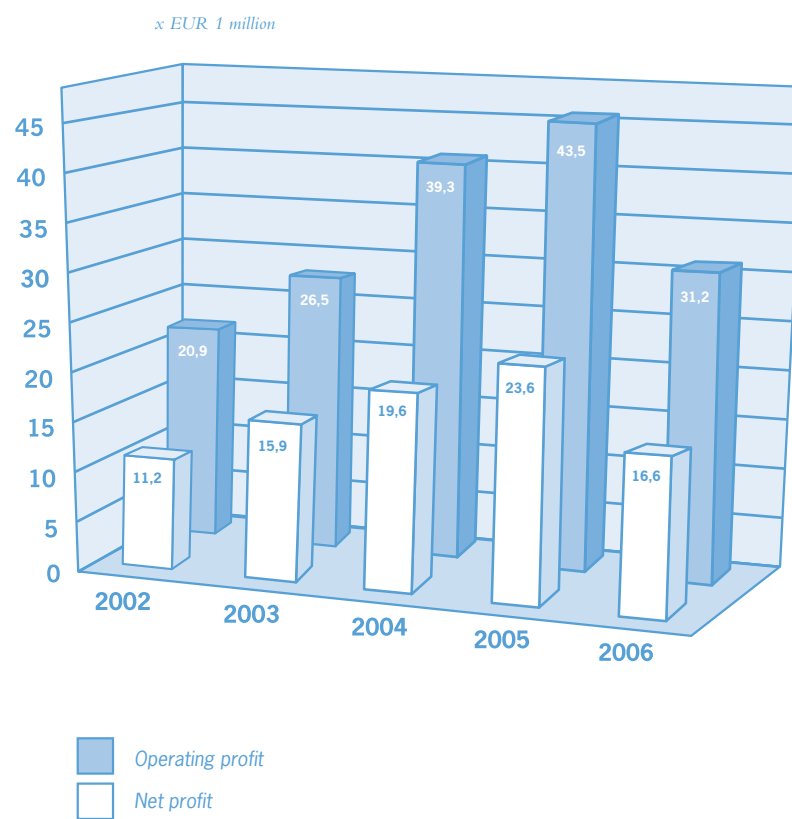
*A.J. Blokzijl*



**CONSOLIDATED KEY FIGURES Sdu B.V. <sup>1)</sup>**

*Amounts in columns x EUR 1.000*

	2006	2005	2004	2003	2002
Operating income	218,975	209,407	171,966	150,568	144,438
EBITA	39,497	51,222	46,048	32,815	28,031
EBITDA	48,528	57,786	52,791	39,019	34,331
Operating profit	31,243	43,524	39,331	26,530	20,857
Net profit	16,638	23,629	19,576	15,895	11,205
Cashflow from operating activities	38,102	34,848	44,766	26,901	24,420
Shareholders equity	115,461	111,740	103,409	91,980	80,570
Total equity	253,247	250,610	224,195	156,188	166,424
Working capital	34,497	38,741	7,692	-11,751	-7,591
Investments in intangible fixed assets	7,599	487	36,322	238	0
Investments in tangible fixed assets	14,085	4,419	4,612	8,098	1,579
Number of employees (FTEs) as at year-end	933	973	960	747	778
Average number of employees (FTEs) during the year	959	973	785	761	763
<b>Ratios</b>					
EBITA/operating income	18.0%	24.5%	26.8%	21.8%	19.4%
EBITDA/operating income	22.2%	27.6%	30.7%	25.9%	23.8%
Operating profit/operating income	14.3%	20.8%	22.8%	17.6%	14.4%
Operating profit/balance sheet total	12.3%	17.4%	17.5%	17.0%	12.5%
Shareholders equity/balance sheet total	45.6%	44.6%	46.1%	58.9%	48.4%
Average labour costs per employee	57,508	57,656	54,579	52,286	48,818
Average added value per employee <sup>2)</sup>	152,514	155,017	156,369	138,293	132,539
<b>Information per share</b>					
<i>Amounts x EUR 1</i>					
Shareholders equity	12.29	11.90	11.01	9.79	8.58
Cash flow	4.06	3.71	4.77	2.86	2.60
Net profit	1.77	2.52	2.08	1.69	1.19
Dividend	–	1.01	1.25	0.68	0.48
<p><i>1) Comparative figures have not been adjusted following changes in accounting policies in 2003 and 2005.</i></p> <p><i>2) The added value comprises the aggregate of operating income minus expenses for raw materials and supplies, work contracted out and other external expenses.</i></p>					



## ANNUAL ACCOUNTS

**The 2005 annual report states that the disposal of shares would actually take shape in 2006. After many preparations in 2005, the procedure was started mid-March 2006 by means of an official notification in the Government Gazette.**

The sales procedure was conducted in the form of a controlled auction and, consequently, on 8 December, an agreement in principle was reached between the State as shareholder and the Allianz Capital Partners/ABN AMRO Capital combination. Following the consultation trajectory with the COR and the notification of the intended concentration to the European Commission, the transfer of shares in Sdu nv took place on 23 March 2007.

During 2006, the sales procedure obviously required attention from management, not only at group level, but also at the level of the newly appointed Boards of Management at Sdu Uitgevers and Sdu Identification. During the sales process the course of normal business remained the key issue.

The trend of 2005 largely continued for Sdu Uitgevers. This means that also in 2006 the conversion from print to online as a supplementary product is desirable. In addition, 2006 was the first year in which it was no longer obligated to publish trade register notifications in the Government Gazette.

Due to these developments, Sdu Uitgevers saw a stabilisation of sales and the results on a normalised basis.

In 2006, Sdu Identification focused on the implementation of several extensive



projects, such as the introduction of the new generation of Travel Documents in the Netherlands, Finland and Ireland and the introduction of the new Dutch driving licence.

These projects required great efforts from the organisation and they were all completed satisfactory. This has created a solid basis for a further expansion in the future. Sales and results of Sdu Identification exceeded expectations.

Developments at juris were positive. Several important changes in connection with the pricing policy, the new technology basis and re-negotiations relating to several major agreements were completed satisfactory. By and large, the conversion into a new product platform with a new pricing policy resulted in the intended expansion of the client base at a lower price level.

At the level of Sdu B.V., the consolidated developments met expectations.

#### FINANCIAL STATE OF AFFAIRS

Operating income of Sdu B.V. has increased by EUR 9.6 million to EUR 219.0 million. The operating result, conversely, decreased by EUR 12.3 million to EUR 31.2 million. Operating income and EBITA of Sdu Uitgevers were under pressure mainly because of the elimination of operating income from trade register advertisements of approx. EUR 9.0 million, the decreased operating income from statutory advertising and from books. Operating income of Sdu Identification increased by EUR 9.1 million, mainly as a consequence of the introduction of the new passport.

No large acquisitions were made in 2006. However, Sdu Uitgevers did acquire the remaining interest of 51% in VNG Uitgeverij.

On 1 January Sdu Uitgevers acquired the magazine 'Economische Statistische Berichten' and some related products.

As at 26 January 2007 Sdu Uitgevers acquired 51% of the shares in a new founded joint-venture named Sdu E-Grant. The purchase price consisted of a contribution of paid-in capital amounting to EUR 0.5 million.

Investments over 2006 were more than EUR 14.0 million and predominantly relate to the product facilities required for newly concluded contracts for the production of ID documents.

In 2005 / 2006 a third party prepared voting machines for Sdu Uitgevers. Due to discussion regarding the usability, the voting machines could only be used in one election. The voting computers have partly been impaired against the 2006 results.

### PROCEDURE WITHIN THE CLUSTERS

In 2006, business activities at Sdu B.V. were conducted within the following business lines:

- Sdu Uitgevers (Publishing the Netherlands)
- Sdu Identification (Identification)
- juris GmbH (Publishing Germany)

Steering by the Board of Management was conducted on the basis of the chosen principle of 'strategic control'.

In consultation with the new shareholders, the choice was made to conduct steering even more from the above business lines and to organise the holding as a financial holding.

### Sdu UITGEVERS

In 2006, Sdu Uitgevers focused on accelerating the online product development and reinforcing commercial strike capability in the field of product and advertisement sales. The intended acceleration of product development was realised in 2006 following a further expansion of online activities by improving the websites of the Automatisering Gids and Cobouw and a further expansion of products in the Sdu web family. By the end of 2006, the Sdu web products also replaced the first generation of Sdu online products, such as *Opmaat* and *Wettenbank*. In this context, the choice was made to use *Opmaat* as the central brand in the legal segment.

Core issue of the sales of online products remains more personal selling per product-market combination (legal, building, etc.). Consequently, a transition will be made mid-2007 to a Business Unit model along the lines of the product-market combination.

### Sdu IDENTIFICATION

If 2005 was the year of the contract renewal in connection with the travel documents and the tender acquisition in connection with the new driving licence and the Finnish passport, 2006 was the year of successful implementation. A comprehensive investment programme was concluded last year and business procedures were organised for the chip integration into the holder's page of passports and the (electronic) personalisation of travel documents and the new driving licence. Sdu Identification has turned out to be capable of successfully completing planned projects, introducing the e-passport and organising electronic personalisation in Ireland. Thanks to the extra attention that was paid to regular productions, particularly in the field of quality control, it turned out

to be possible to produce the new products virtually undisturbed, despite the hectic circumstances involved. All personnel involved put forth really remarkable efforts to successfully implement the new products.

The implementation of the Generation electronic Travel Documents (GeR) and the centralised personalisation of driving licences at Sdu Identification have expanded and reinforced the company's basis. In 2006, a contract was concluded with the Irish authorities to add biometrics to the holder's page of Irish passports. As to Dutch travel documents, additional contracts were concluded to replace the RAAS systems and rolling them out at publishing agencies worldwide.

## PERSONNEL AND ORGANISATION

In 2006, the workforce of Sdu Uitgevers (including SFFU) decreased from 719 FTEs on 1 January to 664 FTEs on 31 December. This was realised through natural labour turnover and critically dealing with filling vacancies. Moreover, labour shortage led to vacancies remaining open slightly longer.

Reducing workplace absenteeism at Sdu Uitgevers received ample attention in 2006, as a consequence of which the percentage of workplace absenteeism showed a decreasing trend in the second half of the year. Workplace absenteeism over the year 2006 as a whole was 5.7%. For 2007, workplace absenteeism will remain a key focal point and efforts will predominantly focus on reducing the duration of long-term absenteeism.

In 2006, the workforce of Sdu Identification increased to more than 300 FTEs, of which approx. 50 FTEs are flexible workers. By converting these contracts into permanent employment contracts, the permanent workforce will increase in 2007. Workplace absenteeism further decreased in 2006 to 3.3%.

## OUTLOOK

On 22 March 2007, the public limited liability company Sdu was converted into the private limited liability company Sdu. This resulted in the Supervisory Board being deemed to have retired. On 23 March, the Dutch State transferred its shares in Sdu B.V. to the new shareholders Allianz Capital and ABN AMRO Capital. Also on 23 March, 25.9% of the shares in Sdu Uitgevers held by Wolters Kluwer Nederland B.V. were transferred to the Dutch State for the amount of EUR 85 million.

The Dutch State contributed this interest to Sdu B.V. Because of the mentioned transfer, Sdu was the full owner of Sdu Uitgever at the moment of the transfer of shares. To conclude, the shares in Sdu B.V. were transferred to Sdu Holding B.V., a company of which Allianz Capital Partners and ABN AMRO Capital are equal shareholders. With this transfer, the privatisation procedure of many years has been concluded and a new era will commence in the history of Sdu.

The new shareholders wish to actively contribute to a further development of the activities of Sdu Uitgevers, juris and Sdu Identification. This is expected to create new possibilities for further reinforcing Sdu.

Sdu has to prepare for reinforcement in the area of rendering services to government bodies in order to remain, at least in the Netherlands and Germany, the 'obvious' partner of government bodies for the continuing provision of information on the legislative process, official notifications and rendering services as to the identity and integrity of information.

As from 2007, EBITA from ordinary operations is expected to increase. As a result of obtaining external loans, financing expenses will have a significant impact on the company's net profit. The result for 2007 will be negatively affected by the distribution of EUR 4.5 million, which the former shareholder had granted to staff members if the privatisation took place.

The workforce in 2007 will be smaller than in 2006.

With regard to the Official Publications Framework Contract, there was an arbitration case about pricing for 2007 and subsequent years. In the meantime this case has been settled without negative consequences for Sdu Uitgevers.



# S&P ANNUAL REPORT U

Sdu

ANNUAL REPORT 2006

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006

Before profit appropriation

Amounts in columns x EUR 1,000

	31 December 2006	31 December 2005
Intangible fixed assets <sup>1)</sup>	115,948	117,091
Tangible fixed assets <sup>2)</sup>	21,424	16,370
Financial fixed assets <sup>3)</sup>	3,364	3,338
<b>Fixed assets</b>	<b>140,736</b>	<b>136,799</b>
Inventory <sup>4)</sup>	17,306	10,346
Accounts receivable <sup>5)</sup>	61,408	64,823
Cash and cash equivalents <sup>6)</sup>	33,797	38,642
<b>Current assets</b>	<b>112,511</b>	<b>113,811</b>
Current liabilities <sup>7)</sup>	78,014	75,070
<b>Working capital</b>	<b>34,497</b>	<b>38,741</b>
	<b>175,233</b>	<b>175,540</b>
<b>Long term liabilities <sup>8)</sup></b>	<b>10,005</b>	<b>0</b>
<b>Provisions <sup>9)</sup></b>	<b>24,102</b>	<b>24,622</b>
Paid-in capital <sup>16)</sup>	9,393	9,393
Share premium <sup>17)</sup>	13,656	13,656
Revaluation reserve <sup>18)</sup>	0	6,026
Legal reserves <sup>19)</sup>	1,250	282
Other reserves <sup>20)</sup>	74,524	58,754
Unappropriated profit financial year <sup>21)</sup>	16,638	23,629
<b>Shareholder's equity</b>	<b>115,461</b>	<b>111,740</b>
Minority interests	25,665	39,178
<b>Group equity</b>	<b>141,126</b>	<b>150,918</b>
	<b>175,233</b>	<b>175,540</b>



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR 2006

Amounts in columns x EUR 1,000

	2006	2005
Net turnover <sup>10)</sup>	208,349	209,362
Changes in inventory of finished products and work in progress	10,626	45
<b>Total operating income</b>	<b>218,975</b>	<b>209,407</b>
Cost of raw materials and supplies	20,269	7,812
Expenses sub-contracted work and other external expenses	52,444	50,763
Wages and salaries	44,369	42,669
Social security contributions	4,581	5,772
Pension and early retirement charges	6,201	7,659
Other personnel expenses	6,591	6,889
Amortisation intangible fixed assets	8,743	8,077
Depreciation tangible fixed assets	9,031	6,564
Release revaluation reserve	0	-379
Amortisation long term liabilities	-489	0
Other operational costs	35,992	30,057
<b>Total operating expenses</b>	<b>187,732</b>	<b>165,883</b>
<b>Operating profit</b>	<b>31,243</b>	<b>43,524</b>
Interest income	281	389
<b>Result from ordinary activities before taxation</b>	<b>31,524</b>	<b>43,913</b>
Taxes	-12,304	-15,511
Result from participating interests	2,008	2,120
<b>Result from ordinary activities after taxation</b>	<b>21,228</b>	<b>30,522</b>
Minority interests	-4,590	-6,893
<b>Net profit</b>	<b>16,638</b>	<b>23,629</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in columns x EUR 1,000

	2006	2005
<b>Cash flow from operations</b>		
Operating profit	31,243	43,524
<i>Adjustments for:</i>		
• Amortisation intangible fixed assets	8,743	8,077
• Depreciation tangible fixed assets	9,031	6,564
• Movement in provisions	-520	20,229
• Direct capital movements	-7,776	-7,653
• Movement long term liabilities *)	10,005	0
<i>Movements in working capital:</i>		
• Short-term receivables	3,415	-25,504
• Inventory	-6,960	-598
• Current liabilities	2,944	5,331
<b>Cash flow from operating activities</b>	<b>50,125</b>	<b>49,970</b>
Interest received on balance	281	389
Corporate income tax	-12,304	15,511
	<b>38,102</b>	<b>34,848</b>
<b>Cash flow from investment activities</b>		
Investments in intangible fixed assets	-1,028	-487
Investments in intangible fixed assets following acquisition	-6,571	0
Investments in tangible fixed assets	-14,085	-4,419
Disposal of tangible fixed assets	0	426
Net movements in financial fixed assets	-26	-196
	<b>-21,710</b>	<b>-4,676</b>
<b>Cash flow from financing activities</b>		
Result participating interests	2,008	2,120
Dividend	-9,452	-11,750
	<b>-7,444</b>	<b>-9,630</b>
Movements in minority interest	-13,793	-10,264
<b>Total cash flows</b>	<b>-4,845</b>	<b>10,278</b>
Cash and cash equivalents as at 1 January	38,642	28,364
<b>Cash and cash equivalents as at 31 December</b>	<b>33,797</b>	<b>38,642</b>

\*) In 2006 the movement in the long term liabilities is caused by changes in legislation of revaluation reserves.

### Address

Sdu B.V.  
Prinses Beatrixlaan 116  
PO Box 20025  
2500 EA The Hague

### Activities

The company's objectives are as follows:

- a. To be the principal Dutch publishing company in the area of professional information, which delivers products on market terms by means of state-of-the-art media, which have high added value for the government market and the professional market.
- b. To offer services in the area of information security and identity security, focusing internationally on the design, development, personalisation and logistic management of highly secured identity documents and monetary documents, as well as the relating information processing.

### Consolidation

Companies over which Sdu B.V. has a decisive control are fully included in the consolidated annual accounts. Third-party interests in the shareholders equity and result of companies included in the consolidation are separately recognised in the consolidated annual accounts. The principles of valuation of shareholders equity and the determination of the result of the companies concerned are in line with those of Sdu B.V..

*The consolidation comprises the financial information of Sdu B.V. and participating interests in:*

Sdu Identification B.V. in Haarlem (100%)  
Academic Service I B.V. in The Hague (100%)  
Koninklijke Vermande B.V. in Lelystad (100%)  
Sdu Integrity Solutions B.V. in The Hague (100%)  
Sdu Uitgevers B.V. in The Hague (74.1%)

*Sdu Uitgevers B.V. has the following participating interests:*

ten Hagen & Stam B.V. in The Hague (100%)  
VUGA Systemen B.V. in Zoetermeer (100%)  
Sdu Fiscale en Financiële Uitgevers B.V. in Amersfoort (51%)

*Sdu Identification B.V. has the following participating interest:*

Sdu Segenmark Oy. in Espoo, Finland (50%)

## PRINCIPLES OF CONSOLIDATION, VALUATION AND THE DETERMINATION OF THE RESULT

Excluded from the consolidation are juris GmbH in Saarbrücken, Germany, with a participating interest of 45.33% and Sdu Segenmark Oy in Espoo, Finland, with a participating interest of 50%.

By virtue of article 403, Part 9, of Book 2 of the Dutch Civil Code, Sdu B.V. has issued declarations of liability for the following Dutch group companies:

Sdu Identification B.V.

Academic Service I B.V.

ten Hagen & Stam B.V. (via Sdu Uitgevers B.V.)

### Principles of valuation

#### *General*

The annual accounts are prepared in accordance with Dutch financial reporting requirements. The valuation and the determination of the result are based on historical cost price. Assets and liabilities are presented at face value, unless stated otherwise. The financial year coincides with the calendar year.

#### *Foreign currencies*

Transactions in foreign currencies during the year under review are translated at the foreign exchange rates prevailing on the date of transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling on that date. If foreign currency investments are made in tangible fixed assets, the assets are translated at the buyers rate. Foreign exchange gains or losses resulting from changes in the exchange rates are recognised in the profit and loss account under financial gains and losses.

#### *Intangible fixed assets*

Intangible fixed assets comprise publishing rights, goodwill and development costs. Publishing rights obtained from third parties, including address files and databases, are valued on the basis of the present value of future operating results, after deduction of taxes. Publishing rights are written down over 20 years or less, using the straight-line method.

Goodwill represents the difference between the cost of the acquisition of a participating interest and the current value of the identifiable assets acquired, after deduction of the liabilities acquired. Goodwill is written down over 20 years or less, using the straight-line method over its estimated useful life.

Development costs that are expected to contribute to the future results of the group are capitalised. These assets are systematically written down. Pursuant to current legislation, a legal reserve is created to the amount of the development costs written down.

Annual impairment tests are conducted in connection with publishing rights, goodwill and development costs, based on realised and estimated proceeds. Any durable impairments are charged to the result.

*Tangible fixed assets*

Tangible fixed assets are valued at purchase price, plus any attributable costs and interest, and after deduction of depreciations in proportion to their estimated useful lives. The purchase price is the assigned value of assets brought in. Any costs and interest attributed to an asset are written down over the same period.

Annual impairment tests are conducted in connection with tangible fixed assets, based on realised and estimated proceeds. Any durable impairments are charged to the result.

*Financial fixed assets*

Financial fixed assets represent unconsolidated participating interests and loans. If a significant influence can be exerted, the unconsolidated participating interests are recognised at net asset value. The net asset value is determined in accordance with Sdu accounting principles.

Loans classified under financial fixed assets are valued at face value, after deduction of a provision for bad debts.

*Stock*

a) *Raw and ancillary materials*

Raw and ancillary materials are valued at purchase price, after deduction of a provision for obsolescence, if required.

b) *Work in progress*

Work in progress and finished goods are valued at manufacturing cost (machine hours and/or labour hours at internal calculation rates, material consumption and third-party activities) after deduction of a provision for estimated losses, as required.

Projects in progress by order of third parties are valued at manufacturing cost increased by profit-taking in proportion to performance, after deduction of a risk margin, less provisions for estimated losses, if required.

c) *Publications of publishing company*

Stock is valued at historical manufacturing cost, less a provision for obsolescence, if required.

*Accounts receivable*

Accounts receivable are valued at face value, after deduction of a provision for bad debts.

*Cash at banks and in hand*

Cash at banks and in hand represents cash in hand and bank balances at call, recognised at face value.

## PRINCIPLES OF CONSOLIDATION, VALUATION AND THE DETERMINATION OF THE RESULT

### *Current liabilities*

Current liabilities are recognised at face value.

### *Long-term liabilities*

Long-term liabilities are recognised for nominal amounts. Redemptions due within one year are recognised under current liabilities.

Negative goodwill is recognised in this category, which is amortised in 20 years using the straight-line method.

### *Provisions*

Provisions are recognised at face value, with the exception of the provision for employee benefits and retaining pay, which are valued on an actuarial basis.

### *Tax deferrals*

Deferred tax assets and deferred tax liabilities are recognised at the applicable tax rates and represent the difference between the valuation of assets and liabilities for reporting purposes and that for tax purposes.

### *Third-party interests*

Third-party interests are valued at the pro rata share of third parties in equity as per the balance sheets of the relevant group companies.

## **Determination of the result**

### *Net turnover*

Net turnover comprises the proceeds of goods delivered and services rendered to third parties during the year under review, after deduction of discounts and exclusive of turnover tax.

Turnover is recognised as soon as all of the important rights and risks relating to the ownership of the goods are transferred to the buyer. Proceeds from subscriptions received in advance of the delivery of services or publications, are included under proceeds received in advance.

Proceeds from projects ordered by third parties are allocated to the financial year under review in proportion to the phase of completion (the percentage-of-completion method).

### *Costs of raw and ancillary materials*

Costs of raw and ancillary materials are determined on the basis of the purchase price.

### *Write-down and amortisation of intangible fixed assets*

Publishing rights and goodwill included under intangible fixed assets are only written down in case of durable impairment. Goodwill and publishing rights are amortised in 20 years or less, using the straight-line method.

Development costs are amortised in 5 years or less.

*Depreciation of tangible fixed assets*

Tangible fixed assets are depreciated on the basis of their acquisition value in proportion to their estimated useful lives.

*Other operating costs*

Other operating costs include hiring of personnel, travelling, hotel and representation expenses, marketing costs, housing expenses, office supplies and services supplied by third parties.

*Taxation*

Corporate income tax is calculated on the basis of the economic result, while accounting for tax facilities. Tax loss carry forwards are only recognised if they can be offset with future profits.

*Result from participating interests*

The result from participating interests includes the share of Sdu in the result of unconsolidated participating interests.

*Third-party interests*

Third-party interests include the pro rata share in results claimed by third parties on the basis of their share in the equity of group companies.

**Cash flow statement**

*Cash flow from operations*

Cash flow from operations is calculated using the indirect method, by adjusting the consolidated operating result for movements in working capital and for components without a cash flow effect, such as amortisations of intangible fixed assets and depreciations of tangible fixed assets. It also includes financing charges, movements in provisions and profit tax.

*Cash flow from investment activities*

Cash flow from investment activities represents investments in intangible, tangible and financial fixed assets and any disposals thereof.

*Cash flow from financing activities*

Cash flow from financing activities represents movements in long-term liabilities and bank balances, movements in shareholders equity arising from distributed dividend and the result of unconsolidated participating interests.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

Amounts in columns x EUR 1,000

1) Intangible fixed assets	Publishing rights	Goodwill	Development costs	Total
Balance as at 1 January	66,936	49,589	566	117,091
Investments *)	430	6,141	1,028	7,599
Amortisation	-4,271	-4,078	-393	-8,742
<b>Balance as at 31 December</b>	<b>63,095</b>	<b>51,652</b>	<b>1,201</b>	<b>115,948</b>
Acquisition value	88,656	84,997	1,695	175,348
Cumulative amortisations	-25,561	-33,345	-494	-59,400
<b>Balance as at 31 December</b>	<b>63,095</b>	<b>51,652</b>	<b>1,201</b>	<b>115,948</b>

2) Tangible fixed assets	Land and buildings	Plant	Other fixed equipment	Total
Balance as at 1 January	3,259	7,110	6,001	16,370
Investments	119	9,359	4,607	14,085
Depreciation	-459	-4,223	-4,349	-9,031
<b>Balance as at 31 December</b>	<b>2,919</b>	<b>12,246</b>	<b>6,259</b>	<b>21,424</b>
Acquisition value	4,325	38,434	15,679	58,438
Cumulative depreciations	-1,406	-26,188	-9,420	-37,014
<b>Balance as at 31 December</b>	<b>2,919</b>	<b>12,246</b>	<b>6,259</b>	<b>21,424</b>

The annual depreciation rates based on acquisition value are as follows:

- |                                                       |          |
|-------------------------------------------------------|----------|
| a. constructional facilities placed in buildings      | 10-15%   |
| b. tangible durable means of production and transport | 10-33.3% |
- Land and buildings relate to refurbishments of leased premises.

\*) The investment mainly relates to the acquisition of the remaining 51% of the shares in VNU Uitgeverij B.V.

In 2006, VNG Uitgeverij B.V. merged with Sdu Uitgevers B.V.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

*Amounts in columns x EUR 1,000*

3) Financial fixed assets	Participations	Loans to participations	Total
Balance as at 1 January	3,338	0	3,338
Dividend distributions	-2,120	0	-2,120
Issued loans *)	0	138	138
Net result financial year	2,008	0	2,008
<b>Balance as at 31 December</b>	<b>3,226</b>	<b>138</b>	<b>3,364</b>

\*) The remaining term of the loan is 3.5 years.

4) Inventory	31 December 2006	31 December 2005
Raw and ancillary materials	2,277	2,355
Work in progress	13,453	5,651
Publishing company publications	1,509	2,199
Other materials	67	141
	<b>17,306</b>	<b>10,346</b>

5) Accounts receivable	31 December 2006	31 December 2005
Debtors	51,658	40,669
Receivables from group companies	476	0
Prepaid expenses	1,531	1,940
Prepaid acquisition amounts	0	11,067
Deliverables to be invoiced	1,955	3,671
Accrued income	72	698
Deferred income tax assets	4,924	5,832
Other receivables	792	946
	<b>61,408</b>	<b>64,823</b>

Deferred income tax assets relate to the provision for pensions and jubilees.

The tax deferral is of a long-term nature.

### 6) Cash and cash equivalents

Cash and cash equivalents comprises deposits of EUR 24.8 million. The maturity as at year-end is at most 1 month.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

Amounts in columns x EUR 1,000

The following securities have been furnished for the credit facilities:

*Negative pledge:* the borrower has undertaken not to dispose of any of his existing or future properties, in whole or in part, without the prior written permission from the bank.

*Pari passu:* if the bank gives permission to alienate property, it will demand securities with a certain preference.

*Cross default statement:* the bank may suspend credit facilities in cases of default.

7) Current liabilities	31 December 2006	31 December 2005
Creditors	8,473	5,116
Corporate income tax	127	13,500
Taxes and social security contributions	5,062	3,816
Pension premiums	1,275	3,064
Accruals	24,195	19,190
Deferred income	36,789	26,337
Other liabilities	2,093	4,047
	<b>78,014</b>	<b>75,070</b>

8) Long term liabilities	31 December 2006	31 December 2005
Balance as at 1 January	0	0
Movement as a result of changes in legislation	10,494	0
Amortisation	-489	0
<b>Balance as at 31 December 2006</b>	<b>10,005</b>	<b>0</b>

Due to changes in legislation, negative goodwill is classified as a long term liability instead of revaluation reserve. As at 31 December 2006 EUR 564,000 of the balance is short term.

9) Provisions	1 January 2006	Additions	Withdrawals	Release	31 December 2006
Deferred tax liabilities	2,066	318	-20	-312	2,052
Provisions for personnel	2,858	1,456	-1,514	-161	2,639
Pensions	18,812	6,618	-6,917	0	18,513
Jubilees	826	167	-95	0	898
Other	60	0	-60	0	0
	<b>24,622</b>	<b>8,559</b>	<b>-8,606</b>	<b>-473</b>	<b>24,102</b>

NOTES TO THE CONSOLIDATED BALANCE SHEET

Amounts in columns x EUR 1,000

Deferred tax liabilities largely relate to tax amounts payable in the future in relation to taxable temporary differences, with a duration of 20 years or less.

Provisions for personnel relate to commitments in respect of redundancy pay that is distributed to staff that was made redundant before 1 November 1988 with a duration until 2013 and provisions deriving from unemployment benefit commitments with a duration of 2 years or less.

The pensions of the employees of Sdu B.V., Sdu Uitgevers B.V. and Sdu Fiscale en Financiële Uitgevers B.V. are placed with a company pension fund. The pensions are built up by means of a career average pension plan. At year-end 2006, the level of funding of the company pension fund is approximately 125%, which meets the requirements set by *De Nederlandse Bank*.

The pensions of the employees of Sdu Identification B.V. are placed with *Pensioenfonds voor de Grafische Bedrijven* (PGB). This is a defined benefit plan, which is treated in the annual accounts as a defined contribution pension plan, as there is an affiliation with an industry pension fund, in which there is no obligation to make additional contributions in the event of a deficit at the pension fund. At year-end 2006, the level of funding of PGB is approximately 138%. In addition to this scheme, Sdu Identification has two top-up schemes. One is a defined contribution pension plan, the other a defined benefit pension plan.

The movements in the pension provision in respect of defined benefit pension plans are as follows:

Balance as at 1 January 2006	18,812
Allocated pension liabilities owing to defined benefit pension plans	6,618
Pension premiums paid	-6,917
<b>Balance as at 31 December 2006</b>	<b>18,513</b>

The pension provision can be broken down as follows:

	31 December 2006	31 December 2005
Present value of pension benefit obligations funded by plan assets	106,596	113,384
Fair value of plan assets	-104,092	-91,144
<b>Present value of pension benefit obligations not funded by plan assets</b>	<b>2,504</b>	<b>22,240</b>
Unrecognised actuarial results	16,009	-3,428
<b>Balance position</b>	<b>18,513</b>	<b>18,812</b>

## NOTES TO THE CONSOLIDATED BALANCE SHEET

Amounts in columns x EUR 1,000

The pension cost in the profit and loss account can be broken down as follows:

	2006	2005
Increase in present value of defined pension obligations	5,780	5,073
Interest attributed	4,498	4,251
Estimated proceeds of fund investments	-4,014	-3,488
Administration charges	354	256
Costs of change in pension scheme	0	243
<b>Pension costs of defined benefit pension plans</b>	<b>6,618</b>	<b>6,335</b>
Pension contributions to defined contribution pension plans (and industry plans)	1,294	1,324
Pension contribution because of buying out	79	0
Adjustment opening balance	-1,790	0
<b>Total pension costs</b>	<b>6,201</b>	<b>7,659</b>

The main actuarial assumptions are as follows:

	2006	2005
Discount rate	4.70%	4.00%
Expected return on plan assets	5.00%	4.30%
Expected salary increases	2.25%	2.25%
Expected indexation of pensions	2.00%	2.00%
Average remaining period of employment	8.9 years	8.5 years
Actual return on plan assets	6.80%	11.20%
Mortality table: Collective 2003 (no resetting of age)		

The board of Stichting Pensioenfond Sdu is to determine the indexation level for the pension fund.

The actual indexation rate of the pension fund's pension liabilities, is independent from the indexation rate that is used for calculating the pension liabilities for Sdu B.V.. An indexation rate of 2% is used for calculating the pension liability for Sdu B.V.. By doing so, the company aims to offer its employees a stable pension.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

Amounts in columns x EUR 1,000

### Shareholders equity

For the notes to this item, please refer to the company balance sheet.

### Financial commitments and contingent liabilities

- 1) The liabilities at year-end 2006 arising from operational and lease contracts amount to EUR 2,207,000 and have a term of 1 to 5 years. Of this amount, EUR 1,434,000 will be included in the 2007 profit and loss account.

The nominal value of the year-end liabilities arising from rental agreements amounts to EUR 41,660,000 and have a term of 10 years or less. Of this amount, EUR 7,458,000 will be included in the 2007 profit and loss account.

At year-end 2006, the commitments entered into for investments in tangible fixed assets amount to EUR 500,000.

- 2) At year-end 2006, Sdu nv issued bank guarantees for third-parties to the amount of EUR 4,426,000. Said guarantees mainly relate to delivery commitments arising from current sales contracts.
- 3) As to the preparation of the annual accounts of participating interests, use is made of the exemption in Part 9 of Book 2 of the Netherlands Civil Code, insofar as the relating requirements have been met. This applies to the participating interests Sdu Identification B.V., Academic Service I B.V. and ten Hagen & Stam B.V.
- 4) The fiscal entity for corporate income tax purposes comprises Sdu nv and its participating interests Sdu Identification B.V., Koninklijke Vermande B.V., Integrity Solutions B.V. and Academic Service I B.V.
- 5) Because of the sale of the shares in Sdu B.V., a payment of EUR 4,500,000 was made to the employees in March 2007. This payment results in one-off costs in 2007.
- 6) On 26 January 2007, Sdu Uitgevers B.V. acquired 51% of the shares in a new joint venture Sdu E-Grant B.V. The purchase price consisted of a contribution of paid-in capital amounting to EUR 500,000.
- 7) Advisory fees relating to the final signing of the purchase agreement of the shares in Sdu B.V. on 23 March 2007 will be recorded as costs in 2007.

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Amounts in columns x EUR 1,000

10) Net turnover	2006	2005
Publishing activities	151,290	161,377
Security activities	57,059	47,985
	<b>208,349</b>	<b>209,362</b>

### Related parties

Until 23 March 2007, the Kingdom of the Netherlands owed 100% of the shares in Sdu nv. Transactions with the Kingdom of the Netherlands have been laid down in contracts and are conducted on market terms.

### Corporate income tax

The relatively high consolidated tax burden can be explained as follows:

Result before taxation	31,524	
Taxation over result at applicable rate of 29,6%		9,331
Corporate income tax in accordance with consolidated profit and loss account		12,304
Higher tax burden		<u>2,973</u>

The difference can be broken down as follows:

• intangible fixed assets not deductible for tax purposes (including timing differences)	1,865
• adjustments in tax deferrals	894
• tax incentives and other	214
	<u>2,973</u>

### Number of employees

In the 2006 financial year, the average number of employees expressed in full-time equivalents was 959 (2005: 973).

## NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Amounts in columns x EUR 1,000

### Remuneration of managing directors and supervisory directors

Salary	Bonus	Pension	Social insurances	Other	Total 2006	Total 2005
525	74	81	14	20	714	515

The remuneration policy of 2006 is in line with 2005.

The remuneration policy is based on the principle and best best-practice provisions of the Dutch Corporate Governance Code. Income is determined by the Supervisory Board on the basis of external advice.

The Supervisory Board may in special cases grant an extra payment.

The remuneration of the Chairman of the Supervisory Board amounted to EUR 22,600 (2005: EUR 22,600).

Both other Members each received a remuneration of EUR 16,100 (2005: EUR 16,100).

### Application of article 402 Part 9 of Book 2 of the Dutch Civil Code

For the preparation of the company profit and loss account, article 402 Part 9 of Book 2 of the Dutch Civil Code is applied.

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2006

Before profit appropriation  
Amounts in columns x EUR 1,000

	31 December 2006	31 December 2005
Intangible fixed assets <sup>11)</sup>	44,600	48,025
Financial fixed assets <sup>12)</sup>	71,263	72,257
<b>Fixed assets</b>	<b>115,863</b>	<b>120,282</b>
Accounts receivable <sup>13)</sup>	1,045	486
Cash and cash equivalents	1,859	2,870
<b>Current assets</b>	<b>2,904</b>	<b>3,356</b>
Current liabilities <sup>14)</sup>	1,521	9,991
<b>Working capital</b>	<b>1,383</b>	<b>-6,635</b>
	<b>117,246</b>	<b>113,647</b>
<b>Provisions <sup>15)</sup></b>	<b>1,785</b>	<b>1,907</b>
Paid-in capital <sup>16)</sup>	9,393	9,393
Share premium <sup>17)</sup>	13,656	13,656
Revaluation reserve <sup>18)</sup>	0	6,026
Legal reserves <sup>19)</sup>	1,250	282
Other reserves <sup>20)</sup>	74,524	58,754
Unappropriated profit for financial year <sup>21)</sup>	16,638	23,629
<b>Shareholders equity</b>	<b>115,461</b>	<b>111,740</b>
	<b>117,246</b>	<b>113,647</b>

## COMPANY PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR 2006

Amounts in columns x EUR 1,000

	2006	2005
Result from participating interests	21,224	25,265
Other income and expenditure	-4,586	-1,636
<b>Net profit</b>	<b>16,638</b>	<b>23,629</b>



NOTES TO THE COMPANY BALANCE SHEET

Amounts in columns x EUR 1,000

**Principles of valuation**

The principles of valuation are the same as those stated in the notes to the consolidated annual accounts.

The notes and breakdowns below are the ones that differ from the notes to the consolidated balance sheet.

<b>11) Intangible fixed assets</b>	Publishing rights	Goodwill	Total
Balance as at 1 January	14,752	33,273	48,025
Amortisation	-983	-2,442	-3,425
<b>Balance as at 31 December</b>	<b>13,769</b>	<b>30,831</b>	<b>44,600</b>
Acquisition value	19,720	53,025	72,745
Cumulative amortisation	-5,951	-22,194	-28,145
<b>Balance as at 31 December</b>	<b>13,769</b>	<b>30,831</b>	<b>44,600</b>

<b>12) Financial fixed assets</b>	Group companies	Other participations	Total
Balance as at 1 January	68,923	3,334	72,257
Dividend distributions	-16,648	-2,120	-18,768
Net profit year under review	19,216	2,008	21,224
Other movements *)	-3,450	0	-3,450
<b>Balance as at 31 December</b>	<b>68,041</b>	<b>3,222</b>	<b>71,263</b>

\*) Other movements mainly relate to direct capital movements at Sdu Uitgevers B.V.

## NOTES TO THE COMPANY BALANCE SHEET

Amounts in columns x EUR 1,000

<b>13) Accounts receivable</b>	31 December 2006	31 December 2005
Receivables from group companies	414	40
Taxes and social security contributions	69	29
Corporate income tax	47	0
Prepaid expenses	177	99
Amounts receivable	38	0
Deferred income tax assets	283	318
Other receivables	17	0
	<b>1,045</b>	<b>486</b>

<b>14) Current liabilities</b>		
Accounts payable	319	153
Banks	38	0
Corporate income tax	0	9,269
Taxes and social security contributions	102	74
Amounts payable	1,035	449
Other liabilities	27	46
	<b>1,521</b>	<b>9,991</b>

<b>15) Provisions</b>	1 January 2006	Additions	Withdrawals	Release	31 December 2006
Provisions for personnel	835	0	-104	-60	671
Pensions	1,051	305	-268	0	1,088
Jubilees	21	10	-5	0	26
	<b>1,907</b>	<b>315</b>	<b>-377</b>	<b>-60</b>	<b>1,785</b>

NOTES TO THE COMPANY BALANCE SHEET

Amounts in columns x EUR 1,000

**Shareholders equity**

Authorised share capital amounts to EUR 22,690,000 and consists of 22,690,000 shares, each with a nominal value of EUR 1. Issued and paid-up are 9,393,251 shares with a share premium of EUR 13,655,608.

	2006	2005
<b>16) Paid-in capital</b>		
Balance as at 1 January	9,393	9,393
Changes during financial year	0	0
<b>Balance as at 31 December</b>	<b>9,393</b>	<b>9,393</b>
<b>17) Share premium</b>		
Balance as at 1 January	13,656	13,656
Changes during financial year	0	0
<b>Balance as at 31 December</b>	<b>13,656</b>	<b>13,656</b>
<b>18) Revaluation reserve</b>		
Balance as at 1 January	6,026	4,765
Amortisation revaluation reserve	0	-280
Transfer to other reserves	-6.026	0
Adjustment of fair value	0	1,541
<b>Balance as at 31 December</b>	<b>0</b>	<b>6,026</b>
<b>19) Legal reserves</b>		
Balance as at 1 January	282	167
Transfer of other reserves	968	115
<b>Balance as at 31 December</b>	<b>1,250</b>	<b>282</b>

## NOTES TO THE COMPANY BALANCE SHEET

Amounts in columns x EUR 1,000

20) Other reserves	2006	2005
Balance as at 1 January	58,754	55,852
Transfer of unappropriated profit for financial year	23,629	19,576
Dividend distribution	-9,452	-11,750
Change in accounting policy for pensions and jubilees	0	-8,914
Direct capital movement at participations *)	-3,465	4,105
Transfer from revaluation reserve	6,026	0
Transfer to legal reserves	-968	-115
<b>Balance as at 31 December</b>	<b>74,524</b>	<b>58,754</b>

21) Unappropriated profit for financial year		
Balance as at 1 January	23,629	19,576
Transfer to other reserves	-23,629	-19,576
Unappropriated profit current financial year	16,638	23,629
<b>Balance as at 31 December</b>	<b>16,638</b>	<b>23,629</b>

\*) The direct capital movement relates to the release of the dividend guarantee at Sdu Uitgevers B.V. and a change in the accounting policy of revaluation reserves.

The Hague, 16 May 2007

On behalf of Sdu B.V.

Executive Board of Directors Sdu Holding B.V.

Mr. S. van Oostrom

Drs. M.J.H. Jetten RA

A.J. Blokzijl

## OTHER INFORMATION

### Provisions in the articles of association regarding profit appropriation

- 26.1 Pursuant to the provisions in this article, distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.
- 26.2 Profit is at the free disposal of the General Meeting.

The proposal is to transfer the profit amounting to EUR 16,638,410 to the other reserves.

### Subsequent events

On 22 March 2007, Sdu nv was converted into Sdu B.V. On 23 March 2007, the shares in Sdu B.V. were transferred from the Dutch State to the new shareholders, Allianz Capital Partners and ABN AMRO Capital. The new shareholders together acquired all shares in Sdu Holding B.V. Also on 23 March 2007, Wolters Kluwer Nederland B.V. transferred to the Dutch State its equity interest of 25.9% in Sdu Uitgevers B.V. for an amount of EUR 85 million. The claim the Dutch State acquired for its payment to Wolters Kluwer Nederland B.V. was paid into Sdu Holding B.V. as informal capital. As a consequence, both investors share the full ownership of Sdu Holding B.V.

On the 22 March Mr Jongma has withdrawn as president of the Board of Management. He will, however, remain actively involved in the company as president of the Board of Directors of Sdu Holding B.V. With effect from 23 April 2007, an Executive Board for Sdu Holding B.V. was appointed. The Executive Board is constituted as follows:

- Mr. S. van Oostrom – CEO Sdu Publishers B.V.
- Drs. M.J.H. Jetten RA – Chief Financial Officer
- A.J. Blokzijl – CEO Sdu Identification B.V.

The Supervisory Board was retired on 22 March 2007.

Paragraph 5 and 6 under financial commitments and contingent liabilities make mention of two subsequent events.

To: The General Meeting of Shareholders of Sdu B.V.

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements 2006 of Sdu B.V., The Hague as set out on pages 16 to 36 which comprise the consolidated and company the balance sheet as at 31 December 2006, the consolidated and company profit and loss account for the year then ended and the notes.

### The management's responsibility

The management of the company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sdu B.V. as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### Report on other legal requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, 16 May 2007

*PricewaterhouseCoopers Accountants N.V.*

*J.A.M. Stael RA*

*This is the English translation of the official Dutch Annual Report 2006. An attempt has been made to be as literal as possible without jeopardizing overall consistency. Differences inevitably occur in translation, and in such cases, the Dutch Annual Report will prevail.*

