



# Onwards and upwards in more ways than one

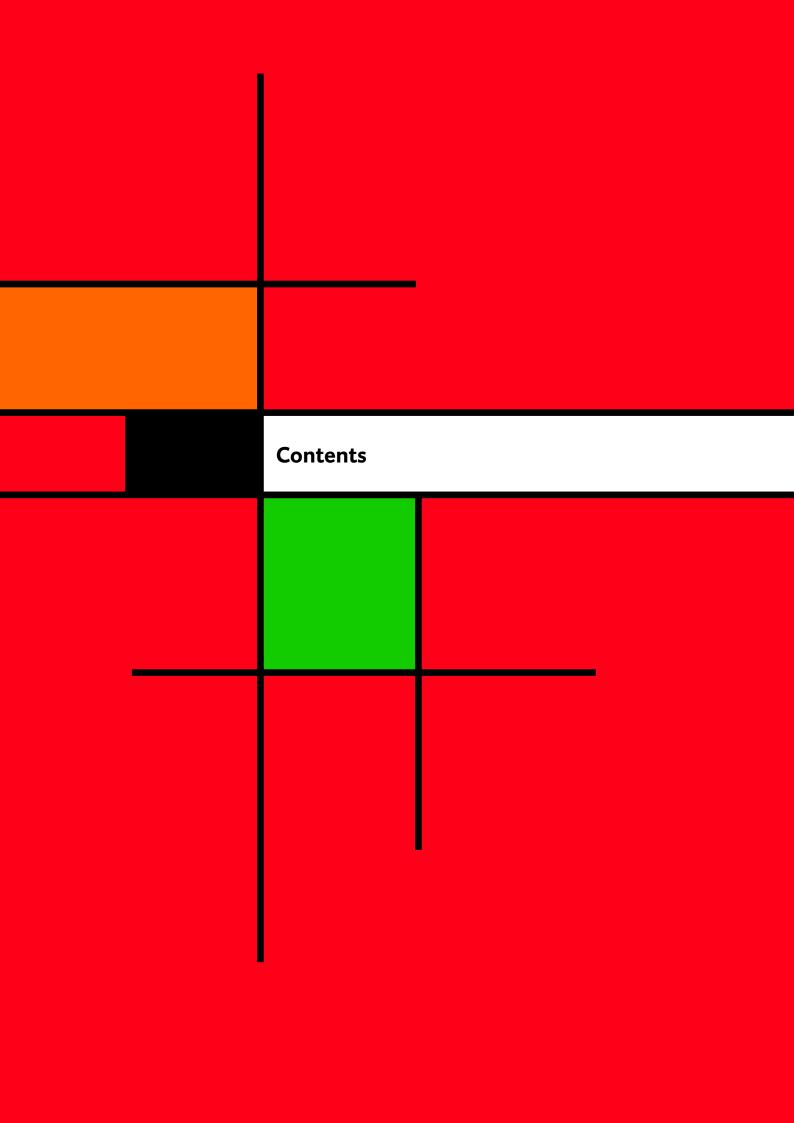
In August 2012, Royal Swets & Zeitlinger moved its Global Headquarters, along with our regional Netherlands office to the city of Leiden in the Netherlands. A university city since 1575 and twinned with Oxford, UK, Leiden is regarded as one of the premier seats of knowledge in Europe, if not the world and so makes a logical home base for the world's leading provider of professional information.

"Our new headquarters are dramatically different from anything we, or our customers, have been used to," said David Main, Swets CEO. "The move represents a definite forward step for our company and the building itself reflects our bold ambitions for the future. Our new home makes a dramatic introduction, with groundbreaking architecture and state-of-the-art facilities. It places us in the heart of Leiden, a true center of knowledge, and will help us secure a more adaptable, flexible and truly innovative future."

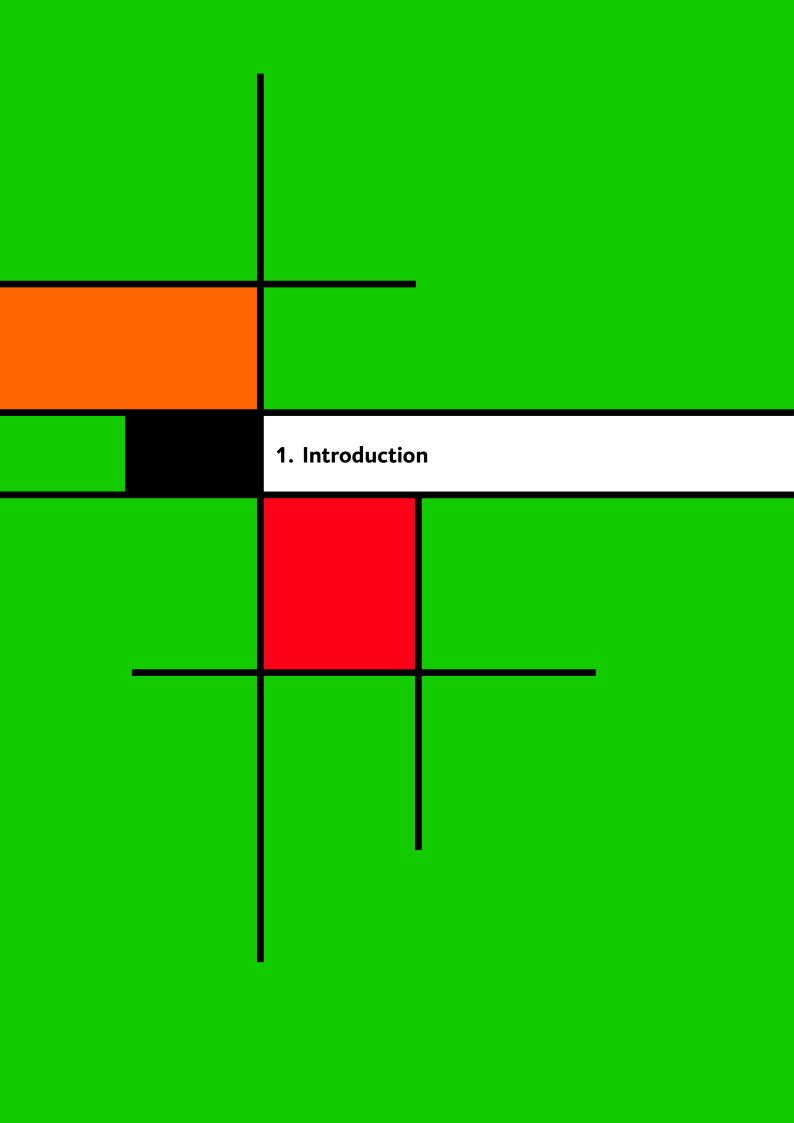
The new offices are housed within the Achmea building, a modern, striking and bold addition to the Leiden skyline. Opened in 2011 and designed by architect Fons Verheijen from VVKH Architecten, the building takes inspiration from the Dutch art movement of the early twentieth century, 'De Stijl' (Dutch for "The Style", also known as neoplasticism). The movement, whose most famous proponent was Piet Mondrian, was founded in Leiden in 1917 and sought to express a new utopian ideal of spiritual harmony and order. Advocating pure abstraction and universality by a reduction to the essentials of form and colour; De Stijl artists simplified visual compositions to the vertical and horizontal directions, and used only primary colors along with black and white. Verheijen has embraced their manifesto, crafting a building of elegant form and eye-catching colour.

These financial statements were adopted by the General Meeting of Shareholders on 16 April 2013





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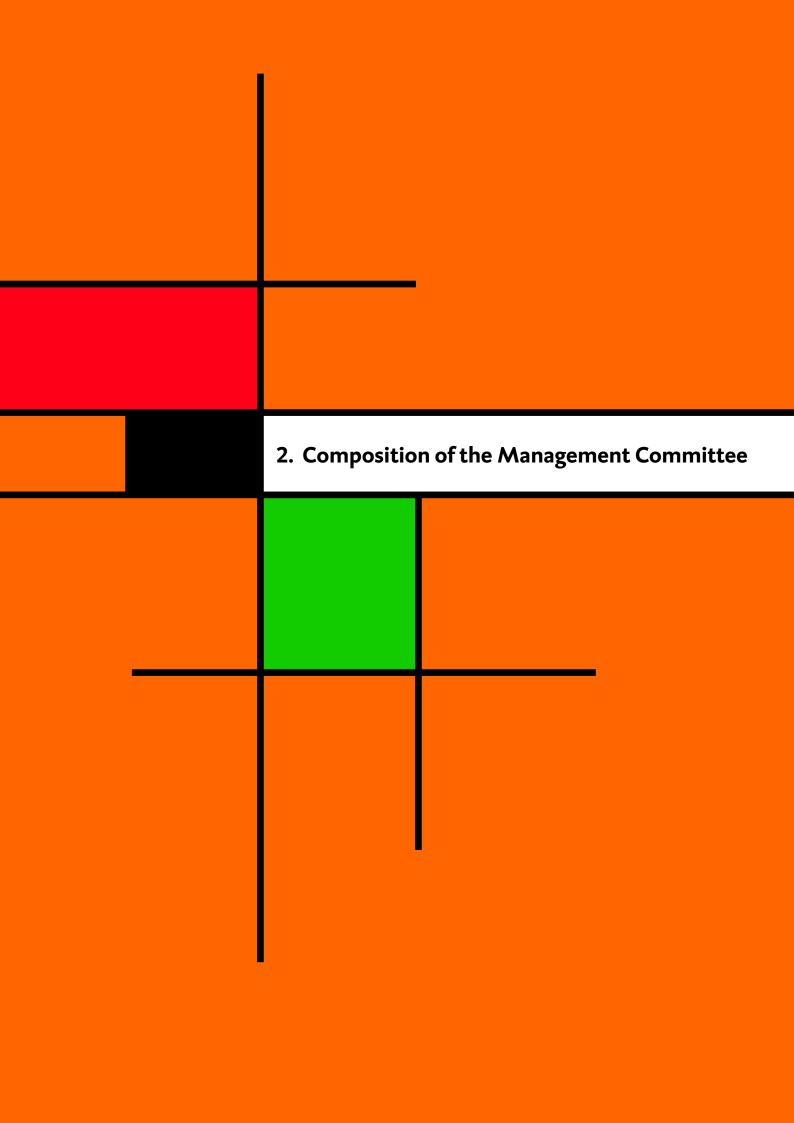


Royal Swets & Zeitlinger Holding NV ('Swets & Zeitlinger', 'the Company' or 'Swets') is a group of information services companies operating around the globe. In this Annual Report, any reference to (the) Group is to Royal Swets & Zeitlinger Holding NV and its subsidiaries.

At year-end 2012, the Group had 564 employees (FTE) across offices in more than twenty countries: Australia, Belgium, Canada, China, Denmark, Germany, France, India, Italy, Japan, South Korea, Mexico, the Netherlands, Norway, Russia, Singapore, Spain, South Africa, Sweden, Switzerland, Taiwan, Turkey, United Kingdom and the United States. In addition, Swets has employees stationed in Austria, Panama, Portugal and Chile. Swets also works with agencies in other countries such as Greece.

Swets & Zeitlinger operates under the trade name Swets. Swets provides overall management and processing of subscriptions to scientific and professional printed and electronic publications. The Group's customer base comprises more than 10,000 customers, representing approximately 1.0 million subscriptions. A substantial number of the publications included in Swets' portfolio are also available in electronic format.

For more information about the Company and its activities, please visit www.swets.com.



At 31 December 2012, the Management Committee comprised the following members:

Mr David P. Main (1958), British and Canadian nationality, appointed Chief Executive Officer on 11 January 2010 and appointed Statutory Director on 1 December 2010;

Ms Nadine L.J.M. Beister (1977), Dutch nationality, Director Human Resources, appointed on 15 August 2010;

Ms Deborah Dore (1960), British nationality, Chief Commercial Officer, appointed on 1 March 2006;

Ms Elisabeth M. van Dijk (1965), Dutch nationality, Chief Legal Officer, appointed on 1 September 2004 and appointed Statutory Director on 1 December 2010;

Mr Frans T.A. van Ette (1965), Dutch nationality, Regional Director East, appointed on 15 August 2010; Mr Ramon A.J.P. Schrama (1968), Dutch nationality, Manager Project Office, appointed on 1 March 2011;

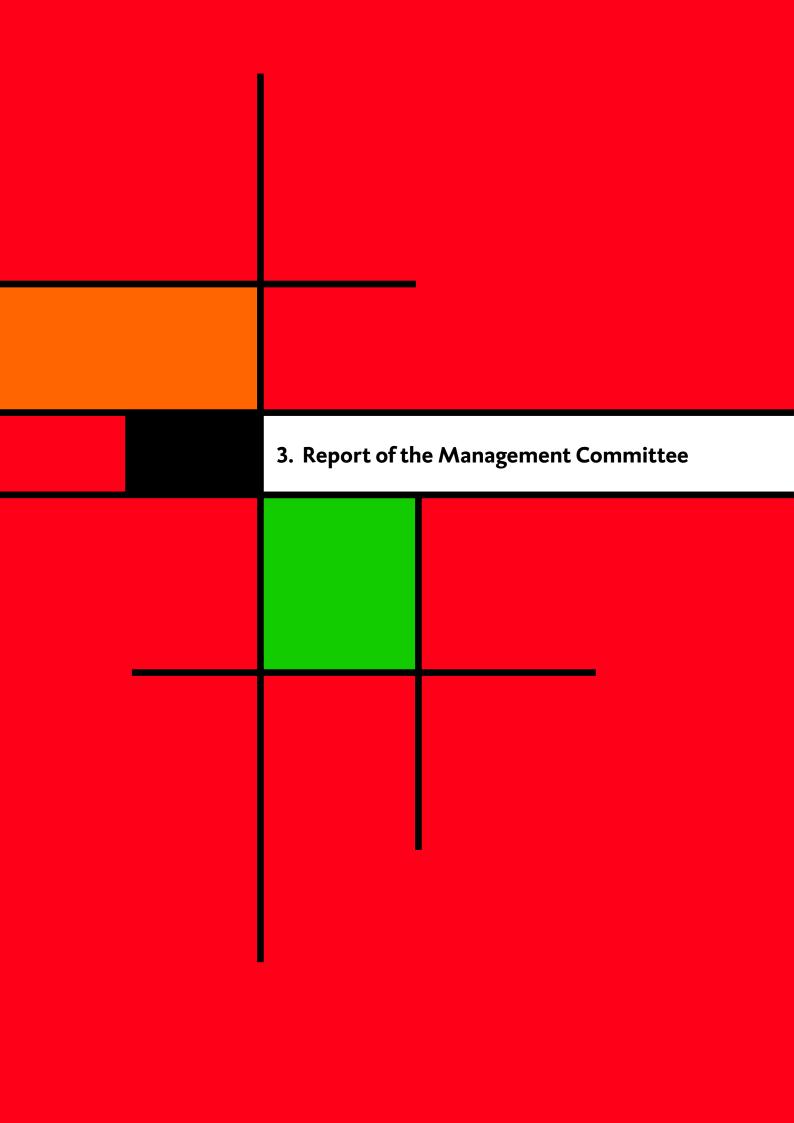
Mr Johannes F. Stoop (1966), Dutch nationality, Chief Financial Officer, appointed on 19 January 2011, appointed Statutory Director on 30 November 2012;

Mr Johan de Wit (1951), Dutch nationality, Chief Information Officer, appointed on 9 February 2011.

On the date that the 2012 financial statements were presented to the shareholder, the Management Committee of the Company comprised three registered directors and five non-registered directors.

Currently 37.5% of the seats are held by women.

When Swets was taken over as per 15 October 2007, it was decided that Royal Swets & Zeitlinger Holding NV would no longer have a Supervisory Board. Instead, a Supervisory Board was appointed at Swets & Zeitlinger Group BV on said date.



#### 3.1 Market environment

The market conditions have not really changed since last year. There are continued economic challenges at the country and government levels across much of the western world and Europe in particular. These factors do have a direct impact on our business given our exposure to government spend. As you might expect there appear to be some countries that have bottomed out, some where it is still unpredictable and some where there may be more to come. As well as challenging environments there are also healthy economies and ones that understand that research and development drive economic growth and remain committed to spending to ensure that their R&D output is growing or at least remaining at the current level. Like every economist in the world we are unable to predict what will happen and learn to manage with uncertainty.

Globally in research and development there is a global spend level of about €1.1 trillion and it is growing slowly. The STM (Scientific, Technical, Medical) content spend against this growth is about €13.5 billion and there does not appear to be much growth against this. Matched against this content spend is a growth in the number of research articles of about 10+% per annum. Clearly, there is a hard focus on driving greater research productivity per annum.

Behind this drive for greater research productivity are three broad factors - budget pressures, research evolution and digital revolution. Budget pressures are linked to the economic environment and added to this is an increasingly demanding requirement around accountability for spend. Research is evolving with increasing pressures for open access, a growing focus on the data behind the research, growing levels of collaboration and a significant level of growth in the importance of the Asia Pacific region (in particular China) as just some examples. The digital revolution is driving the demand for digital, multi- device and remote access; richer output - not just flat files; and, growth in the number of pricing and delivery options for content.

We see these dynamics as opportunities for a company intensely focused on being an intermediary in a truly digital world.

#### 3.2 Strategy

The strategy set in 2010 continues to be progressed to drive the business towards continuous profit growth and a market position that is clearly focused on being a leading intermediary in the digital research world building services against our vision of 'Improving the delivery and use of knowledge'.

- In the last year, we have made significant in-roads in the development of our platform of capabilities we need now, and in particular, for the future. We have deployed Salesforce.com for both our CRM and service capabilities. We have also installed new leading database technology and related software. In addition, we successfully completed a major project unifying our databases in order to provide real-time information.
- in our core business, we have made great progress in growing and developing our e-books offer and Accucoms our publisher sales support business. In Accucoms, as well as growing our sales, we have expanded our geographic footprint and we are extending the range of services we provide. We have progressed the building of our LibServ business; although, as an organic development this will take some time. Finally, we launched our first service in research productivity; this was a partnership with Mendeley in providing an institutional solution for driving, managing, and monitoring research productivity and collaboration.
- We continue to look at both partnerships and acquisitions to drive our growth and bring a leading set of services to our customers - both publishers and institutions (academic, corporate, governmental, medical).

#### 3.3 Royal Swets & Zeitlinger Holding NV

#### 3.3.1 Result

The year 2012 showed a positive operating result of  $\in$  8.1 million compared to a  $\in$  11.9 million profit in 2011. The drop in operating results is mainly due to:

- Market pressure on sales and gross profit, primarily due to the difficult economic circumstances in Southern Europe;
- Temporarily higher cost items related to the transformation that Swets is making from a subscription management company to a full-fledged information services provider based on new technology capabilities.

In 2012 net sales amounted to €596.2 million (2011: €615.5 million), with a gross profit of €61.5 million (2011: €64.2 million). The main reason for the lower sales is the impact from the economic downturn in Southern Europe and the resulting pressure on our customer's budgets.

The gross margin remained stable at 10.4% in 2011 versus 10.3% in 2012.

The operating costs of  $\le$  53.4 million in 2012 were in line with last year (2011:  $\le$  52.4 million). Ongoing operational cost savings were offset by temporarily higher costs related to the transformation process of Swets, which is well underway and planned to be completed in 2015. Financing charges decreased in 2012 due to the expiration of a part of the existing interest hedge instruments.

The result on ordinary activities was € 6.7 million in 2012 (2011: € 10.0 million). The decrease compared to last year resulted from a lower operating result, partly mitigated by lower financing charges.

Taxes on the result totalled a charge of €1.7 million in 2012 (2011: €1.9 million charge). This led to a total result after taxation of €5.0 million for 2012 (2011: €8.1 million).

# 3.3.2 Dividend proposal

It is proposed that no dividend will be paid for 2012.

### 3.3.3 Balance sheet

The Company's shareholder equity before profit distribution amounted to  $\leq$  50.7 million as at 31 December 2012 (year-end 2011:  $\leq$  45.7 million).

The changes in shareholder equity relate to the addition of the 2012 unappropriated result of € 5.0 million.

Investments in tangible and intangible fixed assets, mainly in automated systems, totalled  $\in$  6.3 million in 2012 (2011:  $\in$  6.0 million). Depreciation and amortisation amounted to  $\in$  4.7 million (2011:  $\in$  3.9 million).

The balance sheet includes separate items under current assets and liabilities for purchases and sales and advance payments relating to the 2013 selling season. At year-end 2012, the current assets and liabilities balance amounted to €53.1 million (2011: €48.7 million).

The non-current liabilities of € 28.9 (2011: € 27.9 million) include loans to fund the acquisition of shares by Swets & Zeitlinger Group BV for an amount of € 27.5 million.

Provisions were €0.1 million higher than in 2011, mainly due to a €0.8 million increase of the provision for reorganization in relation to the ongoing transformation program of Swets offset by a decrease of a foreign VAT related provision of €0.4 million and a €0.3 million decrease of a provision for a potential refund to Lehman Brothers.

The number of ordinary shares outstanding as at 31 December 2012 was 17,072,909. The shares have a nominal value of €0.05 per share.

#### 3.3.4 Cash flows

At year-end 2012, the Company's cash position totalled  $\leqslant$  34.6 million, up by  $\leqslant$  4.9 million from year-end 2011. The increase of  $\leqslant$  4.9 million is mainly related to the positive phasing differences and tight management of working capital positions. The cash impact from investments in tangible and intangible fixed assets was  $\leqslant$  1.1 million higher than the previous year as a result of the transformation program to develop new core capabilities.

# 3.4 Financial income and expenses

Financing costs amounted to € 1.4 million in 2012 (2011: € 1.8 million). This is mainly the result of the expiration of part of the interest rate hedge instruments in 2012.

# 3.5 Tax

The tax charge for 2012 totalled  $\le$  1.7 million (2011:  $\le$  1.9 million), in line with the result development.

#### 3.6 Organization and employees

2012 has been a year in which the Swets organization strongly continued on its path of digital transformation. Great change can be noticed in all parts of the organization.

In the global Sales and Services departments the implementation of the Customer Relationship Management solution Salesforce.com has highly impacted their way of working. It increased standardization, transparency and simplified reporting thereby allowing them to continuously drive operational and service excellence. Within the IT and Product Development area new ways of working like Scrum and Agile management have put a different pulse to their way of working and increased project delivery success. Lots of training has been provided to these parts of the business.

While Swets continued to drive a lean organizational structure also the support departments achieved great accomplishments throughout 2012. Some examples are the radical transformation of our financial reporting enabling more precise and tailored management of specific parts of the business. Strong management of and good collaboration with outsourcing parties and partners. Various HR initiatives ensured we continued on our path for developing and driving an outcome driven performance culture. The HR team started to develop a new compensation, reward and talent management methodology which will see a gradual roll out throughout 2013. Together with line managers, HR draws on the results of the Global Employee Surveys to devise its actions for improvement. Participation in these surveys is strong and this is highly appreciated by management. Another high impact project in 2012 was the move of our Head Office from Lisse to Leiden. In our new facilities we adopted a more flexible and completely open work environment which gave a great boost to staff collaboration.

The organization's culture is clearly in change and quickly adjusting to Swets' digital transformation, the pulse has gone up and so has the confidence and belief of employees. Through a strong internal communications program employees are actively supported to understand Swets' strategic ambitions and know how they can contribute. The internal social media

platform that was launched early 2012 has seen great adoption rates and has turned into a key global knowledge sharing and collaboration platform.

The number of employees within the Group was 591 FTEs on average in 2012. We started 2012 with 596 FTEs on 1 January 2012 and ended at 575 FTEs on 31 December 2012. We had 108 starters and 141 leavers in 2012. Nearly half of the leavers were planned due to dismissals or temporary contracts not being renewed. The other half was mainly caused by people leaving Swets for career progression reasons, within their first three years of service. Overall this staff turnover meant an ongoing strong investment in recruitment, onboarding and training.

At the end of the year there was an addition to the reorganization provision of  $\le$  1.2 million due to our ongoing effort to professionalise our organization.

The length of service in 2012 (reference date 31 July 2012) was less than a year for 17% of the employees, between one and five years for 38% of the employees, between five and ten years for 14%, between ten and fifteen years for 13%, and fifteen years or more for 18% of the employees. The percentage of female employees in 2012 (reference date 31 July 2012) was 65%. The percentage of male employees in 2012 (same reference date) was 35%.

Employee representation bodies in the various countries where Swets operates constructively contributed to any restructuring processes at hand and professionally promoted employee interests. Swets employees have done a great job. They went the extra mile, this under challenging economic circumstances and in the face of many organizational changes in 2012.

The Management Committee would like to thank all employees for their unremitting efforts in 2012.

#### 3.7 Risk management

Swets is exposed to various risks. This section will provide a brief and non-exhaustive list of the risks and how Swets manages them.

- For its clients, Swets covers the entire process of subscription supply, including the purchase and processing of subscriptions to printed and digital publications. The market shift from printed to digital media calls for the development of new products and services and continuous expansion of existing systems and platforms. To this end, Swets opted for a structured and project-based plan, identified priorities and placed senior management in charge of monitoring progress and quality.
- Swets' turnover is acquired from the sale of its products to more than 10,000 clients worldwide. No single client represents more than 3% of the Company's sales. Clients purchase Swets' services primarily on the basis of annual subscriptions that can be renewed each year, but clients can also conclude multiple-year contracts. Swets does not purchase subscriptions from publishers until it has received the relevant order from a client, and frequently also requires that the order be paid in advance. Past experience shows that there is only a minor risk that receivables from clients on account of services they purchased cannot be collected. Most of our clients are affiliated with government bodies (or are paid from government budgets) and are creditworthy. Swets generally requires advance payment to the extent that clients have a corporate profile. In light of the current economic climate, increased attention has been given to the risk of non-payment as well as interest compensation in case of late payments.
- Swets provides its clients with subscriptions to publications issued by a large number of publishers (some 35,000). The ten largest publishers provide approximately 50% of the publications; Swets is always looking for ways to add value to what publishers offer and provide services to clients that publishers themselves cannot easily deliver.
- The quality of processes supporting Swets' services is an important factor. The Company has been certified worldwide in accordance with ISO 9001:2008.

- As an international company, Swets is also exposed to various financial risks, such as exchange rate and interest rate risks.

  Exchange rate movements and interest rate changes may affect the Company's financial results. Swets' policy is aimed at limiting this impact. If transactions are not hedged 'naturally' or no items exist in the same currency, Swets uses financial instruments to hedge its positions. This is based on treasury policy with clear delineations of authority.
- The Company has an insurance portfolio in place that accommodates insurable risks. It includes product liability insurance, third-party liability insurance, directors' liability insurance, business interruption insurance and transport insurance policies. The portfolio is managed at a central level and reviewed periodically in collaboration with the external insurance consultant and, where necessary, insurance companies.
- different countries, which means that it is subject to various tax systems. Taxes relate to transactions and results or can be related to individual persons. The Company applies a central system for invoicing to clients and payments to publishers that incorporates regulations on transaction-related taxes. This system of rules has been set up, and is periodically updated, with the help of external tax experts. Were necessary, the Company engages external tax consultants. Where the Company identifies specific indications that tax risks may exist and where such risks may be reasonably quantified, it has made adequate provisions.
- The strategy set in 2010 continues to be progressed to drive the business forward towards continuous profit growth and a future-oriented market position. Several key programs were launched focusing on improving business excellence, expanding the range of products and services and developing new business lines. Swets has committed substantial human and financial resources to make these programs a success. Swets has set up a tight project governance structure around the transformation projects. Specific attention is being given to key risks related to key person dependency, change management, business partner dependency and business continuity.

# 3.8 Prospects

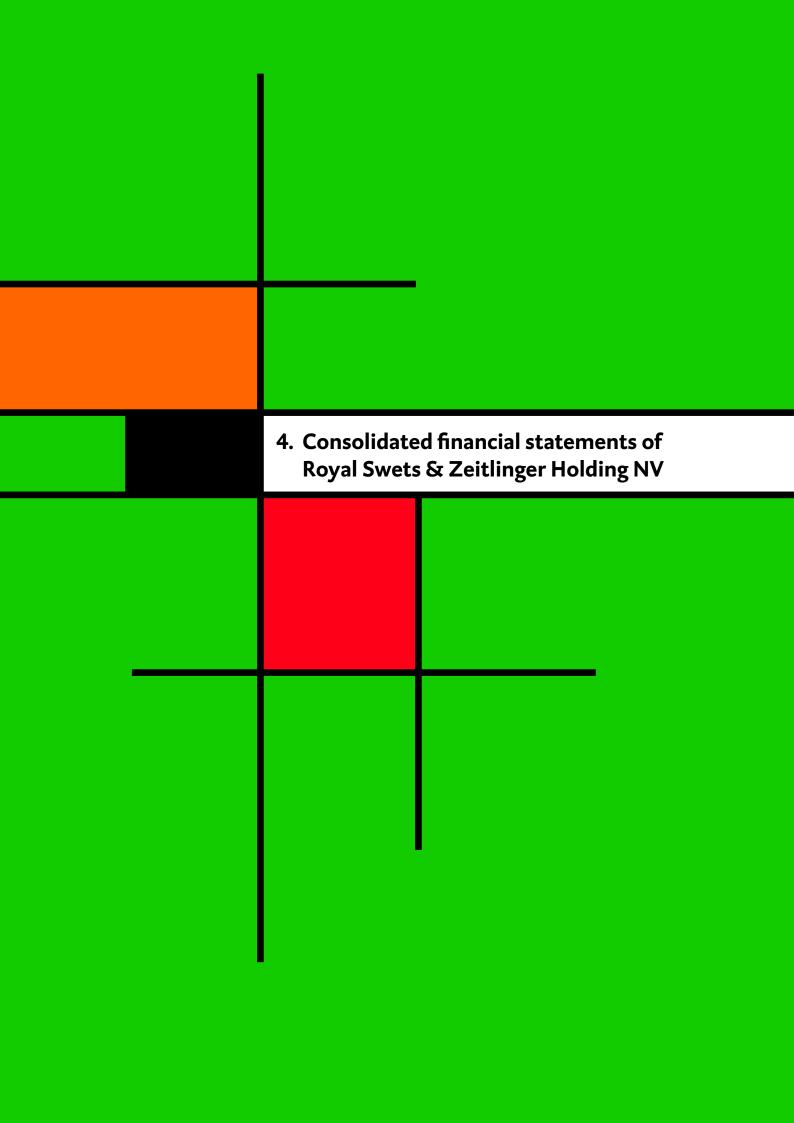
The prospects for 2013 and going forward are improving; although, they are affected by the continued impact of the current global economic crisis and publishers' and clients' responses to the pressure exerted on budgets in the various markets. In addition, the budget pressures, research evolution and digital revolution require continuous investment and development of new services. Given the focus we have had in the last two years on capability building, we are now able to building new and improved services on top of our new technology platform. We will need to continue to focus on becoming faster and more flexible in responding to both opportunities and challenges as they arise.

Development plans for the year 2013 focus on continuing to improve our cost base, developing new and improved services for both publishers and institutions and increasing the extent of deployment of our new technology platforms.

Leiden, 16 April 2013

Royal Swets & Zeitlinger Holding NV

David P. MainElisabeth M. van DijkJohannes F. StoopChief Executive OfficerChief Legal OfficerChief Financial OfficerStatutory DirectorStatutory DirectorStatutory Director



# 4.1 Consolidated balance sheet as at 31 December 2012 (before profit appropriation)

(All amounts in thousands of euros)	see 4.8 for		31 Dece	ember 2012		31 Dece	ember 201
Non-current assets				29,923			28,33
Intangible fixed assets	Note 1		13,059			12,290	
- Software		9,801			8,473		
- Goodwill		3,216			3,572		
- Other Intangible fixed assets		42			245		
Tangible fixed assets	Note 2		2,941			2,105	
- Land and buildings		321			396		
- Equipment		56			81		
- Other tangible fixed assets		2,564			1,628		
Financial fixed assets	Note 3		13,923			13,936	
- Deferred tax		881			1,353		
- Other financial fixed assets		13,042			12,583		
Current assets				465,965			443,40
Receivables	Note 4		179,666			159,459	
- Trade receivables		101,104			95,595		
- Taxation		12,329			5,221		
- Shareholder		57,945			50,520		
- Other receivables		8,288			8,123		
Prepaid purchases	Note 5		251,714			254,268	
Cash at bank and in hand	Note 6		34,585			29,674	
Current liabilities and accruals				-412,882			-394,75
Amounts received in advance	Note 7		-83,337			-77,480	
Sales invoiced in advance	Note 8		-246,444			-264,051	
Current liabilities	Note 9		-83,101			-53,220	
- Trade payables		-67,933			-39,806		
- Taxation and social security contributions		-8,091			-6,265		
- Pension contributions		-459			-461		
- Other payables		-6,618			-6,688		
Current assets less current liabilities and accr	uals			53,083			48,65
Total assets less current liabilities and accrual	s			83,006			76,98

				1		
(All amounts in thousands of euros)	see 4.8 for		31 December 2012		31 Decen	nber 2011
Non-current liabilities	Note 10		28,913			27,912
- Loans		27,529		26,576		
- Other financial fixed assets		1,384		1,336		
Provisions	Note 11		3,368			3,320
- Staff schemes		492		532		
- Taxation		315		323		
- Reorganization		1,237		396		
- Other		1,324		2,069		
Shareholders' equity	Note 13		50,725			45,749
Issued capital			854		854	
Share premium			25,607		25,607	
Translation differences reserve			-5,351		-5,351	
Legal reserve			14,131		13,144	
Other reserves			10,508		3,349	
Unappropriated result			4,976		8,146	
Total non-current liabilities, provisions and shareholders' equity			83,006			76,981

# 4.2 Consolidated profit and loss account for 2012

(All amounts in thousands of euros)	see 4.9 for		2012		2011
Net sales	Note 15	596,203		615,457	
Cost of sales		534,675		551,249	
Gross profit			61,528		64,208
Selling expenses	Note 16	47,178		46,217	
General administrative expenses	Note 16	6,247		6,135	
Total operating costs			53,425		52,352
Operating result			8,103		11,856
Net financial income and expenses	Note 17		-1,432		-1,828
Result from ordinary business activities before taxation			6,671		10,028
Taxation on profit from ordinary business activities	Note 18		-1,695		-1,882
Profit after taxation			4,976		8,146

# 4.3 Cash flow statement 2012

(All amounts in thousands of euros)		2012		2011
Operating result		8,103		11,850
Adjustments for				
Depreciation of tangible and amortisation of intangible fixed assets	4,727		3,897	
Other changes in the value of tangible and intangible fixed assets	-458		-558	
Changes in provisions	56		-734	
		4,325		2,60
Changes in working capital				
Accounts receivable	-19,938		-10,884	
Current liabilities	29,815		10,695	
Accruals and deferrals relating to sales and purchases	-9,196		5,390	
		681		5,20
Cash flow from business activities		13,109		19,66
Interest received/paid	-1,048		-4,040	
Corporation tax received/paid	-1,517		-629	
		-2,565		-4,66
Cash flow from operating activities		10,544		14,99
Divestments of tangible fixed assets	8		4,208	
Investments in intangible fixed assets (see note 1)	-4,567		-4,268	
Investments in tangible fixed assets (see note 2)	-1,764		-952	
Acquisition of participating interest in Accucoms BV	0		-469	
Cash flow from investment activities		-6,323		-1,48
Long-term loans (see note 10)	690		1,242	
Cash flow from financing activities		690		1,24
Decrease/increase in cash and cash equivalents		4,911		14,75

# Movement of cash and cash equivalents

(All amounts in thousands of euros)	2012	2011
Balance as at 1 January	29,674	14,920
Movement of cash and cash equivalents	4,911	14,754
Balance as at 31 December	34,585	29,674

#### 4.4 General notes and accounting policies

#### 4.4.1 Nature of the business activities

The Group concentrates on the trade in scientific and professional publications, books and other information media, whether current or antiquarian. The Company's registered office is in Leiden, the Netherlands.

With the exception of seven subsidiaries, including Swets Information Services Ltd (UK) and Swets Information Services Inc (USA), agreements have been concluded with the foreign subsidiaries and associated companies under which the business activities are performed for the parent company on a cost-plus basis.

#### 4.4.2 Group structure

Royal Swets & Zeitlinger Holding NV forms part of the Swets Group. The Group is headed by Swets & Zeitlinger Group BV, Dellaertweg 9b, 2316 WZ Leiden, the Netherlands. The financial statements of Royal Swets & Zeitlinger Holding NV have been included in the consolidated financial statements of Swets & Zeitlinger Group BV.

# 4.4.3 Changes in accounting principles

No changes were implemented in 2012.

## 4.4.4 Consolidation principles

The companies included in the consolidation are all group companies over which Royal Swets & Zeitlinger Holding NV exercises control either directly or indirectly (the Group). The group companies are consolidated in full. Where applicable, the minority interests in group companies are shown separately.

Intercompany transactions, intercompany results and receivables and liabilities between group companies are eliminated unless these results are realised through transactions with third parties.

Unrealised losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. Where necessary, the accounting principles of group companies have been adjusted to bring them into line with those applicable to the Group as a whole.

See note 19 for a list of the companies included in the consolidation.

The results of subsidiaries and associated companies that were acquired in the course of the financial year are included in the consolidated profit and loss account from the time at which control could be exercised over the company concerned. Group companies remain included in the consolidation until the date on which they are sold and control is transferred.

In so far as the exemption requirements of Book 2, Article 403 of the Dutch Civil Code are met, the exemption is used in relation to the information to be provided in the financial statements of the subsidiaries and associated companies.

As the profit and loss account of Royal Swets & Zeitlinger Holding NV has been included in the consolidated financial statements, only an abridged profit and loss account is provided here, in compliance with Book 2, Article 402 of the Dutch Civil Code.

#### 4.4.5 Associated parties

All group companies and subsidiaries described in section 5.5 have been designated as associated parties. Transactions between group companies are eliminated in the consolidation. Group head Swets & Zeitlinger Group BV has also been designated as an associated party.

#### 4.4.6 Related parties

All transactions with related parties are transacted on an at arm's length basis.

#### 4.4.7 Acquisitions and divestments of group companies

The results and identifiable assets and liabilities of any acquired company are included in the consolidated financial statements as from the acquisition date. The acquisition date is the moment when control can be exercised over the company concerned.

The acquisition price consists of the cash amount or equivalent agreed for the acquisition of the business taken over, plus any directly attributable costs.

If the acquisition price exceeds the net sum of the fair value of the identifiable assets and liabilities, the excess is recognised in the balance sheet as goodwill under intangible fixed assets.

If the acquisition price is lower than the net amount of the fair value of the identifiable assets and liabilities, the difference (negative goodwill) is shown as an accrual.

The companies involved in the consolidation continue to be shown in the consolidation until they are sold; deconsolidation takes place when control is transferred and if the company is held only to be sold.

#### 4.4.8 Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents . Cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences affecting cash items are not shown separately in the cash flow statement. Interest paid and received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the acquired group company was recognised as cash used

in investing activities where it was settled in cash. Any cash and cash equivalents in the acquired group company were deducted from the purchase consideration. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the cash flow statement. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

### 4.4.9 Financial position

The operations of the Company are profitable and generate sufficient positive cashflows, the accounting policies of valuation and determination of results used are based on the assumption of going concern of the Company.

#### 4.4.10 Estimates

Application of the principles and rules for preparing financial statements requires that the Management Committee of Royal Swets & Zeitlinger Holding NV form an opinion on various issues and make estimates that may prove essential for the amounts included in the financial statements. If it is necessary to do so in providing the adequate insight required by Book 2, Article 362 (1) of the Dutch Civil Code, the nature of these evaluations and estimates, including the relevant assumptions, is included in the notes to the relevant items in the financial statements.

#### 4.5 Principles for the valuation of assets and liabilities

#### 4.5.1 General

The consolidated financial statements have been prepared in conformity with the statutory provisions of Title 9, Book 2 of the Dutch Civil Code and with the firm statements made in the Dutch Accounting Standards for Annual Reporting issued by the Dutch Accounting Standards Board. The financial statements are in euros, both with respect to functional currency and reporting currency.

In general, assets and liabilities are stated at the amounts at which they are recognised or incurred, or current value. If not specifically stated otherwise they are recognised at the amounts at which they are acquired or incurred. All amounts shown in the financial statements are in thousands of euros, unless otherwise indicated.

## 4.5.2 Comparison with previous year

The accounting policies and principles for determining the result have not been changed since the previous year.

## 4.5.3 Foreign currency

Transactions in foreign currency during the reporting period are recognised in the financial statements at the exchange rate on the transaction date. The resulting exchange gains and losses are accounted for in the result. Monetary assets and liabilities denominated in a foreign currency are translated at the official rate of exchange applicable on the balance sheet date. The exchange rate differences ensuing from settlement or translation at year-end are accounted for in the profit and loss account.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions.

Assets and liabilities of group companies outside the eurozone are translated at the exchange rates on the balance sheet date. Items in the profit and loss account are translated at average exchange rates during the financial year. The translation difference arising from the conversion of the equity invested in a foreign group company, including permanent loans in foreign currency, at the opening and closing exchange rates of the year, is taken directly to the shareholders' equity under the exchange rate differences from subsidiaries item. The amount posted to this item may not be distributed.

Currency risks resulting from receivables and commitments in foreign currency are generally hedged by taking an opposite position using foreign exchange contracts. The Company hedges the currency risks on purchase obligations with spot- contracts and forwards, eventually leading to bank-balances in a multi-currency cash-pool. Besides these instruments Swets also makes use of currency options.

Currency options and forward contracts are used, as long as the purchase obligations are not recorded in Swetsbase. Thereby when the underlying premiums of the currency options are valued at cost-price. The option premium is charged to the profit and loss when the underlying transaction takes place, i.e. the exercise date of the option.

In applying cost price hedge accounting, the initial recognition of, and the accounting policies for, the hedging instrument are dependent on the hedged item, which has the following implications:

- if as the hedged item is recognised at cost in the balance sheet, the derivate instrument is also stated at cost:
- as long as the hedged item is not yet recognised in the balance sheet, the hedging instrument is not remeasured. This applies, for instance, to hedging currency risks on future transactions;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date;
- if the hedged item qualifies as a monetary item denominated in a foreign currency, the derivative instrument, where it has currency elements, is also stated at the spot rate at the balance sheet date;
- if the derivate instrument has currency elements, the difference between the spot rate on the date the derivate instrument is contracted and the forward rate at which it will be settled is spread over the maturity of the derivative instrument.

The ineffective portion of the hedge is recognised directly in profit or loss.

The Company also uses cost price hedge accounting for its forward exchange contracts intended for future purchases. Where appropriate, the gain or loss relating to the ineffective portion of the change in value of forward exchange contracts is recognised in the income statement within finance costs.

#### 4.5.4 Fixed assets

#### Intangible fixed assets

Intangible assets are stated at historical cost less amortisation. Allowance is made for any impairment losses expected; a loss qualifies as an impairment loss if the carrying amount of the asset (or of the cash-generating unit to which it belongs) exceeds its recoverable amount.

Capital expenditure on software is valued at acquisition cost, less straight-line depreciation based on useful life. Software produced internally is recognised in the balance sheet if it is probable that economic benefits can be gained from this and the costs can be reliably determined. Expenditure connected with the maintenance of software programs and research expenditure is recognised in the profit and loss account. Reference is made to the section 'Impairment of fixed assets' for the determination as to whether an intangible fixed asset must be impaired.

Modifications to software produced internally are classified under Intangible fixed assets in so far as the modifications have been made by third parties.

Goodwill resulting from acquisitions is recognised in the balance sheet and amortised on a straight-line basis over the estimated useful life, subject to a maximum of twenty years.

# Property, plant & equipment

Land and buildings are valued at purchase price or production cost, after deduction of straight-line depreciation during the estimated useful life. Land is not depreciated. Account is taken of the impairments expected on the balance sheet date. Reference is made to the section 'Impairment of fixed assets' for the determination as to whether a tangible fixed asset must be impaired.

Other fixed assets are valued at purchase price or cost of production, including directly attributable costs, after straight- line depreciation during the estimated useful life or, if lower, at value in use. Cost of production consists of the costs of purchasing raw materials and consumables and costs that are directly attributable to production, including installation costs.

#### Financial fixed assets

The participating interests in group companies in which significant influence can be exercised are valued in accordance with the net asset value method. The net asset value is calculated using the accounting policies of these financial statements. If the valuation of a participating interest is negative, the value is set at nil, unless the participating interest is retained for strategic reasons. If and in so far as the Company guarantees the debts of the relevant subsidiary or associated company or firmly intends to allow the subsidiary or associated company to pay its debts, a provision is made.

#### Impairment of non-current assets

On each balance sheet date, the Group decides whether there are indications that the value of an asset has dropped significantly. If such indications exist, the realisable value of the asset is determined. If it is not possible to determine the realisable value of an individual asset, the realisable value of the unit generating the cash flow to which the asset belongs is determined. An asset is impaired if its book value exceeds its realisable value; the realisable value is the higher of the fair value less costs to sell and the value in use. In such a case, the difference is recorded in the profit and loss account.

#### 4.5.5 Current assets

#### Accounts receivable

On initial recognition, receivables are stated at the fair value of the consideration. After initial recognition, trade receivables are valued at amortised cost. Provisions for doubtful debts are deducted from the book value of the receivable.

#### Cash at bank and in hand

Cash consist of cash in hand, cash at bank and deposits with a term to maturity of less than twelve months. A term to maturity of less than three months is generally applied for classification as cash. Cash and cash equivalents are stated at face value.

#### 4.5.6 Provisions

#### General

Provisions are made for liabilities enforceable at law or constructive obligations that exist on the balance sheet date, in which respect it is likely that a sum that can already be reliably estimated will have to be paid in the future. The provisions are valued at the best estimate of the amounts that are necessary to settle the obligations on the balance sheet date.

The provisions are shown at the nominal value of the expenditure that is expected to be necessary in order to settle the obligations, unless otherwise stated.

If it is expected that a third party will reimburse the obligations and it is probable that this reimbursement will be received when the obligation is settled, the reimbursement is shown as an asset in the balance sheet.

#### Deferred tax assets and liabilities

In the case of deferred tax assets and liabilities, temporary differences between the value of the assets and liabilities are recognised in accordance with the tax rules and with the accounting principles adopted in these financial statements. Deferred tax assets and liabilities are calculated at the tax rates applicable at the end of the year under review or at the rates applicable in the years ahead, in so far as they have already been established by law.

Deferred tax assets, including those resulting from the carry-forward of losses, are stated in the balance sheet in so far as it is probable that there will be taxable profit against which they can be offset.

Deferred taxes are recognised in respect of temporary differences concerning group companies, associated companies and joint ventures, unless the Group is able to determine the date of termination of the temporary difference and it is improbable that the temporary difference will be cleared in the foreseeable future.

Deferred taxes are calculated at their nominal value. Deferred tax assets are accounted for under financial fixed assets, and deferred tax liabilities under provisions.

#### Provision for long-service anniversaries

The provision for long-service anniversaries includes the expected cash outflow during the term of employment.

#### **Pensions**

In the majority of countries Swets has defined contribution plans.

The exception consists mainly of an indexing arrangement in the Netherlands. The current pension arrangement in the Netherlands is defined contribution, with an additional indexing arrangement for employees that worked for the Dutch company before 2002. The number of employees involved at 31 December 2012 is 63, for which the company has entered into an agreement with an insurance company.

Swets uses the possibility in the Dutch accounting guidelines (DAS) to apply the same treatment for defined benefit as for defined contribution.

#### 4.5.7 Non-current liabilities

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, calculated with effective interest rate method, being the amount received taking account of any premium or discount, less transaction costs.

# 4.5.8 Leasing

# Operating lease

Leases in which significant portions of the risks and rewards incidental to the ownership are retained by the lessor is classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### 4.6 Principles for determining the result

#### 4.6.1 General

The result is determined as the difference between the proceeds of the goods and services delivered and the costs and other expenditure in the financial year. The results of transactions are accounted for in the year in which they are realised; losses can be realised once they are foreseeable.

#### 4.6.2 Revenue recognition

The net turnover from transactions is recognised when delivery to the customer has taken place and all major rights and risks involved in ownership of the goods and services have been transferred. Revenue received or due before delivery of the goods and services is accounted for under Amounts received in advance or Sales invoiced in advance (under Accruals).

#### 4.6.3 Net sales and cost of sales

Net sales are the revenues from goods and services delivered to third parties in the course of ordinary business activities, after deduction of turnover tax and discounts granted.

Cost of sales is the purchase price directly attributable to the goods and services supplied, after deduction of any discounts obtained.

Handling charges and other fees charged to customers for specific services are accounted for in Net sales.

#### 4.6.4 Costs

The costs are valued at historical cost and attributed to the reporting year to which they relate. The depreciation of tangible and amortisation of intangible fixed assets are based on the purchase or production price. Depreciation and amortisation are calculated using the straight-line method on the basis of estimated useful life.

#### 4.6.5 Selling expenses

Selling expenses are the direct costs of the selling activities and services provided to customers. The costs of the depreciation, amortisation and impairment of tangible and intangible fixed assets are accounted for under Selling expenses.

#### 4.6.6 General administrative expenses

These are the costs of management and accounting and the costs of additions to provisions.

# 4.6.7 Employee benefits

Wages, salaries and social security contributions under the terms and conditions of employment are accounted for in the profit and loss account in so far as they are owed to employees.

The pension plan in the Netherlands is, for the most part, a defined contribution plan. Contributions are paid to an insurance company based on the salaries in the relevant year. The Group does not have any other statutory or actual obligation in respect of this pension plan if there is a shortfall at the insurance company. Conversely, additional revenues accrue directly to the employees. Employees have the option of choosing between various investments funds. The Group also has a number of insured defined benefit plans. Under these plans, staff is entitled to a pension on reaching the age of retirement, depending on age, salary and years of service.

### 4.6.8 Interest receivable and interest payable

Interest payable and interest receivable are attributed to the reporting period to which they relate and on the basis of the effective interest method. Any differences between the interest receivable or payable and that actually received or paid are accounted for in the accrual and deferral items under Accounts receivable and Current liabilities. When interest receivable is recognised, account is taken of the transaction costs of the receivables and loans and any premium or discount.

## 4.6.9 Exchange rate differences

Exchange rate differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they arise, unless they are hedged.

#### 4.6.10 Taxation

Tax on profit is calculated on the pre-tax profit as shown in the profit and loss account, taking account of any available deductible losses from previous financial years (in so far as not included in the deferred tax assets) and exempted profit elements and after the addition of non-deductible costs. Account is also taken of changes that occur in the deferred tax assets and deferred tax liabilities resulting from changes in the applicable tax rate.

#### 4.6.11 Earnings per share

Earnings per share are computed by dividing the result after tax by the average number of shares in issue during the year.

# 4.7 Financial instruments and risk control

#### Exchange rate risks

As an international company, Swets is exposed to various financial risks, such as exchange rate and interest rate risks. The currency risk for the Company concerns commercial positions and future commercial transactions mainly in US dollars (USD) and pounds sterling (GBP).

In principle, exchange rate fluctuations and interest rate movements influence the financial results of the business. Swets' policy is designed to prevent or limit this influence as much as possible. It employs financial instruments to safeguard the positions in the absence of a natural hedge of transactions or items in the same currency. This is based on treasury policy with clear delineations of authority.

Exchange rate risks resulting from receivables and commitments in foreign currency are generally hedged by taking an opposite position using foreign exchange contracts. The Company hedges the exchange rate risks on purchase obligations with spot-contracts and forwards, eventually leading to bank-balances in a multi-currency cash-pool. Besides these instruments Swets also makes use of currency options.

Currency options and forward contracts are used, as long as the purchase obligations are not recorded in Swetsbase. Thereby premiums of the currency options are valued at cost-price.

Spot-contracts are used as of the moment the customer orders are recorded in Swetsbase.

#### Interest rate risks

Interest rate risk positions are managed centrally by the Treasury department. The Company endeavours to maximise returns on its positive liquidity positions. By matching the term of the deposits with the term of the underlying obligations as much as possible, the Company can limit the mismatch between the interest structure of the interest-bearing assets (liquid assets and deposits) and that of interest-bearing liabilities (amounts received in advance).

The Company's policy is to control interest rate risk positions on its loans by means of interest rate derivatives. Both interest rate swaps and caps are used for this purpose. Swets' policy is based on the principle that at least 60% of the interest rate risk on debt is hedged,

in conformity with the 2007 financing agreement. Although not contractually mandatory the same policy still is applied. This implies that by means of interest rate swaps the interest rate is swapped from floating to fixed.

#### Credit risk

Goods and services are sold to customers that satisfy the creditworthiness criteria of the Company. The credit periods are those commonly applied in the industry and may therefore differ from country to country. Swets does not purchase subscriptions from publishers until it has received the relevant order from a client, and frequently also requires that the

order be paid in advance. Past experience shows that there is only a minor risk that receivables from clients on account of services they purchased cannot be collected. Most of our clients are affiliated with government bodies (or are paid from government budgets) and are creditworthy. In light of the current economic climate, increased attention has been given to the risk of non-payment as well as interest compensation in case of late payments.

For banks and financial institutions, the Company works with independently rated parties with a minimum rating of 'A' (mainly the same parties who are party in the financing agreement of Swets).

# Liquidity risk

The Company manages liquidity risk by a stringent cash management policy, working capital policy and the availability of funding through a syndicated loan and overdraft facilities.

# 4.8 Notes to the consolidated balance sheet

(The amounts in the headings are in thousands of euros)

# Note 1 Intangible fixed assets: €13,059 (2011: €12,290)

Capital expenditure on the development of SwetsWise, Swetsbase and SAP is accounted for under intangible fixed assets. Items are amortised in five years.

(All amounts in thousands of euros)	Software	Goodwill	Other intangible	Total
Balance as at 1 January 2012				
Cost of acquisition	25,574	4,518	392	30,484
Accumulated amortisation	17,101	946	147	18,194
Book value	8,473	3,572	245	12,290
Changes in book value				
Divestments	0	0	0	0
Investments	4,567	0	0	4,567
Amortisation of divestments	0	0	0	0
Amortisation	-3,239	-356	-203	-3,798
Net changes	1,328	-356	-203	769
Balance as at 31 December 2012				
Cost of acquisition	30,141	4,518	392	35,051
Accumulated amortisation	20,340	1,302	350	21,992
Book value	9,801	3,216	42	13,059
Amortisation rates	20%	7%	7-20%	

In case of internal costs recognised in the balance sheet that are related to software development, a legal reserve is formed (see note 12).

# Note 2 Tangible fixed assets: € 2,941 (2011: € 2,105)

The book value of the tangible fixed assets can be broken down as follows:

(All amounts in thousands of euros)	Land and buildings	Equipment	Other fixed assets	Total
Balance as at 1 January 2012				
Cost of acquisition	910	566	10,910	12,386
Accumulated depreciation	514	485	9,282	10,281
Book value	396	81	1,628	2,105
Changes in book value				
Divestments	0	0	-3,568	-3,568
Investments	0	0	1,764	1,764
Value adjustment based on foreign currency translation differences	9	9	43	61
Depreciation of divestments	0	0	3,560	3,560
Depreciation	-79	-26	-824	-929
Value adjustment based on foreign currency translation differences	-5	-8	-39	-52
Net changes	-75	-25	936	836
Balance as at 31 December 2012				
Cost of acquisition	920	575	9,149	10,644
Accumulated depreciation	599	519	6,585	7,703
Book value	321	56	2,564	2,941
Depreciation rates	4-20%	10%	20-33%	

Depreciation is calculated pro rata from the time an asset is taken into use and is based on the following rates:

- land: no depreciation;
- buildings: 4 to 20% of the cost of acquisition;
- equipment: 10% of the cost of acquisition;
- other fixed assets: 20 to 33% of the cost of acquisition.

The divestment of  $\leqslant$  3.6 million consists of the disinvestment of all fully depreciated assets in the building in Lisse.

Capital expenditure on other fixed assets relates mainly to computer hardware.

*Note* 3 Financial fixed assets: €13,923 (2011: €13,936)

(All amounts in thousands of euros)	Deferred tax asset	Other receivables	Total
Balance as at 1 January 2012	1,353	12,583	13,936
Investments	185	459	644
Divestments	-637	0	-637
Exchange rate differences	-20	0	-20
Balance as at 31 December 2012	881	13,042	13,923

The amount payable by Swets & Zeitlinger Group BV consists of a long-term receivable resulting from on-lending in the amount of  $\in$  35.6 million relating to group financing in 2007. The Group BV repaid  $\in$  23.9 million of this intercompany loan in 2009, resulting in a balance of  $\in$  11.7 million. For this amount a legal reserve has been formed (see note 12).

The deferred tax assets per year end 2012 consist mainly of a carry forward losses and tax credits in the US of  $\leqslant$  0.5 million. There is also an unrecognised deferred tax asset for a carry forward loss of Royal Swets & Zeitlinger Holding NV of  $\leqslant$  2.9 million. Where the unrecognised tax losses are concerned, it is not (yet) probable that these may be utilised against future taxable profits or set off against other tax liabilities.

Other receivables include a receivable of €1.3 million on the cost of an arbitration procedure on the basis of the share purchase agreement between the former and current shareholders of Swets relating to substantial tax claims in Latin America.

The divestment in deferred tax assets mainly concerns the usage of carry forward losses in the US in 2012.

Note 4 Receivables: €179,666 (2011: €159,459)

(All amounts in thousands of euros)	31 Dece	mber 2012	31 Dece	mber 2011
Trade receivables		101,104		95,595
Trade debtors	104,139		99,738	
Provision for doubtful debt	-3,035		-4,143	
Taxation		12,329		5,221
VAT	11,210		4,390	
Corporation tax	1,119		831	
Shareholder		57,945		50,520
Current account Swets & Zeitlinger Group BV	12,945		13,020	
Intercompany Ioan to Swets & Zeitlinger Group BV	45,000		37,500	
Other		8,288		8,123
Prepayments to publishers	5,128		4,671	
Prepaid expenses	1,066		1,228	
Prepaid premium currency and interest hedge options	469		1,034	
Airfreight costs to be invoiced	274		56	
Guarantees	947		544	
Fixed advances	157		156	
Prepaid other tax	62		111	
Other	185		323	
Total receivables		179,666		159,459

The provision for doubtful debts has decreased with €1.1 million to €3.0 million (2011: €4.1 million). In 2011 the Company decided to provide an amount of €1.0 million relating to the risk of insolvency of the Mediterranean customer base triggered by the current euro-crisis. Based on the 2012 development of customer payments from the Mediterranean the Company decided that this provision was not appropriate anymore. Therefore the €1.0 million was fully released in 2012.

The intercompany loan to Swets & Zeitlinger Group BV increased with €7.5 million due to the funding for the redemption and interest payments of loans of Swets & Zeitlinger Group BV.

Prepayments to publishers are advance payments made in December 2012.

The increase in the VAT receivable of € 6.8 million is caused by timing effects in the reimbursement of purchase VAT in the Netherlands, the amount was received from the Dutch tax authorities in January 2013

The prepaid premiums currency options relate to currency options not expired per 31 December 2012.

All receivables fall due within less than one year.

## Note 5 Prepaid purchases: € 251,714 (2011: € 254,268)

The Prepaid purchases item relates to purchases of subscriptions made and paid for in respect of the 2013 and 2012 subscription years, respectively.

## Note 6 Cash at bank and in hand: € 34,585 (2011: € 29,674)

(All amounts in thousands of euros)	31 December 2012	31 December 2011
Deposits	0	0
Other cash and cash equivalents	34,585	29,674
Total	34,585	29,674

All cash at bank and in hand is at the Company's free disposal.

## Note 7 Amounts received in advance: €83,337 (2011: €77,480)

The Amounts received in advance consists mainly of prepayments for the 2013 and 2012 subscription years, respectively, made by Swets customers.

# Note 8 Sales invoiced in advance: € 246,444 (2011: € 264,051)

The Sales invoiced in advance relates to sales for the 2013 and 2012 subscription years, respectively, billed during the financial year.

# Note 9 Current liabilities (falling due within one year): €83,101 (2011: €53,220)

(All amounts in thousands of euros)	31 December 20	12 31 De	cember 2011
Trade payables	67,9	33	39,806
Taxation and social security contributions	8,0	91	6,265
Payroll tax	584	507	
Social security costs	245	116	
VAT	6,826	5,230	
Corporation tax	436	412	
Pension contributions	4	59	461
Other	6,6	18	6,688
Accrued expenses	2,760	2,624	
Accrued bonuses	1,256	1,561	
Accrued holidays	744	767	
Accrued early payment discount	408	471	
Other	1,450	1,265	
Total current liabilities (falling due within one year)	83,	01	53,220

The trade payables balance had increased with approximately thirty million euro, caused by timing effects in the Company's business processes.

Accrued expenses mainly relate to operational expenses and investments accounted for in 2012 and to be paid in 2013. The accrued holidays is calculated on all outstanding days per 31 December 2012 against average hourly wages.

Accrued early payment discount relates to interest compensation to be paid out to customers regarding prepayment made by customers in 2012 for 2013 subscriptions (see note 7).

Other current liabilities are related for €1.4 million (2011: €1.1 million) to amounts received from publishers still to be credited to customers.

### Note 10 Non-current liabilities: € 28,913 (2011: € 27,912)

(All amounts in thousands of euros)	Balance at year-end 2012	Remaining term > 1 year	Remaining term > 5 years
Loans	27,529	27,529	0
Other	1,384	210	1,174
Total	28,913	27,739	1,174

Two loans were obtained from Rabobank in 2007 to fund the acquisition of shares by Swets & Zeitlinger Group BV. The remaining balance is € 18.8 million. The interest comprises a variable component and a margin. Swets hedged the risk of interest rate movements in the variable component by means of a swap structure in which Swets pays a fixed interest rate and a third party bears the risk.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is approximated by deriving it from the fair value of components or of a comparable financial instrument, or by approximating fair value using valuation models and valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models, making allowance for entity-specific inputs.

Swets hedged the risk of interest rate movements in the variable component by means of a swap structure in which Swets pays a fixed interest rate and buys options to cap the interest rate. The effective interest rate in 2012 was 2.12%.

The marked-to-market value of the interest rate swaps (IRS) and CAP's are shown below:

- IRS 1 maturing on 30 September 2013 €-124.218, nominal amount €10.0 million.
- IRS 2 maturing on 30 September 2014 €-341.530, nominal amount €10.0 million.
- IRS 3 maturing on 30 September 2015 €-592.563, nominal amount €10.0 million.
- CAP 1 maturing on 30 September 2015 € 3.632, nominal amount € 10.0 million.
- CAP 2 maturing on 30 September 2015 € 3.632, nominal amount € 10.0 million.

The non-current liabilities include a  $\leq$  1.2 million loan from the pension insurance company, which was drawn a few years ago to finance the commutation of past service commitments under the pension plan. The interest rate on the loan is 4.25% and was added to the principal until 2007. Any termination of the pension insurance with the current insurance company will make the loan due and payable in 2017.

The balance at year end also comprises a  $\le 8.7$  million Ancillary facility with Landsbanki Islands Hf.

Last year's figures are shown below.

(All amounts in thousands of euros)	Balance at year-end 2011	Remaining term > 1 year	Remaining term > 5 years
Loans	26,576	26,576	0
Other	1,336	0	1,336
Total	27,912	26,576	1,336

Note 11 Provisions: €3,368 (2011: €3,320)

	I			
(All amounts in thousands of euros)	31 December 2012		31 December 2011	
Staff schemes		492		532
Pension obligations	442		452	
Long-service obligations	50		80	
Taxation		315		323
Deferred tax liabilities	232		240	
Indirect taxes	83		83	
Reorganization provision		1,237		396
Other provisions		1,324		2,069
Pending litigation	1,196		1,310	
Empty offices	128		121	
Other	0		638	
Total provisions		3,368		3,320

(All amounts in thousands of euros)	Staff plans	Taxation	Reorganization	Other	Total
Balance as at 1 January 2012	532	323	396	2,069	3,320
Additions	3	70	1,195	270	1,538
Withdrawals	-9	0	-297	-371	-677
Release	-30	-78	-57	-646	-811
Exchange rate effect of provisions in foreign currencies	-4	0	0	2	-2
Balance as at 31 December 2012	492	315	1,237	1,324	3,368

## Staff

The provision for staff plans mainly concerns the past service obligation for Swets regarding the pension of one individual employee.

#### Taxation

The remaining balance of the taxation provisions relates to deferred tax liabilities, created for all taxable temporary differences on the basis of the nominal tax rate applicable in 2012.

# Reorganization

The reorganization item includes a provision for staff redundancies as a consequence of the global restructuring of the Company. At the end of the year there was an addition to the reorganization provision of €1.2 million due to the ongoing effort to professionalise the organization.

#### Other

Pending litigation

The provision created for pending litigation concerning a few claims brought against subsidiaries abroad.

# Building

The dilapidation provision relates to a current office building of one of the subsidiaries. The lease concluded for this building has a remaining term of fifteen years.

#### Other

The release of  $\le$  0.6 million relates to the decrease of nondelivery claims of customers in combination with the release of a provision relating to a potential refund to Lehmann Brothers.

The withdrawal of  $\le$  0.4 million is caused by settlement of a VAT amount with foreign tax authorities.

Of the provisions  $\le$  2.0 million qualifies as long-term (i.e. in effect more than one year).

Note 12 Shareholder equity: € 50,725 (2011: € 45,749)

(All amounts in thousands of euros)	Issued capital	Share premium	Translation differences reserve	Legal reserve	Other reserves	Un- appropriated result	Total
Balance as at 1 January 2012	854	25,607	-5,351	13,144	3,349	8,146	45,749
Appropriation of result in 2011	0	0	0	0	8,146	-8,146	0
Other changes in 2012	0	0	0	987	-987	0	0
Unappropriated result in 2012	0	0	0	0	0	4,976	4,976
Balance as at 31 December 2012	854	25,607	-5,351	14,131	10,508	4,976	50,725

All shares issued to Swets & Zeitlinger Group BV have been fully paid up. It concerns 17,072,909 ordinary shares (2011: 17,072,909) with a nominal value of  $\le$  0.05 each.

The share premium can be distributed entirely free of tax.

The legal reserve consist of a long-term receivable of  $\le$  11.7 million on Group BV and  $\le$  2.4 million of the book value of internally developed software.

The translation differences reserve remains unchanged as of 2011, when it was determined by the Company that all entities have the same functional currency (euro), based on the fact that Swets is a centrally led organization, with no formal local country management.

Furthermore sales and services related activities are the only local activities outside the Netherlands, which is also reflected by the transfer pricing policy of the Company (local profit based on Return On Sales or Cost Plus mechanism).

### Changes in shareholder equity in 2011

(All amounts in thousands of euros)	Issued capital	Share premium	Translation differences reserve	Legal reserve	Other reserves	Un- appropriated result	Total
Balance as at 1 January 2011	854	25,607	-5,374	12,232	-4,616	8,877	37,580
Appropriation of result in 2010	0	0	0	0	8,877	8,877	0
Other changes in 2011	0	0	23	912	-912	0	23
Unappropriated result in 2011	0	0	0	0	0	8,146	8,146
Balance as at 31 December 2011	854	25,607	-5,351	13,144	3,349	8,146	45,749

#### Note 13 Contingent liabilities and commitments

The liabilities and commitments relate mainly to rent for offices, computer equipment, software and car lease commitments.

	I			
(All amounts in thousands of euros)	Balance at year-end 2012	Commitment < 1 year	Commitment 1-5 years	Commitment > 5 years
Cars	1,064	471	593	0
Rent	9,816	1,271	3,675	4,870
Other	2,294	1,453	841	0
Total	13,174	3,195	5,109	4,870

The average term of the commitments is around two and a half years. The overall commitment based on the total term of the contracts is  $\leqslant$  13.2 million (2011:  $\leqslant$  15.5 million). The impact of the new rental agreement in Leiden amounts to an increase of  $\leqslant$  0.8 million in the commitments 1-5 years. IT-contracts account for  $\leqslant$  1.7 million in the category Other (e.g. Salesforce contract for  $\leqslant$  0.9 million).

#### Guarantees

Bank guarantees for a total amount of € 38.8 million (2011: € 38.2 million) were issued on behalf of the Company as at 31 December 2012. The remaining term of these guarantees on 31 December 2012 was as follows:

- less than one year: € 22.4 million;
- less than five years (and one year or more): €11.9 million;
- five years and more: € 4.5 million.

### Joint and several liability

Royal Swets & Zeitlinger Holding NV is jointly and severally liable for its Dutch subsidiaries in accordance with Book 2, Article 403 of the Dutch Civil Code.

#### Tax risks

The Company sells products and services worldwide from various countries. Where the Company identifies specific indications that tax risks may exist and where such risks may be reasonably quantified, it has made adequate provisions.

These provisions generally have a term of more than one year and not more than five years.

Swets is subject to substantial legal claims in Latin America. These claims and related costs are covered under an indemnity clause in the 2007 share purchase agreement between the former shareholders of Swets and the Company. This has been confirmed by a Dutch court of arbitration in 2012. The recoverable amount under the indemnity clause is capped. As the amount of the claims is lower than the cap, and additionally it is expected that a part of the claims will be resolved no cash outflow is anticipated by management, with the exception of an amount of € 1.0 million already provided for by the Company.

### 4.9 Notes to the consolidated profit and loss account

(The amounts in the headings are in thousands of euros)

Note 14 Net sales per continent: € 596,203 (2011: € 615,457)

(All amounts in thousands of euros)	2012	2011
North America	109,874	100,492
Europe	389,879	420,957
Asia	58,620	55,478
Australia and New Zealand	11,914	13,623
Central and South America	5,522	7,308
Africa	20,394	17,599
Total	596,203	615,457

# Note 15 Selling expenses and general administrative expenses: €53,425 (2011: €52,352)

(All amounts in thousands of euros)		2012		2011
Selling expenses		47,178		46,217
Wages and salaries	24,481		22,220	
Pension costs	1,474		1,392	
Other social security contributions	3,562		3,327	
Administration costs	12,934		15,381	
Depreciation of tangible and amortisation of intangible fixed assets	4,727		3,897	
General administrative expenses		6,247		6,135
Wages and salaries	3,396		3,605	
Pension costs	281		224	
Other social security contributions	261		247	
Miscellaneous expenses	1,832		1,477	
Costs of advice	477		582	
		F2 42F		F2 2F2
Total		53,425		52,352

Selling expenses include employee related costs of €29.5 million (2011: €26.9 million), general sales costs of €12.9 million (2011: €15.4 million) and depreciation and amortisation of fixed assets of €4.7 million (2011: €6.1 million). The number of employees within the Group averaged 591 in 2012 (2011: 585).

The amount relating to the employers cost relating to the 'crisis-loonheffing' (a one-off wage tax charge in the Netherlands) is  $\le 27,144$ .

### Remuneration of registered directors

In compliance with the provisions of Book 2, Article 383 (1) of the Dutch Civil Code, the Company reports that in the year under review it paid  $\leqslant$  1,019,524 (2011:  $\leqslant$  960,990) as remuneration to the registered directors.

### Auditors' services

In 2012 fees for auditors' services amounted to  $\in$  0.4 million (2011:  $\in$  0.5 million). The breakdown of these costs is shown below.

(All amounts in thousands of euros)	Auditors	Other services	Total
Annual audit	415	0	415
Other audit work	0	0	0
Tax advice	0	0	0
Other non-audit work	0	0	0
Total 2012	415	0	415

(All amounts in thousands of euros)	Auditors	Other services	Total
Annual audit	478	0	478
Other audit work	0	0	0
Tax advice	0	0	0
Other non-audit work	0	0	0
Total 2011	478	0	478

# Note 16 Balance of financial income and expenses: €-1.432 (2011: €-1,828)

	I	
(All amounts in thousands of euros)	2012	2011
Loans	-96	-1,599
Premium currency options	-634	-491
Deposits and foreign currency accounts	227	395
Net interest payments to customers on payments in advance	-404	-474
Costs of tenders and guarantees	-514	-377
Exchange rate differences	-11	718
Total	-1,432	-1,828

Interest expenses arising from the interest hedge structure decreased with  $\leq$  1.5 million due to a new hedging arrangement as of October 2011.

In 2012 currency options were obtained for an amount of € 0.6 million (2011: € 0.5 million) in accordance with the Company's hedging policy on foreign currency exposure risk.

The marked-to-market-value of the current US Dollar currency option is shown below:

- put USD 500.000 maturing 4 January 2013: €0
- put USD 3.500.000 maturing 15 October 2013: €111.029
- put USD 900.000 maturing 15 November 2013: € 30.038

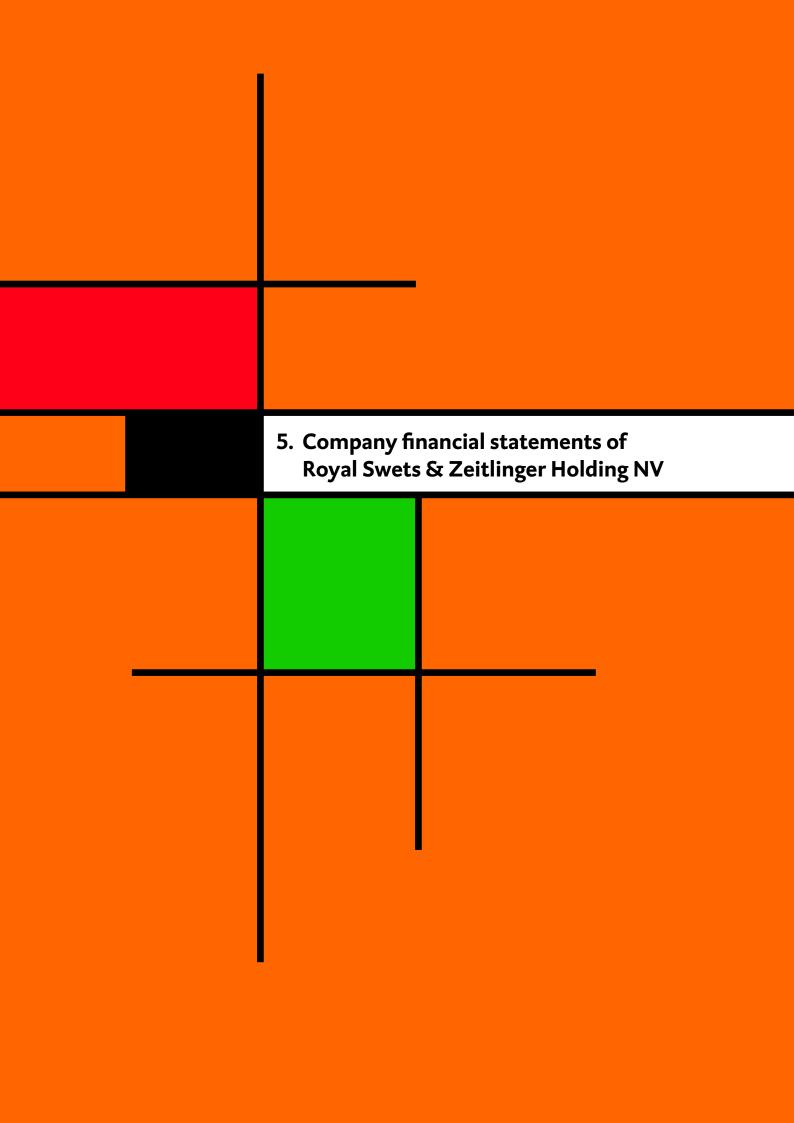
Exchange rate differences relate to the revaluation of balance sheet positions in foreign currencies.

Cost of tenders and guarantees is related to bank guarantees required by customers during the contract term with Swets and guarantees relating to prepayments received from customers

### Note 17 Taxation: €1,695 (2011: €1,882)

(All amounts in thousands of euros)		2012		2011
Result from ordinary business activities before taxation		6,671		10,028
Tax charge based on applicable tax rate		1,773		2,620
Permanent differences	-723		-841	
Costs non-deductible for tax purposes	54		54	
Local differences and results from previous years	377		207	
Deferred tax asset US previous years	214		0	
Tax rate adjustment affecting deferred taxes	0		0	
Deferred tax asset positions previous years	0		-158	
		-78		-738
Taxation on profit from ordinary business activities		1,695		1,882
Effective tax rate		25 49/		40.00/
Effective tax rate		25.4%		18.8%
Applicable tax rate		26.6%		26.1%

The commercial tax charge in the profit and loss account for the 2012 result totals € 1.7 million (2011: € 1.9 million). The current tax charge for the 2012 consolidated result deviates from the nominal rate, in part because of differences between Dutch and foreign tax rates. The Company is member of the Dutch fiscal group which also includes Swets & Zeitlinger Group BV. This implies a joint group tax liability in the Netherlands for the Company.



# 5.1 Balance sheet as at 31 December 2012 (before profit appropriation)

(All amounts in thousands of euros)	see 5.4 for	31 Dece	mber 2012	31 Dece	mber 201
Financial fixed assets			49,047		44,09
Subsidiaries	Note 18	49,047		44,094	
Current assets			1,678		1,65
Receivables on group companies		499		499	
Other receivables		7		10	
Cash at bank and in hand		1,172		1,146	
Current liabilities			0		
Net current assets less current liabilities			1,678		1,65
Total assets less current liabilities			50,725		45,74
Non-current liabilities			0		
Shareholder equity			50,725		45,74
Issued capital		854		854	
Share premium		44,895		36,749	
Unappropriated result		4,976		8,146	
Total shareholder equity, provisions and non-current liabilities			50,725		45,74

### 5.2 Profit and loss account for 2012

(All amounts in thousands of euros)	see 5.5 for		2012		2011
Result from subsidiaries	Note 19	4,953		8,133	
Company result		23		13	
Total			4,976		8,146

#### 5.3 General

The same accounting policies and principles for determining the result are used for the Company and consolidated financial statements. Consolidated companies are valued using the net asset value. See the notes to the consolidated balance sheet and profit and loss account included in section 4.5 and 4.6 for the principles of valuing assets and liabilities and for determining the result.

### 5.4 Notes to the balance sheet

(The amounts in the headings are in thousands of euros)

### Note 18 Subsidiaries: €49,047 (2011: €44,094)

This concerns the subsidiaries of Royal Swets & Zeitlinger Holding NV, Leiden:

(All amounts in thousands of euros)	2012		2011
Balance as at 1 January 2012	44,094		35,938
Dividend	0	0	
Exchange rate differences from subsidiaries	0	23	
	0		23
Result from subsidiaries	4,953		8,133
Balance as at 31 December 2012	49,047		44,094

The subsidiaries are shown at the share of the net asset value computed in accordance with the accounting policies set out in these financial statements.

### Shareholder equity

For notes on shareholder equity, see note 12 of the financial statements.

# Joint and several liability

Royal Swets & Zeitlinger Holding NV is jointly and severally liable for its Dutch subsidiaries in accordance with Book 2, Article 403 of the Dutch Civil Code.

# 5.5 Notes to the profit and loss account

(The amounts in the headings are in thousands of euros)

### Note 19 Result from subsidiaries: €4,953 (2011: €8,133)

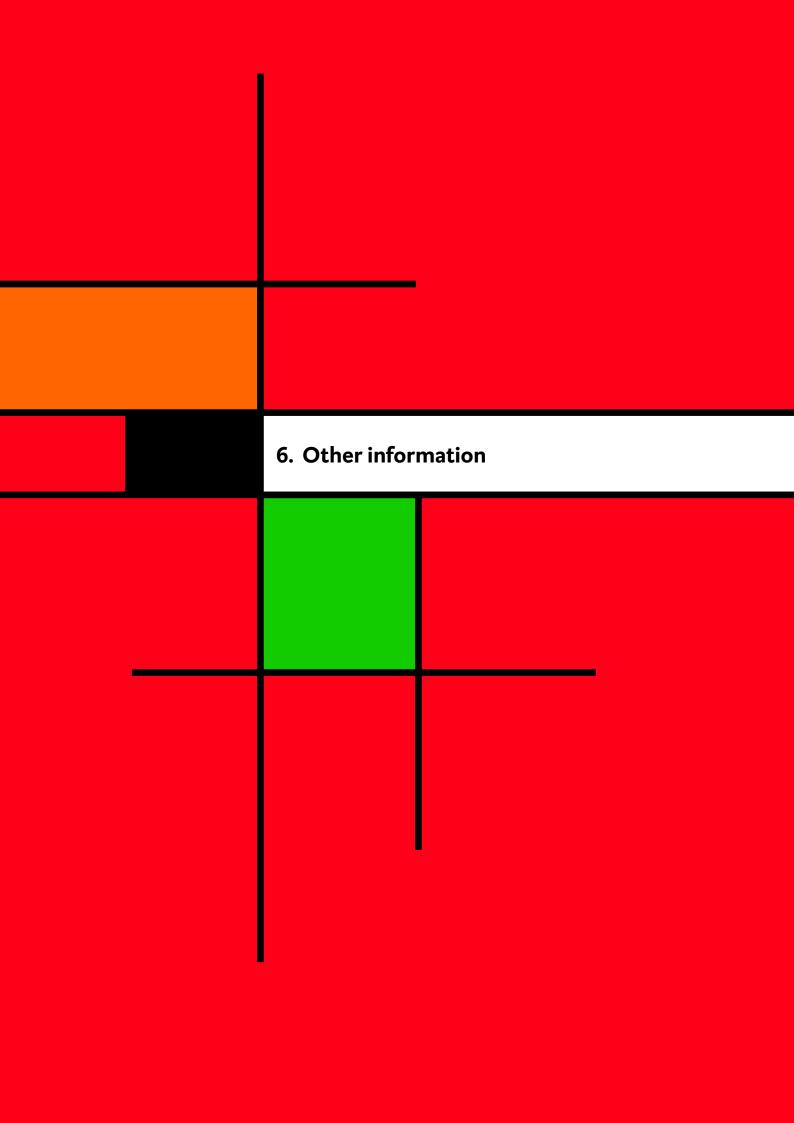
The result from subsidiaries can be broken down as follows:

		ı	ı	ı
(All amounts in thousands of euros)	Business location	Capital interest	2012	2011
Swets & Zeitlinger Beheer BV, Swets & Zeitlinger Finance BV, Swets & Zeitlinger International Holding BV, Swets Information Services BV, Frencken Information Services BV, Swets Domus BV and Accucoms BV	Leiden	100%	2,205	4,202
Swets Information Services SA, France	Saint Quentin	100%	73	21
Swets Information Services Ltd, UK	Abingdon	100%	1,807	2,018
Swets Information Services GmbH, Germany	Frankfurt am Main	100%	5	97
Swets Information Services Srl, Italy	Milan	100%	10	4
Swets Information Services Inc, USA	Delaware	100%	-295	506
Accucoms Inc, USA	Pennsylvania	100%	53	0
Swets Information Services Inc, Japan	Tokyo	100%	-22	57
Swets Information Services AB, Sweden	Stockholm	100%	108	236
Swets Information Services AS, Norway	Oslo	100%	566	439
Swets Information Services AS, Denmark	Copenhagen	100%	157	205
Swets Information Services SL, Spain	Barcelona	100%	32	24
Swets Information Services Pty Ltd, Australia	Melbourne	100%	14	33
Swets Information Services SA, Belgium	St. Niklaas	100%	258	288
Swets Information Services LLC, Russia	Moscow	100%	2	3
Swets Information Services private Ltd, India	New Delhi	100%	7	0
Swets Servicos para Bibliothecas Ltda, Brazil	Rio de Janeiro	100%	-27	0
Result from subsidiaries			4,953	8,133

Leiden, 16 April 2013

Royal Swets & Zeitlinger Holding NV

David P. MainElisabeth M. van DijkJohannes F. StoopChief Executive OfficerChief Legal OfficerChief Financial OfficerStatutory DirectorStatutory DirectorStatutory Director



#### 6.1 Auditor's report

#### Independent auditor's report

To: the General Shareholder Meeting of Royal Swets & Zeitlinger Holding NV.

#### Report on the financial statements

We have audited the accompanying financial statements 2012 of Royal Swets & Zeitlinger Holding NV, Leiden, which comprise the consolidated and company balance sheet as at 31 December 2012, the consolidated and company profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

### Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the Report of the Management Committee, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 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 Royal Swets & Zeitlinger Holding NV as at 31 December 2012, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2: 393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Committee, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2: 392 sub 1 at b-h has been annexed. Further we report that the Report of the Management Committee, to the extent we can assess, is consistent with the financial statements as required by Section 2: 391 sub 4 of the Dutch Civil Code.

Utrecht, 16 April 2013
PricewaterhouseCoopers Accountants NV
Drs. J.W. Middelweerd RA

#### 6.2 Subsequent events

There were no significant subsequent events after the balance sheet date.

### 6.3 Appropriation of profit

Article 33 of the Articles of Association provides as follows in respect of the appropriation of profit:

- 1. The general meeting of shareholders shall determine each year what part of the profit will be reserved.
- The part of the profit remaining after application of the provisions of paragraph 1 may be disposed of by the general meeting of shareholders as it sees fit, subject to the provisions of paragraph 3.
- 3. In so far as the profit permits and in so far as preference shares have been issued, the profit shall be used first of all to pay a dividend of 20% of the amount paid up on these shares to the holders of preference shares in proportion to the number of preference shares held by each of them. Thereafter, and once again in so far as the profit permits, such amount shall be distributed in respect of each ordinary share to the holders of ordinary shares as is equal to the amount paid on each of the preference shares on the basis of the above, in proportion to the number of ordinary shares held by each of the ordinary shareholders. Any profit remaining after application of the above provisions shall be disposed of by the general meeting as it sees fit, subject to the proviso that all shareholders are entitled to this residual profit in proportion to the size of their shareholding.

- 4. Distributions may take place only up to the amount of the distributable part of the shareholders' equity.
- 5. Profits may be distributed only after adoption of the financial statements showing that this is permissible.
- 6. Subject to the relevant provisions of paragraph 3 and with the prior approval of the Supervisory Board, the Executive Board may resolve to pay an interim dividend.
- 7. The general meeting may, on a proposal from the Executive Board that has been approved by the Supervisory Board, resolve that a dividend on shares is to be paid partly or completely in shares in the Company rather than in cash.
- 8. The General Meeting may, on a proposal from the Executive Board that has been approved by the Supervisory Board, resolve that dividends on shares are to be paid from the distributable part of the shareholders' equity. The provisions in the previous paragraph apply by analogy.
- 9. A shareholder's claim to payment of a dividend expires after five years.

