2006 Financial Statements

Consolidated Income Statement

in millions of euros

		2006		2005
Revenues note 2		**3,693**		**3,374**
Cost of sales		1,383		1,234
Gross profit		**2,310**		**2,140**
Sales costs		679		611
General and administrative costs				
General and administrative operating expenses	1,013		996	
Amortization of publishing rights and impairments note 5	121		81	
Exceptional restructuring expense note 6	–		20	
Total general and administrative costs		1,134		1,097
Total operating expenses		1,813		1,708
Operating profit		**497**		**432**
Income from investments note 13		6		5
Finance income note 7		8		15
Finance costs note 7		(112)		(118)
Results on disposals note 3		9		4
Share of profit of associates note 12		1		3
Profit before tax		**409**		**341**
Income tax expense note 8		(87)		(80)
Profit for the year		**322**		**261**
Attributable to				
Equity holders of the parent		321		260
Minority interests note 9		1		1
Profit for the year		322		261
Basic earnings per share (€) note 1		1.04		0.86
Diluted earnings per share (€)		1.03		0.85

www.wolterskluwer.com

Consolidated Balance Sheet

in millions of euros

at December 31

	2006	2006	2005	2005
Non-current assets				
Intangible assets note 10	4,015		3,450	
Property, Plant and Equipment note 11	186		205	
Investments in associates note 12	18		10	
Financial assets note 13	113		117	
Deferred tax assets note 14	56		23	
■ Total non-current assets		4,388		3,805
Current assets				
Inventories note 15	134		130	
Trade and other receivables note 16	973		1,029	
Income tax receivable	20		48	
Cash and cash equivalents note 17	138		428	
■ Total current assets	1,265		1,635	
Current liabilities				
Deferred income	979		957	
Trade and other payables	420		411	
Income tax payable	26		21	
Short-term provisions	22		44	
Borrowings and bank overdrafts note 19	943		719	
Other current liabilities note 18	444		410	
■ Total current liabilities	2,834		2,562	
■ Working capital		(1,569)		(927)
■ **Capital employed**		**2,819**		**2,878**

	2006	2006	2005	2005
Non-current liabilities				
Long-term debt				
▪ Subordinated bonds	–		227	
▪ Bonds	919		927	
▪ Perpetual cumulative subordinated bonds	225		225	
▪ Other	88		57	
▪ Total long-term debt note 19		1,232		1,436
Deferred tax liabilities note 14		192		80
Employee benefits note 20		187		250
Provisions note 21		12		13
▪ Total non-current liabilities		1,623		1,779
Equity				
Issued share capital	37		37	
Share premium reserve	90		90	
Legal reserve	9		9	
Other reserves	1,058		962	
▪ Equity attributable to equity holders of the parent		1,194		1,098
Minority interests note 9		2		1
▪ Total equity note 22		1,196		1,099
▪ **Total financing**		**2,819**		**2,878**

Consolidated Cash Flow Statement

in millions of euros

	2006		2005	
Cash flows from operating activities				
Operating profit	497		432	
Amortization and depreciation	208		172	
Exceptional restructuring expense	–		20	
Autonomous movements in working capital	9		30	
Cash flow from operations		**714**		**654**
Paid financing costs	(126)		(99)	
Paid corporate income tax	(36)		(83)	
Appropriation of restructuring provisions	(37)		(51)	
Share-based payments	17		12	
Other	3		(4)	
		(179)		(225)
Net cash from operating activities		**535**		**429**
Cash flows from investing activities				
Net capital expenditure	(99)		(86)	
Acquisition spending note 3	(773)		(357)	
Receipts from disposal of activities note 3	13		13	
Dividends received	7		8	
Cash from derivatives	105		83	
Net cash used in investing activities		**(747)**		**(339)**
Cash flows from financing activities				
Exercise share options	4		11	
Redemption loans	(644)		(356)	
New loans	682		9	
Movements in bank overdrafts	(22)		46	
Dividend payments	(80)		(69)	
Repurchased shares	(19)		–	
Net cash used in financing activities		**(79)**		**(359)**
Net cash flow		**(291)**		**(269)**
Cash and cash equivalents at January 1	428		687	
Exchange differences on cash and cash equivalents	1		10	
		429		697
Cash and cash equivalents at December 31		**138**		**428**

Consolidated Statement of Recognized Income and Expense

in millions of euros

	2006	2006	2005	2005
Profit for the year		**322**		**261**
Exchange differences on translating foreign operations	(211)		252	
Gains/(losses) on hedges of net investments in foreign operations	12		(78)	
Gains/(losses) on cash flow hedges	(2)		–	
Actuarial gains/(losses) on defined benefit plans	38		3	
Tax on items taken directly to or transferred from equity	16		(1)	
Net income recognized directly in equity		(147)		176
Total recognized income and expense for the year		**175**		**437**
Attributable to:				
Equity holders of the parent	174		436	
Minority interests	1		1	
Total		**175**		**437**
Effect of changes in accounting policy:				
Equity holders of the parent	–		4	
Minority interests	–		0	
Total		**–**		**4**

Notes to the Consolidated Financial Statements

Wolters Kluwer nv ("the Company") with its subsidiaries (together "the Group") is a leading global information services and publishing company. The Group's core markets are spread across the health, corporate services, financial services, tax, accounting, law, regulation, and education sectors. The Group maintains operations across Europe, North America, and Asia Pacific. The company is headquartered in Amsterdam, the Netherlands.
The company's ordinary shares are quoted on Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices. These financial statements were authorized for issue by the Executive Board and Supervisory Board on February 27, 2007.

Notes to the Consolidated Financial Statements

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company at and for the year ended December 31, 2006, comprise the Group and the Group's interest in associates and jointly controlled entities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied by the Group entities to the financial information relating to 2006 and 2005, as presented in these consolidated financial statements.

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations including International Accounting Standards (IAS) prevailing per December 31, 2006, as adopted by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union by the European Commission.

BASIS OF PREPARATION

The consolidated financial statements are presented in millions of euros. They have been prepared under the historical cost convention except for financial assets and financial liabilities (including derivative financial instruments) that are recognized at their fair value. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense.
The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Associates

Associates are all entities over which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. Associates are recognized from the date on which the Group has significant influence, and recognition ceases from the date the Group has no significant influence over an associate.

The Group's share of its associates' post-acquisition profits or loss is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Joint ventures are recognized using proportionate consolidation from the date that joint control commences until the date that joint control ceases.

Transactions eliminated on consolidation

Intragroup balances, transactions, income and expenses, and unrealized gains on transactions between Group companies are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currency

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's presentation currency.

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

Financial statements of Group companies
The assets and liabilities of Group companies, including goodwill and fair value adjustments arising on consolidation, are translated to euro at foreign exchange rates prevailing at the balance sheet date. Income and expenses of Group companies are translated to euro at exchange rates at the dates of the transactions. All resulting exchange differences are recognized in the currency translation reserve as a separate component of equity.

When a foreign Group company is disposed of, exchange differences that were recorded in equity prior to the sale are recycled through the income statement as part of the gain or loss on disposal.

Net investment in foreign operations
Net investment in foreign operations includes equity financing and long-term inter-company loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate differences arising from the translation of the net investment in foreign operations, and of related hedges are taken to the currency translation reserve in shareholders' equity.
When a foreign operation is disposed of, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on disposal.

Main exchange rates

to the euro	**2006**	2005
U.S. dollar (at December 31)	1.32	1.18
U.S. dollar (average)	1.26	1.25
G.B. pound (at December 31)	0.67	0.69
G.B. pound (average)	0.68	0.68

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); (2) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective part is recognized immediately in the income statement. If a hedging relationship is terminated and the derivative financial instrument is not sold, future changes in its fair value are recognized in the income statement.

The fair value of derivative financial instruments is classified as a non-current asset or liability if the remaining maturity of the derivative financial instrument is more than 12 months, and as a current asset or liability if the remaining maturity of the derivative financial instrument is less than 12 months after the balance sheet date.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective part of the hedging instrument is recognized in the income statement within finance income or costs. Changes in the fair value of the hedged item are also recognized in the income statement within finance income or costs. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortized to profit or loss over the period to maturity.

Cash flow hedge

The effective part of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective part is recognized immediately in the income statement within finance income or costs. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective part of derivate financial instruments is recognized in the income statement within the line where the result from the hedged transaction is recognized.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged transaction is ultimately recognized in the income statement. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Net investment hedge

Fair value changes of derivative financial instruments that are used to hedge the net investment in foreign operations, that are determined to be an effective hedge, are recognized directly in shareholders' equity in the translation reserve. The ineffective part is recognized immediately in the income statement within finance income or costs. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized immediately in the income statement within finance income or costs.

Business combinations

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events (earn outs or deferred acquisition payments), the Group includes the amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Initially the fair values are determined provisionally, and will be subject to change based on the outcome of the purchase price allocation which takes place within 12 months of the acquisition date.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate, or joint venture at the date of acquisition. Goodwill recognized for acquisitions represents the consideration made by the Group in anticipation of the future economic benefits from assets that are not capable of being individually identified and separately recognized. These future economic benefits relate to, for example, opportunities with regard to cross-selling or cost efficiencies such as sharing of infrastructure.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold.

Goodwill acquired in a business combination is not amortized. Instead, the goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

With respect to acquisitions prior to January 1, 2004, goodwill is included on the basis of its deemed cost, which represents the net book value recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to January 1, 2004, has not been reconsidered in preparing the Group's opening IFRS balance sheet at January 1, 2004.

Publishing rights and other intangible assets

The Group recognizes intangible assets acquired through business combinations (publishing rights) as well as other intangible assets. Publishing rights acquired through business combinations consist of:

- Customer relationships: subscriber accounts, other customer relationships;
- Technology: databases, software, product technology;
- Trademarks and titles: trademarks, imprints, product titles, copyrights;
- Favorable purchase agreements;
- Other: license agreements, non-compete covenants.

Favorable purchase agreements are those purchasing agreements of the acquiree that are priced at a level that is considered below fair market value at the time of the acquisition. The amortization expense therefore represents the difference between costs at fair market value and the costs per the contract.

The fair value of the intangible assets is computed at the time of the acquisition applying one of the following methods:

- *Relief from royalty approach*
  This approach assumes that if the publishing right was not owned, it would be acquired through a royalty agreement. The value of actually owning the asset equals the benefits from not having to pay royalty fees.
- *Multi-period excess earnings method*
  Under this approach, cash flows associated with the specific publishing right are determined. Contributory charges of other assets that are being used to generate the cash flows are deducted from these cash flows. The net cash flows are discounted to arrive at the value of the asset.
- *Cost method*
  The cost method reflects the accumulated costs that would currently be required to replace the asset.

Publishing rights are stated at cost less accumulated amortization and any impairment losses, and are amortized over their estimated useful economic life, generally applying the straight-line method. The useful life of the publishing rights is deemed finite, reflecting management's assessment of the life of the assets, usually supported by outside valuation experts, and taking into account the impact of technological change and changes in the marketplace. If and to the extent that publishing rights are considered to be impaired in value, this is immediately charged to the income statement as impairment.

Other intangible assets mainly relate to computer software that is valued at cost less accumulated amortization and any impairment losses.

Capitalized software is amortized using the straight-line method over the economic life of the software. If and to the extent that other intangible assets are considered to be impaired in value, this is immediately charged to the income statement.
No intangible asset arising from research or from the research phase of an internal project is recognized. Expenditure on research or the research phase of an internal project is recognized as an expense when it is incurred.
An intangible asset arising from development or from the development phase of an internal project is recognized if, and only if, the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale and comply with the following other requirements: the intention to complete the development project; the ability to sell or use the product; demonstration of how the product will yield probable future economic benefits; the availability of adequate technical, financial, and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The estimated useful life for publishing rights is 5-20 years and for other intangible assets 3-10 years.

Impairment

The carrying amounts of the Group's non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Irrespective of whether there is any indication of impairment, the Group also (1) tests an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount; and (2) tests goodwill acquired in a business combination for impairment annually.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement immediately.
The recoverable amount of an asset or its cash-generating unit is the higher of its fair value less costs to sell and its value in use.

An impairment loss shall be allocated to reduce the carrying amount of the assets of the cash generating unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit;
- then, to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group shall estimate the recoverable amount of that asset and shall recognize this in the income statement immediately.

Property, plant and equipment

Property, plant and equipment, consisting of land and buildings, machinery and equipment, and other assets such as office equipment and vehicles, is valued at cost less accumulated depreciation and any impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each item of Property, Plant and Equipment. Land is not depreciated.

The estimated useful life for buildings is 20-30 years, for machinery and equipment 5-10 years, and for other assets 3-10 years.

Leases

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Finance leases are initially recognized as assets and liabilities in the balance sheet at the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently a finance lease gives rise to depreciation expense for depreciable assets and any impairment losses, as well as finance expense for each accounting period. The depreciation policy for these depreciable leased assets is consistent with that for depreciable assets that are owned.

Financial assets

Financial assets include investments, receivables, and derivative financial instruments. Financial assets are recorded initially at fair value. Subsequent measurement depends on the designation of the financial assets.

Investments

All equity investments that are not subsidiaries, joint ventures, or associates are classified as investments. Investments available-for-sale are valued at their fair value. When the fair value cannot be reliably determined, the investment is carried at cost. Income is based on the dividend received from the investments. A gain or loss arising from a change in the fair value of the investment available-for-sale shall be recognized directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss.

Receivables

Loans to third parties are measured at amortized cost, if held-to-maturity. Subsidies are recognized at fair value.

Derivate financial instruments

Derivative financial instruments are recognized at fair value in the balance sheet as a financial asset if the remaining maturity is more than 12 months after the balance sheet date. The accounting policy for changes in fair value is set out in ➔ Derivative financial instruments and hedging activities.

Inventories

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out principle. The cost price of internally produced goods comprises the manufacturing and publishing cost. Trade goods purchased from third parties are valued at the purchase price.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to complete the sale.

Trade and other receivables

Trade and other receivables are initially carried at their fair value and subsequently measured at cost less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within *Borrowings and bank overdrafts* in current liabilities.

Deferred income

Deferred income represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still has to be earned as revenues, by means of the delivery of goods and services in the future. Deferred income is recognized at its nominal value.

Trade and other payables

Trade and other payables are stated at cost.

Interest-bearing debt

Financial liabilities, such as bond loans and other loans from credit institutions are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

The Group opted to recognize the unsubordinated convertible bonds 2001-2006 as a financial liability at fair value through profit or loss. Fair value changes during the year, which are derived from market quotations, are recognized in finance income or costs.

Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized outside profit or loss, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Group recognizes deferred tax liabilities for all taxable temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base, except to the extent that the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit.

A deferred tax asset is recognized for a temporary difference and for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which these can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect of changes in tax rates on the deferred taxation is taken to the income statement if and to the extent that this provision was originally formed as a charge to the income statement.

Shareholders' equity

When share capital recognized as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. The company repurchases shares in stock to cover the dilutive effect of stock options and the equity-settled share-based payment (the Group's Long-Term Incentive Plan). Dividends are recognized as a liability upon being declared.

Minority interests

Minority interests are the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group.

Employee benefits

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

Defined contribution plans
The pension contribution of defined contribution plans is recognized as an expense in the income statement as it is incurred.

Defined benefit plans
The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets is deducted. The discount rate is the yield rate at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations.
The calculation is performed by a qualified actuary using the projected unit credit method.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

All actuarial gains and losses at January 1, 2004, the date of the transition to IFRS, were recognized. With respect to actuarial gains and losses that arise subsequent to January 1, 2004, in calculating the Group's obligation in respect of a plan, the Group has opted to recognize all actuarial gains and losses outside profit or loss immediately in the period in which they occur.

Gains or losses on curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss comprises any resulting change in the present value of the defined benefit obligations and in the fair value of the plan assets, and any past service cost that had not previously been recognized. A curtailment occurs when the Group is demonstrably committed to make a material reduction in the number of employees covered by a plan either as a result of a disposal or restructuring or when the Group amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

When the calculation result in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Long-term service benefits

The Group's net obligation in respect of long-term service benefits, such as jubilee benefits, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted.

Provisions

A provision is recognized when (1) the Group has a present legal or constructive obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) the amount of the obligation can be reliably estimated.

Restructuring

The provision for restructuring relates to provisions for integration of activities and other substantial changes of the organizational structure and onerous contracts. A provision for restructuring is recognized only when the aforementioned general recognition criteria are met. A constructive obligation to restructure arises only when the Group has a detailed formal plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

PRINCIPLES FOR THE DETERMINATION OF RESULTS

Revenue recognition

Revenues represent the revenues billed to third parties net of value-added tax and discounts. Shipping and handling fees billed to customers are included in revenues. Subscription income received or receivable in advance of the delivery of services or publications is included in deferred income.
If the Group acts as an agent, whereby the Group sells goods or services on behalf of a principal, the Group recognizes as revenues the amount of the commission.

Goods

Revenue from the sale of goods is recognized upon shipment and transfer of the significant risks and rewards of ownership to the customer, provided that the ultimate collectibility and final acceptance by the customer is reasonably assured. Revenue from the sale of goods is recognized net of estimated returns for which the Group has recognized a liability based on previous experience and other relevant factors. If returns on a product category exceed a threshold, it is assumed that the transfer of the ownership of the product has only occurred upon receipt of the payment from the customer.

Services
Revenue from the sale of services is recognized on a straight-line basis over the specified period, unless there is evidence that some other method better represents the stage of completion of the service at the balance sheet date.

Combination of goods and services
Revenues of products that consist of a combination of goods and services are recognized based on the fair value and the recognition policy of the individual components.

Cost of sales

Cost of sales comprises the directly attributable costs of goods and services sold and delivered. These costs include such items as the costs of raw materials, subcontracted work, other external expenses and salaries, wages and social charges for personnel to the extent that these costs are directly related to the goods and services sold and delivered. Royalties owed to professional societies relating to contract publishing are included in cost of sales.

General and administrative operating expense

General and administrative operating expense include costs which are neither directly attributable to cost of sales nor to sales and marketing activities. This includes costs such as product development, ICT, and general overhead.

Exceptional restructuring expense

Exceptional restructuring expense is defined as items arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the Group. Costs of restructuring programs, including those of acquisitions, are recognized as exceptional restructuring expense.

Share-based payments

The Group's Long-Term Incentive Plan qualifies as an equity-settled share-based payments transaction. The fair value of shares awarded is recognized as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the shares. The fair value of the shares is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were awarded. The amount recognized as an expense is adjusted to reflect the actual forfeitures due to participants' resignation before the vesting date.

Finance income and costs

Finance income and costs comprise interest payable on borrowings and interest receivable calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

PRINCIPLES UNDERLYING THE CASH FLOW STATEMENT

Cash flows from operating activities

Cash flows from operating activities are calculated by the indirect method, by adjusting the consolidated operating income for exceptional items and expenses that are not cash flows (such as amortization and depreciation), and for autonomous movements in consolidated working capital (excluding impact from acquisitions and foreign currency differences). Cash payments to employees and suppliers are all recognized as cash flow from operating activities. Operating cash flows also include the costs of financing of operating activities, income taxes paid on all activities, and spending on restructuring and acquisition provisions.

Cash flows from investing activities

Cash flows from investing activities are those arising from net capital expenditure, from the acquisition and sale of subsidiaries and business activities. Cash and cash equivalents available at the time of acquisition or sale are deducted from the related payments or proceeds. Net capital expenditure is the balance of purchases of Property, Plant and Equipment less book value of disposals and expenditure on other intangible assets less book value of disposals.

Cash receipts and payments from derivative financial instruments are classified in the same manner as the cash flows of the hedged items. The Group has primarily used derivatives for the purpose of hedging its net investments in the United States. As a result, cash receipts from derivatives are classified under cash flows from investing activities.

Cash flows from financing activities

The cash flows from financing activities comprise the cash receipts and payments from issued and repurchased shares, dividend, and debt instruments. Cash flows from short-term financing are also included. Movements in share capital due to stock dividend are not classified as cash flows.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards, and interpretations are not yet effective for the year ended December 31, 2006, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 Financial instruments: Disclosures and Amendment to IAS 1 Presentation of financial statements: capital disclosures;
- IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in Hyperinflationary economies;
- IFRS 8 Operating segments;
- IFRIC 8 Scope of IFRS 2 Share-based payment;
- IFRIC 9 Reassessment of embedded derivatives;
- IFRIC 10 Interim financial reporting and impairment;
- IFRIC 11 IFRS 2 Share-based payment – Group and Treasury; share transactions;
- IFRIC 12 Service Concession Arrangements.

These new standards and interpretations will become mandatory for the Group's 2007 financial statements. The Group has not opted for earlier application.
The impact on the Group's equity and result is not expected to be material.

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

Notes

Benchmark Figures

note 1

Benchmark figures	2006	2005	Change in actual currencies (%)	Change in constant currencies (%)
Revenues	3,693	3,374	9	10
Ordinary EBITA	618	533	16	16
Ordinary EBITA margin (%)	17	16		
Ordinary net income	387	327	19	18
Free cash flow [1]	443	351	26	
Cash conversion ratio (CAR) [2]	1.00	1.06		
Return on invested capital (ROIC) (%)	7.2	6.9		
Net (interest-bearing) debt [3]	2,050	1,637		
Net debt to ordinary EBITDA (ratio)	2.9	2.6		
Net interest coverage (ratio) [4]	6.0	5.2		
Diluted ordinary EPS (€)	1.23	1.06	16	15
Diluted free cash flow per share (€)	1.41	1.14	24	

[1] Free cash flow is defined as the cash flow available for payments of dividend to shareholders, acquisitions, down payments of debt, and repurchasing of shares.

[2] Cash conversion ratio (CAR) is defined as the cash flow from operations less net capital expenditure divided by ordinary EBITA.

[3] Net (interest-bearing) debt (see note 19) is defined as the sum of (long-term) loans, unsubordinated convertible bonds, perpetual cumulative subordinated bonds, bank overdrafts minus cash and cash equivalents, deferred acquisition payments, and value of related derivative financial instruments.

[4] Net interest coverage ratio is defined as ordinary EBITA divided by net interest costs.

Reconciliation between operating profit, EBITA, and ordinary EBITA	2006	2005
Operating profit	497	432
Amortization of publishing rights and impairments	121	81
EBITA	**618**	**513**
Exceptional restructuring expense	–	20
Ordinary EBITA	**618**	**533**

Return On Invested Capital (ROIC)	2006	2005
Ordinary EBITA	618	533
Allocated tax	(157)	(134)
Net Operating Profit after Allocated Tax (NOPAT)	**461**	**399**
Average invested capital [1]	6,410	5,756
ROIC (NOPAT/average invested capital) (%)	7.2	6.9

[1] Average invested capital is defined as the average of the previous year-end invested capital and the current year-end invested capital. The invested capital is the capital employed, net of cash items, adjusted for amortization of publishing rights, exceptional items, and goodwill written off to equity.

Reconciliation between profit for the year and ordinary net income	2006	2005
Profit for the year attributable to the equity holders of the parent (A)	321	260
Amortization of publishing rights and impairments	121	81
Tax on amortization and impairments	(47)	(29)
Results on disposals (after taxation)	(8)	2
Exceptional restructuring expense (after taxation)	–	13
Ordinary net income (B)	**387**	**327**

Reconciliation between cash flow from operating activities and free cash flow	2006	2005
Cash flow from operating activities	535	429
Net capital expenditure	(99)	(86)
Dividends received	7	8
Free cash flow (C)	**443**	**351**

Reconciliation between number of shares and weighted average number of shares

in millions of shares

	2006	2005
Issued ordinary shares at January 1	304.4	297.7
Effect of stock dividend	2.6	4.7
Effect of issued shares	0.1	–
Weighted average number of shares (D)	**307.1**	**302.4**

Reconciliation between weighted average number of shares and diluted weighted average number of shares

in millions of shares

	2006	2005
Weighted average number of shares (D)	307.1	302.4
Long-term incentive plan	3.7	2.8
Unsubordinated convertible bonds	12.7	13.6
Share options	0.4	0.4
Repurchased shares	(2.5)	(2.6)
Diluted weighted average number of shares [1] (E)	**321.4**	**316.6**

[1] Share options that are not in the money and related interest are excluded from the diluted earnings per share calculation.

Per share information	2006	2005
Correction to income of unsubordinated convertible bonds (net of taxes) on assumed conversion (F) (€ million)	9.1	9.9
Ordinary EPS (B/D) (€)	1.26	1.08
Diluted ordinary EPS (minimum of ordinary EPS and [(B+F)/E]) (€)	1.23	1.06
Basic EPS [2] (A/D) (€)	1.04	0.86
Diluted EPS (minimum of basic EPS and [(A+F)/E]) (€)	1.03	0.85
Free cash flow per share (C/D) (€)	1.44	1.16
Diluted free cash flow per share (minimum of free cash flow per share and [(C+F)/E])(€)	1.41	1.14

[2] Basic EPS is defined as the profit or loss attributable to ordinary shareholders of the parent divided by the weighted average number of ordinary shares outstanding during the period.

Segment Reporting

note 2

Segment reporting by division	Health 2006	Health 2005	CFS 2006	CFS 2005	TAL 2006	TAL 2005
Revenues third parties	823	656	534	496	678	621
Cost of sales	414	306	141	136	219	205
Gross profit	409	350	393	360	459	416
Sales costs	136	113	87	81	151	139
General and administrative costs						
▪ General and administrative operating expenses	153	133	190	179	177	155
▪ Amortization of publishing rights and impairments	40	9	10	11	38	33
▪ Exceptional restructuring expense	–	2	–	6	–	5
▪ Total operating expenses	329	257	287	277	366	332
Operating profit	80	93	106	83	93	84
Amortization of publishing rights and impairments	40	9	10	11	38	33
Exceptional restructuring expense	–	2	–	6	–	5
▪ **Ordinary EBITA**	**120**	**104**	**116**	**100**	**131**	**122**
Capital employed at December 31	972	558	647	680	921	723
Cash flow from operations	143	97	154	130	150	153
Depreciation and amortization other intangible assets	14	14	15	16	18	18
Capital expenditure	21	11	24	12	12	11
Ultimo number of FTEs	2,679	2,168	3,187	2,932	4,463	3,876

The Group provides segment information in two formats. The primary segment reporting format is by division, based on the Group's management and internal reporting structure. Internal deliveries between the divisions are conducted on an at arm's length basis with terms comparable to transactions with third parties. These revenues are limited and therefore not reported separately, but have been eliminated.

The secondary segment reporting format is geographical. Given the alignment of the divisions with the geographical segments (Health, CFS, and TAL are mainly based in North America, LTRE and Education in Europe), the information of total book value of capital employed and capital expenditures has not been presented separately as it can largely be derived from the primary segment reporting by division. The Asia Pacific region, which forms a relatively small part of the Group's operations, is primarily included in the Tax, Accounting & Legal division.

	LTRE		Education		Corporate		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	1,342	1,292	316	309	–	–	3,693	3,374
	484	459	125	128	–	–	1,383	1,234
	858	833	191	181	–	–	2,310	2,140
	266	242	39	36	–	–	679	611
	364	398	90	86	39	45	1,013	996
	32	27	–	–	1	1	121	81
	–	8	–	1	–	(2)	–	20
	662	675	129	123	40	44	1,813	1,708
	196	158	62	58	(40)	(44)	497	432
	32	27	–	–	1	1	121	81
	–	8	–	1	–	(2)	–	20
	228	**193**	**62**	**59**	**(39)**	**(45)**	**618**	**533**
	926	846	82	118	(729)	(47)	2,819	2,878
	251	250	70	70	(54)	(46)	714	654
	31	34	8	8	1	1	87	91
	37	44	6	7	1	1	101	86
	7,145	7,051	1,297	1,292	100	100	18,871	17,419

Geographical segments	2006	2005
Revenues were generated in the following regions:		
▪ Europe	1,812	1,746
▪ North America	1,717	1,472
▪ Asia Pacific	134	128
▪ Rest of the world	30	28
▪ **Total**	**3,693**	**3,374**

Acquisitions and Disposals

note 3

Acquisitions

	Carrying amount 2006	Fair value adjustments 2006	Recognized values 2006	2005
Non-current assets	23	406	429	144
Current assets	38	–	38	62
Current liabilities	(97)	(9)	(106)	(65)
Non-current liabilities	(1)	–	(1)	–
Provisions	(2)	–	(2)	(1)
Deferred tax	16	(87)	(71)	(26)
▪ Net identifiable assets and liabilities	(23)	310	287	114
Goodwill on acquisitions			542	249
▪ Consideration			829	363
The cash effect of the acquisitions is:				
▪ Consideration payable			829	363
▪ Cash acquired			(7)	(11)
▪ Deferred payments			(49)	5
▪ **Acquisition spending**			**773**	**357**

Total acquisition spending in 2006 was €773 million, including payments for acquisitions made in previous years. This includes an amount of €9 million relating to costs that are directly attributable to acquisitions, such as legal fees, broker's costs, and audit fees.

Since the acquisition date, these acquisitions have contributed €187 million to revenues, €24 million to ordinary EBITA, and €(22) million to profit for the year. If all acquisitions had been executed on January 1, 2006, full-year 2006 revenues for the Group would have been €3,758 million, ordinary EBITA €641 million, and profit for the year €315 million.

The fair value of the acquirees' identifiable assets and liabilities of some acquisitions could only be determined provisionally and will be subject to change based on the outcome of the purchase price allocation in 2007 which will be completed within 12 months from the acquisition date.

Main acquisitions completed

Healthcare Analytics (NDCHealth Information Management) (Phoenix, AZ, USA)

On January 6, 2006, Wolters Kluwer completed the acquisition of the Information Management business of NDCHealth Corporation, a provider of healthcare information solutions. The business, renamed Healthcare Analytics, has approximately 380 employees and is part of the Health division. Healthcare Analytics has annual revenues of approximately $165 million (€140 million). The purchase price of $382 million (€324 million) was paid in cash. Goodwill on this acquisition amounts to €233 million and identified intangible assets to €168 million.

Sage Practice Solutions line (Pensacola, FL, USA)
On January 16, 2006, Wolters Kluwer announced the acquisition of the Sage Practice Solutions line of business, including Sage Practice Manager, Write-up, and Document Manager, from Sage Software. Sage Software offers business management software and services to small and mid-sized business customers in North America. Sage Practice Solutions has approximately 50 employees and annual revenues of approximately $7 million (€6 million), and is part of the Tax, Accounting & Legal division.

ProVation Medical, Inc. (Minneapolis, MN, USA)
On January 23, 2006, Wolters Kluwer completed the acquisition of ProVation Medical, Inc., a privately-held company providing medical documentation, coding, and workflow solutions to hospitals and ambulatory surgery centers in the United States. ProVation Medical is part of the Health division, has annual revenues of approximately $13 million (€11 million) and approximately 100 employees.

Carl Heymanns Verlag (Cologne, Germany)
On May 8, 2006, Wolters Kluwer acquired Carl Heymanns Verlag KG, one of Germany's leading academic and legal publishers. Carl Heymanns Verlag is part of the Legal, Tax & Regulatory Europe division, has annual revenues of approximately €15 million and approximately 130 employees.

GulfPak (Jackson, MS, USA)
On August 15, 2006, Wolters Kluwer announced the agreement to acquire GulfPak Corporation, a leading provider of automated lending and account origination solutions to U.S. financial organizations. GulfPak provides its compliance-based technology solutions to more than 700 financial organizations. GulfPak has approximately 37 employees, has annual revenues of approximately $9 million (€7 million), and is part of the Corporate & Financial Services division.

ATX/Kleinrock (Rockville, MD, USA)
On August 30, 2006, Wolters Kluwer acquired the assets of ATX/Kleinrock, a supplier of tax preparation, accounting and tax research software solutions to more than 48,000 tax professionals and CPAs throughout the United States. ATX/Kleinrock has almost 300 employees, has annual revenues of approximately $40 million (€31 million), and is part of the Tax, Accounting & Legal division.

TaxWise (Rome, GA, USA)
On October 11, 2006, Wolters Kluwer acquired the stock of TaxWise Corporation. TaxWise and its subsidiary, Universal Tax Systems, Inc. (UTS), provide tax and accounting software solutions to more than 9,300 accounting professionals, enrolled agents, and tax preparers across the United States. TaxWise has 300 full-time employees, annual revenues of approximately $53 million (€42 million), and is part of the Tax, Accounting & Legal division.

Disposals	2006	2005
Non-current assets	7	–
Current assets	7	–
Current liabilities	(7)	–
Net identifiable assets and liabilities	7	–
Book profit on disposals	9	4
Consideration	16	4
The cash effect of the disposals is:		
Consideration receivable	16	4
Cash disposed of	(2)	–
Other assets obtained	–	8
Cash from receivables	(1)	1
Receipts from disposal of activities	**13**	**13**

Segment (Beek, the Netherlands)
On January 23, 2006, Wolters Kluwer announced the sale of Segment B.V. Segment was part of the Legal, Tax & Regulatory Europe division, with annual revenues of approximately €5 million and approximately 40 employees.

CT Insurance Services (Minneapolis, MN, USA)
On February 28, 2006, Wolters Kluwer's Corporate & Financial Services division divested two product lines, Xchange software and Financial/Securities Exam Training, accounting for annual revenues of approximately $8 million (€7 million) and 41 employees.

Cedam Scolastica (Padova, Italy)
On December 22, 2006, Wolters Kluwer completed the sale of the school book part of Cedam. Cedam Scolastica was part of the Legal, Tax & Regulatory Europe division, with annual revenues of approximately €5 million and 5 employees.

Personnel Expenses

note 4

Personnel expenses	2006	2005
Salaries and wages	1,061	932
Social security charges	157	143
Costs of defined contribution plans	26	20
Costs of defined benefit plans	9	17
Share-based payments	17	12
Total	**1,270**	**1,124**

The average number of employees, expressed in full-time equivalents, in 2006 is 19,704 (2005: 18,467).

Amortization and Depreciation

note 5 (see note 2 for detail by division)

Amortization and Depreciation	2006	2005
Amortization of publishing rights	121	81
Impairments	–	–
Total amortization of publishing rights and impairments	121	81
Amortization of other intangible assets	43	40
Depreciation of property, plant and equipment	44	51
Total	**208**	**172**

Exceptional Restructuring Expense

note 6

Exceptional Restructuring Expense	2006	2005
Personnel related restructuring costs	–	18
Onerous contracts/discontinuation costs	–	2
Total	**–**	**20**

In 2006 no exceptional restructuring expense was incurred.

Financing Results

note 7

Financing Results	2006	2005
Finance income		
Interest income	8	15
Total finance income	8	15
Finance costs		
Interest expense	118	121
Fair value changes through profit or loss	(1)	(4)
Net foreign exchange (gain)/loss	(5)	1
Total finance costs	112	118
Total financing results	**(104)**	**(103)**

Income Tax Expense

note 8

Recognized in the income statement	2006	2005
Current tax expense	59	56
Deferred tax expense		
Origination and reversal of temporary differences	28	24
Taxation on income in income statement	**87**	**80**

The reductions of the tax rate in the Netherlands and Spain in 2007 had an impact of €0.3 million on the 2006 deferred tax expense.

Reconciliation of the effective tax rate	%	2006	%	2005
Profit before tax		409		341
Normative income tax expense	32	131	34	117
Tax effect of:				
Financing activities	(9)	(37)	(10)	(32)
Utilization of tax losses carry forward	0	(1)	(1)	(4)
Tax exemption on results on disposals	(1)	(4)	(1)	(3)
Non-deductible costs and other	(1)	(2)	1	2
Taxation on income	**21**	**87**	**23**	**80**

The normative income tax expense has been computed as the weighted average rates of the jurisdictions where the group operates. The decrease of the effective income tax rate is related to a decrease of the income tax rate in the Netherlands, increased tax benefits on amortization expenses, and lower taxes on divestments.

The Company has applied the Dutch tax regulation for international intragroup financing activities (Concern Financiering Activiteit, CFA regime) as from 1999 and based on the European Commission decision of February 18, 2003, regarding a state aid investigation against the CFA regime. The Company is of the opinion that this regime can be applied until December 31, 2008. This treatment has been confirmed by the Dutch tax authorities.

Minority Interests

note 9

The Group's share in the most material consolidated subsidiaries that are not fully owned at December 31 were:

Ownership

in %

	2006	2005
Akadémiai (Budapest, Hungary)	74.0	74.0
AnNoText (Düren, Germany)	74.9	74.9

Minority interest of consolidated participations in the income of the Group in 2006 was €1 million (2005: €1 million). Minority interest in the equity of consolidated participations, totaling €2 million (2005: €1 million), are based on third-party shareholding in the underlying shareholders' equity of the subsidiary.

Intangible Assets

note 10

Intangible assets	Goodwill	Publishing rights	Other	2006	2005
Position at January 1					
Purchase value	2,570	1,453	312	4,335	3,519
Amortization and impairments	–	(688)	(197)	(885)	(707)
▪ Book value at January 1	2,570	765	115	3,450	2,812
Movements					
Investments	–	–	73	73	50
Acquisitions through business combinations	542	406	3	951	390
Disposals	(3)	(4)	0	(7)	0
▪ Net expenditures	539	402	76	1,017	440
Amortization	–	(121)	(43)	(164)	(121)
Impairments	–	–	–	–	–
Reclassifications	(27)	35	–	8	6
Exchange differences and other movements	(224)	(67)	(5)	(296)	313
▪ Total movements	288	249	28	565	638
Position at December 31					
Purchase value	2,858	1,767	352	4,977	4,335
Amortization and impairments	–	(753)	(209)	(962)	(885)
▪ **Book value at December 31**	**2,858**	**1,014**	**143**	**4,015**	**3,450**

Reclassifications include the deferred tax liability that relates to the final outcome of the purchase price allocation of 2005 acquisitions.

In 2006 the company recognized €13 million in its income statement for expenditures that are not components of the cost of internally generated intangible assets.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS

Carrying amounts of goodwill and publishing rights per division	Goodwill	Publishing rights	2006	2005
Health	822	227	1,049	701
CFS	535	196	731	822
TAL	713	369	1,082	822
LTRE	714	222	936	917
Education	74	–	74	73
▪ **Total**	**2,858**	**1,014**	**3,872**	**3,335**

The company reviews at each reporting date whether there is an indication that any of the cash-generating units that contain goodwill and/or publishing rights, may be impaired. Furthermore, the company carries out an annual impairment test by comparing the carrying amount of the cash-generating unit to which the goodwill and publishing rights belong, net of related deferred taxes, to the recoverable amount of the cash-generating unit. The recoverable amount is determined based on a calculation of the value in use and compared to multiples of recent transactions to estimate the net selling price. These calculations use cash flow projections based on actual operating results and the three-year Business Development Plan as approved by the Executive Board. Projections are extrapolated beyond this three-year period using an appropriate perpetual growth rate that is consistent with the long-term average market growth rate and that does not exceed 3-4%.

The estimated post-tax cash flows are discounted to their present value using a post-tax weighted average cost of capital (WACC). A post-tax WACC is used because this is readily available in the financial markets. Calculating the recoverable amount on a post-tax basis using a post-tax WACC should lead to the same results as pre-tax calculations. The post-tax WACC used is 8%.

The Group has decided not to apply different discount rates for different parts of the business, since its businesses serve fairly consistent markets (professional customers in developed countries), and their results are impacted in a similar and limited way by changes of the economic cycle and other significant long-term market risks.
The key assumptions used in the projections are:

- Revenue growth: based on actual experience, an analysis of market growth and the expected development of market share
- Margin development: based on actual experience and management's long-term projections.

The impairment test carried out in 2006 showed that the recoverable amount for each cash-generating unit exceeded the carrying amount; hence no impairment of goodwill or publishing rights was recognized in 2006. The impairment test also includes an assessment, if a reasonably possible change in a key assumption would cause the carrying amount to exceed the recoverable amount. One of the cash-generating units, with a carrying amount of €282 million of goodwill and publishing rights, has a recoverable amount that exceeds the carrying amount by €3 million. Its projections include assumptions with regard to gaining new and retaining existing major customers at prevailing price levels, and a long-term average market growth rate of 4%. If the company is unsuccessful at gaining new and retaining existing major customers or if the long-term average market growth rate is below 4%, the recoverable amount would be below the carrying amount.

Property, Plant and Equipment

note 11

Property, plant and equipment	Land and buildings	Machinery and equipment	Other fixed assets	2006	2005
Position at January 1					
Purchase value	152	34	436	622	582
Depreciation	(56)	(28)	(333)	(417)	(374)
Book value at January 1	96	6	103	205	208
Movements					
Investments	1	3	24	28	39
Acquisitions through business combinations	3	6	5	14	2
Disposals	–	–	(2)	(2)	(3)
Net expenditures	4	9	27	40	38
Depreciation	(4)	(3)	(37)	(44)	(51)
Exchange differences and other movements	(5)	(3)	(7)	(15)	10
Total movements	(5)	3	(17)	(19)	(3)
Position at December 31					
Purchase value	148	40	425	613	622
Depreciation	(57)	(31)	(339)	(427)	(417)
Book value at December 31	**91**	**9**	**86**	**186**	**205**

Investments in Associates

note 12

Investments in associates	2006	2005
Position at January 1	10	13
Acquisitions	6	–
Dividends received	(1)	(2)
Share of profit of associates	1	3
Other movements	2	(4)
Position at December 31	**18**	**10**

The most important investments in associates at December 31, were:

Ownership *in %*	**2006**	2005
Boekhandels Groep Nederland		
(Deventer, Netherlands)	32.6	32.6
Manz Iura, Manz Schulbuch (Vienna, Austria)	40.0	40.0
DataCert (Houston, TX, USA)	33.9	19.0
eLawForum (Washington, DC, USA)	25.0	25.0

Summary financial information on associates (at 100%):

Summary financial information, 2005	Assets	Liabilities	Equity	Revenues	Profit/(loss)
Boekhandels Groep Nederland	42	28	14	169	4
Manz	12	11	1	24	0
DataCert	6	15	(9)	12	(1)
eLawForum	4	1	3	4	2

Summary financial information, 2006	Assets	Liabilities	Equity	Revenues	Profit/(loss)
Boekhandels Groep Nederland	42	26	16	180	2
Manz Iura, Manz Schulbuch	11	9	2	27	2
DataCert	6	17	(11)	13	(2)
eLawForum	2	0	2	1	(1)

Financial Assets

note 13

Financial assets	**2006**	2005
Investments	71	75
Receivables	32	20
Derivative financial instruments	10	22
Total	**113**	**117**

The most important investment at December 31, 2006, was Sdu Uitgevers bv, The Hague, Netherlands (25.9%). A dividend of €6 million is guaranteed by Sdu Uitgevers bv for the years 2004 through 2007, which is recognized as income from investments.

From January 1, 2008, the Group has the right to sell its shares in Sdu Uitgevers bv to the other shareholder (Sdu nv) at fair market value at the date of transfer. Likewise the Group is obliged to sell and transfer to Sdu nv all shares of Sdu Uitgevers bv upon request of Sdu nv under the same condition.

Even though the Group holds more than 20% of the shares of Sdu Uitgevers bv, the Group cannot exercise any influence on the company because of contractual limitations. Wolters Kluwer has no seat on the board and no access to shareholder meetings.

Because the shares of Sdu Uitgevers bv, which are classified as being available-for-sale, do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. Consequently these shares are measured at cost.

The U.S. Medicare Prescription Drug, Improvement, and Modernization Act introduced a tax-free federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare Part D benefit. The Group's subsidy has been actuarially determined at €22 million (2005: €15 million), which has been reflected as a non-current asset under receivables.

Deferred Tax Assets and Liabilities

note 14

Deferred tax assets and liabilities	Assets	Liabilities	2006	2005
Intangible assets	30	(352)	(322)	(258)
Employee benefits	55	(2)	53	81
Interest carry-forward	81	–	81	71
Tax value of loss carry-forwards recognized	41	–	41	51
Other items	118	(107)	11	(2)
Tax assets/(liabilities)	325	(461)	(136)	(57)
Set off of tax	(269)	269	–	–
Net tax assets/(liabilities)	**56**	**(192)**	**(136)**	**(57)**

The actual realization of the deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible. Based on projected future taxable income and available strategies, the Group considers the future realization of these deferred tax assets more likely than not.

Unrecognized deferred tax assets

The Group has not recognized deferred tax assets that relate to unused tax losses amounting to €18 million (2005: €10 million), because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

Movement in temporary differences, 2005	Balance at January 1	Acquisitions/ disposals	Recognized in income	Recognized in equity	Exchange rate differences	Balance at December 31
Intangible assets	(213)	(32)	11		(24)	(258)
Employee benefits	86		(14)	(1)	10	81
Interest carry-forward	62		0		9	71
Tax value of loss carry-forwards recognized	35		11		5	51
Other items	33		(32)		(3)	(2)
Total	**3**	**(32)**	**(24)**	**(1)**	**(3)**	**(57)**

Movement in temporary differences, 2006	Balance at January 1	Acquisitions/ disposals	Recognized in income	Recognized in equity	Exchange rate differences	Balance at December 31
Intangible assets	(258)	(119)	27		28	(322)
Employee benefits	81		(11)	(12)	(5)	53
Interest carry-forward	71		17		(7)	81
Tax value of loss carry-forwards recognized	51	15	(20)		(5)	41
Other items	(2)	25	(41)	28	1	11
Total	**(57)**	**(79)**	**(28)**	**16**	**12**	**(136)**

Deferred tax from acquisitions/disposals consists of €71 million related to acquisitions made in 2006 (2005: €26 million) and €8 million (2005: €6 million) related to the final outcome of the purchase price allocation of 2005 acquisitions.

Movements in overall tax position	2006	2005
Position at January 1		
Tax receivable	48	14
Tax payable	(21)	(12)
Deferred tax assets	23	40
Deferred tax liabilities	(80)	(37)
Overall tax position	**(30)**	**5**
Movements		
Total income tax expense	(87)	(80)
Deferred tax on acquisitions/disposals	(79)	(32)
Deferred tax on items recognized immediately in equity	16	(1)
Tax payments	36	83
Exchange differences and other movements	2	(5)
Total movements	**(112)**	**(35)**
Position at December 31		
Tax receivable	20	48
Tax payable	(26)	(21)
Deferred tax assets	56	23
Deferred tax liabilities	(192)	(80)
Overall tax position	**(142)**	**(30)**

Inventories

note 15

Inventories	2006	2005
Raw materials	5	6
Work in progress	25	27
Finished products and trade goods	104	97
Total	**134**	**130**

At December 31, 2006, the provision for obsolescence deducted from inventory book values totaled €57 million (2005: €68 million).

Trade and Other Receivables

note 16

Trade and other receivables	2006	2005
Trade receivables	847	805
Prepayments	87	86
Derivate financial instruments	4	108
Other receivables	35	30
Total	**973**	**1,029**

Trade receivables are shown net of impairment losses amounting to €43 million (2005: €43 million).

Cash and Cash Equivalents

note 17

Cash and cash equivalents	2006	2005
Deposits	51	321
Cash and bank balances	87	107
Total	**138**	**428**

Other Current Liabilities

note 18

Other current liabilities	2006	2005
Salaries, holiday allowances	140	134
Royalties payable	87	63
Social security premiums and other taxation	49	46
Derivative financial instruments	0	14
Interest payable	62	64
Deferred acquisition payments	27	26
Other liabilities and accruals	79	63
Total	**444**	**410**

Financial Instruments

note 19

Net debt	Effective interest rate (%)	Nominal interest rate (%)	Repayment commitments 1-5 years [1]	Repayment commitments >5 years [1]	2006	2005
Subordinated bonds 1997-2007	6.330	6.250	–	–	–	227
Bonds 1998-2008	5.340	5.250	227	–	227	226
Bonds 2003-2014	5.240	5.125	–	692	692	701
Perpetual cumulative subordinated bonds	7.270	6.875	–	225	225	225
Other long-term loans			84	2	86	46
Total long-term loans			**311**	**919**	**1,230**	**1,425**
Derivative financial instruments			2	–	2	11
Total long-term debt			**313**	**919**	**1,232**	**1,436**
Borrowings and bank overdrafts						
Multi-currency roll-over credit facility 2004-2011					676	–
Subordinated convertible staff bonds 2002-2007	5.550	3.000			1	–
Subordinated bonds 1997-2007	6.330	6.250			227	–
Bonds 1999-2006	5.690	5.550			–	214
Unsubordinated convertible bonds 2001-2006	2.500	1.000			–	447
Other short-term loans					15	12
Bank overdrafts					24	46
Total borrowings and bank overdrafts					**943**	**719**
Deferred acquisition payments					27	26
Derivative financial instruments					0	14
Total short-term debt					**970**	**759**
Gross debt					**2,202**	**2,195**
Minus:						
Cash and cash equivalents					(138)	(428)
Derivative financial instruments:						
Non-current receivable					(10)	(22)
Current receivable					(4)	(108)
Net debt					**2,050**	**1,637**

[1] Repayments are presented at amortized costs.

The nominal interest rates on the bonds mentioned above are all fixed until redemption, except for the variable interest rate on the multi-currency credit facility. See → Risk Management for the Group's financial risk management approach.

LOAN MATURITY

The following amounts of gross debt at December 31, 2006, are due within and after five years:

Gross debt

in millions of euros

2008	253
2009	35
2010	11
2011	14
Due after 2011	919
▪ Long-term debt	1,232
Short-term (2007)[1]	970
▪ **Total**	**2,202**

[1] 2007: includes drawn down on multi-currency roll-over credit facility (€676 million), maturing 2011

Subordinated bonds

Wolters Kluwer has outstanding subordinated bonds of €227 million due in June 2007 (NLG 500 million). Subordinated bonds define that subordinated obligations of the Group rank *pari passu* without any preference among themselves and with all other present and future equally subordinated obligations of the Group.

Bonds

Wolters Kluwer has unsubordinated bonds outstanding for an amount of €919 million. On November 19, 2003, Wolters Kluwer issued unsubordinated bonds due in 2014 with a nominal value of €700 million. The coupon on the bonds is 5.125% with an issue price of 99.618%. Additionally, Wolters Kluwer has outstanding unsubordinated bonds of €227 million due in 2008.

Unsubordinated convertible bonds

The unsubordinated convertible bonds outstanding for an amount of €455 million have been redeemed at 107.88% of their principal amount of €422 million on the maturity date of November 30, 2006.

Perpetual cumulative subordinated bonds

On May 14, 2001, a perpetual cumulative subordinated bond loan with a nominal value of €225 million was issued. The issue price of the bonds was 100%. These bonds bear interest at 6.875%. Wolters Kluwer has the right to redeem the loan as from May 2008. Wolters Kluwer is allowed to refrain from paying interest if there is not declared or made available any dividend for payment. The accrued interest will be paid in a subsequent year where there is dividend declared and paid. In case of bankruptcy, Wolters Kluwer has no obligation to pay any accrued interest; the nominal amounts of the bond will then become a subordinated liability. The proceeds from this bond issue were used to refinance bank facilities, as well as for general corporate purposes.

Multi-currency credit facility

In July 2004, Wolters Kluwer signed a €750 million multi-currency credit facility which was amended and restated in September 2006 to €1 billion with more favorable terms. The amended terms include a higher facility amount as well as a lower interest rate margin and a lower commitment fee. The multi-currency credit facility had an initial maturity of five years with two one-year extension options. The second extension option has been approved in 2006, the maturity of the multi-currency credit facility is 2011. The multi-currency credit facility will be used for general corporate purposes.

Fair value of bonds and derivative financial instruments

	December 31, **2006**		December 31, 2005	
	[1] Carrying value	Fair value	[1] Carrying value	Fair value
Bonds	(1,146)	(1,172)	(1,368)	(1,421)
Unsubordinated convertible bonds	–	–	(447)	(447)
Perpetual cumulative subordinated bonds	(225)	(231)	(225)	(233)
Derivative financial instruments:				
▪ Non-current receivable	10	10	22	22
▪ Current receivable	4	4	108	108
▪ Non-current payable	(2)	(2)	(11)	(11)
▪ Current payable	0	0	(14)	(14)
▪ Total derivative financial instruments	12	12	105	105

[1] Carrying value is defined as book value including accrued interest less the capitalized portion of the issuing costs.

The fair value has been determined by the company based on market data or, if not available, appropriate valuation methods or quotes from financial institutions.

The fair value of outstanding bonds at the balance sheet date can deviate from the value at which they have been recorded in the balance sheet.

Hedge accounting

At year-end the outstanding derivative financial instruments qualify for hedge accounting under IFRS. To apply for hedge accounting requires the hedge to be highly effective. During 2006 the result recorded in the income statement as a result of ineffectiveness of hedging is: fair value hedge €(0.1) million, cash flow hedge €0 million, and net investment hedge €0.1 million.

Sensitivity

A sensitivity analysis on the derivative financial instruments portfolio yields the following results assuming an instantaneous 1% decline of the U.S. dollar against the euro from their levels at December 31, 2006, and an instantaneous 1% increase of both the U.S. dollar and euro interest rates respectively.

Sensitivity *in millions*	Amount	Exchange rate movement	Interest rate movement
Fair value hedge	€200	–	€(5)
Cash flow hedge	$200	€0	€6
Net investment hedge	$215	€2	€0

For the effective part of the hedge, the sensitivity of the hedging item is offset by the sensitivity of the hedged item.

The multi-currency roll-over credit facility is not included in this sensitivity analysis since this is not a derivative financial instrument. However, the U.S. dollar draw-down ($890 million at December 31, 2006) serves as a net investment hedge. See the → Notes to the Consolidated Financial Statements – Derivative financial instruments and hedging activities for the principal accounting policies.

Employee Benefits

note 20

Employee benefits	**2006**	2005
Pensions and post-employment plans	168	227
Other (post-)employment obligations	19	23
Total	**187**	**250**

PROVISION FOR PENSIONS

The provision for pensions relates to defined benefit plans. The following weighted average principal actuarial assumptions were used to determine the net periodic pension and post-retirement plans' expense and net liability at the balance sheet date.

Economic assumptions *in %*	**2006**	2005
Pension schemes		
Discount rate	4.7	4.3
Expected return on plan assets	5.8	5.3
Expected rate of salary increases	3.3	3.5
Post-retirement plans		
Discount rate	5.4	5.3
Medical cost trend rate	5.0	5.0

The expected rate of return on plan assets on individual categories of plan assets are determined by reference to relevant market indices. The overall expected rate of return on plan assets is based on the weighted average of each asset category. The mortality tables used are generally accepted in the applicable countries. The average increase in salaries is based on the non-closed pension plans. The medical cost trend rate is capped at 5% as stipulated by the Group's post-retirement medical plan in the United States.

Plan liabilities and assets	Pension plans 2006	Pension plans 2005	Post-employment plans 2006	Post-employment plans 2005
Plan liabilities				
Fair value at January 1	1,014	919	89	85
Current service cost	15	15	3	2
Interest cost	43	43	4	4
Benefits paid by fund	(35)	(33)	(3)	(6)
Actuarial (gain) or loss	(42)	49	(3)	(9)
Contributions by plan participants	5	6	–	–
Curtailment (gain) or loss	(4)	–	–	–
Exchange rate differences	(19)	30	(7)	13
Plan amendments	(4)	(15)	–	–
▪ Fair value at December 31	973	1,014	83	89
Plan assets				
Fair value at January 1	918	817	–	–
Expected return on plan assets	46	28	–	–
Actuarial gain or (loss)	29	58	–	–
Benefits paid by fund	(35)	(33)	(3)	(6)
Contributions by the employer	22	16	3	6
Contributions by plan participants	5	6	–	–
Exchange rate differences	(16)	26	–	–
▪ Fair value at December 31	969	918	–	–
Funded status				
Funded status at December 31	4	96	83	89
Unrecognized past service costs	10	11	13	16
Asset ceiling	36	–	–	–
Reclassification of Medicare Part D to financial assets	–	–	22	15
▪ Net liability at December 31	50	107	118	120
Pension cost				
Current service cost	15	15	3	2
Interest cost	43	43	4	4
Expected return on plan assets	(46)	(47)	–	–
Amortization unrecognized past service costs	(1)	1	(1)	(1)
Plan amendments and curtailment	(8)	–	–	–
▪ **Total pension costs**	**3**	**12**	**6**	**5**

Post-employment plans consist of the post-retirement medical benefit plan in the United States and the Italian TFR plan.

The asset ceiling of €36 million in 2006 relates to the pension scheme in the Netherlands where the overfunding of the defined benefit plan cannot likely be recovered, based on the current terms of the plan, through refunds or reductions of future contributions.

The curtailment gain of €4 million in 2006 relates to a change in the pension plan in the United Kingdom where all active scheme members' benefits ceased to be linked to their final salary and they effectively became deferred members.

The plan amendment of €4 million in 2006 also relates to a change in the pension plan in the United Kingdom where the scheme rules were changed to allow a higher amount of retirement pension to be commuted for tax-free cash, in line with new governmental rules. Allowing for this rule change (and making an assumption that members opt to utilize the higher cash allowance) has the effect of a plan amendment.

The reclassification of the Medicare Part D subsidy of €22 million (2005: €15 million) refers to the U.S. Medicare Prescription Drug subsidy (see → note 13).

The pre-tax cumulative amount of actuarial gains and (losses) recognized in the statement of recognized income and expenses (SORIE) is as follows:

Actuarial gains and (losses)	2006	2005
Position at January 1	(56)	(59)
Recognized in SORIE	38	3
Cumulative amount at December 31	**(18)**	**(56)**

The actual return on plan assets for the year ended December 31, 2006 amounted to €75 million (2005: €86 million).

The funded status for the years 2004-2006 is as follows:

Funded status	2006	2005	2004
Present value of defined benefit obligation	(1,056)	(1,103)	(993)
Fair value of plan assets	969	918	817
Funded status	(87)	(185)	(176)

The experience adjustments, defined as the effects of differences between the previous actuarial assumptions and what has actually occurred, amount to 1% of the plan assets and liabilities.

The sensitivity for a 1% change in the discount rate is:

Sensitivity

in millions of euros	Medical costs	Service costs	Plan liabilities
Baseline	2	16	(1,056)
Discount rate -1%	2	21	(1,210)
Discount rate +1%	2	12	(928)

The actual medical cost trend rate in the United States exceeds the applied medical cost trend rate which is capped at 5% according to the plan rules. Consequently, the sensitivity for a 1% change in the assumed medical cost trend rate is nil. The baseline service costs of €16 million relate to the pension plans as well as the Italian TFR.

Proportion of plan assets

in %

	2006	2005
Equities	50	58
Bonds	50	42
Total	**100**	**100**

The overall expected rate of return on assets (EROA) of 5.8% in 2006 is based upon the long-term EROA per asset class. For equities, an overall long-term EROA of 7.4% is applied and for bonds 4.2%.

Wolters Kluwer estimates the contributions to be paid to the plans during 2007 at €20 million (2006: €25 million).

Provisions for Restructuring Commitments

note 21

Provisions for restructuring commitments	**2006**	2005
Position at January 1	13	33
Add: short-term commitments	44	51
Total at January 1	57	84
Movements		
Addition charged as exceptional restructuring expense	0	20
Addition charged to ordinary operating result	15	1
Total additions	15	21
Appropriation of restructuring provisions	(37)	(51)
Exchange differences and other movements	(1)	3
Total appropriations	(38)	(48)
Total at December 31	34	57
Less: short-term commitments	(22)	(44)
Position at December 31	**12**	**13**

Equity

note 22

	Issued share capital	Share premium reserve	Legal reserve	Translation reserve
Balance at January 1, 2005	**36**	**91**	**9**	**(147)**
Exchange differences on translating foreign operations				252
Gains/(losses) on hedges of net investments in foreign operations				(78)
Actuarial gains/(losses) on employee benefits				
Tax on items taken directly to or transferred from equity				
Net income recognized directly in equity	–	–	–	174
Profit for the year				
Total recognized income and expense for the year	–	–	–	174
Share–based payments				
Cash dividend 2004				
Stock dividend 2004	1	(1)		
Exercise of share options				
Other movements				58
Balance at December 31, 2005	**37**	**90**	**9**	**85**
Exchange differences on translating foreign operations				(211)
Gains/(losses) on hedges of net investments in foreign operations				12
Gains/(losses) on cash flow hedges				(2)
Actuarial gains/(losses) on employee benefits				
Tax on items taken directly to or transferred from equity				
Net income recognized directly in equity	–	–	–	(201)
Profit for the year				
Total recognized income and expense for the year	–	–	–	(201)
Share-based payments				
Cash dividend 2005				
Stock dividend 2005	0	0		
Exercise of share options				
Repurchased shares				
Balance at December 31, 2006	**37**	**90**	**9**	**(116)**

	Treasury shares	Retained earnings	Shareholders' equity	Minority interest	Total equity
	(53)	**772**	**708**	**6**	**714**
			252		252
			(78)		(78)
		3	3		3
		(1)	(1)		(1)
	–	2	176	–	176
		260	260	1	261
	–	262	436	1	437
		12	12		12
		(69)	(69)		(69)
			0		0
	12	(1)	11		11
		(58)	0	(6)	(6)
	(41)	**918**	**1,098**	**1**	**1,099**
			(211)		(211)
			12		12
			(2)		(2)
		38	38		38
		16	16		16
	–	54	(147)	–	(147)
		321	321	1	322
	–	375	174	1	175
		17	17		17
		(80)	(80)		(80)
			0		0
	7	(3)	4		4
	(19)		(19)		(19)
	(53)	**1,227**	**1,194**	**2**	**1,196**

Share capital

The authorized capital amounts to €143.04 million, consisting of €71.52 million in ordinary shares (nominal value €0.12) and €71.52 million in preference shares. The issued share capital consists of ordinary shares. The number of issued ordinary shares increased from 304.4 million to 308.7 million as a result of stock dividend and shares released under the LTIP. To cover the dilutive effect of stock options and LTIP, the company holds, as of the balance sheet date, 2.7 million repurchased treasury shares.

Legal reserve

Legal reserve contains appropriations of profits of Group companies which are allocated to a legal reserve based on statutory and/or legal requirements. This reserve is not available for distribution.

Translation reserve

The translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations, and of the related hedges. When a foreign operation is sold, exchange differences that were recorded in equity prior to the sale are recycled through the income statement as part of the gain or loss on divestment. This reserve is not available for distribution.

Treasury shares

The company repurchases shares in treasury to cover the dilutive effect of stock options and the equity-settled share-based payments (LTIP). Treasury shares are recorded at cost, representing the market price on the acquisition date. This reserve is not available for distribution.

Dividends

Pursuant to Article 29 of the Articles of Association, and with the approval of the Supervisory Board, a proposal will be submitted to the Annual General Meeting of Shareholders to make a distribution of €0.58 per share in cash or in shares at a ratio to be determined and announced on April 27, 2007.

Of the 2005 dividend of €0.55 per share, 48.4% was distributed as cash dividend (2004: 42.9%).

Number of shares

For a reconciliation of average number of shares and earnings per share, see → note 1.

Share-based Payments

note 23

Long-Term Incentive Plan

In late 2003, a new strategic vision was announced that focuses on value creation. As a result, a new incentive plan for Executive Board Members and senior executives was implemented to align compensation with value creation. Under the plan, share options ceased to be awarded. Instead, Executive Board Members and senior executives are awarded shares under the equity-settled Long-Term Incentive Plan (LTIP). The vesting period of the LTIP is three years (except as disclosed in note 27) at the beginning of which a base number of shares (norm payout) is conditionally awarded to each beneficiary.

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

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

Vesting of the conditional grants is subject to the non-market condition that the participant stays with the Group until the plan's maturity (December 31 of the final year of the plan). These terms and conditions apply to all existing plans (LTIP 2004-06, LTIP 2005-07 and LTIP 2006-08). In 2006, €17.2 million has been recognized within personnel expenses in the income statement (2005: €11.8 million) related to the total costs of the LTIP 2004-06, 2005-07, and 2006-08.

LTIP 2004-06

The LTIP 2004-06 vested on December 31, 2006. Total shareholder return (TSR) ranked fourth relative to the peer group, resulting in a payout of 125% of the base number of shares. The shares will be released on March 1, 2007.

LTIP 2004-06

Shares outstanding at January 1, 2006	1,259,000
Forfeited	(89,500)
Additional payout (25%)	292,375
Vested at December 31, 2006	**1,461,875**

LTIP 2005-07 and 2006-08

The fair market value of each conditionally awarded share under the LTIP 2006-08 was €14.63 (LTIP 2005-07: €13.58; LTIP 2004-06: €13.10), as determined by an outside consulting firm.

LTIP 2005-07 and 2006-08

base number of shares at 100% payout	LTIP 2005-07	LTIP 2006-08	Total
Outstanding at January 1, 2006	1,455,500	0	1,455,500
Conditionally awarded	0	1,399,600	1,399,600
Vested	0	0	0
Forfeited	(115,000)	(48,850)	(163,850)
Outstanding at December 31, 2006	**1,340,500**	**1,350,750**	**2,691,250**

Stock option plans

At December 31, 2006, options were outstanding for 2.8 million ordinary shares in Wolters Kluwer.

Stock option plans	2001	2002	2003	2004	Total
End of exercise period	[1] 2006	2007 and 2009	2010	2011	
Initial number of options	2,729,750	2,912,250	2,778,500	40,000	
Exercise rate (average) (€)	28.88	23.07	10.55	13.47	
Number of options outstanding at January 1, 2006	1,771,000	2,072,750	1,123,500	40,000	5,007,250
Movements					
Options expired/eliminated	(1,675,000)	(181,000)	(13,500)	0	(1,869,500)
Options exercised	0	(18,000)	(350,000)	0	(368,000)
▪ **Number of options outstanding at December 31, 2006**	**96,000**	**1,873,750**	**760,000**	**40,000**	**2,769,750**

[1] The French option plans of 2001 and 2002 expire in 2007 and 2008, respectively.

For members of the Executive Board and approximately 400 managers within the Group a share option plan applied until January 1, 2004. Stock options awarded before January 1, 2004, have not been cancelled. After that date, no new stock options have been awarded, except for 40,000 stock options in 2004 to a former member of the Executive Board. Consequently, no pro forma option value information is presented.

Options are awarded at fair market value at the grant date. Every option entitles the holder to purchase one share each, for the share price on the date at which the option is awarded. The exercise period starts at least two years after the date the options are awarded until five years maximum, or in some cases six years. For options awarded after August 2002 the maturity period is seven years after the grant date.

Related Party Transactions
note 24

The company has a related party relationship with its subsidiaries (Wolters Kluwer nv has filed a list of the subsidiaries at the Trade Register in Amsterdam), associates, and with members of the Supervisory Board and the Executive Board. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. Associates (see → note 12) purchased goods from the Group for the amount of €8 million (2005: €8 million).

Commitments and Contingent Liabilities
note 25

Leases

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

At December 31, 2006, annual commitments under rental and operational lease agreements amounted to €67 million (2005: €69 million). The average term of these commitments is approximately 6.2 years (2005: 5.9 years).

Non-cancelable operating lease rentals are payable as follows:

Non-cancelable operating lease rentals	2006	2005
Less than one year	11	7
Between one and five years	34	21
More than five years	62	62

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

Property, Plant and Equipment includes €4 million (2005: not applicable) relating to finance lease arrangements. The amount due within one year is €2 million, the amount due in the second to fifth years is €2 million. The present value of the lease payments does not differ materially from the nominal value.

Guarantees

At December 31, 2006, the Group has outstanding guarantees regarding royalty payments to societies during the coming years of approximately €4 million (2005: €5 million).

The Group has issued formal guarantees for bank credit facilities for a total amount of €91 million (2005: €106 million) on behalf of a number of its foreign subsidiaries. At December 31, 2006, none of these credit facilities had been utilized (2005: none). At December 31, 2006, other bank guarantees had been issued at the request of the company or its subsidiaries for a total amount of €4.8 million (2005: €4.3 million). These guarantees mainly relate to rent for real estate.

Legal and judicial proceedings, claims

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

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

Audit Fees

note 26

The aggregate fees of the Group's auditor, KPMG Accountants N.V., for professional services rendered in 2006 and 2005 are as follows:

Aggregate fees *in million of euros*	**2006**	2005
Audit fees	4.4	4.4
Audit-related fees	1.8	1.3
Tax fees	2.1	1.6
Total	**8.3**	**7.3**

Audit fees consist of fees for the audit of both the consolidated financial statements and local statutory financial statements. Audit-related fees primarily consist of fees in connection with acquisitions and disposals and attest services not required by statute or regulation.

Remuneration of the Executive Board and Supervisory Board

note 27

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

REMUNERATION OF EXECUTIVE BOARD MEMBERS

Remuneration of Executive Board Members *in thousands of euros*	Salary	Bonus	Pension	Social security	Other benefits	Tax gross up [1]	**2006** [2]	2005
N. McKinstry, *Chairman*	831	765	165	24	197	202	2,184	1,917
B.L.J.M. Beerkens	557	446	110	11	44	–	1,168	1,041
J.M. Detailleur	476	381	290	154	81	–	1,382	1,224
Total	**1,864**	**1,592**	**565**	**189**	**322**	**202**	**4,734**	**4,182**

[1] Tax gross up relates to the tax expense incurred by the Group relating to tax equalization for salary and benefits paid in 2006 per the contract between the company and Ms. McKinstry.

[2] The Group's costs of the Long-Term Incentive Plans are not included in the Executive Board Members' remuneration as it comprises a conditional element of compensation.

The 2006 bonuses as presented above relate to the performance year 2006 and will be paid in 2007. The 2006 pension contributions as presented above concern the accrued pension costs for the financial year 2006.

In 2006, 120,000 shares that vested in 2005 were released under the LTIP 2004-06 to a former member of the Executive Board. At balance sheet date, Mr. J.M. Detailleur owns 834 ordinary shares.

LONG-TERM INCENTIVE PLAN FOR EXECUTIVE BOARD MEMBERS

LTIP 2004-06

The LTIP 2004-06 vested on December 31, 2006. Total shareholder return (TSR) ranked fourth relative to the peer group, resulting in a payout of 125% of the base number of shares. The shares will be released on March 1, 2007.

LTIP 2004-06	Outstanding January 1, 2006	Additional payout (25%)	Vested December 31, 2006
N. McKinstry, *Chairman*	200,000	50,000	250,000
B.L.J.M. Beerkens	80,000	20,000	100,000
J.M. Detailleur	80,000	20,000	100,000
Total	**360,000**	**90,000**	**450,000**

LTIP 2005-07 and 2006-08

The Executive Board Members have been conditionally awarded the following number of shares based on a 100% payout, subject to the conditions of the LTIP for 2005-07 and 2006-08, as described in the → Remuneration Report:

LTIP 2005-07 and 2006-08 *base number of shares at 100% payout*	Conditionally awarded LTIP 2005-07	Conditionally awarded LTIP 2006-08	Total conditionally awarded at December 31, 2006
N. McKinstry, *Chairman*	200,000	200,000	400,000
B.L.J.M. Beerkens	80,000	80,000	160,000
J.M. Detailleur	80,000	80,000	160,000
Total	**360,000**	**360,000**	**720,000**

The fair market value of each conditionally awarded share under the LTIP 2006-08 was €14.63 (LTIP 2005-07: €13.58; LTIP 2004-06: €13.10), as determined by an outside consulting firm. The plans have a vesting period of three years, except for the LTIP 2006-08 for Mr. Detailleur which has a two-year vesting period.

STOCK OPTIONS FOR EXECUTIVE BOARD MEMBERS

Stock options for Executive Board Members	Grant date	Exercise price (€)	January 1, 2006	Expired during the year	Exercised during the year	December 31, 2006	End of Exercise period
N. McKinstry, *Chairman*	2001	29.16	100,000	(100,000)		0	2006
	2002	24.00	90,000			90,000	2007
	2002	18.27	80,000			80,000	2009
	2003	13.00	80,000			80,000	2010
B.L.J.M. Beerkens	2003	10.10	15,000			15,000	2010
	2003	13.00	40,000			40,000	2010
J.M. Detailleur	2001	29.16	20,000	(20,000)		0	2006
	2001	29.16	60,000			60,000	2007
	2002	24.00	5,000			5,000	2007
	2002	24.00	55,000			55,000	2008
	2002	18.27	40,000			40,000	2009
	2003	13.00	40,000			40,000	2010
Total			**625,000**	**(120,000)**	**–**	**505,000**	

REMUNERATION OF SUPERVISORY BOARD MEMBERS

Remuneration of Supervisory Board Members *in thousands of euros*	Member of Selection & Remuneration Committee	Member of Audit Committee	Remuneration **2006**	Remuneration 2005
A. Baan, *Chairman*	▪	▪	51	46
J.V.H. Pennings, *Deputy Chairman*	▪		47	42
L.P. Forman	▪	▪	43	14
A.J. Frost			37	37
S.B. James			26	–
K.A.L.M. Van Miert			–	12
H. de Ruiter			18	55
H. Scheffers		▪	42	42
P.N. Wakkie			37	27
N.J. Westdijk			–	14
Total			**301**	**289**

Mr. James was appointed as member of the Supervisory Board by the Annual General Meeting of Shareholders on April 26, 2006. Messrs. Van Miert and Westdijk resigned in April 2005, Mr. De Ruiter resigned in April 2006. The Supervisory Board Members do not own shares in Wolters Kluwer.

Accounting Estimates and Judgments

note 28

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

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

Revenue recognition

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

Employee benefits

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

- discount rate;
- expected return on plan assets;
- average increase salaries;
- medical trend rate.

For actuarial assumptions the normal mortality rates have been used. The withdrawal rates and retirement rates are based upon statistics provided by the relevant entities and compared with business practices.

Capitalized software

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

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

Useful life of assets

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

Valuation and impairment testing intangibles

Upon acquisition, the value of intangible assets acquired is estimated, applying the methodologies as set out under the accounting policies.These calculations are usually performed by an outside consulting firm in close cooperation with management of the involved entity. These calculations require estimations regarding cash flow projections, determination of useful life, and rate of return. The estimations are based upon best practice within the Group and in line with common market practice.

IFRS 3 requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value may not be recoverable. The impairment reviews require estimates of a discount rate, cash flow projections, and a perpetual growth rate. These estimations are made by management of the entities that carry the goodwill on their balance sheet, and the calculations are based on three-year business development plans prepared by management of the entities and approved by the Executive Board of the Group.

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

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

Accounting for income taxes

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

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

Legal and judicial proceedings, claims

For legal and judicial proceedings and claims against the Company and its operating entities, a liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated.

If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability, and consequently may affect the actual result.

The prediction of the outcome and the assessment of a possible loss by management is based on management's judgments and estimates. Management usually consults lawyers and other specialists for support.

Financial Statements of Wolters Kluwer nv

Financial Statements of Wolters Kluwer nv

Income statement of Wolters Kluwer nv

	2006	2005
Results subsidiaries after tax	240	197
Other income after tax note 29	81	63
Profit for the year	**321**	**260**

Balance sheet of Wolters Kluwer nv

before appropriation of results, at December 31

	2006		2005	
Non-current assets				
Intangible assets	14		8	
Property, Plant and Equipment	1		2	
Financial assets note 30	2,932		2,311	
Total non-current assets		**2,947**		**2,321**
Current assets				
Accounts receivable note 31	818		1,350	
Cash and cash equivalents	33		315	
Total current assets	851		1,665	
Current liabilities note 32	1,391		1,249	
Working capital		(540)		416
Capital employed		**2,407**		**2,737**
Non-current liabilities				
Long-term debt				
Subordinated bonds	–		227	
Bonds	919		927	
Perpetual cumulative subordinated bonds	225		225	
Derivative financial instruments	2		11	
Total long-term debt		1,146		1,390
Long-term debt to subsidiaries		59		235
Deferred tax liabilities		4		9
Provisions note 33		4		5
Total non-current liabilities		**1,213**		**1,639**
Shareholders' equity note 34		1,194		1,098
Total financing		**2,407**		**2,737**

As provided in section 402 of the Dutch Civil Code, Book 2, the income statement of Wolters Kluwer nv includes only the after-tax results of subsidiaries and other income after tax, as Wolters Kluwer nv's figures are included in the consolidated financial statements.
Unless otherwise indicated, the figures in these financial statements are in millions of euros.

Notes to the Financial Statements of Wolters Kluwer nv

ACCOUNTING POLICIES

The financial statements of Wolters Kluwer nv are prepared in accordance with the Dutch Civil Code, Book 2, Title 9, with the application of the regulations of section 362.8 allowing the use of the same accounting policies as applied for the consolidated financial statements. These accounting policies are described in the → Notes to the Consolidated Financial Statements.

Subsidiaries are valued using the equity method, applying the IFRS accounting policies endorsed by the European Union.

Any related party transactions between subsidiaries, associates, investments, and with members of the Supervisory Board and the Executive Board and the (ultimate) parent company Wolters Kluwer nv are conducted on an at arm's length basis with terms comparable to transactions with third parties.

Personnel Expenses

note 29

Personnel expenses	**2006**	2005
Salaries and wages	25	23
Social security charges	3	2
Costs of defined benefit plans	2	1
Share-based payments	10	12
Total	**40**	**38**

The costs of the share-based payments relate to the LTIP. In 2005 all costs (€12 million), relating to the LTIP 2004-06 and 2005-07 were recognized in the income statement of Wolters Kluwer nv. In 2006, the costs of the share-based payments of €10 million for the LTIP 2004-06, 2005-07 and 2006-08 relate only to the Executive Board and Corporate staff. The costs of the LTIP relating to management and other employees of the divisions have been recognized in the divisions. For the remuneration of the Executive Board and the Supervisory Board, see → note 27.

Financial Assets

note 30

Financial assets	2006	2005
Equity value of subsidiaries	(322)	(642)
Long-term receivables from subsidiaries	3,244	2,931
Derivative financial instruments	10	22
Total	**2,932**	**2,311**

Equity value of subsidiaries	2006	2005
Equity value of subsidiaries at January 1	(642)	(450)
Movements related to restatements	0	4
Movements related to results	240	197
Movements related to exchange differences	49	(85)
Movements related to dividend payments	(5)	(310)
Actuarial gain/(loss) on employee benefits	36	2
Equity value of subsidiaries at December 31	**(322)**	**(642)**

Accounts Receivable

note 31

Accounts receivable	2006	2005
Receivables from subsidiaries	810	1,212
Derivative financial instruments	4	108
Interest receivable	0	0
Current tax receivable	0	29
Other receivables	4	1
Total	**818**	**1,350**

Current Liabilities

note 32

Current liabilities	**2006**	2005
Debt to subsidiaries	390	468
(Subordinated) bonds	228	661
Multi-currency roll-over facility 2004-2011	676	–
Bank overdrafts	6	20
Derivative financial instruments	0	14
Interest payable	61	64
Current tax payable	1	–
Other liabilities	29	22
Total	**1,391**	**1,249**

For an explanation of the non-current liabilities, see → note 19.

Provisions

note 33

Provisions	**2006**	2005
Provision for pensions	2	3
Provision for restructuring commitments	2	2
Total	**4**	**5**

Shareholders' Equity

note 34

Statements of changes in equity of Wolters Kluwer nv	Issued share capital	Share premium reserve	Legal reserve	Translation reserve	Treasury shares	Retained earnings	Un-distributed profit	Share-holders' equity
Balance at January 1, 2005	**36**	**91**	**9**	**(147)**	**(53)**	**461**	**311**	**708**
Exchange differences on translating foreign operations				252				252
Gains/(losses) on hedges of net investments in foreign operations				(78)				(78)
Actuarial gains/(losses) on employee benefits						3		3
Tax on items taken directly to or transferred from equity						(1)		(1)
Net income recognized directly in equity	–	–	–	174	–	2	–	176
Profit for the year							260	260
Total recognized income and expense for the year	–	–	–	174	–	2	260	436
Appropriation of profit previous year						311	(311)	0
Share-based payments						12		12
Cash dividend 2004						(69)		(69)
Stock dividend 2004	1	(1)						0
Exercise of share options					12	(1)		11
Other movements				58		(58)		0
Balance at December 31, 2005	**37**	**90**	**9**	**85**	**(41)**	**658**	**260**	**1,098**
Exchange differences on translating foreign operations				(211)				(211)
Gains/(losses) on hedges of net investments in foreign operations				12				12
Gains/(losses) on cash flow hedges				(2)				(2)
Actuarial gains/(losses) on employee benefits						38		38
Tax on items taken directly to or transferred from equity						16		16
Net income recognized directly in equity	–	–	–	(201)	–	54	–	(147)
Profit for the year							321	321
Total recognized income and expense for the year	–	–	–	(201)	–	54	321	174
Appropriation of profit previous year						260	(260)	0
Share–based payments						17		17
Cash dividend 2005						(80)		(80)
Stock dividend 2005	0	0						0
Exercise of share options					7	(3)		4
Repurchased shares					(19)			(19)
Balance at December 31, 2006	**37**	**90**	**9**	**(116)**	**(53)**	**906**	**321**	**1,194**

Commitments and Contingent Liabilities

note 35

Guarantees

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

The company has issued a guarantee on behalf of one of its foreign subsidiaries for an amount of €20 million.

Other

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

Amsterdam, February 27, 2007

Supervisory Board
A. Baan, *Chairman*
J.V.H. Pennings, *Deputy Chairman*
L.P. Forman
A.J. Frost
S.B. James
H. Scheffers
P.N. Wakkie

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

Other Information on the Financial Statements

AUDITOR'S REPORT

To: the Annual General Meeting of Shareholders of Wolters Kluwer nv

Report on the financial statements

We have audited the 2006 financial statements of Wolters Kluwer nv, Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, income statement, statement of recognized income and expense, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2006, the company income statement for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Executive Board 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 entity'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 entity'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 with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Wolters Kluwer nv as at December 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Wolters Kluwer nv as at December 31, 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 and regulatory 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 Report of the Executive Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, February 27, 2007

KPMG ACCOUNTANTS N.V.
H.H.J. Dijkhuizen RA

APPROPRIATION OF PROFIT FOR THE YEAR

Article 29 of the Articles of Association

Paragraph 1. From the profit as it appears from the annual accounts adopted by the General Meeting of Shareholders, a dividend shall be distributed on the preference shares, whose percentage is equal to that of the average of the interest rate on basic refinancing transactions of the European Central Bank – weighted according to the number of days on which this interest rate applied – during the financial year or part of the financial year for which the dividend is distributed, increased by three. The dividend on the last-mentioned preference shares shall be calculated on an annual basis on the paid-up part of the nominal amount. If in any financial year the distribution referred to in the first full sentence cannot be made or can only be made in part because the profits are not sufficient, the deficiency shall be distributed from the distributable part of the company's equity. No further dividend shall be distributed on the preference shares.
Paragraph 2. Subsequently such allocations to reserves shall be made as the Executive Board shall determine, subject to the approval of the Supervisory Board.
Paragraph 3. Any balance remaining after that shall be distributed at the disposal of the General Meeting of Shareholders.
Paragraph 5. Distribution of profit shall be made after adoption of the annual accounts showing that it is permitted.
Paragraph 7. If a loss is suffered for any year that loss shall be transferred to a new account for set-off against future profits and for that year no dividend

shall be distributed. On the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting of Shareholders may resolve, however, to wipe off such a loss by writing it off on a reserve that need not be maintained according to the law.

Article 30 of the Articles of Association

Paragraph 1. On the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting of Shareholders may resolve that a distribution of dividend on ordinary shares shall be made entirely or partially not in money but in ordinary shares in the capital of the company. *Paragraph 2*. On the proposal of the Executive Board that has been approved by the Supervisory Board, the General Meeting may resolve on distributions in money or in the manner as referred to in Paragraph 1 to holders of ordinary shares against one or more reserves that need not be maintained under the law.

Proposed cash distribution

in millions of euros

	2006	2005
Proposed cash distribution	179	167
Total	**179**	**167**

Pursuant to Article 30 of the Articles of Association, and with the approval of the Supervisory Board, a proposal will be submitted to the Annual General Meeting of Shareholders to make a distribution of €0.58 per share in cash or in shares at a ratio to be determined and announced on April 27, 2007.

Other Information

10-Year Key Figures

Key Figures	IFRS 2006	IFRS 2005	IFRS 2004	2003 [1]	2002 [1]	2001 [1]	2000 [1]	1999 [1]	1998 [1]	1997 [1]
Revenues	3,693	3,374	3,261	3,436	3,969	3,837	3,664	3,081	2,739	2,364
Operating profit	497	432	407	91	264	459	514	692	600	504
Profit for the year, attributable to equity holders of the parent	321	260	311	(69)	382	140	186	358	309	263
Ordinary EBITDA	705	624	619	722	881	919	878	813	732	613
Ordinary EBITA	618	533	516	610	763	812	789	735	668	552
Ordinary net income	387	327	307	349	442	436	412	410		
(Proposed) Dividend/cash distribution	179	167	164	161	156	150	140	128	110	93
Dividend proposal in % of ordinary net income	46.2	51.3	53.4	46.1	35.3	34.4	34.0	31.2		
Payout in % of profit for the year, attributable to equity holders of the parent	55.8	64.3	52.7	n.a.	40.8	107.1	75.3	35.7	35.7	35.4
Free cash flow	443	351	456	393	400	328	363	386		
Cash conversion (ratio)	1.00	1.06	1.26	1.09	0.91					
Equity attributable to equity holders of the parent	1,194	1,098	704	861	1,278	1,379	1,146	1,488	1,011	823
Guarantee equity [2]	1,421	1,551	1,162	1,499	2,100	2,200	1,744	2,089	1,616	1,243
Net (interest-bearing) debt [3]	2,050	1,637	1,527	1,900	2,664	2,821	2,614	2,363	2,202	1,659
Capital employed	2,819	2,878	3,088	3,691	4,590	4,779	3,951	4,132	3,531	2,668
Total assets	5,653	5,440	5,022	5,044	6,161	6,520	5,792	5,696	4,743	3,771
Amortization of goodwill, publishing rights, and impairments	121	81	65	423	415	353	275	89	68	48
Net capital expenditure	99	86	73	92	147	151	124	117	74	96
Amortization of other intangible assets and depreciation of Property, Plant and Equipment	87	91	103	112	118	107	89	78	64	60
As % of revenues										
Operating profit	13.5	12.8	12.5	2.6	6.7	12.0	14.0	22.5	21.9	21.3
Profit for the year, attributable to equity holders of the parent	8.7	7.7	9.5	(2.0)	9.6	3.7	5.1	11.6	11.3	11.1
Ordinary EBITDA	19.1	18.5	19.0	21.0	22.0	23.9	24.0	26.4	26.7	25.9
Ordinary EBITA	16.7	15.8	15.8	17.8	19.2	21.2	21.5	23.9	24.4	23.4
Ordinary net income	10.5	9.7	9.4	10.2	11.1	11.4	11.3	13.3		
ROIC	7.2	6.9	6.8	7.1	8.1					
Net interest coverage [4]	6.0	5.2	5.3	5.4	5.5	4.5	4.4	5.1	5.3	5.5
Net debt to ordinary EBITDA	2.9	2.6	2.5	2.6	3.0	3.1	3.0	2.9	3.0	2.7
Net gearing [5]	1.7	1.5	2.2	2.2	2.1	2.0	2.3	1.6	2.2	2.0
Equity to capital employed	0.42	0.38	0.23	0.23	0.28	0.29	0.29	0.36	0.29	0.31
Guarantee equity to total assets	0.25	0.29	0.23	0.30	0.34	0.34	0.30	0.37	0.34	0.33

Information per share (€)	IFRS 2006	IFRS 2005	IFRS 2004	2003 [1]	2002 [1]	2001 [1]	2000 [1]	1999 [1]	1998 [1]	1997 [1]
On the basis of fully diluted:										
■ Diluted earnings per share	1.03	0.85	1.04	(0.24)	1.30	0.52	0.68	1.29	1.12	0.96
■ Diluted ordinary earnings per share	1.23	1.06	1.02	1.18	1.50	1.54	1.47	1.48	1.34	1.13
■ Diluted free cash flow per share	1.41	1.14	1.51	1.32	1.36	1.17	1.30	1.39		
Weighted average number of shares, diluted (millions)	321.4	316.6	310.1	309.3	306.2	289.7	284.2	281.2	278.9	276.7
Ordinary earnings per share	1.26	1.08	1.04	1.20	1.56	1.55	1.48	1.48	1.34	1.13
Earnings per share	1.04	0.86	1.05	(0.24)	1.34	0.50	0.67	1.29	1.12	0.96
Free cash flow per share	1.44	1.16	1.54	1.36	1.41	1.16	1.30	1.39		
Dividend/cash distribution per share	[6] 0.58	0.55	0.55	0.55	0.55	0.53	0.50	0.46	0.40	0.34
Weighted average number of shares issued (millions)	307.1	302.4	295.6	289.8	284.3	281.8	279.4	277.2	274.8	272.7
Stock Exchange										
Highest quotation	22.47	17.45	15.55	17.35	26.45	33.00	44.30	48.56	45.72	33.09
Lowest quotation	16.67	13.31	11.90	8.66	13.40	20.51	20.10	27.30	28.54	23.84
Quotation at December 31	21.79	17.08	14.77	12.40	16.60	25.60	29.04	33.60	45.58	29.71
Average daily trading volume of Wolters Kluwer on Euronext Amsterdam nv, (thousands of shares)	1,573	1,393	1,245	1,660	1,129	2,037	2,750	2,160	2,100	1,492
Employees										
Headcount at December 31	19,901	18,452	18,393	19,689	20,833	20,297	19,209	18,793	17,431	15,385
In full time equivalents at December 31	18,871	17,419	17,515	18,687	19,617	19,317	18,269	17,812	16,505	14,538
In full time equivalents average per annum	19,704	18,467	18,270	19,540	20,284	19,766	19,009	17,452	16,297	14,543

[1] Figures for the years 1997-2001 have not been restated. Figures for the years 2002 and 2003 have been restated for Dutch GAAP changes. As of 2005 IFRS has been applied. 2004 figures are restated for IFRS.
[2] The guarantee equity is defined as the sum of total equity, subordinated (convertible) bonds, and perpetual cumulative bonds.
[3] The net (interest-bearing) debt is defined as the sum of (long-term) loans, unsubordinated convertible bonds, perpetual cumulative subordinated bonds, bank overdrafts minus cash and cash equivalents, deferred acquisition payments, and value of derivative financial instruments.
[4] Ratio between ordinary EBITA and net interes costs.
[5] Net gearing is defined as net (interest-bearing) debt divided by total equity.
[6] Proposed dividend/cash distribution per share.