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).