2005 Annual Report

Being partner in innovation with our professional customers is deeply important to Wolters Kluwer and at the heart of our competitive advantage. We lead in our markets because we are continuously striving to be the business partner who best understands our professional customers and their work. When we succeed at this, we are The Professional's First Choice, and this is our ultimate commitment to the professionals we serve.

The Professional's First Choice

Our values and commitment to all stakeholders

Our Company values enable us to meet high professional and ethical standards. They are guidelines for all employees of Wolters Kluwer and are designed to facilitate the achievement of our Company goals. Our values are central to our company's future success and represent the common bond across all Wolters Kluwer businesses and employees.

Customer focus

Customers are the center of everything we do. We

- provide customers with high-quality, innovative products that improve their expertise, productivity, and education;
- listen to customers and develop flexible and creative ways to meet their needs;
- treat customers with professionalism, honesty, and respect.

Innovation

We create solutions that are bold and forward-looking. We

- aim for continuous improvement within our products and services;
- achieve a competitive advantage through new ideas and creative approaches;
- approach challenges with a problem-solving and optimistic attitude.

Accountability

We are fully responsible for our actions and performance. We

- strive for results with a strong sense of urgency;
- take individual responsibility for meeting customers' needs and shareholders' expectations;
- are determined to succeed.

Integrity

We are direct, honest, transparent, and fair in our business dealings. We

- communicate openly and honestly;
- respect diversity and others' ideas and points of view;
- behave in a fair and transparent manner.

Value creation

We create value for our customers, employees, and shareholders. We

- work hard and smart;
- set high expectations for product quality and building customer relationships;
- ensure our daily actions contribute to meeting the goals of the Company and satisfying our customers.

CUSTOMERS
UNITED STATES & CANADA
ACCOUNTANTS
ACCOUNTING FIRMS
ALLIED HEALTH PROFESSIONALS
BANKERS
BANKS
BROKERAGE COMPANIES
BROKER-DEALERS
BUSINESS COMPLIANCE PROFESSIONALS
CORPORATE AUDITING DEPARTMENTS
CORPORATE LAW DEPARTMENTS
CORPORATE LEGAL COUNSELS
CORPORATIONS
CREDIT UNIONS
FINANCIAL PROFESSIONALS
GOVERNMENT AGENCIES
HOSPITAL ADMINISTRATORS
HUMAN RESOURCES OFFICERS
INSURANCE FIRMS
INSURERS
INVESTMENT ADVISERS
LAW FIRMS
LAWYERS
LECTURERS
LEGAL EDUCATORS
MORTGAGE LENDERS
MUTUAL FUND COMPANIES
NURSES
PERSONNEL MANAGERS
PHARMACISTS
PHYSICIANS
RESEARCHERS
STUDENTS
TAX SPECIALISTS
THRIFT INSTITUTIONS

CUSTOMERS
EUROPE
ACCOUNTANTS
ACCOUNTING FIRMS
ALLIED HEALTH PROFESSIONALS
BUSINESS COMPLIANCE PROFESSIONALS
CORPORATE AUDITING DEPARTMENTS
CORPORATE LAW DEPARTMENTS
CORPORATE LEGAL COUNSELS
CORPORATIONS
FINANCIAL PROFESSIONALS
GOVERNMENT AGENCIES
HOSPITAL ADMINISTRATORS
HUMAN RESOURCES OFFICERS
LAW FIRMS
LAWYERS
LECTURERS
LEGAL EDUCATORS
NURSES
PARENTS
PERSONNEL MANAGERS
PHARMACISTS
PHYSICIANS
RESEARCHERS
STUDENTS
TAX SPECIALISTS
TEACHERS
TRANSPORT BUSINESSES

CUSTOMERS
SOUTH AMERICA
ALLIED HEALTH PROFESSIONALS
CORPORATE AUDITING DEPARTMENTS
CORPORATE LAW DEPARTMENTS
CORPORATE LEGAL COUNSELS
CORPORATIONS
HOSPITAL ADMINISTRATORS
LAWYERS
LEGAL EDUCATORS
NURSES
PHARMACISTS
PHYSICIANS
RESEARCHERS
STUDENTS
TAX SPECIALISTS

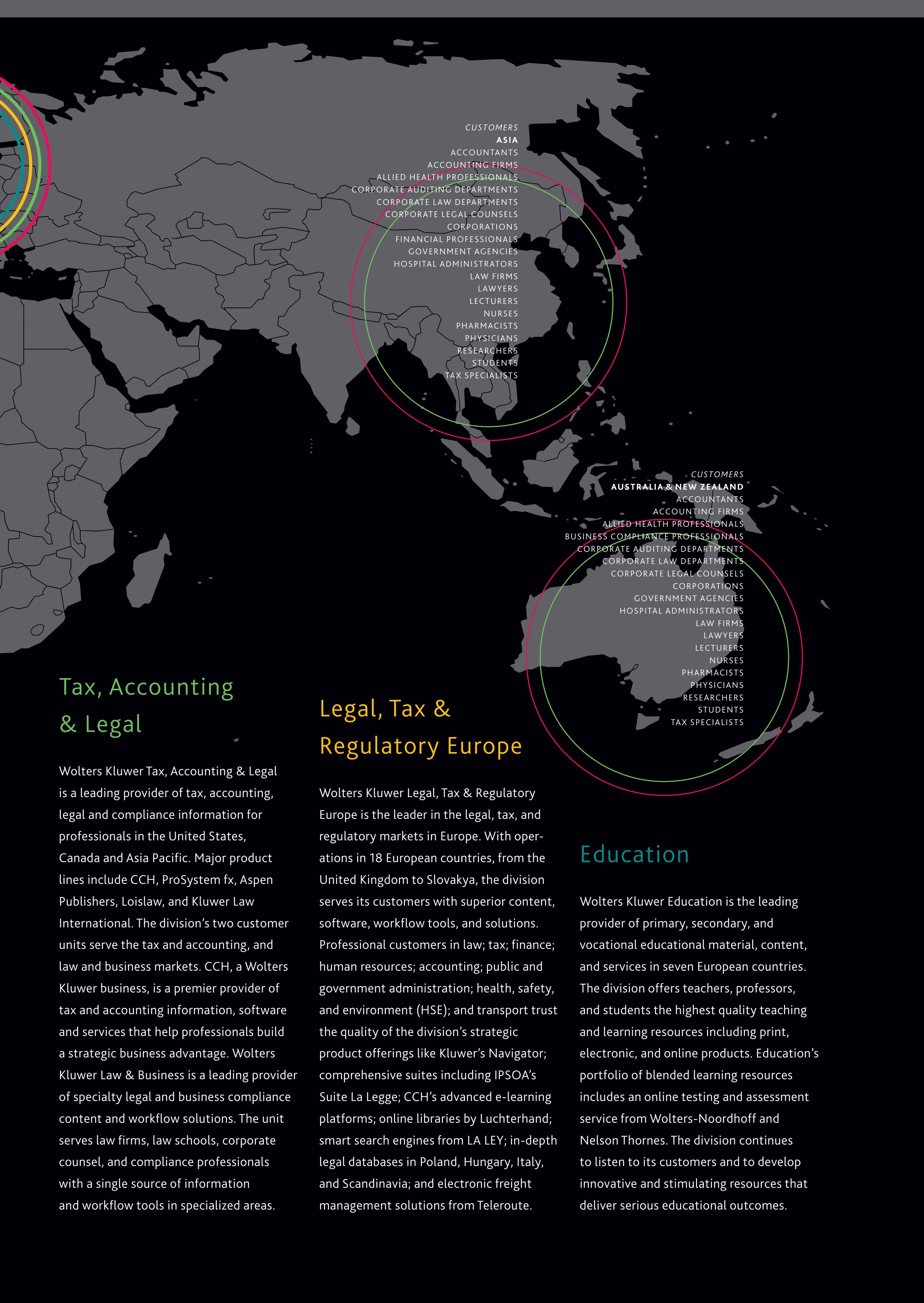
Wolters Kluwer Markets Overview per Division

Health

Wolters Kluwer Health is a leading provider of best-in-class medical and pharmaceutical information via online tools, databases, and point-of-care delivery channels. With operations in North America, Europe, Asia Pacific, and South America, the division can best serve the needs of its global customers by supporting their workflows. Customers include hospitals, libraries, research organizations, medical professionals, students, and biotech and pharmaceutical professionals. Health has some of the world's most trusted brands such as Lippincott Williams & Wilkins, Facts & Comparisons, Ovid, Medi-Span, Adis, and Source.

Corporate & Financial Services

Wolters Kluwer Corporate & Financial Services is a market leader providing intelligent legal, regulatory, and compliance support services, documentation, information, and workflow and operational risk management software. Throughout the United States, the division empowers corporate legal professionals, banks, mortgage lenders, credit unions, securities organizations, and insurance companies. Its well-known products and services, including CTAdvantage, UCC Direct, CT TyMetrix, CT Corsearch, EDGAR Solutions, Bankers Systems, VMP Mortgage Solutions, GainsKeeper, CCH Capital Changes, NILS INSource, and Uniform Forms, are all focused on helping customers effectively manage their compliance and regulatory risks.



Tax, Accounting & Legal

Wolters Kluwer Tax, Accounting & Legal is a leading provider of tax, accounting, legal and compliance information for professionals in the United States, Canada and Asia Pacific. Major product lines include CCH, ProSystem fx, Aspen Publishers, Loislaw, and Kluwer Law International. The division's two customer units serve the tax and accounting, and law and business markets. CCH, a Wolters Kluwer business, is a premier provider of tax and accounting information, software and services that help professionals build a strategic business advantage. Wolters Kluwer Law & Business is a leading provider of specialty legal and business compliance content and workflow solutions. The unit serves law firms, law schools, corporate counsel, and compliance professionals with a single source of information and workflow tools in specialized areas.

Legal, Tax & Regulatory Europe

Wolters Kluwer Legal, Tax & Regulatory Europe is the leader in the legal, tax, and regulatory markets in Europe. With operations in 18 European countries, from the United Kingdom to Slovakya, the division serves its customers with superior content, software, workflow tools, and solutions. Professional customers in law; tax; finance; human resources; accounting; public and government administration; health, safety, and environment (HSE); and transport trust the quality of the division's strategic product offerings like Kluwer's Navigator; comprehensive suites including IPSOA's Suite La Legge; CCH's advanced e-learning platforms; online libraries by Luchterhand; smart search engines from LA LEY; in-depth legal databases in Poland, Hungary, Italy, and Scandinavia; and electronic freight management solutions from Teleroute.

Education

Wolters Kluwer Education is the leading provider of primary, secondary, and vocational educational material, content, and services in seven European countries. The division offers teachers, professors, and students the highest quality teaching and learning resources including print, electronic, and online products. Education's portfolio of blended learning resources includes an online testing and assessment service from Wolters-Noordhoff and Nelson Thornes. The division continues to listen to its customers and to develop innovative and stimulating resources that deliver serious educational outcomes.

Wolters Kluwer 2005 Annual Report

THE PROFESSIONAL'S FIRST CHOICE

AT WOLTERS KLUWER,

WE EXCEL AT CREATING

HIGH-QUALITY CONTENT

FOR USE IN A PROFESSIONAL CONTEXT

IN THE FIELDS OF HEALTH, CORPORATE SERVICES,

FINANCE, TAX, ACCOUNTING, LAW,

REGULATION, AND EDUCATION.

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Headquarters

Amsterdam, the Netherlands

Stock listing

Euronext Amsterdam:
WLSNC.AS, stock code 39588,
ISIN code NL0000395887;
included in the AEX
and Euronext 100 indices.

Content in Context

Content in Context

At Wolters Kluwer, we excel at creating high-quality content for use in a professional context in the fields of health, corporate services, finance, tax, accounting, law, regulation, and education. We are professionals serving professionals and are committed to delivering essential content, software, and services to help our customers make their most critical business decisions. Utilizing the latest in information technology, we ensure that our customers have the solutions they need, when they need them, and in the media best suited to their requirements. When we achieve this, we deliver on our goal of being the market leader in content in context.

The Professional's First Choice

Wolters Kluwer professionals are continuously engaged in an ongoing exchange of expertise and ideas with our customers about their work. This partnership in innovation is fundamental to meeting our commitment to the lawyers, doctors, nurses, tax advisors, teachers, and business executives we serve. Knowledge of their professional workflows and the ability to apply emerging technologies to make them more efficient and productive are at the heart of this partnership.

Leading positions and brands

Strong market positions are very important to our business strategies at Wolters Kluwer, and we value the leading positions we hold in most of our markets. Across all of our markets, we own strong, enduring brands such as Adis, Bankers Systems, Bildungsverlag EINS, CCH, Croner, CT, Ipsoa, Kluwer, Lamy, LA LEY, Liber, Lippincott Williams & Wilkins, Luchterhand, Ovid, Teleroute, and Wolters-Noordhoff. These brands have promised and delivered high-quality information for decades, and we are committed to continuing to do everything necessary to earn, retain, and expand leadership positions in our selected markets.

Strategy for growth

2005 marks the completion of the second year of the three-year plan to strengthen and transform Wolters Kluwer in order to deliver sustainable growth and long-term shareholder value. By reorganizing Wolters Kluwer for growth, reducing costs through structural improvements, and investing in growth around our leading market positions, Wolters Kluwer is creating value for its customers, shareholders, and employees. Our strong market positions and superior brands provide the foundation for further growth and increased efficiencies of scale as Wolters Kluwer continues to build for the future.

As we begin 2006 and enter the third and final year of our plan, we are a stronger company.

Message from the Chairman

Nancy McKinstry
CEO and Chairman of the Executive Board

2005 was a successful year for Wolters Kluwer. It also marks the completion of the second year of our three-year plan to strengthen and transform Wolters Kluwer in order to deliver sustainable growth and long-term shareholder value. Over the last twelve months, we have achieved healthy growth in our revenues and operating income while we invested in new products, revamped our portfolio, and restructured our business. We have continued a significant transformation of the Legal, Tax & Regulatory Europe division and made key acquisitions across the Company to strengthen and extend our business portfolio and market positions.

In addition, we have invested to augment our senior management team and launched operational excellence, talent management, and innovation initiatives. Finally, consistent with this renewal, we have updated our branding strategy for Wolters Kluwer.

Our results in 2005 demonstrate that our strategy of delivering proprietary information and integrated software solutions to our customers is providing a strong platform for growth and improved profitability. In each of our major markets – legal, tax, accounting, health, corporate and financial services, and education – we are extending our customer relationships by providing essential products and services which improve decision-making and productivity. These strong market positions and superior brands provide the foundation for further growth and increased scale efficiencies as we continue the transformation of Wolters Kluwer.

As we begin 2006 and enter the third and final year of our plan, we are a stronger company. We have better market positions and product portfolios, more disciplined and streamlined operations, and greater capabilities at all levels of the organization.

2005 results

For the year, Wolters Kluwer performed in line with or above all six key performance indicators we use to measure our results. Revenues increased 3% to €3.4 billion. Importantly, organic growth was 2.2%, a significant increase over 2004 levels of 0.7%. Ordinary operating income grew by 3% to €533 million and operating margins remained at 16%, reflecting the continued investments in new and enhanced products, the restructuring of several European operations, and the implementation of shared services. Diluted ordinary earnings per share increased 4% to €1.06. Free cash flow remained strong at €351 million, enabling us to fund growth, continue our restructuring programs, and return value to shareholders through dividends.

Investing in growth

In 2005, we continued our investments in growth through the launch of new and enhanced products and services, especially online and software solutions. Investments in product development reached approximately €250 million in 2005, a 13% increase over 2004 levels which reflects the Company's commitment to achieving sustainable growth. These investments supported the improved growth performance of several divisions, most notably Health, Corporate & Financial Services, and Tax, Accounting & Legal. Within Europe, Italy, Central Europe, France, Spain, and Teleroute also achieved good performance by developing new products and workflow solutions for their customers.

Our customers reacted positively to this investment by continuing to adopt our online products and software solutions, and in 2005, we experienced double-digit growth in electronic products. Today, 39% of our revenues result from electronic products including online and software products, a significant increase over 2004's level of 35%. In 2005, we also invested to strengthen our sales and marketing capabilities, particularly within our European businesses. These investments have resulted in improved retention rates and support our strategy of driving the penetration of online and integrated solutions in the market.

2005 saw a renewed approach to strategic acquisitions. These acquisitions enabled us to expand our positions in key growth markets and provide our customers with broader product offerings and end-to-end solutions. For example, the acquisition of NDC Health's Information Management business provides our Health division with a product suite of value-added databases and information solutions which support our offerings across the entire continuum of discovery, development, and distribution for the life sciences industry. In Italy, the acquisition of two major publishing companies in the public administration, legal, tax, and business markets – De Agostini Professionale and UTET Professionale – paved the way for expansion into new professional publishing market segments, such as public administration, and strengthened our positions in the legal and tax market segments. The acquisition of PCi in North America extended our product offerings within the financial markets, providing customers with solutions for mortgage compliance.

Achieving operating cost efficiencies

We continue to achieve operating efficiencies through the implementation of structural cost-saving programs. Progress was made in Belgium, the Netherlands, and the United Kingdom, where major restructuring programs are underway. The investment in shared services was ongoing in 2005 for both Europe, through the rollout of an on SAP-based system in three countries, and for North America, with the implementation of shared services for human resources management and data center operations.

We also have begun the implementation of Six Sigma initiatives throughout several divisions in order to drive quality, customer service, and productivity through a rigorous process-improvement methodology. By year end, our cost base was improved by €100 million, an amount which exceeded the target originally set for 2005.

Building close customer relationships

We believe that one of our core competitive advantages is the depth of knowledge we have about our customers, the nature of their work, and the ways in which we can partner effectively with them. The strength of our products is grounded in our customer understanding and partnership, and through close communication and collaboration we develop products and services to make our customers' work more productive. Throughout 2005, we invested in building deeper knowledge of our customer needs through formal and informal customer programs.

Introducing a single brand with shared strengths

The new visual icon that Wolters Kluwer and all its operating units began adopting on March 21, 2005, is emblematic of the Company's strongest attributes: high-quality content in the professional's context; diversity of customers and employees; and innovative and technologically advanced solutions. Combining our respected and well-known brands under the Wolters Kluwer umbrella brand identity increases our visibility to customers. Internally, a single brand unifies our business units and supports a winning culture.

Supporting core values and long-term value creation

Ultimately, it all comes down to our people. Our 2005 results have been achieved through the hard work and dedication of all employees throughout Wolters Kluwer. I am fortunate to lead a group of individuals who share a common commitment to deliver value to our customers and shareholders. From the announcement of our new strategy in 2003, our employees have embraced the new initiatives we have implemented in connection with customers, products, and processes. It is their knowledge, creativity, and energy that have fueled the transformation of this company. In 2005, opportunities grew for all employees to take part in the discussion of Wolters Kluwer's strategy, vision, and values through town hall meetings and strategic task forces. We also developed a global framework for leadership criteria and established a talent management program to identify and foster high performers within the Company.

On behalf of the Executive Board of Wolters Kluwer and all employees, I would like to express my appreciation to our shareholders and customers for their continued confidence in our long-term strategy.

I also would like to express my gratitude and appreciation to the members of the Supervisory Board and in particular to Mr. De Ruiter, who will retire later this year. His personal commitment and dedication to the Company as Member and Chairman of the Supervisory Board for many years contributed greatly to the success of Wolters Kluwer.

We look forward to the future with confidence in our strategy and our capabilities to deliver sustainable, profitable growth.

Nancy McKinstry
CEO and Chairman of the Executive Board

Nancy McKinstry, *Chairman*

Boudewijn Beerkens

Jean-Marc Detailleur

Executive Board

Nancy McKinstry

- United States, 1959
- Chief Executive Officer and Chairman of the Executive Board since September 1, 2003
- Member of the Executive Board since June 1, 2001

Nancy McKinstry is CEO and Chairman of the Executive Board of Wolters Kluwer. Named to her current position in 2003, Ms. McKinstry is spearheading a strategy to continue to strengthen the Company's leading market positions, reduce costs, and deliver growth through a customer-focused business structure. Ms. McKinstry is responsible for the five Business Divisions, Corporate Strategy, Business Development, Legal Affairs, and Corporate Communications. Before assuming her present position in 2003, she gained more than a decade of experience at Wolters Kluwer and its operating companies in North America. Most recently she was an Executive Board Member of the Company and previously was CEO of Wolters Kluwer's operations in North America. She also served as President and CEO of CCH Legal Information Services, now a part of the Wolters Kluwer Corporate & Financial Services division. Earlier, Ms. McKinstry held product management positions with CCH INCORPORATED, now part of the Wolters Kluwer Tax, Accounting & Legal division. During her tenure at CCH, the company emerged as a leading provider of electronic publishing products. In 1999, she worked briefly as CEO of SCP Communications, a medical information company, before rejoining Wolters Kluwer to head North American operations. Early in her career, Ms. McKinstry held management positions with Booz Allen Hamilton, an international management-consulting firm, where she focused on assignments in the media and publishing industries. Ms. McKinstry holds an MBA in Finance and Marketing from Columbia University, New York. At the University of Rhode Island, she graduated Phi Beta Kappa with a Bachelors Degree in Economics and holds the honorary degree of Doctor of Laws. She remains a member of the University Club and the Advisory Board for the University of Rhode Island. Ms. McKinstry is a member of the Board of Directors of leading telecom supplier, Ericsson; a member of the Board of U.S. real estate mortgage company, MortgageIT; a member of the Board of Directors of the American Chamber of Commerce in the Netherlands; and a member of the Board of Directors of Tias Business School, the Netherlands.

Boudewijn Beerkens

- The Netherlands, 1963
- Member of the Executive Board since May 1, 2003
- Chief Financial Officer since November 1, 2002

Boudewijn Beerkens has been a member of the Executive Board of Wolters Kluwer since May 2003 and Chief Financial Officer since November 2002. Mr. Beerkens is responsible for Accounting, Business Analysis & Control, Internal Audit and Internal Controls, Investor Relations, Mergers & Acquisitions, Risk Management, Taxation, and Treasury. Prior to his present position at Wolters Kluwer, Mr. Beerkens was Managing Partner at PricewaterhouseCoopers, responsible for the Corporate Finance and Recovery team. Before assuming his role at Pricewaterhouse-Coopers in 1991, Mr. Beerkens held a position at Vendex do Brasil where he was charged with responsibility for strategic development of the Food division in Brazil. His banking expertise derives from his time with Citicorp Investment Bank in London. Mr. Beerkens holds an MBA degree in Business Administration from the Rotterdam School of Management of the Erasmus Universiteit, Rotterdam, and a Masters Degree in both Dutch Civil Law and Notarial Law from the Vrije Universiteit, Amsterdam. In addition, Mr. Beerkens is a member of the Supervisory Board of Goedland N.V., a member of the Executive Committee of Amsterdam Partners, a member of the Advisory Committee of Bencis Capital Partners, a member of the Council of Trustees of the RCOAK (Roomsch Catholijk Oude Armen Kantoor), and a Founding Friend of the United World Colleges Nederland.

Jean-Marc Detailleur

- France, 1947
- Member of the Executive Board since January 1, 1999

Jean-Marc Detailleur has been a member of the Executive Board of Wolters Kluwer since the end of 1998. Mr. Detailleur is responsible for Teleroute, Human Resources, and Sustainable Entrepreneurship. Prior to assuming his present position, he was Resident Director of Wolters Kluwer France. Before joining Wolters Kluwer in 1989, Mr. Detailleur held a succession of senior positions with Lamy and Groupe Liaisons. Prior to this he held several HR and operational positions, among others with Groupe DMC Hachette and Pechiney. Mr. Detailleur was Chairman of the FNPS (Federation Nationale Presse d'Information Specialisée) from 1995 to 1998 and Chairman of ECHR (European Club of Human Resources) in Brussels from 2002 to 2004. He holds a Diplôme d'Etudes Supérieures de Droitand, a Diplôme d'Etude Supérieures de Sciences Politiques as well as a Diplôme de l'Institut d'Etudes Politiques de Paris.

Henny de Ruiter, *Chairman*

Harry Pennings, *Deputy Chairman*

Adri Baan

Len Forman

Jane Frost

Henk Scheffers

Peter Wakkie

Supervisory Board

Henny de Ruiter, *Chairman*
The Netherlands, 1934
Appointed in 1994,
current term until 2006
Member of the Selection and Remuneration Committee and Member of the Audit Committee

Position
Former Executive Board Member of Royal Nederlandsche Petroleum Maatschappij nv and former member of the Group Executive Board of the Royal Dutch Shell Group

Harry Pennings, *Deputy Chairman*
The Netherlands, 1934
Appointed in 1995,
current term until 2007
Chairman of the Selection and Remuneration Committee

Position
Former Chairman of the Executive Board of Océ nv

Supervisory Directorships
Chairman of the Supervisory Boards of Essent nv,
NV Industriebank LIOF, and AZL nv; member of the Supervisory Boards of Océ nv, and Berenschot Holding bv

Adri Baan
The Netherlands, 1942
Appointed in 2002, current term until 2006 and Member of the Selection and Remuneration Committee and Member of the Audit Committee

Position
Former Executive Board Member of Royal Philips Electronics nv

Supervisory Directorships
Member of the Supervisory Boards of Océ nv, Hagemeyer nv and Koninklijke Volker Wessels Stevin nv; Non-Executive Director of ICI Ltd. (United Kingdom), Port of Singapore Authority Europe Ltd., International Power Plc. (United Kingdom); and Chairman of the Supervisory Committee of the Authority for the Financial Markets, the Netherlands

Len Forman
United States, 1945
Appointed in 2005,
current term until 2009
Member of the Audit Committee

Position
Executive Vice President and
Chief Financial Officer of
the New York Times Company
(United States)

Jane Frost
United Kingdom, 1957
Appointed in 2001,
current term until 2009

Position
Director of Consumer Strategy,
Department of Constitutional
Affairs (U.K. Government)

Supervisory Directorships
Non-Executive Director and
Trustee of Lowry Arts Centre
(United Kingdom) and
BBC Children in Need
(United Kingdom)

Additional Positions
Supervisory Council Member
and Chair of HTI Education Trust;
Fellow Chartered Institute of
Marketing; and Fellow Royal
Society of Arts (United Kingdom)

Henk Scheffers
The Netherlands, 1948
Appointed in 2004,
current term until 2008
Chairman of the
Audit Committee

Position
Member of the Executive Board
of Directors of SHV Holdings nv

Supervisory Directorships
Chairman of the Supervisory
Boards of NPM Capital nv
and the David J. Joseph Company

Peter Wakkie
The Netherlands, 1948
Appointed in 2005,
current term until 2009

Position
Chief Corporate Governance
Counsel and member
of the Executive Board
of Koninklijke AHOLD nv

Supervisory Directorships
Member of the Supervisory
Board of Schuitema nv

2005 Highlights

Breakdown of 2005 revenues by division

in %

- 20 Health
- 15 Corporate & Financial Services
- 18 Tax, Accounting & Legal
- 38 Legal, Tax & Regulatory Europe
- 9 Education

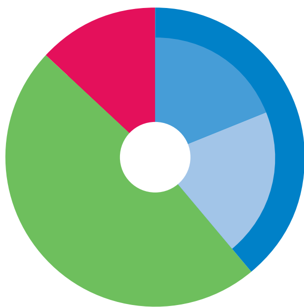
Breakdown of 2005 ordinary EBITA by division

in %

- 18 Health
- 17 Corporate & Financial Services
- 21 Tax, Accounting & Legal
- 34 Legal, Tax & Regulatory Europe
- 10 Education

Breakdown of 2005 revenues by media

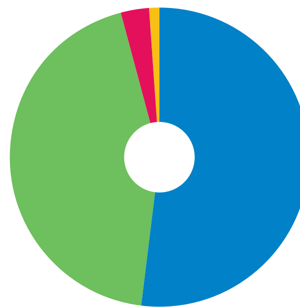
in %



- 39 Electronic:
  - 19 *Internet / Online*
  - 20 *Software / CD-ROM*
- 48 Print
- 13 Services

Geographical spread of 2005 revenues

in %



- 52 Europe
- 44 North America
- 3 Asia Pacific
- 1 Other

2005 Highlights

in millions of euros (unless otherwise indicated)	**2005**	2004	% change	% change in constant currencies
Revenues	3,374	3,261	3	3
Ordinary EBITA	533	516	3	3
Ordinary EBITA margin (%)	16	16		
EBITA	513	472	9	8
EBITA margin (%)	15	14		
Ordinary net income	327	307	7	7
Diluted ordinary EPS (€)	1.06	1.02	4	4
Proposed cash distribution per share (€)	0.55	0.55		
Free cash flow	351	456		
Diluted free cash flow per share (€)	1.14	1.51		
Cash conversion ratio	1.06	1.26		
Return on invested capital (%)	7	7		
Ultimo number of FTEs	17,419	17,515		
IFRS figures				
Operating profit	432	407	6	
Profit for the year, attributable to equity holders of the parent	260	311	(16)	
Diluted EPS (€)	0.85	1.04	(18)	

Divisional Overview

HEALTH

Operations and customers worldwide

2005 Revenues
€656 million
$814 million

FTEs
2,168

CEO
Jeff McCaulley

CORPORATE & FINANCIAL SERVICES

Operations and customers in the United States

2005 Revenues
€496 million
$617 million

FTEs
2,932

CEO
Chris Cartwright

TAX, ACCOUNTING & LEGAL

Operations and customers in the United States, Canada, and Asia Pacific

2005 Revenues
€621 million
$775 million

FTEs
3,876

CEOs
Kevin Robert
(Tax and Accounting)
Robert Becker
(Law & Business)

LEGAL, TAX & REGULATORY EUROPE

Operations and customers in 18 European countries

2005 Revenues
€1,292 million
$1,608 million

FTEs
7,051

CEO
Rolv Eide

EDUCATION

Operations and customers in seven European countries

2005 Revenues
€309 million
$385 million

FTEs
1,292

COO
Fred Grainger

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Report of the Executive Board

The second year

of the three-year strategy

Accomplishing our Objectives, Realizing our Vision

Mission and strategy

In 2005, Wolters Kluwer continued to execute its three-year strategy, initiated in October 2003, focused on the delivery of sustainable growth and improved value to customers, shareholders, and employees.

The key elements of the three-year strategy are to:
- invest in growth around leading market positions,
- reduce costs through structural improvements,
- reorganize to deliver growth.

These elements are reflected in our 2005 activities including increased investment in product development, selective strategic acquisitions in key growth areas, and continued implementation of restructuring plans and shared services initiatives. The 2005 financial performance of Wolters Kluwer, which was characterized by a significant improvement in organic revenue growth and strong free cash flow, demonstrates that our strategic vision is transforming the Company and generating significant shareholder value.

2005 accomplishments

Investing in growth around leading market positions
Wolters Kluwer holds leading and distinct positions in key professional markets. By making continued investments in its strongest positions, the Company creates value for its customers while taking advantage of growth opportunities offered by these large and profitable markets. With its significant brands and proven capabilities in content development, technology, and customer service, Wolters Kluwer is ideally placed to identify and meet emerging customer needs with innovative products and services.

Across the Company, online products and services are among the fastest-growing product offerings. Internet-based resources offer news, research, reference materials, and workflow tools designed to provide customers with end-to-end solutions that speed decision-making and improve productivity. In 2005, Wolters Kluwer achieved significant online revenue growth.

Product development spending totaled €250 million in 2005, an increase of 13% over 2004, supporting the launch of new and enhanced products across the Company. A selection of achievements in 2005 include:
- A groundbreaking partnership with BNA to offer its content through the *CCH Tax Research NetWork*

- CASE File, a cost-effective collaborative workspace for matter management that works in conjunction with CT's registered agent services
- CCH Document, which leverages the market-leading ProSystem *fx* software, was added to the CCH Accountants' Suite in Canada
- eCPD, an advanced e-learning platform for accountants and finance professionals in the United Kingdom
- *Executive Compensation* and *Labor and Employment Law*, two new integrated online libraries for legal and human resources professionals in the U.S.
- Navigator, a new strategic product line in the Netherlands which offers extended search opportunities within Kluwer content through a client-specific interface
- Ovid Lingua, a new multi-language content platform providing easy access to electronic books and journals in nearly 80 languages
- PubFusion, an online content management solution and the first end-to-end online solution for the scholarly publishing industry
- The Universal Service of Process Connector, an addition to CT's integrated suite of litigation workflow management tools that makes CT the only provider to offer this innovative solution
- Wolters-Noordhoff Testing and Assessment, an innovative online service that simplifies preparing and evaluating student tests for secondary school teachers in the Netherlands.

For a full overview of achievements per division and unit, see as of page 20 of this report.

Wolters Kluwer also made a number of strategic acquisitions in 2005, including the Information Management Business of NDC Health (completed in January 2006), PCi, and De Agostini Professionale. These new additions support the Company's growth strategy by extending product offerings to customers, complementing its already well established market positions, and expanding into adjacent growth markets.

Reducing costs through structural improvements

Structural cost savings of €100 million were achieved (compared to the target of €80-90 million). Included in 2005's restructuring efforts:

- Restructuring plans in the United Kingdom, Belgium, and the Netherlands progressed on schedule, achieving cost savings by streamlining management, eliminating underperforming product lines, and improving back-office efficiencies through new systems.
- In North America, progress was made in bringing HR, Finance, and IT activities under North American Shared Services. The consolidation of data center operations and management using an outsource partner continued, and the use of offshore resources to support certain IT functions increased. North American restructuring initiatives included consolidated fulfillment and warehousing functions.
- In Europe, strategic sourcing projects were initiated around paper, printing, travel services, and other common services.
- SAP was implemented in three European countries to improve financial reporting and business analysis.
- Real estate consolidation continued globally, with the number of real estate locations reduced since mid-2003 by 26% and square meters by 21%.

- Reductions in workforce totaling 358 FTEs (full-time equivalent positions) were taken.

Reorganizing to deliver growth

During 2005, Wolters Kluwer continued to improve its operating and customer focus by strengthening its management teams, increasing its sales and marketing activities, and establishing a talent management program to identify and foster high performers within the Company.

In March 2005, Wolters Kluwer launched its new branding. This initiative is designed to bring the Company together through stronger identification between Wolters Kluwer's respected and well-known brands. Throughout 2005, divisions and customer units underwent systematic brand rationalization and development of their go-to-market and power brands. The branding initiative will continue in 2006.

During 2005, Wolters Kluwer took a number of additional actions to strengthen its corporate governance structure. These actions included offering the possibility for proxy voting on the shareholders meetings for all holders of ordinary shares and depositary receipts; an amendment of the Articles of Association to bring them in line with the Dutch Corporate Governance Code; a proposal to the Annual General Meeting of Shareholders to be held on April 26, 2006, to terminate the issuance of depositary receipt by the Wolters Kluwer Trust Office.

Sustainability is also an important subject at Wolters Kluwer. The first Sustainable Entrepreneurship Report (2004) was published in August 2005. This effort has provided the foundation to expand centralized efforts and reporting capabilities.

Moving into the final year of executing its three-year strategy, Wolters Kluwer is well positioned to create value for all its stakeholders. Top-line growth has been restored at Wolters Kluwer, demonstrating that investment in the business including new online and software products and ancillary markets is yielding results. Restructuring initiatives have delivered structural cost reductions ahead of schedule. Reorganization has streamlined the business to increase efficiency, improve productivity, and pave the way for operational excellence initiatives.

Dividend

Wolters Kluwer will propose at the Annual General Meeting of Shareholders to be held on April 26, 2006, to distribute a dividend of €0.55 per share for 2005. This is in line with the existing dividend policy to pay out a dividend of €0.55 per share, provided there is a minimum dividend cover of 1.5.

A dividend of €0.55 corresponds with a dividend yield over the closing share price of December 31, 2005, of 3.2%.

In line with previous years, and indicating a strong belief in the future of the Company, Wolters Kluwer proposes to allow its shareholders to choose between a distribution in the form of cash or stock. After acceptance of the proposal at the Annual General Meeting of Shareholders, the shareholders will be asked to make their choices known. The stock dividend ratio will be set on May 5, 2006 (after the close of trading). The cash distribution will be payable as of May 9, 2006. For more information, please visit www.wolterskluwer.com.

Outlook

In 2006, Wolters Kluwer will continue its transformation and build on the momentum created in 2005. The focus will remain on delivering strong and sustainable organic revenue growth, particularly with investments in online and software solution products, and a strong focus on customers. Wolters Kluwer will continue to execute its restructuring plans to support the integration of the business.

Organic revenue growth for 2006 will be between 2 and 3%, as Wolters Kluwer builds on its 2005 performance in all divisions. Guidance for margins is an improved level of 16.5 to 17%, with continued substantial investments in product development of approximately €270 million and expected cost savings of approximately €120 million. Wolters Kluwer expects continued solid free cash flow.

2006 Outlook and 2007 Guidance

Key Performance Indicators, in constant currencies [1]	2006	2007 onwards
Organic revenue growth	2-3%	4%
Ordinary EBITA margin	16.5-17%	19-20%
Cash conversion ratio (CAR)	95-105%	95-105%
Free cash flow	± €350 million	≥ €400 million
Return on invested capital % [2]	7%	[3] ≥ WACC
Diluted ordinary EPS [4]	€1.18-€1.23	€1.45-€1.55

[1] Constant rate EUR/USD = 1.25. Changes of the fair value of derivatives that impact the profit and loss account are also eliminated to the extent that these result from currency fluctuations.

[2] After tax

[3] WACC (weighted average cost of capital) is currently 8% after tax

[4] Including acquisitions

The Divisions will build on the success of 2005 and increase their market positions. Growth expectations for Health are 3 to 5%; Corporate & Financial Services 4 to 6%, Tax, Accounting & Legal 3 to 4%, Legal, Tax & Regulatory Europe is expected to grow by 0 to 1% as the transformation of this Division continues, and finally, the Education division is expected to show improved performance of 1 to 2%.

Guidance per division

Organic revenue growth, in %	2006
Health	3-5
Corporate & Financial Services	4-6
Tax, Accounting & Legal	3-4
Legal, Tax & Regulatory Europe	0-1
Education	1-2

The strong foundation laid in 2005 gives confidence that Wolters Kluwer will achieve their 2006 targets.

Wolters Kluwer Health plays a leading role in driving medical excellence. The division offers a broad array of content and information solutions globally, including many of the most trusted brands in the healthcare and life sciences industries.

Divisions

Health

Brands	Customers
■ Adis	■ Physicians
■ Adis Communications	■ Nurses
■ Facts & Comparisons	■ Allied health professionals
■ IFI Patent Intelligence	■ Medical and academic researchers
■ Lippincott Williams & Wilkins	■ Pharmacists
■ Medi-Span	■ Life sciences researchers and executives
■ Ovid	■ Hospital administrators
■ Source®	■ Students and teachers in healthcare professions

Business overview

Wolters Kluwer Health is organized in four customer-facing units to uniquely serve the information needs of professionals. The Pharma Solutions customer unit develops business intelligence products and analytical tools to support life sciences professionals. The Medical Research customer unit develops online tools for medical and academic researchers and publishes medical journals for clinicians. The Professional & Education customer unit produces textbooks and point-of-learning systems for medical education, as well as reference books for clinicians and ancillary healthcare professionals. And the Clinical Solutions customer unit develops referential and imbedded drug information for pharmacists, and clinical decision support and workflow tools for clinicians at the point of care.

The division continues to invest in its leading positions, strengthening its core content franchises and by deepening its contextual workflow and consulting capabilities. Investments in new products and acquisitions focus on strengthening Health's position in some of the most important growth segments of the healthcare information services market, namely delivering executable knowledge at the point of care and delivering analytic tools and insights for the life sciences.

2005 accomplishments

The Health division continued to strengthen its position through new and enhanced products, innovative delivery platforms, and acquisitions.
In 2005, the division announced the acquisition of NDCHealth's Information Management business (completed in January 2006), for the Pharma Solutions unit, and acquired Boucher Communications Inc., which has been added to Medical Research. The division accelerated new product development in 2005, including investments in point-of-learning and point-of-care

systems, enhancements to the Ovid platform, new business intelligence products, and new journals. The division also merged operations and technology functions across the customer units to better leverage its platforms, processes, and investments. In support of this, the division launched a Six Sigma initiative in order to drive quality, customer service, and productivity through rigorous process improvements. Finally, the division continued to strengthen its leadership team, naming a new Chief Financial Officer, a new Chief Technology Officer, a new Vice President and General Manager of Drug Information, and a new Vice President of Strategy and Business Development.

Pharma Solutions strengthened its reach by establishing direct sales operations in key Spanish-language markets that led to increased sales of content in Spain, South America, and Mexico. As a key provider of must-have information, the acquisition of NDCHealth's Information Management group in 2006 will add a powerful suite of valuable databases and information solutions that will extend the unit's content and business intelligence offerings across the entire continuum of discovery, development, and distribution for the life sciences industry. The acquisition will add approximately 380 employees, and will be integrated into Pharma Solutions as the Healthcare Analytics group. Products will be branded under their historical Source® brand, which is widely recognized by customers as a leading source of business intelligence in the industry.

In 2005, Medical Research strengthened its position in online research and medical journal publishing with strategic investments, partnerships, and an acquisition. In journal publishing, the unit acquired Boucher Communications, a leading provider of print and electronic research serving the optometry, optician, and ophthalmology markets. Boucher has been integrated into the new Lippincott Williams & Wilkins VisionCare group, consolidating the unit's eye-care information and strengthening Health's position within this advancing medical specialty. The unit also signed a three-year licensing agreement with Blackwell Publishing Ltd. to be the exclusive aggregator of Blackwell medical journals to key markets through its Ovid online product. Medical Research further strengthened its online platform with innovative products such as PubFusion and new capabilities such as Ovid Lingua. PubFusion, a content management workflow solution with state-of-the-art scheduling and publishing tracking capabilities, in combination with other tools, provides the first end-to-end online content management solution for the scholarly publishing industry as well as other publishers and content providers. PubFusion will be used for all Health journals by the end of 2006, and is being sold as a stand-alone solution to other publishers and medical societies.

Professional & Education continued to demonstrate excellence in medical publishing with the launch of 425 new products targeting doctors, nurses, other clinicians, and ancillary health professionals. The unit built on its dominant position in nursing and now publishes the industry's top three nursing journals, with its newest, *Nursing Made Incredibly Easy!*, achieving a 34% increase in circulation to end the year with 125,000 paid subscribers. The book business also experienced strong top-line growth. *Clinically Oriented Anatomy*, for example, exceeded sales targets by 33%, selling more than 80,000 copies in just eight months. The 28th edition of *Stedman's Dictionary* shipped 43,000 copies upon publication in December. New products published in 2005 set the stage for continued strong revenue growth in the future.

www.wolterskluwer.com

Clinical Solutions continued to expand its strong position in the retail and hospital pharmacy business through strong sales of Medi-Span and a relaunched version of the online Facts & Comparisons product lines. In addition, the unit deepened its relationships with electronic medical records vendors to drive further adoption of its Clin-eguide Order Sets. The unit also introduced its next-generation synoptic content solution, ClinicalResource@Ovid. This product leverages the Ovid platform and repository (including Cline-guide's evidence-based guidelines and LWW's 5 Minute Clinical Consult series) to quickly deliver decision-support information to clinicians at the point of care. Because it leverages the Ovid platform, the product also allows clinicians to go seamlessly beyond synoptic content to more comprehensive research on any topic.

Financial performance

Health's 2005 revenues were €656 million, an increase of 5% over 2004. Organic revenue growth was 4%, with particularly strong performance from the Ovid online information business and from Lippincott Williams & Wilkins' traditional book and journal products for medical, nursing, and allied health professionals. Ordinary EBITA margin declined from 17% to 16% driven by accelerated investment in new product development and enhanced platforms, such as Ovid and the online version of Facts & Comparisons.

Strong revenues were helped by new products in business intelligence in the Pharma Solutions unit, and in educational markets worldwide, through the Professional & Education unit. In the Medical Research unit, Ovid achieved record international billings for the year with continued success in adding and growing national and regional hospital consortia contracts to deliver clinical information to health professionals. At Clinical Solutions increased sales from the Medi-Span product line and the newest online version of Facts & Comparisons were offset by declines in Facts & Comparisons print products.

2005 financial performance

in millions of euros (unless otherwise indicated)

	2005	2004
Revenues	656	623
Ordinary EBITA	104	103
Ordinary EBITA margin (%)	16	17
CAPEX	11	9
FTEs (ultimo)	2,168	2,179

2006 focus

Wolters Kluwer Health will continue its commitment to grow and improve its services to a broadening client base within the health market by providing the highest quality content and information, developing innovative online and point-of-care solutions, and offering unique services to a wide range of health professionals.

Wolters Kluwer Corporate & Financial Services (CFS) is a leading U.S. provider of comprehensive statutory representation and business entity search and filing services for corporate legal departments, law firms, and secured lenders; and compliance, content, and technology solutions for financial services organizations of all sizes.

Divisions

Corporate & Financial Services

Brands

Financial Services

- Bankers Systems
- CCH Capital Changes
- CCH® INSURANCE SERVICES
- CCH® Wall Street
- GainsKeeper®
- PCi Corporation
- VMP® Mortgage Solutions

Corporate Legal Services

- BizFilings
- CCH Corsearch
- CT
- Summation Legal Technologies
- TyMetrix
- UCC Direct Services

Customers

- Banks
- Brokerage companies
- Broker-dealers and investment advisers
- Corporate law departments
- Credit unions
- Insurance firms
- Law firms
- Mortgage lenders
- Mutual fund companies
- Thrift institutions

Business overview

The CFS division continues to extend its market leadership by introducing new products and services, enhancing existing software solutions and tools to achieve best-in-class market positioning, and acquiring strategic businesses that provide its customers with broader and more integrated solutions. The division is organized into two customer-facing units, Corporate Legal Services and Financial Services.

The Corporate Legal Services unit provides intelligent software and services that empower legal professionals to more effectively manage dynamic information, speed workflows, and make critical decisions. The unit's solutions are organized into four core areas focused on managing statutory representation, corporate transactions, and jurisdictional and securities compliance; UCC products and services for corporate due diligence, secured lending, bankruptcy, and real estate; matter management and e-billing applications, litigation support software, and e-discovery services; and innovative trademark research offerings.

The Financial Services customer unit brings together industry-leading brands to serve the complex compliance and documentation needs of the broad financial services industry. With a focus on compliance content and risk management for banks, credit unions, mortgage lenders, securities firms, and insurance organizations, the unit's comprehensive solutions include integrated and stand-alone software, as well as documents, analytics, training, reference materials, and other services in the critical areas of lending, new accounts, securities, corporate actions and capital changes, anti-money laundering, and insurance compliance.

2005 accomplishments

During 2005, Corporate Legal Services structurally realigned its organization to increase market focus and improve its ability to capitalize on shared services by organizing around its four core solutions areas: Corporate Compliance & Governance, UCC Solutions, Litigation Solutions, and Trademark Solutions. This better supports the unit in its mission to be the legal professional's first choice for intelligent software and service solutions. During the year, the unit acquired Tripoint Systems Development Corporation, which is being integrated into CT TyMetrix to further strengthen e-billing and matter management solutions and services for corporate legal departments. CT also continued to strengthen the products and performance of its litigation support software unit, CT Summation.

New product innovations from CT included CASE File, a cost-effective workspace for matter management that works in conjunction with CT's registered agent services, and line extensions such as the addition of California annual report e-filing services from BizFilings. BizFilings also became the exclusive provider of incorporation service for CPA2Biz – the online presence of the American Institute of Certified Public Accountants. International expansion continued through the addition of a Canadian database on Corsearch Advantage, a platform that facilitates the clearing process for the trademark community.

The UCC business reached a significant milestone when its annual filing volume passed the one million mark for the first time since UCC Direct's inception. UCC Direct won several large contracts, helping it deliver a third consecutive year of double-digit growth. Also within the UCC area, a new Flood Determination Service was launched through the collaboration of two Corporate & Financial Services division offerings – iLienOnline and PCi.

The Financial Services unit implemented significant restructuring and integration to strengthen operational excellence, customer efficiencies, and market focus. Brian Longe joined the unit as President and CEO.

The unit announced a new branding strategy, going to market as Wolters Kluwer Financial Services, aligning its solutions for customers in banking, mortgage, securities, and insurance under a single banner. Prominent brands such as Bankers Systems, VMP, and GainsKeeper are retained under the new business name.

The strategic acquisitions of PCi Corporation and Entyre expanded the unit's position as a leader in mortgage compliance and technology and extended its reach into new mortgage markets. Major software agreements were signed with several large financial organizations, partners, and the U.S. Internal Revenue Service. The unit's insurance business responded quickly to the industry's need for statutory and regulatory research and compliance tools in the aftermath of hurricanes Katrina and Rita.

During 2005, significant progress was made at developing the next generation of software solutions for the bank market, including Expere, which provides large regional and national banks and industry data processors with integrated compliance content and business rules. In addition, the unit strengthened its relationships with industry providers that embed Financial Services' products such as eForms into broader back-office solutions for banks.

New product launches included integrated solutions Dynamic Document Solutions (DDS) and Expere; the VMP X4 Workflow Manager that leverages the innovative technology of newly acquired Entyre; ForTrust Case Director for anti-money laundering professionals; and expanded tools for GainsKeeper and for insurance flagship AuthenticWeb.

Financial performance

With 2005 revenues of €496 million, the CFS division achieved revenue growth of 13% over 2004. Organic revenue growth amounted to 6%.

In the Corporate Legal Services unit, strong organic growth was driven by transaction revenues associated with corporate, UCC services, and trademark services. Sales of e-billing and litigation support software were also strong, supporting double-digit growth in both areas. Revenue growth in the Financial Services unit was supported by strong sales of core lending and deposit software and electronic documents. GainsKeeper, which helps investors accurately track tax implications within their securities portfolios, nearly doubled its 2004 revenue and added major securities firms to its list of customers. The unit's mortgage business also continued to achieve strong results with its prominent compliance tools and documentation solutions.

Operating margins increased from 19% in 2004 to 20% in 2005 driven by the impact of revenue growth offset by continued investments in product development and shared services.

2005 financial performance

in millions of euros (unless otherwise indicated)

	2005	2004
Revenues	496	437
Ordinary EBITA	100	82
Ordinary EBITA margin (%)	20	19
CAPEX	12	15
FTEs (ultimo)	2,932	2,726

2006 focus

In 2006, Corporate & Financial Services will continue to provide customers with integrated solutions that support their legal, compliance, documentation, and workflow needs, helping them navigate the increasing volume of complex regulations and business challenges while growing and better serving their customers.

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Wolters Kluwer Tax, Accounting & Legal (TAL) is a market-leading provider of research, software, and workflow tools in tax and accounting and in numerous key practice areas in the legal and business compliance markets through two customer units: Tax and Accounting and Law & Business.

Divisions

Tax, Accounting & Legal

Brands

Tax and Accounting

- CCH
- ProSystem *fx*

Law & Business

- Aspen
- CCH
- Kluwer Law International
- Loislaw

Customers

- Accounting firms
- Law firms
- Business compliance professionals
- Corporate legal counsel
- Corporate tax and auditing departments
- Legal educators

Business overview

Tax and Accounting, which operates in the market as CCH, a Wolters Kluwer business, is extending its leadership position in tax and accounting research and compliance by continually delivering comprehensive integrated research and software solutions that provide a strategic business advantage to CPAs, corporate tax and accounting departments, and tax attorneys. Customers include small, medium, and large accounting firms and corporate tax and auditing departments that rely on the unit's research, software, and workflow tools to help enhance their productivity and increase value to their clients. The Tax and Accounting unit holds major market positions in the United States, Canada, and Asia Pacific.

Law & Business is a leading provider in key legal and compliance practice areas with market-leading proprietary in-depth analytical and primary law content and related forms and workflow tools. It provides research information and workflow tools in specialty areas including securities, corporate law, banking, bankruptcy, trade regulation/anti-trust, franchising, environmental law, intellectual property, employment law, human resources, pension, healthcare, and international law. Customers include law firms, corporate counsel, law schools, and business and compliance professionals. The Law & Business unit primarily serves the U.S. market.

2005 accomplishments

In 2005, the TAL division continued its growth momentum and strengthened its market leadership with a successful track record of launching new products, significant product enhancements, innovative new tools, and ground-breaking partnerships with other industry leaders. With a robust product pipeline, TAL introduced over 300 new products, while the division's current information and software products and applications received industry recognition throughout the year for excellence and innovation.

Tax and Accounting introduced its brand strategy to go to market as CCH, a Wolters Kluwer business, across the United States, Canada, and Asia Pacific, bringing together tax, accounting, and audit products under a single brand, leveraging the strength of the CCH name and more closely aligning CCH with Wolters Kluwer. CCH's product leadership was highlighted throughout the year with the inclusion of 17 CCH products in *Accounting Today's* "Top 100 Products" list, recognition from industry peers in the Software and Information Industry Association for CCH's *Client Relate, Tax Research NetWork* and *Tax Tracker News* product excellence, and a Technology Innovation award from *The CPA Technology Advisor* for CCH@Hand. The importance of CCH's products to professionals was demonstrated by the fact that 100% of the top accounting firms in the U.S. rely on CCH products.

The unit realized strong new sales from the market-leading ProSystem *fx* Engagement software and related training and consulting, *CompleteTax*, *Integrated Online Libraries*, Sales and Use Tax products, and ProSystem *fx* Tax software. The *Accounting Research Manager* gained even greater market acceptance, and the unit continued to build out this relied-upon resource with comprehensive new tax, accounting, and audit content.

In an active legislative year, professionals turned to CCH's new book and audio conference resources for timely research and compliance information and guidance. Working closely with customers, CCH introduced enhanced versions of CCH@Hand, with a new desktop console and greater ease of use, and the new *Federal Research Consultant*, representing significant enhancement and renaming of *Federal Tax Service*. In Canada, the unit expanded its integrated offerings with the launch of *CCH Document* as part of the CCH Accountants' Suite, leveraging the unit's market-leading software in the U.S.

The unit entered and extended a number of key strategic relationships advancing CCH as the leading provider of integrated information and software workflow solutions that enhance customer productivity. Through an innovative new partnership, CCH offered BNA's tax content to customers through the CCH *Tax Research NetWork*, providing a one-stop resource for professionals who rely on both of these authoritative sources for tax research. CCH was named the exclusive North American distributor of GlobalVATOnline, the online global VAT research and news product from PricewaterhouseCoopers. The unit also expanded its alliance with Sage Software to deliver new, integrated software solutions to the accounting marketplace by launching a new link between Sage Software's *FAS Asset Accounting* product and ProSystem *fx* Tax software.

Law & Business successfully completed its second year as one integrated unit, with the Aspen, CCH legal and business, Kluwer Law International, and Loislaw groups aligned to serve the needs of the legal and business compliance community, and prepared to launch a new unified identity in the marketplace. The unit selected the umbrella brand of Wolters Kluwer Law & Business as its new go-to-market identity, which have been implemented beginning in 2006. The Aspen, CCH, Kluwer Law International, and Loislaw names have been retained as product lines offered by Wolters Kluwer Law & Business. With a robust product pipeline in place, the unit delivered 260 new book, online, and workflow products. The unit advanced its deep penetration in specialty practice and compliance areas, and introduced nine new integrated online libraries in Antitrust and Trade Regulation, M&A, Corporate Law, Copyright, Investment Management, Employment Law, Pension, Payroll, and Executive Compensation.
Law & Business also expanded its offering of productivity tools to meet the

workflow needs of professionals, introducing *CCH Reimbursement Toolkit,* a simple way for professionals dealing with Medicare to determine and document a wide range of reimbursement types with a toolkit of calculators; *Practice Intelligence* providing legal practitioners and their business development staffs with a web-based tool that provides organized views of information about clients, prospects, issues, and client competitors from a wide array of sources; and the *Plan Investment Analyzer* providing those responsible for 401(k) and 403(b) plans an efficient way to understand and fulfill their fiduciary responsibility to plan participants by providing appropriate investment choices.

The unit responded to major bankruptcy legislation in the U.S. with specialized resources, and at the end of 2005, acquired Best Case Solutions, which provides bankruptcy form preparation software, supporting the unit's strategy as a specialty content and solutions provider.

Financial performance

In 2005, TAL recorded revenues of €621 million, with organic revenue growth of 4%, driven by sales of new content and software products and improved retention of existing customers.

Through innovative product development and customer-focused sales and marketing, the unit is extending its leadership position within its core markets. Strong sales of tax and accounting software products and training, integrated online research libraries, and legal education, business compliance, and legal professional products strengthened the division's market positions.

The margin comparison with the prior year was impacted by the one-off gain resulting from the change of the post-retirement medical plan (FAS 106) in 2004 (€6 million), and increased investments in product development, sales and marketing, and shared services.

2005 financial performance

in millions of euros (unless otherwise indicated)	**2005**	2004
Revenues	621	596
Ordinary EBITA	122	138
Ordinary EBITA margin (%)	20	23
CAPEX	11	12
FTEs (ultimo)	3,876	3,838

2006 focus

In 2006, the division will advance its growth strategy by building on its leadership position in delivering best-in-class, integrated content and software solutions to its professional customers. In addition, the unit will continue to expand its global presence through the extension of its software and international content suites. Operational efficiencies will continue to be achieved through shared services, the outsourcing of IT functions, and workflow improvements in editorial and back-office functions.

Wolters Kluwer Legal, Tax & Regulatory Europe (LTRE) offers a broad range of customer-specific sources of information, software, and services to its customers in 18 countries. In each country, Wolters Kluwer has established strong partnerships with its customers to enable innovative product development, delivery of integrated online and software solutions, and access to key authors and opinion leaders.

Divisions

Legal, Tax & Regulatory Europe

Brands

- A3 Software
- Akelius
- ASPI
- CCH
- CEDAM
- CISS
- CompLex
- Croner
- De Agostini Professionale
- ECOIURIS
- Éditions Dalian
- EON
- Especial Directivos
- Groupe Liaisons
- IPSOA
- IURA
- Kluwer
- LA LEY
- Lamy
- LEX
- Luchterhand
- Magnus Informatik
- Norstedts Juridik
- Praxis
- Rosetti
- Teleroute
- UTET Professionale
- Werner Verlag

Customers

- Corporations
- Government agencies
- Professionals in
  Accounting
  Banking
  Finance
  Fiscal
  Human Resources
  Insurance
  Legal
  Regulatory
  Securities
  Transport

Business overview

The LTRE division is organized into units by country and focuses on the growth potential of six customer segments: legal; fiscal/financial; human resources; public and government administration; health, safety, and environment; and transport. As the market leader in Europe, many of LTRE's brands have a strong heritage in local markets.

2005 accomplishments

In 2005, LTRE continued to broaden its product offerings and strengthen customer relationships by delivering the very best of proprietary and third-party content. The division efforts focus on new product development and strategic acquisitions to extend LTRE's reach.

New product launches increased significantly over the prior year and growth in online products achieved double-digit levels. These results were supported by strong emphasis on sales and marketing and enhanced product development. A European Product Review Board was established to support the product development process.

Major product developments included:

- The Italian Suite La Legge, an offering that integrates software tools, databanks, and online services with customer content to provide an end-to-end workflow tool for the legal market
- Lamyline Reflex (France) continued its robust growth by providing lawyers with a complete solution for research that classifies all primary sources and enriches them with Lamy's legal comments
- Evidencias Ecoiuris, an online tool that determines legal requirements to support compliance activities by corporations, was launched in Spain.

LTRE continued to strengthen its market leadership through key strategic acquisitions. In Italy, the acquisition of two major publishing companies in the public administration, legal, tax, and business markets – De Agostini Professionale and UTET Professionale – paved the way for expansion into new market segments, such as public administration, and strengthened the division's position in the legal and tax market segments. To expand its fast-growing business in Eastern Europe, two complementary companies were acquired in Romania: legal online publisher EON and legal publisher Rosetti. Teleroute expanded its portfolio of online solutions for the transport and logistics industry in France, with the acquisition of Nolis.

New customer partnerships were also realized throughout Europe to provide opportunities for tailoring LTRE products to specific market needs and to provide integrated solutions, combining Wolters Kluwer proprietary content with customer information to deliver unique workflow tools. Examples of these partnerships include Navigator in the Netherlands, where Kluwer implemented its online product within a large tax customer, providing access to a broad range of Wolters Kluwer products and customer-specific content; Belgium launched SoRight, an online social-juridical database with Kluwer's legal content and the new thesaurus management system. In the United Kingdom, Croner was designated as a partner of the Institute of Chartered Accountants of England and Wales, thereby becoming the official training partner to provide an online continuing professional development service for Institute members.

LTRE also made significant progress against its restructuring plan for the division. Key elements of this plan are the in-country restructuring efforts in Belgium, the United Kingdom, and the Netherlands, as well as significant investments in content management, online and software product development, and sales and marketing. Restructuring plans in the three countries progressed on schedule, achieving their respective cost saving targets, streamlining management, and eliminating underperforming product lines.

Operationally, LTRE focused on improving efficiencies in common back-office areas such as procurement, printing and distribution, and enhancing the financial management and transparency of the division. As part of the effort, LTRE implemented SAP in the United Kingdom, Belgium, and France. A European Technology Center was established to manage SAP configurations and ensure a single, common technology infrastructure throughout the division.

In addition, key management was added to strengthen the leadership team, including a division-wide Director of Sales and Marketing, and a new CEO of Wolters Kluwer Germany.

Financial performance

The LTRE division saw revenues of €1,292 million, slightly down from 2004. Revenues were approximately flat, including product pruning of €15 million, largely in the Netherlands. Organic revenue was (1)%, up from (2)% in 2004. Strong growth, supported by several new and recently introduced products, continued in Italy, France, Central Europe, and Spain, and at Teleroute.

Operating margins improved from 14% in 2004 to 15% in 2005, resulting from the effects of restructuring in Belgium and the Netherlands and cost savings from back-office efficiencies, despite significant investments in product development, sales and marketing, and systems.

2005 financial performance

in millions of euros (unless otherwise indicated)

	2005	2004
Revenues	1,292	1,296
Ordinary EBITA	193	183
Ordinary EBITA margin (%)	15	14
CAPEX	44	30
FTEs (ultimo)	7,051	7,352

2006 focus

In 2006, LTRE will continue to implement its restructuring plan, focusing on leveraging pan-European synergies, increasing penetration of online and software products, and driving for greater customer focus through tailored sales and marketing programs.

Wolters Kluwer Education sets the standard in teaching and learning in the European educational world, combining high-quality content, didactic understanding, and state-of-the-art technology to offer educators and students new, more effective ways of teaching and learning.

Divisions

Education

Brands	Customers
■ Bildungsverlag EINS ■ digital spirit ■ Jugend & Volk ■ Liber ■ Műszaki Kiadó ■ Nelson Thornes ■ Wolters-Noordhoff ■ Wolters Plantyn	Students, parents, teachers, and lecturers in subjects spanning the curriculum in primary and secondary education, with some higher and vocational educational offerings.

Business overview

Wolters Kluwer Education holds market-leading positions in primary, secondary, and vocational education. To meet the changing requirements of both teachers and students, the division has continued to build its portfolio of blended learning resources. This focused and strategic approach to publishing ensures that print and electronic material is designed simultaneously and is inextricably linked. An online test and assessment service forms part of the division's blended learning strategy.

The division collaborates with high-caliber associates to lead in new directions that create value for its customers and to strengthen its position as a premier provider of education solutions in seven European countries: the Netherlands, Sweden, the United Kingdom, Germany, Belgium, Austria, and Hungary.

2005 accomplishments

In 2005, the Education division continued ongoing restructuring to strengthen its competitive position. This included naming Fred Grainger, former Managing Director of Nelson Thornes, as Chief Operating Officer of the division, replacing the former divisional CEO. Despite overall flat performance, there were a number of key achievements that provide a stronger platform for growth in 2006.

At Wolters-Noordhoff in the Netherlands, an online testing and assessment service was launched as part of the division's efforts to implement flexible learning solutions. Revenue growth in the secondary market for this unit was driven by a strong back list, and customer-focused sales and marketing efforts.

In the United Kingdom, Nelson Thornes signed an agreement with the Assessment and Qualifications Alliance (AQA), making it the only publisher to be exclusively endorsed to produce supporting resources across the full range of AQA qualifications. Over 4 million students are enrolled in AQA courses in the United Kingdom.

Bildungsverlag EINS entered into a partnership with Bosch, a leading provider to the automotive industry, on the exclusive development of a new curriculum for car mechanics that offers print and online components and gives Bildungsverlag EINS access to other European markets. The Germany-based digital spirit strengthened its unique competitive position in e-learning by launching its training products, with both ICT and print components, for the new digital tachograph.

Wolters Plantyn (Belgium) also introduced blended learning resources to support its growth, combining print and electronic products to broaden its product offerings. In addition, the unit signed an agreement with the Catholic University of Louvain to develop a new method of religious instruction for secondary education.

SAP-Klopotek, a content management system, was successfully introduced at Liber (Sweden) and Nelson Thornes (UK) during 2005. All of the division's major country operations are now using SAP-Klopotek to increase efficiency in several back-office functions. The division continued to extend its shared technology platform across other units within Europe.

Financial performance

The Education division achieved revenues of €309 million, even with 2004. A good performance in Belgium and the Netherlands, where growth was supported by a strong back list and customer focused sales and marketing efforts as well as the introduction of blended learning products, was offset by adverse market conditions in the United Kingdom, Sweden, and to a lesser extent Germany resulting in flat (organic) revenue growth across the division. Performance in the United Kingdom was affected by the decline in spending in secondary education driven by the announcement of a new curriculum planned for 2006 and beyond. Good performance in Sweden in core primary and secondary education markets was offset by weakened demand for Liber Hermods services due to government under-funding in the distance learning market.

Despite flat revenue, this year has seen strong operating margin improvements with EBITA increasing from 17% to 19%. This operating margin was achieved due to the impact of prior restructuring, additional efficiencies gained in back-office areas and tight cost control.

2005 financial performance

in millions of euros (unless otherwise indicated)

	2005	2004
Revenues	309	309
Ordinary EBITA	59	52
Ordinary EBITA margin (%)	19	17
CAPEX	7	7
FTEs (ultimo)	1,292	1,330

2006 focus

The division will focus on growth in key markets with continued development of innovative products, including blended learning solutions, online testing and assessment services, and corporate e-learning products. Key strategic partnerships, such as the AQA in the United Kingdom, as well as investments in sales and marketing will be critical components of achieving stronger growth in 2006. Sharing common technology platforms will allow Wolters Kluwer Education to maximize economies of scale and produce resources that deliver serious educational outcomes in an innovative and stimulating way to engage teachers, students, and parents.

Organization, Personnel, and Stakeholder Communications

Personnel

In 2005, Wolters Kluwer continued to build a stronger foundation of human resources practices to support its belief that human capital is a key element of its competitive strength.

The Company's commitment to the identification and development of senior leadership led to the 2005 implementation of a Talent Management Program, which established a global framework for leadership criteria and the identification of workforce segments that management believes are critical to the execution of the business strategy. The talent and leadership criteria (leading people, driving growth, managing the business, team focus, individual excellence, and technical expertise) were developed through interviews with global leaders throughout Wolters Kluwer and deliberately linked to the company values established in late 2003: customer focus, innovation, accountability, integrity, and value creation. In 2005, the first phase of Talent Management was successfully planned and implemented, resulting in the completion of a comprehensive talent assessment for the top five levels in the organization. The second phase, which will be launched in 2006, will focus on identifying developmental opportunities for those who participated in the process and will set the stage for continued success as the Talent Management process grows and develops into an important business tool at Wolters Kluwer.

Overall, the Company continued to strengthen its management team by creating new positions that support the growth agenda, including a divisional Director of Sales and Marketing for LTRE, and in North America adding senior-level positions that provide focus for process efficiencies and project management. Key leadership positions in the LTRE, Health and Education divisions were also filled.

The global human resources groups led initiatives that addressed geographic concerns, including restructurings in both Europe and North America, resulting in a reduction of 358 FTEs company-wide. The Company upheld its commitment to treat fairly employees whose positions were made redundant and to comply with local requirements regarding severance and other benefits.

Wolters Kluwer number of FTEs

ultimo December 31	**2005**	2004
Number of full-time equivalents	17,419	17,515

Number of employees per division

FTEs ultimo 2005

■	2,168	Health
■	2,932	Corporate & Financial Services
■	3,876	Tax, Accounting & Legal
■	7,051	Legal, Tax & Regulatory Europe
■	1,292	Education
■	100	Corporate

Geographical spread of employees

FTEs ultimo 2005

	2005
Asia Pacific	812
Belgium	754
Canada	406
Central and Eastern Europe	738
France	1,184
Germany	776
Italy	955
Netherlands	1,655
Scandinavia	520
Spain	824
United Kingdom	1,350
United States	7,445
Total	**17,419**

In North America, a shared services approach to human resources was implemented; employee benefit processing was outsourced to a third-party vendor and recruiting support was consolidated into one centralized group. In Europe, a pan-European compensation study was completed and support for a new matrixed organization was provided.

Wolters Kluwer continues its commitment to transparent communications and the achievement of objectives through partnership with employees. Senior management of the Company met with Works Councils in Europe, both local and divisional, and with employees in Europe, North America, and Asia Pacific in town hall meetings throughout the year.

Shared services

Shared services at Wolters Kluwer focuses on centralizing common product and support functions to achieve greater efficiency and quality. The North American operations working together under Shared Services North America now include accounting, legal, content and forms technology, data center services, human resources, strategic sourcing, and other administrative functions. Similar initiatives are being developed in Europe and Asia Pacific.

North America

At the end of 2004, Wolters Kluwer signed a seven-year agreement with Perot Systems to outsource management of its data centers and information technology support operations across North America. Through 2005 and 2006, Perot and Wolters Kluwer will work together to consolidate over 50 independent data centers and over 3,000 application servers into Perot's facilities in Plano, Texas, and Woonsocket, Rhode Island.

Also in 2005, Shared Services North America launched its new centralized Human Resources Operation which consists of human resources generalists located in each customer unit and relying on services from five centers of excellence in staffing, benefits and administration, compensation, help desk services, and human resource information systems.

Solid progress was made on off-shoring portions of the content conversion and software development operations in 2005. In addition to reducing costs, off-shoring allows for increased product development capacity and speed to market for new product development initiatives.

Another achievement of Shared Services North America was implementation of single sign-on for customers, employees, and business partners of the Tax, Accounting & Legal division. Single sign-on simplifies and improves the customers' online experience by providing streamlined and efficient access to information on an array of unrelated web services platforms that do not operate on a common framework. At the same time, single sign-on protects valuable corporate web resources and reduces overall costs for managing a comprehensive identity management infrastructure.

To continue to strengthen the Shared Services North America management team, two new strategic leadership positions were created and filled early in 2006, an Executive Vice President and General Counsel, and a Vice President, Content and Platform Management.

Global initiatives

Consolidation is another aspect of restructuring that has been addressed by initiatives in the areas of real estate, back office fulfillment, and warehousing. Real estate consolidation continued globally, with the number of real estate locations reduced since mid-2003 by 26% and square meters by 21%.

Wolters Kluwer also made further progress with the implementation of a single global internet platform for the development of products. The global platform will serve operations in all regions, supporting new electronic publishing projects and also as a new platform for existing products.

The single global internet platform consists of the entire online system between a content repository and a series of local, customer-specific interfaces. Customers may receive their content and functionality through multiple channels, but their experience through all of them is consistent with browser-based web interface, desktop integration, software, and intranet portal integration.

European initiatives

Shared services initiatives began in Europe in 2005. The implementation of a standardized financial and accounting system based on SAP, continues across all operations in Europe, with the implementation in the Education division completed. A European Technology Center was established to support the SAP implementations in LTRE and to manage all IT contracts. The European Strategic Sourcing Program has been successful in its efforts to simplify, standardize, and achieve cost savings in the purchasing of paper and printing, travel, mobile telecommunications, office supplies, and other common services, setting the stage for further margin improvements in 2006.

Sustainability

While Wolters Kluwer has always acted responsibly and supported and encouraged the efforts of its employees as global citizens, it was primarily focused on individual efforts in its operating companies in their individual locales. A separate Sustainable Entrepreneurship Report for the year 2004 was published in August 2005, both in print and online. This report was a first effort to report in a centralized and comprehensive way the Company's efforts and provided the foundation for increasing the scope of the social responsibility reporting efforts in the future. Since the publication of this first report, the Company has focused on the following activities to increase its sustainability efforts and its reporting capabilities:

- Expanding the collection of key data on energy and paper consumption, human resource management, and supplier practices within the global operating units of the Company;

- Implementing the relevant, homogeneous reporting of Global Reporting Initiative criteria throughout the operating units;
- Enhancing the corporate social responsibility efforts in the areas of healthcare and education where Wolters Kluwer is well-positioned to make a unique contribution.

Partnership with NairoBits

Wolters Kluwer has partnered with the Kenyan trust NairoBits (www.nairobits.com). Based in Nairobi, this non-profit organization empowers impoverished young urban students through the development of multimedia skills. Wolters Kluwer, with leading expertise in education and online tools, works together with NairoBits to further this mission.

An important component of this partnership is the exchange and transfer of knowledge to students and trainers from NairoBits. Wolters Kluwer further contributes to this program with product development and organizational strengthening to bring NairoBits' organization and curriculum to a next competitive level of technical know-how and commercial competence.

Support of the War Trauma Foundation

The Dutch-based organization War Trauma Foundation (www.wartrauma-foundation.nl) provides worldwide psychological support to traumatized victims of war, terror, and organized violence. The War Trauma Foundation strongly believes in helping children, women, and men who are psychologically damaged by war, terror, and organized violence. Achieving this requires the combination of idealism with a pragmatic, professional, and effective approach.

Wolters Kluwer supports the War Trauma Foundation by publishing the international journal of mental health, psychosocial work, and counseling in areas of armed conflict: *Intervention*. This peer-reviewed journal for mental health professionals working with victims of armed conflict is an essential tool in spreading the latest information gained from the practical experience of fieldworkers, so that their findings can inspire and support others carrying out similar interventions.

Support for victims of the 2004 tsunami and hurricanes Katrina and Rita

In response to the tsunami disaster in December 2004, Wolters Kluwer employees and management donated almost €200,000 which came from a range of global and local charities and sponsored activities in January 2005.

To support the overall assistance efforts for the victims of hurricane Katrina in September 2005, Wolters Kluwer established a campaign of contributions to the American Red Cross. Through a matching program, Wolters Kluwer and employees together donated $281,000.

Additional help for the victims of the hurricanes came from Wolters Kluwer businesses. Insurers and the customers they serve, received free assistance from CCH INSURANCE SERVICES, which expanded its website summarizing regulatory compliance information for insurers responding to the catastrophe in the Gulf Coast region. CCH issued a special *Tax Briefing*, further to a new law, to help individuals fully deduct their losses from the hurricanes.

A dedicated social responsibility section on www.wolterskluwer.com gives where more details and examples.

Investor Relations

The Company seeks to be thoroughly open with shareholders and the investment community, and is committed to a high degree of transparency in our financial reporting. In 2005, the Company reported full quarterly results under IFRS and has increased the number of roadshows, one-on-one and group meetings with investors. Wolters Kluwer has developed a comprehensive program for communicating with investors that includes participating in selected sector-specific seminars throughout the year. The purpose of this program is to help investors become better acquainted with Wolters Kluwer and its management, as well as to maintain a long-term relationship of trust with the investment community at large. See page 152 of this annual report for a full overview of activities and facts for shareholders and investors.

Internal and external communications

In 2005, management focused on informing internal and external stakeholders about Wolters Kluwer's progress in executing its strategy and reaching its business objectives.

The corporate website, www.wolterskluwer.com, is the first point of contact for customers, shareholders, reporters, and potential employees, and the place where the latest facts and figures can be found alongside links to product and business unit sites. A new release of the website to better serve all Company's stakeholders was launched in early 2006.

As part of a coordinated program of internal communications, town hall meetings provide an open forum for Wolters Kluwer's diverse workforce of 18,400 employees in more than 25 countries to participate in a discussion of our shared vision, values, and strategy. In 2005, CEO Nancy McKinstry together with local senior management met with close to 3,000 employees in this setting, and town hall meetings with 8,000 to 10,000 more employees are planned for 2006.

At the divisional and business unit levels, a variety of customer meetings and community-building activities took place. CEOs, senior managers, and staff at all levels took part in creating a winning culture that reflects the customer focus of all employees and builds a stronger competitive spirit at Wolters Kluwer.

To stay in close contact with customers and peers, Wolters Kluwer and its units participated in numerous industry events, including the Frankfurt Book Fair, Beijing International Book Fair, and Online Information to name a few. The company also organized a number of special events with customers and partners that created opportunities for exchanging ideas in both structured and informal environments.

Through press releases, press conferences, and one-on-one meetings with reporters, management kept the media apprised of the Company's strategy, financial performance, and business, product, and management developments.

2005 Financial Developments

2005 Highlights *in millions of euros (unless otherwise indicated)*	**2005**	2004	% change	% change in constant currencies
Revenues	3,374	3,261	3	3
Ordinary EBITA	533	516	3	3
Ordinary EBITA margin (%)	16	16		
EBITA	513	472	9	8
EBITA margin (%)	15	14		
Ordinary net income	327	307	7	7
Diluted ordinary EPS (€)	1.06	1.02	4	4
Return on invested capital (%)	7	7		
IFRS figures				
Operating profit	432	407	6	
Profit for the year, attributable to equity holders of the parent	260	311	(16)	
Diluted EPS (€)	0.85	1.04	(18)	

Wolters Kluwer continued to make solid progress in the second year of its three-year strategic plan. This plan is focused on investing in the Company's leading positions to achieve sustainable long-term growth and achieving cost reductions by improving the efficiency and effectiveness of the organization.

The 2005 financial performance of Wolters Kluwer was characterized by the following:

- Organic revenue growth of 2.2%
- Increased investments in product development
- Continued implementation of the restructuring plans and shared service initiatives
- Selective strategic acquisitions in key growth areas
- Strong cash flow development

Revenues by division

in millions of euros (unless otherwise indicated)	2005	2004	% change	% organic change
Health	656	623	5	4
CFS	496	437	13	6
TAL	621	596	4	4
LTRE	1,292	1,296	0	(1)
Education	309	309	0	0
Total	**3,374**	**3,261**	3	2

Revenues in 2005 amounted to €3,374 million, compared with €3,261 million in 2004, up 3%.

The net of acquisitions (mainly De Agostini Professionale and PCi) and divestments (mainly ten Hagen & Stam and Bohmann in 2004) impacted revenues positively by 1%.

Organic revenue growth (growth net of exchange rate effects, acquisitions, and divestments) was 2% in 2005, compared with 1% in 2004.

Strong organic growth was generated in Corporate & Financial Services (CFS) and Tax, Accounting & Legal (TAL), fueled by the successful expansion of software product suites, and at Health, driven by strong growth at the Professional & Education and Pharma Solutions units. The results of Legal, Tax & Regulatory Europe (LTRE) included solid performances in Italy, France, Central Europe, and Spain that were offset by the results of restructuring in the Netherlands, the United Kingdom and Belgium, which included €15 million of product pruning, largely in the Netherlands. Education faced difficult market conditions in several of the countries in which it operates. A strong performance at Wolters-Noordhoff in the Netherlands was offset by the declines in the United Kingdom, due to the anticipated curriculum changes in 2006, and Sweden, where government spending on distance learning fell below expectations.

Ordinary EBITA 2005

in millions of euros	Revenues	Ordinary EBITA	Ordinary EBITA margin %
Health	656	104	16
CFS	496	100	20
TAL	621	122	20
LTRE	1,292	193	15
Education	309	59	19
Corporate		(45)	
Total	**3,374**	**533**	16

Ordinary EBITA 2004

in millions of euros	Revenues	Ordinary EBITA	Ordinary EBITA margin %
Health	623	103	17
CFS	437	82	19
TAL	596	138	23
LTRE	1,296	183	14
Education	309	52	17
Corporate		(42)	
Total	**3,261**	**516**	16

Ordinary EBITA in 2005 amounted to €533 million, compared to €516 million in 2004, up 3%. The comparison with 2004 is impacted by the change of the post-retirement medical plan in the United States that contributed €11 million to the 2004 results, particularly at TAL (€6 million). The ordinary EBITA margin was stable at 16%, as increased savings from restructuring were offset by increased investments in product development, sales and marketing, and centralization efforts (particularly in the North American Shared Services organization). Margin improvement was strongest at Education and LTRE as a result of the restructuring efforts, mainly in Belgium and the Netherlands. The margin at TAL, CFS, and Health was impacted by increased product development expenditures, increased sales and marketing expenditures, and investments in the Shared Services organization that became fully operational in 2005.

Financial income and expense

The income from investments is mainly related to the guaranteed dividend on the stake of 25.9% in Sdu Uitgevers bv.

Financing results of €(103) million (2004: €(97) million) have been impacted by the adoption of IAS 32 and 39 per January 1, 2005, that caused the expense to increase by €7 million. The 2004 figures have not been restated for the adoption of these standards.

Taxation

The effective tax rate in 2005 is 23%, up from 20% in 2004. This is mainly due to the tax-exempt gain that was generated in 2004 on the divestment of ten Hagen & Stam.

The effective tax rate on the ordinary income before tax [1] was 25%, compared to 28% in 2004. The effective tax rate decreased in 2005, due in part to the reduction of the effective tax rate in the Netherlands.

For 2006, the Company expects an effective tax rate of 26% on its ordinary income before tax.

Ordinary net income

Ordinary net income amounted to €327 million in 2005, compared to €307 million in 2004, an increase of 7%. Diluted ordinary EPS of €1.06 increased by 4%, compared to 2004 (diluted ordinary EPS of €1.02). The increase of the ordinary EPS was lower than the increase of ordinary net income, mainly as a result of the dilutive effect of the stock dividend. In constant currencies diluted ordinary EPS also increased by 4%.

[1] Ordinary income before tax is defined as ordinary EBITA plus financing results, income from investments and results from associates.

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Return On Invested Capital (ROIC)

The Company strives to generate a ROIC that first meets and then exceeds the Weighted Average Cost of Capital (WACC) of approximately 8%. The ROIC in 2005 was 7% (2004: 7%).

Operating profit

Operating profit in 2005 of €432 million is up 6% compared to 2004. The exceptional restructuring expense in 2005 amounted to €20 million, compared to €44 million in 2004. Amortization of publishing rights increased to €81 million as a result of the recent acquisitions.

Operating profit at CFS benefited from strong organic revenue growth and acquisitions. Operating profit increased in Europe, due to cost savings and a lower exceptional restructuring expense of €8 million, compared to €30 million in 2004. Operating profit at TAL in 2004 included €6 million of the one-time FAS 106 gain of €11 million, and was furthermore impacted by increased investments in product development, sales and marketing, and shared services. Education benefited from the recent restructuring efforts and tight cost control.

Operating profit

in millions of euros (unless otherwise indicated)

	2005	2004	% change
Health	93	90	4
CFS	83	72	17
TAL	84	102	(18)
LTRE	158	132	20
Education	58	51	13
Corporate	(44)	(40)	10
Total	**432**	**407**	6

Profit for the year, attributable to equity holders of the parent

Profit for the year, attributable to equity holders of the parent amounted to €260 million in 2005 (diluted EPS €0.85), and is lower than in 2004 (€311 million, diluted EPS €1.04) mainly due to the lower result from divestments, which was €74 million in 2004 and €4 million in 2005. The 2004 result from divestments included the (tax-exempt) effect of the ten Hagen & Stam sale in the Netherlands.

Balance sheet

in millions of euros (unless otherwise indicated)

	2005	2004	Variance
Non-current assets	3,805	3,293	512
Working capital	(927)	(205)	(722)
Group equity	1,099	710	389
Net interest bearing debt	1,637	1,527	110
Net interest bearing debt to Group equity (ratio)	1.5	2.2	

Balance sheet

Non-current assets, mainly consisting of goodwill and publishing rights, increased in 2005 as a result of the increase of the year-end rate of the U.S. dollar compared to the euro at the end of 2005 (€/$= 1.18), compared to 2004 (€/$= 1.36), and the 2005 acquisitions. In 2005, Wolters Kluwer performed its annual impairment analysis of the goodwill (and publishing rights) on the basis of its Cash-Generating Units, as prescribed by IAS 36. The result of the test was that no impairment occurred in 2005 (in 2004: no impairment).

Group equity benefited from the profit for the year and the increase of the U.S. dollar compared to the euro at the end of the year.

The ratio of net interest bearing debt to group equity decreased from 2.2 in 2004 to 1.5 in 2005 as a result of the increase in equity.

Working capital

Operating working capital amounted to €(623) million, compared to €(515) million in 2004, a decrease of €(108) million. Operating accounts receivable, deferred income, and trade payables were all significantly impacted by the appreciation of the U.S. dollar compared to the euro at the end of 2005 compared to the end of 2004. Operating accounts receivable furthermore increased as a result of the recent acquisitions and the increase of sales which were generated in the latter part of the year. Deferred income increased due to acquisitions and increased receipts of subscription renewals.

Non-operating working capital increased to €(732) million, mainly reflecting the redemptions of the bonds that are due in the next calendar year.

Working capital
in millions of euros

	2005	2004	Variance
Inventories	130	134	(4)
Operating accounts receivable [1]	921	776	145
Deferred income	(957)	(805)	(152)
Trade and other payables	(411)	(318)	(93)
Operating current liabilities [2]	(306)	(302)	(4)
▪ Operating working capital	(623)	(515)	(108)
Cash and cash equivalents	428	687	(259)
Non-operating current assets/liabilities (net) [3]	(732)	(377)	(355)
▪ **Working capital**	**(927)**	**(205)**	**(722)**

[1] Operating accounts receivable consist of trade receivables, prepayments, and other receivables.
[2] Operating current liabilities consist of salaries and holiday allowances, royalties payable, other liabilities and accruals, and social security premiums and other taxes.
[3] Non-operating working capital includes receivables / payables of derivative instruments, the short-term part of the restructuring provision, acquisition payables, interest receivable / payable, and borrowings and bank overdrafts.

Cash flow

In 2005 Wolters Kluwer continued its efforts to improve the working capital performance of the group. These efforts resulted in a contribution of autonomous movements in working capital to cash flow from operations of €30 million on top of the improvement of €107 million (€149 million net of one-off pension payments of €42 million) that was realized in 2004.

The significant improvement of working capital in 2004 could not be repeated in 2005, and thus results in a negative variance when comparing the 2005 cash flow to the prior year.

Cash flow from operating activities of €429 million in 2005 was lower than in 2004, reflecting the working capital variance mentioned above and the increase of financing payments. Financing payments were impacted by the first coupon payment on the 2003-2014 bonds. The payments of reorganization provisions were mainly related to severance payments to former employees as a result of the ongoing implementation of the restructuring program.

Capital expenditures increased, mainly reflecting the investments in back office systems in Europe.

Free cash flow provides the funds to invest in the business for future growth, acquire companies, pay dividends to shareholders, pay down debt, and repurchase shares. In 2005, the free cash flow amounted to €351 million.

The cash conversion ratio[1], which measures the cash generating ability of the businesses, regardless of tax and financing obligations in 2005, again surpassed the 1.00 mark at 1.06 (2004: 1.26) as a result of the positive working capital development.

Cash flow

in millions of euros (unless otherwise indicated)	**2005**	2004	Variance
Cash flow from operations	654	726	(72)
Cash flow from operating activities	429	529	(100)
Free cash flow	351	456	(105)
Diluted free cash flow per share (€)	1.14	1.51	(0.37)
Cash conversion ratio (CAR)	1.06	1.26	

Restructuring

In October 2003, a restructuring program was initiated to reduce costs by improving the operational efficiency and effectiveness through staff reductions, real estate consolidation, and the implementation of shared service centers (mainly in the United States).

Restructuring

in millions of euros	**2005**	2004	2003	Total
Cost savings	100	70	29	199
Investments:				
▪ Exceptional	20	44	96	160
▪ Non-exceptional	42	25	–	67

The results of the restructuring program are ahead of the plan as communicated in October 2003.

Employment

FTEs per December 31	**2005**	2004	Variance
Health	2,168	2,179	(11)
CFS	2,932	2,726	206
TAL	3,876	3,838	38
LTRE	7,051	7,352	(301)
Education	1,292	1,330	(38)
Corporate	100	90	10
Total	**17,419**	**17,515**	**(96)**

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

FTEs decreased by 96, mainly reflecting the continued restructuring efforts, particularly in LTRE and Education, that were partly offset by CFS, mainly as a result of the 2005 acquisitions.

Organically, FTEs decreased by 358 mainly as a result of the restructuring efforts in LTRE (in the Netherlands, Belgium, and the United Kingdom).

Acquisitions and divestments

In 2005, Wolters Kluwer acquired 10 businesses for a total consideration of €363 million, including estimated deferred payments (e.g. earn-outs). This includes an amount of €3 million, relating to costs that are directly attributable to the acquisitions such as legal fees, broker costs, and audit fees. The main acquisitions are:

Acquisitions	Division	Date of Completion	Annualized revenues *in millions of euros*
Boucher Communications (Fort Washington, PA, USA)	Health	September 8	12
PCi Corporation (Boston, MA, USA)	CFS	January 31	18
Best Case (Evanston, IL, USA)	TAL	December 30	4
Nolis (Paris, France)	LTRE	April 22	7
De Agostini Professionale and UTET Professionale (Rome/Turin, Italy)	LTRE	May 25	70

Health acquired Boucher Communications Inc. (BCI), a medical publisher serving the optometry and ophthalmology markets.

The CFS division was strengthened by the acquisition of PCi Corporation, a leading provider of lending compliance management solutions to financial institutions in the United States.

TAL acquired Best Case Solutions, a provider of bankruptcy form preparation and filing software for law firms representing personal and corporate debtors.

LTRE was strengthened by the acquisitions of Nolis, De Agostini Professionale, and UTET Professionale. Nolis is a French online software solutions provider for the transport and logistics industry. De Agostini Professionale and UTET Professionale are Italian publishing companies in public administration and enjoy an excellent reputation in legal, tax, and business markets with well-established brands such as Leggi d'Italia and UTET. Wolters Kluwer also acquired the remaining shares (50.05%) of Cedam.

The 10 acquisitions contributed €72 million to revenues in 2005.

Cash payments on acquisitions amounted to €357 million, including deferred payments of acquisitions made in prior years and excluding deferred payments of acquisitions made in 2005.
In addition, Wolters Kluwer announced on August 29, 2005, its intention to acquire the Information Management unit of NDCHealth (Phoenix, AZ, USA) for $382 million (€324 million). NDC-IM has annual revenues of approximately $165 million (€140 million). This transaction was completed on January 6, 2006.

On January 4, 2006, Wolters Kluwer announced the intention to acquire ProVation Medical Inc. (Minneapolis, MN, USA). ProVation provides medical documentation, coding, and workflow solutions to hospitals and ambulatory surgery centers in the United States and has annual revenues of approximately $13 million (€11 million). This transaction was completed on January 23, 2006.

In 2005, Wolters Kluwer made no significant divestments. On January 23, 2006, the divestment of Segment (Beek, the Netherlands) was announced. The result on divestments of €4 million is mainly due to the receipt of the redemption of the loan granted to management of Bohmann (Vienna, Austria), that had partially been provided for at the time of the divestment in 2004.

IFRS transition

From 2005 onwards, Wolters Kluwer prepares its consolidated financial statements under IFRS, as endorsed by the European Union. Note 29 to the consolidated financial statements contains a reconciliation of the financial information as reported under Dutch GAAP to IFRS. Please note that Wolters Kluwer decided to also adopt two new standards, which were endorsed by the European Union in the fourth quarter of 2005. These standards relate to the immediate recognition of actuarial gains and losses of defined benefit pension plans outside profit or loss (IAS 19.93A) and the recognition of the convertible bond as a financial liability at fair value through profit or loss (IAS 39.9).

Risk Management and Internal Controls

General

The Executive Board is responsible for risk management and internal control within Wolters Kluwer. Wolters Kluwer has risk management and internal control systems in place. The purpose of these systems is to identify any significant risks to which the Company is exposed, to enable the effective management of these risks, to meet strategic and operational objectives, to ensure the reliability of the financial reporting, and to comply with relevant laws and regulations. The internal control systems are designed based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. The COSO recommendations are aimed at providing a reasonable level of assurance. Consequently, these systems can never provide absolute assurance regarding the achievement of the Company's objectives or the reliability of the financial reporting, or entirely prevent material errors, losses, fraud, and violation of applicable laws and/or regulations.

Risk management and internal control systems

Mechanisms with respect to risk management and internal control at Wolters Kluwer include:

- A standard annual planning and reporting cycle, consisting of the annual Business Development Plan (three-year strategic plan) on a divisional and operational entity level, the annual budget, quarterly forecasts, and monthly financial reporting;
- Periodic business reviews are conducted, whereby the management of the operating companies and divisional management with the Executive Board discuss the progress against plan and actions to mitigate business risks;
- Specific policies on currency, interest, liquidity and credit risk approved by the Audit Committee;
- Standard financial and non-financial procedures and policies have been implemented. These include: the Letters of Representation that are signed quarterly by all divisional and operating company CEOs and CFOs as well as relevant Corporate staff members, Insider Trading Manual, Risk Manual, Company Values and Business Principles, Accounting Manual, Internal Audit Department Manual, Mergers & Acquisitions Manual, and Whistle-blower Policy;
- Internal audits are carried out by the Corporate Office frequently to ensure compliance with its policies and procedures and detect and address internal control issues;

- Wolters Kluwer has implemented an internal control dashboard including all recommendations and outstanding control issues arising from management reviews, internal audit, and external audit. The recommendations are actively followed-up on a quarterly basis.

In 2005, the Company continued to focus on establishing common Wolters Kluwer Internal Control Standards. The Company has built a Wolters Kluwer Internal Control Framework that enables the risk management and control process to be repeatable, integrated, and structured along COSO. In order to mitigate the financial reporting risks, the Company has identified approximately 100 key controls that have been designed to ensure that they adequately reflect the effects of the main business processes in the financial reporting. During 2005, the Company established and tested the existence of these key controls in the 10 main operating units. As needed, action plans have been developed and are being implemented to ensure that all main operating units have these key controls in place or take other risk-mitigating actions that yield a similar level of assurance. In 2006, the Company will complete this implementation process and will commence testing of the key controls on a periodic basis. Management will continue to monitor the outcome of the testing procedures and take action where necessary.

To secure the work done in all the operations, in the third quarter of 2005, the Company executed desk (quality) reviews followed by field audits by both the internal audit department and external advisors. Furthermore, the Company is implementing a software tool to monitor progress. The Audit Committee, the Supervisory Board, and the external auditor are closely involved in monitoring internal controls on financial reporting risks and findings are discussed with management on a regular basis.

As a consequence of the above, the Company identified some risks relating to the ICT environment which could impact the Company's financial reporting. Mitigating actions were implemented to reduce the associated exposures. The Company is of the opinion that it took the necessary steps in this respect to provide reasonable assurance that the financial reporting over 2005 will not contain material inaccuracies as a consequence of these identified risks.

As outlined in note 28 to the financial statements on page 120, the preparation of financial statements requires management to make judgements, estimates, and assumptions that have a material impact on the financial results. The Company has engaged professional staff, supported by external advisors, to assist it in making these decisions.

Statement on financial reporting risks

Based on the results of the approach to date, and after consulting the Audit Committee and Supervisory Board, the Executive Board of Wolters Kluwer is of the opinion that to the best of its knowledge, the risk management and control systems provide reasonable assurance that the financial reporting over 2005 does not contain any errors of material significance.

The Company continues to improve the risk management and control systems. In the coming years it will continue to give high priority to improving design and effectiveness, and further integrating the risk management and control systems in its daily operations.

Other risks

As an internationally active information business, Wolters Kluwer faces and manages various risks. In this paragraph an overview of certain important risks and steps to mitigate these risks are described.

Operational, strategic, legislative, and regulatory risks

Wolters Kluwer operates in a competitive environment. The means of delivering products, and the products themselves, may be subject to technological changes. Partly due to technological changes, new competitors may enter the markets in which Wolters Kluwer operates. Policy of local governments or other authorities, for example with respect to taxation, protection of intellectual property rights, or distribution of information, could affect the Company. Intellectual property rights could also be challenged or infringed by competitors. Furthermore, general economic conditions can be of influence.

The Company has taken various initiatives to permanently upgrade its ICT environment, such as outsourcing of its data centers, implementing new ERP systems, off-shoring of application maintenance and development, and the implementation of shared ICT centers. These initiatives continue also in 2006. New initiatives in this respect may also be taken in the future. While the Company implements risk-mitigating actions during the transition phase, these initiatives are inherently subject to execution risks. These actions include setting up project teams that are adequately resourced and careful planning and monitoring of the progress by senior management.

More specifically, the Company commenced a project to outsource and consolidate its data center operations in the United States that up until this time had been spread over more than 50 locations. The Company also continues to replace legacy ERP and financial systems in several businesses, both in the United States and in Europe. As a consequence of these activities, not all necessary internal controls were in place or have worked properly in 2005, and therefore the Company implemented additional controls to mitigate the associated risks.

The Company has acquired many businesses in the past, and it is expected it will acquire companies in the future as well. Risks with respect to the acquisition of companies can relate to the integration of the acquisitions, the achievement of all expected synergies, forecasts on which the Company relied at the time of the acquisition, and liabilities of which the Company was not aware at the time of acquisition. In addition, when the Company divests subsidiaries, it may be subject to liabilities arising out of such divestments.

To mitigate these risks, Wolters Kluwer has established a risk management system and internal controls, embedded in its business operations (reference is made to the risk management and control systems, described on page 47). The Company further mitigates risks by having a well-understood strategy in place and hiring the best management team available. The strategy is focused on serving professionals with information, software, and services to help them make critical decisions and improve their effectiveness. Wolters Kluwer provides products and services, largely on a subscription basis, which are crucial to these professionals.
This means that the Company serves relatively stable markets with a strong and constant need for up-to-date information and workflow software solutions and services, particularly in the rapidly evolving fields of regulation and compliance (tax, fiscal, financial services, legal, and human resources) learning (education) and health (medical).

Intellectual property rights (copyrights and patents) protect much of Wolters Kluwer's portfolio of information, software, and services. This portfolio is balanced in terms of markets and geography.

As part of its strategy, the Company is implementing a centralized technology governance and management model. As much as possible,

use is made of shared content and delivery platforms and common back office systems. This enables the Company to build on economies of scale across the organization.

Financial risks

General

As is the case with most international businesses, the Company manages a variety of financial risks, including currency and interest rates, liquidity and credit risk.

Fluctuations in exchange and interest rates affect Wolters Kluwer's reported results. It is the Company's goal to mitigate the effects of exchange rate and interest rate movements on profit, equity, and cash flow. Whenever possible, the Company tries to establish this by creating natural hedges, i.e. income and expenses in the same currency, and by matching assets and liabilities. When natural hedges are not present, Wolters Kluwer strives to realize the same effect with the aid of financial instruments.
For this purpose, hedging ranges have been identified and strict policies and governance are in place covering the program, including authorization procedures. The Company only purchases or holds financial instruments with the aim to mitigate economic risks and most of these instruments qualify for hedge accounting as defined in IAS 39. For additional disclosure about financial risks, please refer to Note 19 of the Consolidated Financial Statements.

Currency risk

The main currency risks identified by Wolters Kluwer are transaction and translation risks.

The transaction risk exposure within individual Wolters Kluwer entities is considered to be limited. The prices that Wolters Kluwer charges its customers for products and services are mainly denominated in customers' local currencies. Given the nature of the business, almost all related costs are also incurred in those local currencies. Financial instruments to hedge transaction risks are not frequently used.

Translation risk, which is the currency risk arising from translating the statement of earnings and the balance sheet of foreign subsidiaries to our corporate reporting currency (the euro) for consolidation purposes, is partially hedged.

An instantaneous 1% decline of the U.S. dollar against the euro from their levels at December 31, 2005, with all other variables held constant, would have the following impact on the Company's financials:

Approximate impact of 1% decline of $ against €

in millions of euros	**2005**
Revenues	(17)
Operating income	(3)
Profit for the year	(2)
Shareholders' equity	(15)

In order to hedge its net investment [1] in the United States, the Company currently has U.S. dollar forward contracts outstanding for a total notional amount of €380 million ($448 million), which represents a U.S. dollar balance sheet cover of approximately 20% (2004: approximately 30%). This is within the limits of the policy as approved by the Audit Committee.

[1] Net investment is defined as the total investment in both equity and long-term receivables from the U.S. holding company.

Part of the interest charges have been swapped into U.S. dollar through the use of derivative financial instruments. Of the total interest expense, approximately 60% was payable in U.S. dollars, resulting currency fluctuations have been recognized in the income statement. Assuming the same 60% of total interest expense payable in U.S. dollars, the following sensitivity analysis can be made. An instantaneous 1% decline of the U.S. dollar against the euro from its exchange rate at December 31, 2005, with all other variables held constant, would result in a decrease of approximately €0.5 million of the financing costs.

Interest rate risk
The Company seeks to protect results and cash flow from interest rate movements, either by arranging fixed or variable rate funding, through the use of derivative instruments (interest rate swaps). Of the total interest portfolio (excluding cash and cash equivalents), approximately 25% was variable rate and 75% was fixed rate in line with the policy of 67-75% fixed and 33-25% variable interest rate debt (all percentages are calculated on principal amounts).

Assuming the same 25% variable and 75% fixed interest rate, the following sensitivity analysis can be made. An instantaneous increase of interest rates of 1% compared to the rates on December 31, 2005, with all other variables held constant, would have no significant impact on the financing results, as a result of the significant cash position of the Company as of December 31, 2005.

Liquidity risk
In order to reduce liquidity risk, Wolters Kluwer has established the following minimum requirements:

- Repayment of long-term debt should be spread evenly over time;
- Acquire funding at least one year in advance of all maturing long-term debt;
- Minimum headroom (sum of unused committed credit facilities, cash and cash equivalents) of €500 million.

As Wolters Kluwer has access to unused committed credit facilities of €750 million and has cash and cash equivalents of €428 million, the headroom was approximately €1.2 billion at year end 2005 and reduces the liquidity risk of the Company significantly. No property has been collateralized or in any other way secured under these contracts.

Credit risk
Credit risk represents the loss that would be recognized if counterparties failed to perform as contracted. As of December 31, 2005, there are no customers with significant outstanding payments due Wolters Kluwer. It is Wolters Kluwer's policy to conclude financial transactions, where possible, under ISDA (International Swap Dealers Association) master agreements. Cash is invested and financial transactions are concluded only with financial institutions with strong credit ratings. Furthermore, credit limits per counterparty are in place. The Company does not enter into financial derivative instruments to protect against default of financial counterparties.

Corporate Governance

General

Corporate governance is an important subject for Wolters Kluwer. The Executive Board and the Supervisory Board are responsible for the corporate governance structure of the Company. Important steps that have been taken in 2005 with respect to corporate governance include:

- At the shareholders meetings of April 14, 2005, and August 15, 2005, it was possible for all holders of (depositary receipts for) ordinary shares to vote by means of a proxy to a third-party or a voting instruction to the Trust Office, which resulted in a strong increase in the participation at those meetings. At both meetings the participation (not taking into account the votes that could be issued by the Trust Office at its own discretion) was approximately 30%.
- In line with the Dutch Corporate Governance Code, the Company's corporate governance was brought up for discussion at the Annual General Meeting of Shareholders of April 14, 2005.
- The Articles of Association have been amended to bring them in line with the Dutch Corporate Governance Code.
- The Executive Board has decided, with the approval of the Supervisory Board, to put forward a proposal to the Annual General Meeting of Shareholders that will be held on April 26, 2006, to terminate the issuance of depositary receipts by the Wolters Kluwer Trust Office.
- A further improvement of the internal risk management and control systems.

Wolters Kluwer now complies with all of the principles and Best Practice Provisions of the Dutch Corporate Governance Code (the Code), unless stipulated otherwise in this chapter. An outline of the broad corporate governance structure and an explanation of deviances from the Code will be given in this chapter.

Executive Board

The Executive Board is responsible for the strategy, policy, aims, and results of the Company. The members of the Executive Board are appointed by the General Meeting of Shareholders. The remuneration of the members of the Executive Board is determined by the Supervisory Board, based on advice of the Selection and Remuneration Committee of the Supervisory Board. In line with the Code, the remuneration policy and the Long-Term Incentive Plan (LTIP) for the Executive Board were adopted and approved by the Annual General Meeting of Shareholders in 2004.

Under the LTIP, Executive Board Members can earn depositary receipts for ordinary shares after a period of three years. Granting of the depositary receipts is subject to clear and objective three-year performance criteria established in advance. After earning the depositary receipts, the Executive Board Members will not be restricted from selling them for a period of five years or until the end of their employment, as recommended in the Code *(Best Practice Provision II.2.3)*. Wolters Kluwer sees no reason to require the Executive Board Members to hold their depositary receipts for five years, because under the plan, grants recur on an annual basis and as such the Executive Board Members will always have a strong incentive to safeguard the long-term interests of the Company. A five-year holding period will not add anything to this.

Because the Company is acting in a competitive international environment, it is of crucial importance to have enough flexibility with respect to remuneration and terms of employment when new Executive Board Members are appointed. The Company therefore does not commit to the Best Practice Provisions in the Code regarding appointment of Executive Board Members for a term of four years and the maximum remuneration in the event of involuntary dismissal *(Best Practice Provisions II.1.1 and II.2.7)*. In each case, the Company will honor existing contracts with current Executive Board Members.

Wolters Kluwer has a very strict Code of Conduct for Insider Trading. The Executive Board Members are only allowed to trade in Wolters Kluwer securities during four open periods of two weeks, after publication of the annual, half-year, and quarterly results. There also are restrictions for trading in securities of peer group companies. Under the Wolters Kluwer Code of Conduct for Insider Trading, Executive Board Members are not compelled, however, to periodically notify the compliance officer of changes of their holdings in other Dutch listed companies as recommended in the Code *(Best Practice Provision II.2.6)*. In the industry in which Wolters Kluwer operates, Board Members in general do not receive sensitive information about other Dutch listed companies in the ordinary course of business. Therefore, the Supervisory Board and the Executive Board see no added value for the Company to monitor trading in securities of all Dutch listed companies by members of the Executive Board.

Supervisory Board

Wolters Kluwer has a two-tier board structure. The Executive Board Members are responsible for the day-to-day operations of the Company. The role of the Supervisory Board is to supervise the policies of the Executive Board and the general affairs of the Company and its affiliated companies, and to assist the Executive Board by providing advice.

The General Meeting of Shareholders appoints the members of the Supervisory Board. At present, all Supervisory Board Members are independent from the Company. The number of supervisory board memberships of all Supervisory Board Members is limited to such extent that the proper performance of their duties is assured. None of the Supervisory Board Members is a member of more than five supervisory boards of Dutch listed companies, with any chairmanships counting as two memberships. Wolters Kluwer considers it important that the Supervisory Board Members are well informed about the business and operations of the Company. Towards this end, operating managers, including divisional Chief Executive Officers, hold presentations on their businesses on a regular basis. In addition, the Company facilitates visits to operating companies and individual meetings

with staff and line managers. The General Meeting of Shareholders shall determine the remuneration of the Supervisory Board Members. The remuneration shall not depend on the results of the Company. The Supervisory Board Members do not receive shares or stock options by way of remuneration, nor shall they be granted loans. They are bound by the same Code of Conduct for Insider Trading as the Executive Board members. They are not compelled to periodically notify the compliance officer of changes of their holdings in other Dutch listed companies as recommended in the Code *(Best Practice Provision III.7.3)*, for the same reason as explained in the paragraph about the Executive Board. At present, none of the Supervisory Board Members own any securities in Wolters Kluwer.

Committees

As part of its responsibilities, the Audit Committee focuses on the operation of internal risk management and control systems, and on the role and functioning of the internal audit department and external auditors.
The Audit Committee consists of at least three people. At least one member of the Audit Committee is a financial expert.

The Supervisory Board also has installed a Selection and Remuneration Committee. Because appointments and remuneration are often closely related, the Supervisory Board sees no advantages in two separate committees. Installing two separate committees consisting of the same members would only increase the administrative burden. In line with the Code, the Chairman of the Supervisory Board will not be the Chairman of the Selection and Remuneration Committee. The Committee shall in any event be responsible for drafting policies associated with remuneration within the Company and for a proposal to the Supervisory Board regarding the specific remuneration of individual Executive Board Members. It also is responsible for drawing up selection criteria and appointment procedures for Supervisory Board Members and Executive Board Members.

Shareholders and the General Meeting of Shareholders

At least once a year, a General Meeting of Shareholders will be held.
The agenda of the Annual General Meeting of Shareholders shall in each case contain the report of the Executive Board, the adoption of the financial statements, the report of the Supervisory Board, and the proposal to distribute dividends or other distributions. Resolutions to release the members of the Executive Board and of the Supervisory Board from liability for their respective duties shall be voted on separately. Holders of (depositary receipts for) shares who alone or jointly represent at least half a percent (1/2%) of the issued capital of Wolters Kluwer or who represent a block of shares or depositary receipts at least worth €50 million, shall have the right to request that the Executive Board or Supervisory Board put items on the agenda of the General Meeting of Shareholders.

At the Euronext Amsterdam Stock Exchange, depositary receipts for ordinary shares (depositary receipts) are traded. The Wolters Kluwer Trust Office issues the depositary receipts and holds the underlying ordinary shares. The holders of depositary receipts can exchange their depositary receipts into ordinary shares under all circumstances and without limitations. Furthermore, depositary receipt holders will under all circumstances get the right to vote, and are entitled to give a proxy to third-parties or give a voting instruction to the Trust Office to vote on their behalf, regardless of the number of depositary receipts held by them. Therefore, the issuance of depositary receipts is not a measure against unfriendly takeovers.
The reason for the issuance of depositary receipts is to prevent a (chance)

minority of shareholders from controlling the decision-making process as a result of absenteeism at a General Meeting of Shareholders. All members of the Board of the Trust Office are independent from the Company. The Trust Conditions and Articles of Association of the Trust Office were changed in January 2005 to bring them in line with the Code. In accordance with the Code, a separate meeting of depositary receipt holders was held in February 2005.

The Executive Board has decided, with approval of the Supervisory Board, to put forward a proposal to the Annual General Meeting of Shareholders that will be held on April 26, 2006, to terminate the issuance of depositary receipts. Approval of this proposal will lead to conversion of depositary receipts into ordinary shares and subsequently the termination of the Trust Office. For the avoidance of doubt it is noted that the issuance of "American Depositary Receipts" is not linked to the issuance of depositary receipts of ordinary shares, as described above. The American depositary receipt Program will continue to exist.

For more information on the Trust Office, reference is made to the report of the Wolters Kluwer Trust Office (page 159 of this annual report).

Between Wolters Kluwer and the Wolters Kluwer Preference Shares Foundation an agreement has been concluded based on which the Foundation can take preference shares. This option on preference shares is at present the only measure Wolters Kluwer has left that could be considered as a potential protection against events that could threat the continuity, independence, or identity of the Company. The Foundation is entitled to exercise the option on the preference shares in such a way that the number of preference shares taken will be no more than 100% of the number of issued and outstanding ordinary shares at the time of the exercise. Exercise of the option on the preference shares by the Foundation gives the Executive Board and the Supervisory Board the possibility to determine their position with respect to, for example, a party making a bid on the shares of Wolters Kluwer and its plans, and enables them to study alternatives. All members of the Board of the Wolters Kluwer Preference Shares Foundation are independent from the Company.

Audit functions

The Executive Board is responsible for the quality and completeness of publicly disclosed financial reports. The Supervisory Board shall see to it that this responsibility is fulfilled. The external auditor is appointed by the General Meeting of Shareholders. Wolters Kluwer intends to have the auditor appointed by the General Meeting of Shareholders every four years, after a thorough assessment of the performance of the external auditor. This happened at the Annual General Meeting of Shareholders of April 14, 2005. In addition to this thorough assessment, the Executive Board and the Audit Committee shall report their dealings with the external auditor to the Supervisory Board on an annual basis. The Supervisory Board also has the discretion to put the appointment of the external auditor on the agenda of the General Meeting of Shareholders before the lapse of a four-year period, if so warranted. The external auditor may be questioned by the General Meeting of Shareholders in relation to his auditor's opinion on the financial statements. The external auditor shall, therefore, attend and be entitled to address the General Meeting of Shareholders. The Company has a policy on auditor independence in place, which has been published on the Company's website (www.wolterskluwer.com).

The internal auditor operates under the responsibility of the Executive Board. The external auditor and the Audit Committee are involved in drawing up the work schedule of the internal auditor. The findings of the internal auditor will be presented to the external auditor and the Audit Committee.

Legal structure

The ultimate parent company of the Wolters Kluwer Group is Wolters Kluwer nv. In 2002, Wolters Kluwer nv abolished the voluntary application of the structure regime *("structuurregeling")*. As a consequence, the structure regime became applicable to Wolters Kluwer Nederland bv, which is the parent company of the Dutch operating subsidiaries. Wolters Kluwer International Holding bv is the (in)direct parent company of the operating subsidiaries outside the Netherlands.

Amsterdam, February 28, 2006

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

Report of the Supervisory Board

Report of the Supervisory Board

Financial statements

The Executive Board has submitted the financial statements for the financial year 2005 to the Supervisory Board. The Supervisory Board also took note of the reports and the statements by KPMG Accountants nv (as referred to in Article 27, paragraph 3 of the Company's Articles of Association), which the Supervisory Board discussed with KPMG. Taking KPMG's reports into account, the members of the Supervisory Board signed the 2005 financial statements in the presence of the auditor. The Supervisory Board proposes to shareholders that they adopt these financial statements (see page 65 of this annual report) at the Annual General Meeting of Shareholders on April 26, 2006. Resolutions to release the Members of the Executive Board and of the Supervisory Board from liability for their respective duties will be voted on separately at the Annual General Meeting of Shareholders. In line with the dividend policy, it is proposed to distribute a dividend of €0.55 per share in cash, or at the option of holders of (depositary receipts for) ordinary shares, in stock. Stock payments will be determined on May 5, 2006, after close of trading. Upon approval by the Annual General Meeting of Shareholders, the payments will be made as from May 9, 2006.

Activities

The Supervisory Board held seven meetings in 2005. In addition, the Supervisory Board held three conference calls to discuss specific subjects. Three of the meetings started in the absence of the Executive Board. None of the Supervisory Board Members missed more than two meetings. One of the meetings was combined with a working visit to Wolters Kluwer Health operations in Philadelphia, where the CEO of the Health Division and the CEOs of the Professional & Education and Medical Research customer units gave presentations together with members of their teams. In accordance with the Dutch Corporate Governance Code, the functioning of the Supervisory Board and the Executive Board, and the performance of the individual members of both Boards were discussed in the absence of the Executive Board. The composition of the Supervisory Board, the Audit Committee, the Selection and Remuneration Committee, and the Executive Board were also discussed in the absence of the Executive Board.
In addition to the scheduled meetings, the Chairman and other members of the Supervisory Board had regular contact with the Chairman and other members of the Executive Board.

The Executive Board keeps the Supervisory Board closely informed about the execution of the three-year strategy and strategic issues in general. The Supervisory Board actively discussed these matters with the Executive Board in 2005. All divisional CEOs and some managers of operating companies have given one or more presentations to the Supervisory Board in 2005, in order to give the Supervisory Board insight into the strategic and operational issues facing the business. The Supervisory Board and Audit Committee also were informed about the general and financial risks of the business and the results of an assessment of internal risk management and control systems. (For more information on internal risk management and control systems, see page 47 of this report.) The Supervisory Board was kept informed about all acquisitions and divestments, and approved all acquisitions which represent more than 1% of Wolters Kluwer's revenues. In addition, the Supervisory Board was kept informed of long-term contracts of significant value. Other subjects discussed were the 2005 budget, annual and interim financial results and press releases, the dividend policy, the progress of the shared services project in North America, hedging, competitive developments, human resources, and branding. The Supervisory Board has discussed the future of the issuance of depositary receipts by the Wolters Kluwer Trust Office, and approved the proposal to the General Meeting of Shareholders that will be held on April 26, 2006, to change the articles of association in such a way that the issuance of depositary receipts for ordinary shares by the Wolters Kluwer Trust Office will be terminated. Approval of this proposal will lead to the conversion of depositary receipts into ordinary shares and subsequently the termination of the Trust Office.
Other steps to further enhance the corporate governance of Wolters Kluwer were discussed and supported by the Supervisory Board as well. (For more information about corporate governance, see page 52 of this annual report.)

As part of the introduction program and ongoing training of the Supervisory Board Members, individual Supervisory Board Members had meetings with corporate staff members and operational managers. Furthermore, an IFRS training was organized in 2005.

Audit Committee

The Audit Committee met on four occasions in 2005, during the preparation of the annual, half-year, and quarterly results. After the retirement of Mr. Westdijk from the Supervisory Board, Mr. Scheffers was appointed Chairman of the Audit Committee. The other members of the Audit Committee are Mr. De Ruiter and Mr. Baan. The Supervisory Board has appointed Mr. Forman as new member of the Audit Committee as of January 1, 2006.

The meetings of the Audit Committee were held in the presence of representatives of the Executive Board, the external auditor, and corporate staff members. In line with the Dutch Corporate Governance Code, the Audit Committee met once with the external auditors without members of the Executive Board being present. Among the main items discussed during the Audit Committee meetings were the financial results of the Company, the International Financial Reporting Standards, pensions, hedging, tax planning, the financing of the Company, and internal risk management and control systems. The Audit Committee has reviewed the proposed audit scope and approach, the audit fees, the independence of the external auditor, and the non-audit services provided by the external auditor.

Selection and Remuneration Committee

The Selection and Remuneration Committee met twice in 2005. The committee consists of Messrs. Pennings (Chairman), Baan, and De Ruiter. The committee discussed the remuneration policy for the Executive Board, including the base salary, the new conditional awards of performance shares under the Long-Term Incentive Plan, and the targets for the Short-Term Incentive Plan. Based on a proposal from the Selection and Remuneration Committee, the Supervisory Board decided to increase the fixed salary for the individual members of the Executive Board in 2005. Also based on a recommendation of the Selection and Remuneration Committee, the Supervisory Board proposed to the Annual General Meeting of Shareholders on April 14, 2005, to increase the remuneration of the Supervisory Board Members. This proposal was approved by the Shareholders. More information on the remuneration can be found on page 62 (Remuneration Report) and on page 65 (Financial Statements) of this annual report. The Committee actively searched for new members for the Supervisory Board in relation to the retirement of Messrs. Westdijk and Van Miert in 2005, resulting in the appointment of Messrs. Wakkie and Forman.

Composition

Mr. Westdijk retired after the Annual General Meeting of Shareholders in 2005 according to the rotation schedule, after serving as member of the Supervisory Board for three four-year terms. Mr. Van Miert resigned at the same time due to the increasing workload related to his other activities.

Members of the Supervisory Board are appointed by the General Meeting of Shareholders. At last year's meeting on April 14, 2005, Ms. Frost was reappointed as member of the Supervisory Board. At the same meeting, Mr. Wakkie was appointed as new Supervisory Board Member.

On August 15, 2005, Mr. Forman was appointed as new Supervisory Board Member at the Extraordinary General Meeting of Shareholders called for that purpose.

Mr. De Ruiter will retire after the Annual General Meeting of Shareholders on April 26, 2006, because he has served on the Supervisory Board for the maximum period of three four-year terms. In accordance with the Articles of Association, the Supervisory Board appoints, from its midst, a Chairman. The Supervisory Board has decided to appoint Mr. Baan as new Chairman of the Supervisory Board. According to the rotation schedule, Mr. Baan's current term expires in 2006. He is available for reappointment. The appointment of Mr. Baan as Chairman thus is subject to his reappointment as Supervisory Board Member by the Annual General Meeting of Shareholders that will be held on April 26, 2006. To fill the vacancy created due to the retirement of Mr. De Ruiter, the Supervisory Board proposes to the Annual General Meeting of Shareholders that will be held on April 26, 2006, to appoint Mr. S.B. James as new Supervisory Board Member.

For more information on each of the Supervisory Board Members in accordance with the Dutch Corporate Governance Code, see page 10 of this annual report. All members of the Supervisory Board are independent from the Company within the meaning of Best Practice Provision III.2.2 of the Dutch Corporate Governance Code.

We would like to take this opportunity to thank the Executive Board and all employees for their efforts in the past year.

Amsterdam, February 28, 2006

Supervisory Board Wolters Kluwer nv
H. de Ruiter, *Chairman*
J.V.H. Pennings, *Deputy Chairman*
A. Baan
L.P. Forman
A.J. Frost
H. Scheffers
P.N. Wakkie

Retirement of Mr. De Ruiter

In line with the rotation schedule and the Dutch Corporate Governance Code, Mr. De Ruiter is due to retire as Chairman and member of the Supervisory Board after the Annual General Meeting of Shareholders on April 26, 2006, because he has served three four-year terms on the Supervisory Board. Mr. De Ruiter became a member of the Supervisory Board in 1994 and was appointed Chairman of the Supervisory Board in 1998. We would like to thank Mr. De Ruiter for his dedication throughout the years. He has played an inspiring role within the Supervisory Board due to his high level of expertise and experience combined with his strong commitment. He has made an important contribution to the development and success of Wolters Kluwer.

Amsterdam, February 28, 2006

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

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

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Remuneration Report

General

During the Annual General Meeting of Shareholders of April 21, 2004, the Remuneration Policy for members of the Executive Board for 2004 and subsequent years was adopted, and the Long-Term Incentive Plan approved. In accordance with the recommendations of the Dutch Corporate Governance Code, any material changes to Wolters Kluwer's Remuneration Policy for members of the Executive Board will be submitted to the Annual General Meeting of Shareholders for adoption. As there are no material changes to the Remuneration Policy in 2006, it will not be an agenda item at the Annual General Meeting of Shareholders that will be held on April 26, 2006.

The Supervisory Board, based on recommendations from its Selection and Remuneration Committee, determines remuneration of individual Executive Board Members.

Remuneration policy for the Executive Board

The Remuneration Policy planned by the Supervisory Board for 2006 and subsequent years is equal to the Remuneration Policy adopted at the Annual General Meeting of Shareholders on April 21, 2004. The goal for Executive Board remuneration is to align individual and Company performance, to strengthen long-term commitment to the Company, and to attract and retain the best executive management.

The remuneration of Executive Board Members is based on surveys and analysis by internationally recognized firms specializing in executive compensation. Because Wolters Kluwer is a global organization and its Executive Board represents diverse nationalities, remuneration is benchmarked against surveys from Dutch, other European, and U.S. companies.

Remuneration for the Executive Board consists of three elements: a base salary, a Short-Term Incentive Plan (STIP) based on which a cash bonus can be earned, and a Long-Term Incentive Plan (LTIP) based on which performance shares can be earned. The base salary is determined annually. Both the short-term and long-term incentives vary according to performance. Variable elements of the remuneration package make up the largest portion of the Executive Board's total compensation. This reflects the philosophy that all senior executive compensation is linked to shareholder value.

The STIP grants to the Executive Board Members a cash bonus if specific targets are met. STIP objectives are financial criteria determined to create

value, such as revenue growth and free cash flow. The pay-out for performance on target will be 70% of the base salary. The maximum pay-out will be 90%, in case of overachievement by a predetermined percentage. The entire short term bonus depends on these quantitative, measurable targets. For 2006 (pay-out in 2007) the Supervisory Board has decided to base the STIP targets on free cash flow (50%), revenue growth (25%), and ordinary net income (25%).

Executive Board Members participate in pension schemes of their home countries, except in the Netherlands where an individually defined contribution plan is used. In France, additional pension insurance has been arranged on top of the local scheme. All current Executive Board members have (leaving aside retirement due to age) employment contracts for an indefinite period of time. Periods of notice vary between 30 and 90 days. The Company does not comply with the Best Practice Recommendations in the Dutch Corporate Governance Code regarding appointment for a limited term of four years and the maximum compensation in the event of involuntary dismissal (see the explanation in the chapter about corporate governance on page 52 of this report). Existing contracts with current Executive Board members will be honored.

Remuneration for the Executive Board in 2005

Fixed and variable compensation and other considerations for members of the Executive Board are shown in detail on page 120 of this annual report. In 2005, base salaries for Executive Board Members were increased by 4%.

The annual bonuses granted in 2005 for performance in 2004 were based on the achievement of free cash flow. The bonus for performance on target would have been 70% of the base salary; actual pay-out was 90% of base salary, paid out in March of 2005. The STIP bonus for performance in 2005 with pay-out in 2006 for members of the Executive Board was based on the achievement of targets with respect to free cash flow (50%), organic revenue growth (25%) and personnel costs as a percentage of revenues (25%), with a payout of 70% of base salary for performance on target and a maximum payout of 90% of base salary. The amount, payable in March 2006, will be 62.5% of base salary. Since this bonus is related to 2005 performance, this amount is included in the total remuneration for 2005 as shown on page 120 of this annual report.

Long-Term Incentive Plan for the Executive Board

At the Annual General Meeting of Shareholders on April 21, 2004, the implementation of the new LTIP for Executive Board Members was approved. The LTIP aligns the organization and its management with the strategic goals of the Company, thus rewarding the creation of shareholder value. The plan uses performance shares and at the beginning of a three-year period a conditional award of shares is established. The total number of shares that the Executive Board Members will actually receive at the end of the three-year performance period depends on the achievement of predetermined performance conditions.

Performance conditions for the Long-Term Incentive Plan

Rewards are based on the performance of Wolters Kluwer's Total Shareholder Return (TSR) in relation to a group of peer companies. TSR is calculated as the share price appreciation over a three-year period including dividend reinvestment. By using a three-year vesting period, based on TSR, there is a clear relation between remuneration and long-term value creation.

The peer group consists of the following companies: Arnoldo Mondadori, Dow Jones & Company, Emap, Grupo PRISA, John Wiley & Sons, Knight Ridder, Lagardère, McGraw-Hill, Pearson, Reed Elsevier, Reuters, T&F Informa, Thomson, United Business Media, and VNU. This peer group represents the media companies from the Morgan Stanley Capital Index (MSCI), the most widely used index by media analysts. The peer group has not changed since the introduction of LTIP in 2004, other than changes due to mergers or acquisitions that affected peer group companies.

The Executive Board can earn 0-150% of the number of conditionally awarded shares at the end of the three-year period depending on the improvement in Wolters Kluwer's TSR compared to the peer group. The plan for the first and second three-year period would pay out 100% of the number of conditionally awarded shares if TSR improved to a second quartile position for Wolters Kluwer (the fifth to eighth position). The conditional share awards for the Executive Board are determined by the comparable market information from Dutch, other European, and U.S. companies. The actual number of conditionally awarded shares over the period 2005-2007 can be found on page 120 of this report. The Company's external auditor or an independent expert appointed by the Supervisory Board will verify whether the performance conditions have been met.

Senior management remuneration

Senior management remuneration consists of a base salary, a STIP, and a LTIP. The senior management STIP is based on the achievement of specific objective targets that are linked to creating value for shareholders, such as revenue growth and cash flow. The LTIP targets of senior management are similar to those described for members of the Executive Board.

Amsterdam, February 28, 2006

Selection and Remuneration Committee
J.V.H. Pennings, *Chairman*
A. Baan
H. de Ruiter

2005 Financial Statements

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Consolidated Income Statement

in millions of euros

		2005		2004
Revenues note 2		**3,374**		**3,261**
Cost of sales		1,234		1,243
▪ **Gross profit**		**2,140**		**2,018**
Sales costs	611		532	
General and administrative costs				
▪ General and administrative operating expenses	996		970	
▪ Amortization of publishing rights and impairments note 5	81		65	
▪ Exceptional restructuring expense note 6	20		44	
▪ Total operating expenses		1,708		1,611
▪ **Operating profit**		**432**		**407**
Income from investments note 13		5		6
Financing results note 7		(103)		(97)
Results on disposals note 3		4		74
Share of profit of associates note 12		3		1
▪ **Profit before tax**		**341**		**391**
Income tax expense note 8		(80)		(80)
▪ **Profit for the year**		**261**		**311**
Attributable to				
▪ Equity holders of the parent		260		311
▪ Minority interests note 9		1		0
▪ Profit for the year		261		311
Basic earnings per share (€) note 1		0.86		1.05
Diluted earnings per share (€)		0.85		1.04

Consolidated Balance Sheet

in millions of euros

as at December 31

	2005	2005	2004	2004
Non-current assets				
Intangible assets note 10	3,450		2,812	
Property, plant and equipment note 11	205		208	
Investments in associates note 12	10		13	
Financial assets note 13	117		220	
Deferred tax assets note 14	23		40	
■ Total non-current assets		3,805		3,293
Current assets				
Inventories note 15	130		134	
Trade and other receivables note 16	1,029		894	
Income tax receivable	48		14	
Cash and cash equivalents note 17	428		687	
■ Total current assets	1,635		1,729	
Current liabilities				
Deferred income	957		805	
Trade and other payables	411		318	
Income tax payable	21		12	
Short-term provisions	44		51	
Borrowings and bank overdrafts note 19	719		353	
Other current liabilities note 18	410		395	
■ Total current liabilities	2,562		1,934	
■ Working capital		(927)		(205)
■ **Capital employed**		**2,878**		**3,088**

		2005		2004
Non-current liabilities				
Subordinated bonds	227		227	
Bonds	927		1,142	
Unsubordinated convertible bonds	–		422	
Perpetual cumulative subordinated bonds	225		225	
Other	57		77	
■ Total non-current liabilities note 19		1,436		2,093
Deferred tax liabilities note 14		80		35
Employee benefits note 20		250		217
Provisions note 21		13		33
Group equity				
Issued share capital	37		36	
Share premium reserve	90		91	
Other reserves	971		577	
Equity attributable to equity holders of the parent		1,098		704
Minority interests note 9		1		6
■ Total group equity note 22		1,099		710
■ **Total financing**		**2,878**		**3,088**

Consolidated Cash Flow Statement

in millions of euros

	2005	2005	2004	2004
Operating profit	432		407	
Amortization and depreciation	172		168	
Exceptional restructuring expense	20		44	
Autonomous movements in working capital	30		107	
Cash flow from operations		**654**		**726**
Paid financing costs	(99)		(62)	
Paid corporate income tax	(83)		(83)	
Appropriation of restructuring provisions	(51)		(60)	
Share-based payments	12		11	
Other	(4)		(3)	
		(225)		(197)
Cash flow from operating activities		**429**		**529**
Net expenditure on fixed assets	(86)		(73)	
Net acquisition spending note 3	(357)		(56)	
Net receipts from disposal of activities note 3	13		(5)	
Dividends received	8		0	
Cash from derivatives	83		35	
Cash flow from investing activities		(339)		(99)
Cash flow surplus		**90**		**430**
Exercise share options	11		–	
Redemption loans	(356)		(65)	
New loans	9		–	
Movements in bank overdrafts	46		–	
Dividend payments	(69)		(81)	
Cash flow from financing activities		(359)		(146)
Net cash flow		**(269)**		**284**
Cash and cash equivalents as at January 1	687		404	
Exchange differences on cash and cash equivalents	10		(1)	
		697		403
Cash and cash equivalents as at December 31		**428**		**687**

Consolidated Statement of Recognized Income and Expense

in millions of euros

		2005		2004
Profit for the year		**261**		**311**
Foreign exchange translation differences	252		(187)	
Net gain/(loss) on hedge of net investments in foreign subsidiaries	(78)		40	
Actuarial gain/(loss) on employee benefits	3		(59)	
Taxation	(1)		17	
Net income recognized directly in equity		176		(189)
Total recognized income and expense for the year		**437**		**122**
Attributable to:				
Equity holders of the parent	436		122	
Minority interest	1		0	
		437		**122**
Effect of changes in accounting policy:				
Equity holders of the parent	4		–	
Minority interest	0		–	
		4		**–**

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Wolters Kluwer nv ('the Company') and its subsidiaries (together 'the Group') is a leading multinational publisher and information services 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 depositary receipts of shares are quoted on the 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 28, 2006.

Notes to the Consolidated Financial Statements

SIGNIFICANT ACCOUNTING POLICIES

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 2005 and 2004, as presented in these consolidated financial statements and in preparing the opening IFRSs balance sheet at January 1, 2004 for the purpose of the transition to International Financial Reporting Standards (IFRSs).

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRSs and its interpretations including International Accounting Standards (IASs) prevailing per December 31, 2005 as adopted by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union by the European Commission. These are the Group's first consolidated financial statements under IFRSs and IFRS 1 has been applied.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 29.

CHANGES IN ACCOUNTING POLICIES IN 2005

The consolidated financial statements of the Company were prepared in conformity with the Dutch Civil Code, Book 2, Title 9 and Dutch Generally Accepted Accounting Principles (Dutch GAAP) up to and including 2004.
By means of regulation 1606/2000, the European Commission has stipulated that all listed companies within the European Union member states are required to prepare their consolidated financial statements under IAS and IFRSs as from January 1, 2005.
As the Group publishes comparative information for one year in its annual report, the transition date to IFRSs is January 1, 2004, and consequently the Group has restated its 2004 financials based on IFRSs, for comparison purposes only.

IFRS 1 includes an exemption for 2004 from the requirement to restate the financial information for IAS 32 and IAS 39 that contain specific accounting guidelines with regard to financial instruments. The Group has elected to apply this exemption and has therefore only applied these standards as of January 1, 2005.

Main changes

The main changes in accounting policies between IFRSs and Dutch GAAP for the Group, with a significant impact on the financial position or financial performance, are the following:

- 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;
- IAS 12 requires recognition of a deferred tax liability on almost all differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax liability has therefore been recognized on publishing rights that are acquired as part of a business combination, if they do not have a corresponding tax base;
- IAS 39 requires all derivative financial instruments to be recognized at fair value, with all fair value changes impacting the income statement unless hedge accounting is applied;
- IAS 39 fair value option amendment: The Group opted to recognize its unsubordinated convertible bond loan at fair value through profit or loss instead of treating the convertible bond as a compound financial instrument and recognizing the debt component at amortized cost;
- In conformity with IAS 19.93A, the Group opted to recognize all actuarial gains and losses immediately in the period in which they occur outside profit or loss.

The latter two changes regarding the fair value option for the convertible bond loan and the immediate recognition of actuarial gains and losses outside profit or loss have been endorsed in the last quarter of 2005, hence they were not included in the Appendix to the 2004 Financial Statements.

We refer to note 29 of this annual report for further details on these changes in accounting policies.

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 IFRSs requires management to make judgements, 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 judgements 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.

Judgements made by management in the application of IFRSs 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.

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

Inter-company transactions, balances 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 Company's functional and 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 euros 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. The revenues and expenses of Group companies are translated to euro at the average exchange rate for the period. All resulting exchange differences are recognized as a separate component of equity.

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 sale.
The Group has elected to use the exemption under IFRS 1 in its transition for cumulative translation differences; the cumulative translation differences of all foreign operations are deemed to be zero at the date of transition to IFRSs (January 1, 2004).

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Main exchange rates

to the euro	**2005**	2004
U.S. dollar (as at December 31)	1.18	1.36
U.S. dollar (average rate)	1.25	1.24
G.B. pound (as at December 31)	0.69	0.71
G.B. pound (average rate)	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 financial expense. Changes in the fair value of the hedged item are also recognized in the income statement within financial expense.

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 financial expense.

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 financial expense.

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 any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement within financial expense.

Business combinations

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events ('earn outs'), 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 and joint venture at the date of acquisition. Goodwill recognized for acquisitions represents a payment 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.

In respect of 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 IFRSs 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
- Trade marks and titles: trade marks, imprints, product titles, copyrights
- Other: license agreements, non-compete covenants.

These intangible assets are recognized at fair value 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. 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 market place. 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 from 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 various other requirements as defined in IAS 38.

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 lives for publishing rights and other intangible assets are as follows:

Publishing rights	5 - 20 years
Other intangible assets	3 - 5 years

Impairment

The carrying amounts of the Group's assets other than inventories and deferred taxes 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 greater of its net selling price and value in use.

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 lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Buildings	20 - 30 years
Machinery and equipment	5 - 10 years
Other	3 - 10 years

Land is not depreciated.

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 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.
The depreciation policy for these leased assets is consistent with that of depreciable assets that are owned.

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Financial assets

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

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.

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.

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 financial expenses.

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 tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The Group recognizes deferred tax liabilities for temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. 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.
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 the temporary difference can be utilized.
Deferred tax assets are presented within financial assets.

No deferred tax liability is recognized on goodwill not deductible for tax purposes. Furthermore, no deferred tax asset or liability is recognized in respect of temporary differences associated with investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

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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 bonds that have maturity dates approximating to 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 as at January 1, 2004, the date of the transition to IFRSs, were recognized. In respect of 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 either as a result of a disposal or restructuring.

Where the calculations 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 in 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 in 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 would include costs such as product development, ICT and general overhead.

Exceptional restructuring expense

Exceptional items are defined as items arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the Group. As a result of the strategic update as announced on

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October 30, 2003, a restructuring program has been initiated. Costs of this restructuring program are presented as exceptional restructuring expense.

Restructuring costs of acquisitions are also recognized as an 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 granted 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 granted. The amount recognized as an expense is adjusted to reflect the actual forfeitures due to participants' resignation before the vesting date.

Financing results

Financing results 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 financial expense.

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 flow from operating activities

Cash flow from operating activities is 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 movements in consolidated working capital. 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 reorganization and acquisition provisions.

Cash flow from investing activities

Cash flow from investing activities are those arising from investments in fixed assets, 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.
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 flow from investing activities.

Cash flow from financing activities

The cash flow from financing activities comprises the cash receipts and payments from issue and repayments of equity, from dividend and from 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.

Unless otherwise indicated, the figures in these financial statements are in millions of euros. (All applicable comparative figures for 2004 are restated for IFRSs).

Notes

Benchmark Figures

note 1

Benchmark Figures	2005	2004	Change in constant currencies (%)
Revenues	3,374	3,261	3
Ordinary EBITA	533	516	3
Ordinary EBITA margin (%)	15.8	15.8	
Ordinary net income	327	307	7
Free cash flow [1]	351	456	
Cash conversion ratio (CAR) [2]	1.06	1.26	
Return On Invested Capital (ROIC) (%)	6.9	6.8	
Net (interest-bearing) debt [3]	1,637	1,527	
Guarantee equity [4]	1,551	1,162	
Shareholders' equity to total assets (ratio)	0.20	0.14	
Guarantee equity to total assets (ratio)	0.29	0.23	
Diluted ordinary EPS (€)	1.06	1.02	4
Diluted free cash flow per share (€)	1.14	1.51	

[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 expenditure on fixed assets 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 and value of related derivative financial instruments.

[4] Guarantee equity is defined as the sum of subordinated bonds, perpetual cumulative subordinated bonds and group equity.

Reconciliation between operating profit, EBITA and ordinary EBITA	2005	2004
Operating profit	432	407
Amortization of publishing rights and impairments	81	65
▪ EBITA	513	472
Exceptional restructuring expense	20	44
▪ **Ordinary EBITA**	**533**	**516**

Return On Invested Capital (ROIC)	2005	2004
Ordinary EBITA	533	516
Allocated tax	(134)	(147)
▪ **Net Operating Profit after Allocated Tax (NOPAT)**	**399**	**369**
Average invested capital	5,756	5,463
ROIC (NOPAT/Average invested capital) (%)	6.9	6.8

Reconciliation between profit for the year and ordinary net income	2005	2004
Profit for the year, attributable to equity holders of the parent (A)	260	311
Amortization of publishing rights and impairments	81	65
Tax on amortization	(29)	(25)
Results on disposals (after taxation)	2	(73)
Exceptional restructuring expense (after taxation)	13	29
▪ **Ordinary net income** (B)	**327**	**307**

Reconciliation between cash flow from operations and free cash flow	2005	2004
Cash flow from operating activities	429	529
Net expenditure on property, plant and equipment	(86)	(73)
Dividends received	8	–
▪ **Free cash flow** (C)	**351**	**456**

Reconciliation between number of shares and weighted average number of shares

in millions of shares	**2005**	2004
Issued ordinary shares at January 1	297.7	292.1
Effect of stock dividend	4.7	3.5
Weighted average number of shares (D)	**302.4**	**295.6**

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

in millions of shares	**2005**	2004
Weighted average number of shares (D)	302.4	295.6
Long-term Incentive Plan (LTIP)	2.8	1.5
Unsubordinated convertible bonds	13.6	15.6
Share options	0.4	0.6
Repurchased shares	(2.6)	(3.2)
Diluted weighted average number of shares (E) [1]	**316.6**	**310.1**

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

Per share information	**2005**	2004
Correction to income of unsubordinated convertible bonds (net of taxes) on assumed conversion (F) (€ million)	9.9	11.2
Ordinary EPS (B/D) (€)	1.08	1.04
Diluted ordinary EPS (minimum of ordinary EPS and [(B+F)/E]) (€)	1.06	1.02
Basic EPS [2] (A/D) (€)	0.86	1.05
Diluted EPS (minimum of basic EPS and [(A+F)/E]) (€)	0.85	1.04
Free cash flow per share (C/D) (€)	1.16	1.54
Diluted free cash flow per share (minimum of free cash flow per share and [(C+F)/E])(€)	1.14	1.51

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

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Segment Reporting

note 2

Segment Reporting by Division	Health 2005	Health 2004	CFS 2005	CFS 2004	TAL 2005	TAL 2004
Revenues third parties	656	623	496	437	621	596
Cost of revenues	306	294	136	134	205	170
Gross profit	350	329	360	303	416	426
Sales costs	113	101	81	68	139	114
General and administrative costs						
▪ General and administrative operating expenses	133	125	179	153	155	174
▪ Amortization of publishing rights and impairments	9	9	11	4	33	33
▪ Exceptional restructuring expense	2	4	6	6	5	3
▪ Total operating expenses	257	239	277	231	332	324
Operating profit	93	90	83	72	84	102
Amortization of publishing rights and impairments	9	9	11	4	33	33
Exceptional restructuring expense	2	4	6	6	5	3
▪ **Ordinary EBITA**	**104**	**103**	**100**	**82**	**122**	**138**
Capital employed at December 31 [1]	558	555	680	546	723	651
Cash flow from operations	97	155	130	117	153	189
Depreciation and amortization other intangible assets	14	17	16	16	18	20
CAPEX	11	9	12	15	11	12
Ultimo number of FTEs	2,168	2,179	2,932	2,726	3,876	3,838

[1] Capital employed at December 31, 2004 has been restated.

The Group provides segment information in two formats. The primary segment reporting format is per 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 geographically. 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 (CAPEX) has not been presented separately as it can largely be derived from the primary segment reporting per 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	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
1,292	1,296	309	309	–	–	3,374	3,261
459	511	128	134	–	–	1,234	1,243
833	785	181	175	–	–	2,140	2,018
242	215	36	34	–	–	611	532
398	387	86	89	45	42	996	970
27	21	–	–	1	(2)	81	65
8	30	1	1	(2)	–	20	44
675	653	123	124	44	40	1,708	1,611
158	132	58	51	(44)	(40)	432	407
27	21	–	–	1	(2)	81	65
8	30	1	1	(2)	–	20	44
193	**183**	**59**	**52**	**(45)**	**(42)**	**533**	**516**
846	653	118	112	(47)	571	2,878	3,088
250	230	70	79	(46)	(44)	654	726
34	41	8	8	1	1	91	103
44	30	7	7	1	2	86	75
7,051	7,352	1,292	1,330	100	90	17,419	17,515

Geographical segments	**2005**	2004
Revenues were generated in the following regions:		
■ Europe	1,746	1,711
■ North America	1,472	1,419
■ Asia Pacific	128	108
■ Rest of the world	28	23
■ **Total**	**3,374**	**3,261**

Acquisitions and Disposals

note 3

Acquisitions			2005	2004
	Carrying amount	Fair value adjustments	Recognized values	
Non-current assets	4	140	144	3
Current assets	62	–	62	1
Current liabilities	(65)	–	(65)	(11)
Non-current liabilities	–	–	–	12
Provisions	(1)	–	(1)	–
Deferred tax	8	(34)	(26)	1
Minority interests	–	–	–	(4)
Net identifiable assets and liabilities	8	106	114	2
Goodwill on acquisitions			249	40
Consideration			363	42
The cash effect of the acquisitions is:				
Consideration (payable)/receivable			(363)	(42)
Cash acquired			11	1
Cash from (payables)/receivables			(5)	(15)
Net acquisition spending			**(357)**	**(56)**

Disposals	2005	2004
Non-current assets	–	34
Current assets	–	23
Current liabilities	–	(42)
Provisions	–	(4)
Net identifiable assets and liabilities	0	11
Result on disposals	4	74
Consideration	4	85
The cash effect of the disposals is:		
Consideration (payable)/receivable	4	85
Cash disposed of	–	(12)
Other assets obtained	8	(78)
Cash from (payables)/receivables	1	–
Net receipts from disposals	**13**	**(5)**

Since the acquisition date, these acquisitions have contributed €72 million to revenues, €10 million to operating profit and €18 million to ordinary EBITA. If the acquisitions had all been executed on January 1, 2005, full year 2005 revenues for the Group would have been €3,415 million, 2005 operating profit €437 million and ordinary EBITA €539 million.

The fair values 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 2006, which will be completed within 12 months from the acquisition date.

The Group realized the results from disposals in 2004 mainly from the ten Hagen & Stam transaction, the Netherlands.

Acquisitions completed

PCi Corporation (Boston, MA, USA)
On January 31, 2005, the Group acquired 100% of the share capital of PCi Corporation. PCi is a provider of lending compliance management solutions and became a part of CFS. PCi has annual revenues of €18 million and has approximately 120 employees.

Nolis (Paris, France)
On April 22, 2005, the Group acquired 100% of the share capital of Nolis S.A. Nolis is a French online software provider for the transport and logistics industry and became a part of LTRE. Nolis has annual revenues of €7 million and has 30 employees.

De Agostini Professionale (Rome, Italy) and UTET Professionale (Turin, Italy)
On May 25, 2005, the Group acquired 100% of the shares of De Agostini Professionale S.p.A. and 100% of the shares of UTET Professionale S.r.L. De Agostini Professionale and UTET Professionale are leading publishing companies in the Italian legal, tax and business markets with total revenues of approximately €70 million and approximately 160 employees. They are part of LTRE.

EON (Bucharest, Romania)
On June 9, 2005, the Group acquired 80% of the shares of EON Programming SA and the remaining 20% of the shares on December 29, 2005. EON is a Romanian legal electronic publisher for professionals in corporations and governments, with annual revenues of approximately €1 million and has approximately 30 employees. EON is part of LTRE.

AmeriSearch (Sacramento, CA, USA)
On July 6, 2005, the Group acquired the assets of AmeriSearch Inc. AmeriSearch became a part of CFS. AmeriSearch has annual revenues of approximately €3 million and has approximately 20 employees.

Rosetti (Bucharest, Romania)
On August 24, 2005, the Group acquired 100% of the shares of Editura Rosetti srl, a legal publisher in Romania. Rosetti, with approximately 17 employees and annual revenues of approximately €0.4 million, is a legal and tax publisher for professionals in organizations, governments and public administrations and is part of LTRE.

Boucher Communications (Fort Washington, PA, USA)
On September 8, 2005, the Group acquired the total assets of Boucher Communications Inc. (BCI). BCI's assets became a part of Health. BCI focuses on serving the vision care market. BCI has annual revenues of approximately €12 million and has approximately 48 employees.

Entyre (Ann Arbor, MI, USA)
On October 4, 2005, the Group acquired the assets of Entyre, a part of MacBeedon Mortgage Systems LLC.
Entyre is a provider of web-based compliance solutions to the mortgage lending industry. Entyre has annual revenues of approximately €1 million and has approximately 19 employees. It is part of CFS.

Tripoint (Chicago, IL, USA)
On October 6, 2005, the Group acquired 100% of the shares of Tripoint Systems Development Corporation. Tripoint, a software development company specializing in legal industry electronic invoicing and matter management systems, is part of CFS. Tripoint has annual revenues of approximately €3 million and has approximately 43 employees.

Best Case (Evanston, IL, USA)
On December 30, 2005, the Group acquired the assets of Best Case Solutions, Inc. and the company's market-leading Best Case Bankruptcy software and services. Best Case Solutions has annual revenues of approximately €4 million and approximately 16 employees and will become part of TAL.

CEDAM (Padova, Italy)
On December 28, 2005, the Group acquired the remaining 50.05% of the shares of CEDAM S.p.a. CEDAM was already recognized as a consolidated subsidiary. This acquisition has no impact on consolidated revenues and operating income. CEDAM is part of LTRE.

Personnel Expenses
note 4

Personnel Costs	**2005**	2004
Salaries and wages	932	902
Social security charges	143	148
Costs of defined contribution plans	20	19
Costs of defined benefit plans	17	7
Share-based payments	12	11
Total	**1,124**	**1,087**

Including the exceptional personnel related restructuring expense of €18 million (2004: €26 million, see note 6), total personnel expenses for 2005 would be €1,142 million (2004: €1,113 million).

The average number of employees, expressed in full-time equivalents, in 2005 is 18,467 (2004: 18,270).

Amortization and Depreciation

note 5 (See note 2 for detail by division)

Amortization and Depreciation	2005	2004
Amortization publishing rights	81	65
Impairments	–	–
Total amortization of publishing rights and impairments	81	65
Amortization other intangible assets	40	44
Depreciation property, plant and equipment	51	59
Total	**172**	**168**

Exceptional Restructuring Expense

note 6

Exceptional Restructuring Expense	2005	2004
Personnel related restructuring expense	18	26
Onerous contracts/discontinuation expense	2	18
Total	**20**	**44**

As a result of the three-year strategy as announced on October 30, 2003, a restructuring program has been initiated. The charge to exceptional restructuring expense relates to this restructuring program.

The personnel related restructuring expense mainly relate to severance payments.

The onerous contracts mainly relate to lease commitments of vacant offices due to the integration of businesses and discontinuation expense relate to the discontinuation of certain product lines.

In 2005 no exceptional restructuring expense of acquisitions were incurred.

Financing Results

note 7

Financing Results	2005	2004
Financial income		
Interest income	15	14
Total financial income	15	14
Financial expense		
Interest expense	121	107
Fair value changes through profit or loss	(4)	–
Net foreign exchange loss	1	4
Total financial expense	118	111
Total financing results	**(103)**	**(97)**

Income Tax Expense

note 8

Recognized in the Income Statement	2005	2004
Current tax expense		
Current year	56	74
Deferred tax expense		
Origination and reversal of temporary differences	24	6
Total	**80**	**80**

Reconciliation of the effective tax rates:

Income tax expense	%	2005	%	2004
Profit before tax		341		391
Normative income tax expense	34	117	35	137
Tax effect of:				
Financing activities	(10)	(32)	(9)	(33)
Utilization of tax losses carry forward	(1)	(4)	(1)	(3)
Tax exemption on results from disposals	(1)	(3)	(6)	(23)
Tax incentives and other	1	2	1	2
Total	**23**	**80**	**20**	**80**

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.

The impact of the decrease of the Dutch income tax rate from 31.5% to 29.6% in 2006 on the deferred tax position of the Group as at December 31, 2005, is not material due to the immaterial deferred tax positions in the Netherlands.

Minority Interests

note 9

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

Ownership *in %*	2005	2004
Akadémiai, Budapest, Hungary	74.0	74.0
AnNoText, Düren, Germany	74.9	74.9
CEDAM, Padova, Italy	100.0	50.0

In 2005, the Group acquired the remaining outstanding shares of CEDAM. Minority interest of consolidated participations in the income of the Group in 2005 was €1 million (2004: nil).

Minority interests in the equity of consolidated participations, totaling €1 million (2004: €6 million), are based on the third-party shareholding in the underlying shareholders' equity of the subsidiary.

Intangible Assets

note 10

Intangible Assets	Goodwill	Publishing rights	Other	2005	2004
Position as at January 1					
Purchase value	2,107	1,179	233	3,519	3,765
Amortization and impairments	[1] 0	(571)	(136)	(707)	(723)
Book value as at January 1	2,107	608	97	2,812	3,042
Movements					
Investments	–	–	50	50	36
Acquisitions through business combinations	249	140	1	390	40
Disposals	–	–	–	–	(31)
Net expenditures	249	140	51	440	45
Amortization	–	(81)	(40)	(121)	(109)
Impairments	–	–	–	–	0
Reclassifications	(18)	24	–	6	11
Exchange differences and other movements	232	74	7	313	(177)
Total movements	463	157	18	638	(230)
Position as at December 31					
Purchase value	2,570	1,453	312	4,335	3,519
Amortization and impairments	0	(688)	(197)	(885)	(707)
Book value as at December 31	**2,570**	**765**	**115**	**3,450**	**2,812**

[1] The book value of the goodwill as at the transition date to IFRSs is deemed to be the cost under IFRSs, hence cumulative amortization is nil.

Reclassifications include the deferred tax liability relating to acquired publishing rights recognized this year, based on the final purchase price allocations.

Goodwill of acquisitions through business combinations (€249 million) contains goodwill which will be subject to change based on the outcome of the purchase price allocation in 2006, which will consequently also impact the valuation of publishing rights and other intangible assets acquired through business combinations.

IMPAIRMENT TESTING FOR CASH-GENERATING UNITS

The carrying amounts of goodwill and publishing rights are detailed per division as follows:

Carrying amounts of goodwill and publishing rights	Goodwill	Publishing rights	2005	2004
Health	605	96	701	606
CFS	587	235	822	652
TAL	608	214	822	719
LTRE	697	220	917	665
Education	73	–	73	73
Total	**2,570**	**765**	**3,335**	**2,715**

The annual impairment test compares the carrying value net of related deferred taxes and 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. Those 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 typically does not exceed 3%.

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 Group has decided not to apply different discount rates for different parts of the business, since all 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. The post-tax WACC used is 8%.

The key assumptions used in the predictions 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 managements long term projections.

The impairment test carried out in 2005 showed that the recoverable amount for each Cash-Generating Unit exceeds the carrying amount, hence there are no impaired assets.

The impairment test also includes calculations of the recoverable amount with reasonable possible changes in key assumptions. Some of the Cash-Generating Units have a perpetual growth rate higher than 3%. This is consistent with the market growth rate in recent years and expectations for the coming years for the markets in which these Cash-Generating Units operate. One of the North American Cash-Generating Units that applied a perpetual growth rate of 4.5%, has a recoverable amount exceeding the carrying amount by €8 million. The recoverable amount would equal the carrying amount if a perpetual growth rate of 4% is assumed.

Property, Plant and Equipment

note 11

Property, Plant and Equipment	Land and buildings	Machinery and equipment	Other fixed assets	2005	2004
Position as at January 1					
Purchase value	146	30	406	582	628
Depreciation	(52)	(24)	(298)	(374)	(385)
▪ Book value as at January 1	94	6	108	208	243
Movements					
Investments	3	1	35	39	37
Acquisitions through business combinations	–	–	2	2	–
Disposals	(1)	–	(2)	(3)	(3)
▪ Net expenditures	2	1	35	38	34
Depreciation	(5)	(2)	(44)	(51)	(59)
Exchange differences and other movements	5	1	4	10	(10)
▪ Total movements	2	–	(5)	(3)	(35)
Position as at December 31					
Purchase value	152	34	436	622	582
Depreciation	(56)	(28)	(333)	(417)	(374)
▪ **Book value as at December 31**	**96**	**6**	**103**	**205**	**208**

Investments in Associates

note 12

Investments in Associates	2005	2004
Position as at January 1	13	9
Acquisitions	–	4
Dividends received	(2)	0
Share of profit of associates	3	1
Other movements	(4)	(1)
▪ **Position as at December 31**	**10**	**13**

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

Ownership *in %*	2005	2004
Boekhandels Groep Nederland, Deventer, the Netherlands	32.6	32.8
Manz Iura, Manz Schulbuch, Vienna, Austria	40.0	40.0

Summary financial information on associates (at 100%):

Summary financial information 2004	Assets	Liabilities	Equity	Revenues	Profit/(loss)
Boekhandels Groep Nederland	45	32	13	172	2
Manz Iura, Manz Schulbuch	11	10	1	23	0

Summary financial information 2005	Assets	Liabilities	Equity	Revenues	Profit/(loss)
Boekhandels Groep Nederland	42	28	14	169	4
Manz Iura, Manz Schulbuch	12	11	1	24	0

Financial Assets

note 13

Financial Assets	2005	2004
Investments	75	74
Receivables	20	10
Value at spot rates of forward exchange contracts	–	136
Derivative financial instruments	22	–
Total	**117**	**220**

The most important investment as at December 31, 2005, was Sdu Uitgevers bv, The Hague, the 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 all shares of 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 at the same aforementioned condition.

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

The shares of Sdu Uitgevers bv, that 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 €15 million which has been reflected as a non-current asset under receivables.

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Deferred Tax Assets and Liabilities

note 14

Deferred tax assets and liabilities are attributable to the following:

Deferred Tax Assets and Liabilities	Assets	Liabilities	2005	2004
Intangible assets	(5)	263	258	213
Property, plant and equipment	(2)	13	11	4
Inventories	(22)		(22)	(21)
Trade and other receivables	(16)		(16)	(8)
Employee benefits	(86)	5	(81)	(86)
Provisions for restructurings	(19)	1	(18)	(28)
Interest carry-forward	(71)		(71)	(62)
Tax value of loss carry-forwards recognized	(51)		(51)	(35)
Other items	(56)	103	47	18
Tax (assets)/liabilities	(328)	385	57	(5)
Set off of tax	305	(305)	–	–
Net tax (assets)/liabilities	**(23)**	**80**	**57**	**(5)**

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

Deferred tax assets have not been recognized in respect of the following items:

Unrecognized deferred tax assets	2005	2004
Tax losses	10	18
Total	**10**	**18**

These deferred tax assets have not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits.

Movement in temporary differences during the year:

Movement in temporary differences 2004	Balance January 1, 2004	Acquisitions/ disposals	Recognized in income	Recognized in equity	Exchange rate differences	Balance December 31, 2004
Intangible assets	221	11	(7)		(12)	213
Property, plant and equipment	5		(1)		–	4
Inventories	(21)		(1)		1	(21)
Trade and other receivables	(11)		2		1	(8)
Employee benefits	(86)		11	(17)	6	(86)
Provisions for restructurings	(39)		9		2	(28)
Interest carry-forward	(35)		(30)		3	(62)
Tax value of loss carry-forwards recognized	(37)		(1)		3	(35)
Other items	(2)		24		(4)	18
Total	**(5)**	**11**	**6**	**(17)**	**0**	**(5)**

Movement in temporary differences 2005	Balance January 1, 2005 [1]	Acquisitions/ disposals	Recognized in income	Recognized in equity	Exchange rate differences	Balance December 31, 2005
Intangible assets	213	32	(11)		24	258
Property, plant and equipment	4		7		–	11
Inventories	(21)		2		(3)	(22)
Trade and other receivables	(8)		(8)		–	(16)
Employee benefits	(86)		14	1	(10)	(81)
Provisions for restructurings	(28)		11		(1)	(18)
Interest carry-forward	(62)		–		(9)	(71)
Tax value of loss carry-forwards recognized	(35)		(11)		(5)	(51)
Other items	20		20		7	47
Total	**(3)**	**32**	**24**	**1**	**3**	**57**

[1] Restated for €2 million deferred tax liability on impact of first time application of IAS 32/39 per January 1, 2005.

Movements in overall tax position:

Tax position	2005	2004
Position as at January 1		
Tax receivable	(14)	(37)
Tax payable	12	–
Deferred tax assets	(40)	(37)
Deferred tax liabilities [1]	37	24
Overall tax position	**(5)**	**(50)**
Movements		
Total income tax expense	80	80
Acquisitions/disposals	27	(1)
Deferred tax on recognized publishing rights	6	11
Tax payments	(83)	(83)
Exchange differences and other movements	5	36
Total movements	**35**	**43**
Position as at December 31		
Tax receivable	(48)	(14)
Tax payable	21	12
Deferred tax assets	(23)	(40)
Deferred tax liabilities	80	35
Overall tax position	**30**	**(7)**

[1] Restated for €2 million deferred tax liability on impact of first time application of IAS 32/39 per January 1, 2005.

Inventories

note 15

Inventories	2005	2004
Raw materials	6	7
Work in progress	27	29
Finished products and trade goods	97	98
Total	**130**	**134**

As at December 31, 2005, the provision for obsolescence deducted from inventory book values totaled €68 million (2004: €74 million).

Trade and Other Receivables

note 16

Trade and Other Receivables	2005	2004
Trade receivables	805	645
Prepayments	86	84
Value at spot rates of forward exchange contracts	–	118
Derivative financial instruments	108	–
Other receivables	30	47
Total	**1,029**	**894**

Trade receivables are shown net of impairment losses amounting to €43 million (2004: €36 million).

Cash and Cash Equivalents

note 17

Cash and Cash Equivalents	2005	2004
Deposits	321	637
Cash and bank balances	107	50
Total	**428**	**687**

Other Current Liabilities

note 18

Other Current Liabilities	2005	2004
Salaries, holiday allowances	134	108
Royalties payable	63	69
Social security premiums and other taxation	46	57
Derivative financial instruments	14	–
Interest payable	64	86
Deferred acquisition payments	26	7
Other liabilities and accruals	63	68
Total	**410**	**395**

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Financial Instruments

note 19

Net debt	2005		2004	
Subordinated convertible staff bonds	0		1	
Subordinated bonds	227		226	
Bonds	927		1,142	
Unsubordinated convertible bonds	–		422	
Perpetual cumulative subordinated bonds	225		225	
Other loans	46		77	
■ Non-current loans		1,425		2,093
Short-term loans (due within 1 year)		719		353
Deferred acquisition payments		26		22
Minus:				
Cash and cash equivalents		(428)		(687)
Value at spot rates of forward exchange contracts:				
■ Non-current		–		(136)
■ Current		–		(118)
Derivative financial instruments:				
■ Non-current receivable	(22)		–	
■ Current receivable	(108)		–	
■ Non-current payable	11		–	
■ Current payable	14		–	
■ Derivative financial instruments		(105)		–
■ **Net (interest-bearing) debt**		**1,637**		**1,527**

Gross debt	Effective interest rate (%)	Nominal interest rate (%)	Repayment commitments 1-5 years [1]	Repayment commitments >5 years [1]	2005	2004
Subordinated convertible staff bonds 2002-2007	5.550	3.000	–	–	–	1
Subordinated bonds 1997-2007	6.330	6.250	227	–	227	226
Bonds 1999-2006			–	–	–	215
Bonds 1998-2008	5.340	5.250	226	–	226	227
Bonds 2003-2014	5.240	5.125	–	701	701	700
Unsubordinated convertible bonds 2001-2006			–	–	–	422
Perpetual cumulative subordinated bonds	7.270	6.875	–	225	225	225
Multicurrency roll-over facility 2004-2010			–	–	–	–
Other loans			39	7	46	77
Non-current loans			492	933	1,425	2,093
Derivative financial instruments			11	–	11	–
Total non-current liabilities			**503**	**933**	**1,436**	**2,093**
Current loans						
Subordinated convertible staff loans		5.500			–	1
Bonds 1999-2006	5.690	5.500			214	–
Unsubordinated convertible bonds 2001-2006	2.500	1.000			447	–
Bonds 2000-2005		6.125			–	170
Subordinated bonds 1998-2005		5.125			–	182
Other loans					12	–
Bank overdrafts					46	–
Total borrowings and bank overdrafts					**719**	**353**
Deferred acquisition payments					26	22
Derivative financial instruments					14	–
Total current loans					**759**	**375**
Gross debt					**2,195**	**2,468**

[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 multicurrency roll-over facility.
We refer to the Risk Management paragraph in the Report of the Executive Board for the Group's financial risk management approach and a sensitivity analysis on currency and interest rate changes.

LOAN MATURITY

The following amounts of non-current loans as of December 31, 2005, are due within and after five years:

Gross debt

in millions of euros

2007	247
2008	236
2009	6
2010	14
Due after 2010	933
Long-term loans	1,436
Short term (2006)	759
Total	**2,195**

Subordinated bonds

Wolters Kluwer has outstanding subordinated bonds of €227 million due 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 approximately €1,141 million. On November 19, 2003, Wolters Kluwer issued unsubordinated bonds due 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 €215 million due 2006 and €227 million due 2008.

Unsubordinated convertible bonds

The Group opted to value the unsubordinated convertible bond at fair value through profit or loss because this results in a better reflection of the economic costs. The option to convert the bond into shares is not in the money, and consequently the chance of conversion is minimal.

On November 30, 2001, a convertible (unsubordinated) bond loan with a nominal value of €700 million was issued. The conversion price was fixed at €31.00 per depositary receipt issued for one ordinary share of Wolters Kluwer. The issue price of the bonds was 100%. The coupon was set at 1.00% per annum. The bonds will be redeemed at 107.88% of their principal amount on the maturity date (November 30, 2006), unless previously redeemed, converted or purchased and cancelled. The convertible bonds will at reporting date be valued at fair value while the corresponding coupon costs and fair value option movement are charged to the income statement.
During 2003 Wolters Kluwer repurchased approximately €210 million at an average price of 101.25. During 2004 Wolters Kluwer repurchased approximately €68 million at an average price of 104.24. The outstanding nominal balance as per December 31, 2005 is €422 million (fair value €447 million). The fair value is calculated based on quoted market prices.

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 syndicated credit facility

In July 2004, Wolters Kluwer signed a €750 million multi-currency credit facility. The transaction raised commitments from thirteen banks across Europe, the United States and Australia. The credit facility had an initial maturity of five years with two one-year extension options, potentially raising the maturity to seven years. With the first extension option approved in 2005, the current maturity of the credit facility is 2010.

Fair value of current and non-current loans and derivative financial instruments

	December 31, **2005**		December 31, 2004	
	Carrying value	Fair value	Carrying value	Fair value
(Non-)current loans [1]	(1,368)	(1,421)	(1,773)	(1,898)
Unsubordinated convertible bonds [1]	(447)	(447)	(440)	(441)
Perpetual cumulative subordinated bonds [1]	(225)	(233)	(233)	(237)
Derivative financial instruments:				
▪ Non-current receivable	22	22	–	–
▪ Current receivable	108	108	–	–
▪ Non-current payable	(11)	(11)	–	–
▪ Current payable	(14)	(14)	–	–
▪ Total derivative financial instruments	105	105	–	–
Interest rate swaps	–	–	–	33
Forward exchange contracts	–	–	254	239

[1] Carrying value as at December 31, 2004 is defined as book value including accrued interest less the capitalized portion of the issuing costs.

The following summarizes the major methods and assumptions used in estimating the fair values of the financial instruments in the table above:

The fair value of outstanding (non-)current loans at the balance sheet date can deviate from the value at which they have been recorded in the balance sheet. The fair value of swaps, which Wolters Kluwer uses to hedge the exchange rate and interest risks (cross currency swaps and interest rate swaps) and the forward contracts have been included in the table above. The fair value has been determined by the Company using market information and appropriate valuation methods or listings from financial institutions.

A sensitivity analysis on the derivative financial instruments portfolio yields the following results. At December 31, 2005, it is estimated that a general increase of one percent in the euro and U.S. dollar interest rates would increase the fair value changes through profit or loss by approximately €(0.5) million.

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It is estimated that an increase of one percent in the value of the euro against U.S. Dollar has no material impact on the financing results.

Most of the financial instruments qualify for hedge accounting (under IAS 39). To apply for hedge accounting requires the hedges to be highly effective. During 2005 a loss of €0.7 million was recorded in the income statement as a result of ineffectiveness of hedges.

Employee Benefits

note 20

Employee Benefits	2005	2004
Pension and post employment plans	227	186
Other (post) employment obligations	23	31
Total	**250**	**217**

PROVISION FOR PENSIONS

The provision for pensions relates to defined benefit plans.
The following weighted average economic assumptions were employed to determine the net periodic pension and post retirement plans' expense and net liability.

Economic assumptions *in %*	2005	2004
Pension schemes		
Discount rate	4.3	4.9
Expected return on assets	5.3	5.8
Average increase salaries	3.5	3.5
Post retirement plans		
Discount rate	5.3	6.0
Medical trend rate	5.0	5.0

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 trend rate is capped at 5% as stipulated by the Group's post-retirement medical plan in the United States.

A decrease of 0.50% of the discount rate would increase the plan liabilities by approximately €80 million, and would increase the service costs with approximately €2 million.

Plan liabilities and assets	Pension plans 2005	Pension plans 2004	Post employment plans 2005	Post employment plans 2004
Plan liabilities				
Fair value as at January 1 [1]	919	816	85	120
Service costs	15	15	2	3
Interest costs	43	43	4	5
Benefits paid	(33)	(31)	(6)	(5)
Actuarial (gain) or loss	49	100	6	(14)
Plan participants' contributions	6	7	0	–
Curtailment (gain) or loss	0	(18)	0	–
Exchange rate differences	30	(18)	13	(7)
Plan amendments	(15)	5	–	(28)
■ Fair value as at December 31	1,014	919	104	74
Plan assets				
Fair value as at January 1 [1]	817	727	0	0
Return on plan assets	86	67	–	–
Benefits paid by fund	(33)	(34)	(6)	(5)
Employer contribution	16	57	6	5
Plan participants' contribution	6	7	–	–
Exchange rate differences	26	(7)	–	–
■ Fair value as at December 31	918	817	0	0
Funded status				
Funded status as at December 31	96	102	104	74
Unrecognized past service costs	11	(5)	16	15
■ Net liability as at December 31	107	97	120	89
Pension costs				
Service costs	15	15	2	3
Interest costs	43	43	4	5
Expected return on assets	(47)	(46)	0	–
Amortization unrecognized past service costs	1	–	(1)	(13)
■ **Total pension costs**	**12**	**12**	**5**	**(5)**

[1] In 2005 some defined benefit plans are classified as pension plans and post retirement plans, which were classified under other post employment obligations in 2004.

The plan amendment of €15 million relates to a change in the pension plan in the Netherlands where the pre-pension arrangement has been altered.

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Provisions for Restructuring Commitments

note 21

Provisions for Restructuring Commitments	2005	2004
Position as at January 1	33	43
Add: short-term commitments	51	60
Total as at January 1	84	103
Movements		
Addition charged as exceptional restructuring expense	20	44
Addition charged to ordinary operating result	1	2
Total additions	21	46
Appropriation of acquisition provisions	(3)	(5)
Appropriation of exceptional restructuring provisions	(45)	(52)
Appropriation of other restructuring provisions	(3)	(5)
Exchange differences and other movements	3	(3)
Total appropriations	(48)	(65)
Total as at December 31	57	84
Less: short-term commitments	(44)	(51)
Position as at December 31	**13**	**33**

Group Equity

note 22

Group Equity	Issued share capital	Share premium reserve	Translation reserve	Treasury shares	Retained earnings	Share-holders' equity	Minority interest	Group equity
Balance as at January 1, 2004	**35**	**92**	**0**	**(53)**	**578**	**652**	**3**	**655**
Foreign exchange translation differences			(187)			(187)		(187)
Net gain/(loss) on hedge of net investment in foreign subsidiaries			40			40		40
Actuarial gain/(loss) on employee benefits					(59)	(59)		(59)
Taxation					17	17		17
Total income (loss) recognized directly in equity	0	0	(147)	0	(42)	(189)	0	(189)
Profit for the year					311	311	0	311
Total recognized income and expense for the year	0	0	(147)	0	269	122	0	122
Share–based payments					11	11		11
Cash dividend 2003					(81)	(81)		(81)
Stock dividend 2003	1	(1)				–		–
Other movements		–				–	3	3
Balance as at December 31, 2004	**36**	**91**	**(147)**	**(53)**	**777**	**704**	**6**	**710**
Change in accounting policies [1]			0		4	4		4
Balance as at January 1, 2005	**36**	**91**	**(147)**	**(53)**	**781**	**708**	**6**	**714**
Foreign exchange translation differences			252			252		252
Net gain/(loss) on hedge of net investment in foreign subsidiaries			(78)			(78)		(78)
Actuarial gain/(loss) on employee benefits					3	3		3
Taxation					(1)	(1)		(1)
Total income (loss) recognized directly in equity	0	0	174	0	2	176	0	176
Profit for the year					260	260	1	261
Total recognized income and expense for the year	0	0	174	0	262	436	1	437
Share-based payments					12	12		12
Cash dividend 2004					(69)	(69)		(69)
Stock dividend 2004	1	(1)				–		–
Exercise of share options				12	(1)	11		11
Other movements			58		(58)	–	(6)	(6)
Balance as at December 31, 2005	**37**	**90**	**85**	**(41)**	**927**	**1,098**	**1**	**1,099**

[1] The change in accounting policies per January 1, 2005, relates to the adoption of the IFRSs on financial instruments (IAS 32 and IAS 39). It amounts to €4 million, net of deferred taxation.

Share capital

The authorized capital amounts to €143.04 million consisting of €71.52 million ordinary shares (nominal value €0.12) and €71.52 million preference shares. The issued share capital consists of ordinary shares. The number of issued ordinary shares increased from 297.7 million to 304.4 million as a result of stock dividend. To cover the dilutive effect of share options the Company has, as per the balance sheet date, 2.1 million repurchased treasury shares. Depositary receipts have been issued for 97% of the issued ordinary share capital (295.7 million shares).

Translation reserve

The Company has elected to deem the cumulative translation differences of all foreign operations to be zero at the date of transition to IFRSs, January 1, 2004.
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 are recognized in the income statement as part of the gain or loss on sale.

Treasury shares

The Company repurchases shares in treasury to cover the dilutive effect of stock options and the equity-settled share-based payments. Share-based payments relate to the equity-settled Long-Term Incentive Plans 2004-2006 and 2005-2007, and stock option plan 2003-2010. Treasury shares are recorded at cost, representing the market price on the acquisition date.

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 €0.55 per share in cash or in shares (at a ratio to be determined and announced on May 5, 2006).
Of the 2004 dividend, of €0.55 per share, 42.9% was distributed as cash dividend (2003: 51.3%).

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 has been implemented, to align compensation with value creation. Under the new plan, share options have ceased to be granted. Instead, Executive Board Members and senior executives are granted shares under the equity-settled Long-Term Incentive Plans (LTIPs). The vesting period of the LTIPs is three years [1], 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. We refer to the Remuneration Report on page 62 for more details.

Total expenses for LTIPs will be ratably allocated to the income statement over the period of the plan.

[1] For a former member of the Executive Board, the vesting period for the LTIP 2004-2006 is two years.

Vesting of the 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 2004-2006 and LTIP 2005-2007).
In 2005, €11.8 million has been recorded as personnel expenses in the income statement (2004: €7.6 million).

Base number of shares *at 100% payout*	LTIP 2004-2006	LTIP 2005-2007	Total
Outstanding at January 1, 2005	1,494,000	–	1,494,000
Conditionally awarded	–	1,547,000	1,547,000
Vested	(120,000)	–	(120,000)
Forfeited	(115,000)	(91,500)	(206,500)
Outstanding at December 31, 2005	**1,259,000**	**1,455,500**	**2,714,500**

The 120,000 vested shares in 2005 will be delivered in 2006. The fair market value of each share conditionally awarded in 2005 was €13.58 (LTIP 2004-2006: €13.10), as determined by an outside consulting firm.

Stock option plans

As at December 31, 2005, options were outstanding for 5.0 million (depositary receipts of) ordinary shares Wolters Kluwer.

Stock option plans	1999	2000	2001	2002	2003	2004	Total
End of exercise period	2004 and 2005	2005	[2] 2006	2007 and 2009	2010	2011	
Initial number of options	578,200	2,505,340	2,729,750	2,912,250	2,778,500	40,000	
Initial exercise rate (average) (€)	42.00	23.50	28.88	23.07	10.55	13.47	
Outstanding as at January 1, 2005	80,000	1,780,160	1,973,750	2,340,250	2,363,500	40,000	8,577,660
Movements							
Options expired/eliminated	(80,000)	(1,780,160)	(202,750)	(267,500)	(110,500)	–	(2,440,910)
Options exercised	–	–	–	–	(1,129,500)	–	(1,129,500)
Outstanding as at December 31, 2005	**0**	**0**	**1,771,000**	**2,072,750**	**1,123,500**	**40,000**	**5,007,250**

[2] 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 granted before January 1, 2004 have not been cancelled. After that date, no new stock options have been granted, 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 granted at fair market value at the date of grant. Every option entitles the holder to purchase one share each, for the share price on the date at which the option is granted. The exercise period starts at least two years after the date the options are granted until five years maximum or in some cases six years. For options granted 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 (2004: €8 million).

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.

As at December 31, 2005, annual commitments under rental and operational lease agreements amounted to €69 million (2004: €79 million) The average term of these commitments is approximately 5.9 years (2004: 5.4 years).

Non-cancelable operating lease rentals are payable as follows:

Non-cancelable operating lease rentals	2005	2004
Less than one year	7	4
Between one and five years	21	10
More than five years	62	51

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 (see note 21).

Guarantees

Per December 31, 2005, the Group has outstanding guarantees regarding royalty payments to societies during the coming years of around €5 million (2004: €13 million).

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

The Group has issued formal guarantees for bank credit facilities for a total amount of €106 million (2004: €40 million), on behalf of a number of its foreign subsidiaries. As at December 31, 2005, none of these credit facilities had been utilized (2004: €0.5 million).

Per December 31, 2005, other bank guarantees were issued, at the request of the Company or its subsidiaries, for a total amount of €4.3 million (2004: €6.4 million). These guarantees mainly relate to rent for real estate.

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.

In December 2004, the Group reached a seven-year agreement with Perot Systems Corporation to provide data center management, back-office support, and other information technology services. The total contract value of the agreement is USD 200 million (€170 million). However, the contract, including its terms and conditions, is currently under discussion.

Audit Fees

note 26

The aggregate fees billed by the Group's auditor, KPMG, for professional services rendered in 2005 and 2004 are as follows:

Aggregate fees

in million of euros

	2005	2004
Audit fees	4	5
Audit-related fees	1	1
Tax fees	2	2
Total	**7**	**8**

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.

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Remuneration of the Executive Board and Supervisory Board

note 27

For details on the Group's remuneration policy, please see the report from the Remuneration Committee of the Supervisory Board in this annual report.

REMUNERATION EXECUTIVE BOARD MEMBERS

Remuneration Executive Board members *in thousands of euros*	Salary	Bonus	Pension	Social security	Other Benefits	Tax gross up [1]	**2005** [2]	2004
N. McKinstry, *Chairman*	820	588	169	26	181	133	1,917	1,979
B.L.J.M. Beerkens	546	341	98	9	47	–	1,041	1,138
J.M. Detailleur	467	292	263	93	109	–	1,224	1,270
H.J. Yarrington [3]	–	–	–	–	–	–	–	1,307
Total	**1,833**	**1,221**	**530**	**128**	**337**	**133**	**4,182**	**5,694**

[1] Tax gross up relates to the tax expense incurred by the Group relating to tax equalization for salary and benefits paid in 2005 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.

[3] Mr. H.J. Yarrington retired as member of the Executive Board per January 1, 2005.

The 2005 bonuses as presented above relate to the performance year 2005 and will be paid in 2006.

The 2005 pension contributions as presented above concern the accrued pension costs for the financial year 2005.

In 2005, an amount of €0.7 million was paid to former members of the Executive Board. 120,000 shares were awarded under the LTIP 2004-2006 to a former member of the Executive Board.

At balance sheet date, Mr. J.M. Detailleur owns 834 depositary receipts of ordinary shares.

LONG-TERM INCENTIVE PLAN EXECUTIVE BOARD MEMBERS

The Executive Board members have been conditionally awarded the following number of shares based on a 100% pay out, subject to the conditions of the long-term incentive plans 2004-2006 and 2005-2007, as described in the Remuneration report:

Base number of shares *at 100% payout*	Conditionally granted LTIP 2004-2006	Conditionally granted LTIP 2005-2007	Total conditionally granted as at December 31, 2005
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**

Fair market value of each share conditionally granted in 2005 was €13.58 (LTIP 2004-2006: €13.10). The plans have a vesting period of 3 years.

STOCK OPTIONS EXECUTIVE BOARD MEMBERS

Stock options Executive Board members	Granting	Exercise price (€)	January 1, 2005	Expired during the year	Exercised during the year	December 31, 2005	End of Exercise period
N. McKinstry, *Chairman*	2001	29.16	100,000			100,000	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	1999	43.18	80,000	(80,000)		0	2005
	2000	23.32	80,000	(80,000)		0	2005
	2000	24.06	32,400	(32,400)		0	2005
	2001	29.16	20,000			20,000	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**			**817,400**	**(192,400)**	**–**	**625,000**	

REMUNERATION SUPERVISORY BOARD MEMBERS

Remuneration Supervisory Board members *in thousands of euros*	Member of Selection & Remuneration Committee	Member of Audit Committee	Remuneration **2005**	Remuneration 2004
H. de Ruiter, *Chairman*	▪	▪	55	48
J.V.M. Pennings, *Deputy Chairman*	▪		42	40
A. Baan	▪	▪	46	38
L.P. Forman			14	–
A.J. Frost			37	30
K.A.L.M. Van Miert			12	30
H. Scheffers		▪	42	34
P.N. Wakkie			27	–
N.J. Westdijk		▪	14	35
▪ **Total**			**289**	**255**

Mr. Wakkie was appointed as member of the Supervisory Board by the Annual General Meeting of Shareholders on April 14, 2005, Mr. Forman was appointed as member of the Supervisory Board by the Extraordinary Meeting of Shareholders on August 15, 2005. Messrs. Van Miert and Westdijk resigned in April 2005.
The Supervisory Board members do not own shares in Wolters Kluwer.

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Accounting Estimates and Judgements

note 28

The preparation of financial statements in conformity with IFRSs requires management to make judgements, 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 requires estimates and judgements are discussed below.

Revenue recognition

Revenue recognition requires estimates and judgements as far as it relates to estimating the expected returns from customers or the 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 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.

Valuation and impairment testing intangibles

Upon acquisition, the value of the 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 3 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 judgements and estimates. Management usually consults lawyers and other specialists for support.

Restatement of Financial information for 2004 under International Accounting Standards (IAS) and International Financial Reporting Standards (IFRSs)

note 29

By means of regulation 1606/2002, the European Commission has stipulated that all listed companies within the European Union member states are required to prepare their consolidated financial statements under International Accounting Standards (IAS) and International Financial Reporting Standards (IFRSs) as from January 1, 2005.

Hence, Wolters Kluwer has prepared its 2005 annual report under IFRSs. Up to and including the 2004 annual report Wolters Kluwer's accounting policies were based on Dutch GAAP. As the Company publishes comparative information for one year in its annual report, the transition date to IFRSs is January 1, 2004. Wolters Kluwer applied IFRSs as endorsed by the European Commission as at December 31, 2005 for the 2005 figures as well as the restated 2004 comparative figures.

IFRSs includes an exemption for 2004 from the requirement to restate the financial information for IAS 32 and 39 that contains specific accounting guidelines with regard to financial instruments. Wolters Kluwer has elected to apply this exemption and has therefore only applied these standards in its IFRSs annual report as of January 1, 2005.

This note contains the text of the appendix in the 2004 Annual Report, with an update on two issues: the impact of IAS 32 and 39 as of January 1, 2005 as mentioned above and the new option of IAS 19.93A to recognize all actuarial gains and losses immediately in the period in which they occur outside profit or loss.

Main impact of the adoption of IFRSs

Over the last few years, Dutch GAAP has already incorporated some important IFRSs. These adoptions prompted Wolters Kluwer to change its accounting policies for revenue recognition (RJ 270, similar to IAS 18) and pensions (RJ 271, similar to IAS 19) per January 1, 2003. Consequently, there is no change to revenue recognition at the transition date. Likewise, the change to pension accounting is limited.

To the extent that the accounting principles applied under Dutch GAAP differ from the accounting principles as prescribed under IFRSs, we have adjusted our accounting principles as set out below. For the full text of the IFRSs based accounting principles, including these IFRSs amendments, we refer to page 74 of this annual report.

The main impact of the adoption of IFRSs is in the following areas that are discussed in the following paragraph:

- Share-based payments
- Business combinations
- Presentation
- Cash flow statement
- Taxation
- Employee benefits
- Financial instruments

It should be emphasized that IFRSs has no impact on the overall cash flow of the Company. Furthermore, the adoption of IFRSs is not expected to have an effect on the dividend policy, as announced previously.

Exemptions from IFRSs

IFRS 1 allows companies to elect to use one or more exemptions from IFRSs in its transition.

The Company has elected to use the following exemptions:

a Business combinations: the Company has not retrospectively applied IFRS 3 on business combinations to acquisitions prior to the transition date;
b Employee benefits: the Company has elected to recognize all actuarial gains and losses at the transition date;
c Cumulative translation differences: the Company has elected to deem the cumulative translation differences of all foreign operations to be zero at the date of transition to IFRSs;
d Share-based payment transactions: the Company has elected not to apply IFRS 2 on share-based payments to equity instruments that were granted on or before November 7, 2002.

Overview of the impact

full year 2004

in million of euros

	IFRSs	Dutch GAAP	Difference
Revenues	3,261	3,261	–
Operating Income	407	239	168
Profit for the year	311	135	176
Diluted EPS (€)	1.04	0.46	0.58
Shareholders' equity at January 1, 2004	652	861	(209)
Shareholders' equity at December 31, 2004	704	775	(71)
Shareholders' equity at January 1, 2005	708	775	(67)
Benchmark figures:			
Ordinary EBITA	516	521	(5)
Ordinary net income	307	311	(4)
Diluted ordinary EPS (€)	1.02	1.04	(0.02)
Free cash flow	456	456	–

MAIN CHANGES OF THE ADOPTION OF IFRSs

IFRS 2 Share-based payments

IFRS 2 requires a company to reflect in its income statement and its balance sheet the effect of share-based payment transactions.

The Company has elected to use the transition arrangement under IFRS 1, which allows companies not to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002. The IFRSs reconciliation therefore solely relates to the stock options granted after November 7, 2002. As a result an expense of €3 million was recognized in the restated income statement for 2004.

Dutch GAAP also requires companies to recognize compensation costs of shares that are (conditionally) granted to employees. The Company has elected to apply the calculation methodology as prescribed by IFRS 2 to

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calculate the expense of the long-term incentive plan 2004-2006 in its 2004 financial statements under Dutch GAAP. As a result, there is no difference between Dutch GAAP and IFRSs.

IFRS 3 Business combinations

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 Company has elected to apply the transition arrangement under IFRS 1, which allows for the prospective application of IFRS 3 from January 1, 2004.

The impact of IFRS 3 and the associated transitional arrangements is that all goodwill reported under Dutch GAAP is frozen as of January 1, 2004. The amortization expense of goodwill for 2004 is reversed in the restated income statement for 2004.

As a result the amortization expense of goodwill and publishing rights decreased by €173 million. Since a part of goodwill is amortized for tax purposes, the tax benefit has also been reversed in the income statement and as a result the tax expense increased by €18 million. The net impact on profit for the year thus amounts to €155 million.

The publishing rights acquired as a result of business combinations meet the recognition criteria of IFRS 3. The impairment test prescribed by IFRSs is similar to the impairment test that the Company historically applied to goodwill and publishing rights under Dutch GAAP. Thus, the impairment test that was performed at the transition date has not resulted in additional impairments having to be recognized.

Under IFRSs, restructuring provisions can no longer be charged as part of accounting for acquisitions.

IAS 1 Presentation of financial statements

Offsetting

IAS 1 does not allow assets and liabilities to be offset unless required or permitted by another Standard or Interpretation.

Under Dutch GAAP, the Company used to offset trade debtors and deferred income to the extent that the amounts related to subscription billings were not yet due.

The impact of IAS 1 is that trade debtors and deferred income are no longer offset for an amount of €218 million per January 1, 2004 and of €219 million per December 31, 2004.

Deferred taxation

Deferred tax assets should be presented within financial fixed assets. As a consequence, an amount of €37 million has been reclassified from receivables to financial fixed assets per January 1, 2004 (per December 31, 2004 €40 million).

Receivables from forward contracts

Receivables from forward contracts, that are expected to be realized after more than one year, should be presented within financial fixed assets. As a consequence, an amount of €219 million has been reclassified from receivables to financial fixed assets per January 1, 2004 (€136 million per December 31, 2004).

IAS 7 Cash flow statement

IAS 7 contains guidelines to be applied to the presentation of the cash flow statement.

Cash payments to employees and suppliers should all be recognized as cash flows from operating activities. As a result the cash flow from acquisition provisions has been reclassified to cash flow from operating activities.

Cash receipts and payments from forward contracts and swaps should be classified in the same manner as the cash flows of the positions being hedged. The Company has primarily used derivatives for the purpose of hedging its net investment in the U.S. As a result, the cash receipts from derivatives have been reclassified to the cash flow from investing activities.

IFRS 1 / IAS 12 Taxation

IAS 12 requires recognition of a deferred tax liability for almost all differences between the carrying amount of an asset or liability in the balance sheet and its tax base.

A deferred tax liability should therefore be recognized on publishing rights that are acquired as part of a business combination. According to the IFRSs transition arrangements, goodwill and the (carrying value of the) publishing rights should not be changed as a result of the transition to IFRSs, except in specific circumstances. It was therefore concluded that the deferred tax liability on the publishing rights had to be charged to equity.

Therefore, a deferred tax liability of €221 million is charged to equity relating to the publishing rights that were carried in the balance sheet per January 1, 2004. In 2004, €25 million was credited to income, reflecting the tax credit on the amortization expense of the publishing rights.

In 2004, €11 million was added to goodwill relating to the deferred tax liability on acquired publishing rights that were recognized in 2004.

It should be noted that this deferred tax liability is not expected to result in actual cash payments.

IAS 19 Employee benefits

Pensions

The Company adopted Dutch accounting guideline RJ 271 as per January 1, 2003. The impact of this guideline for the Company is similar to the adoption of IAS 19.

The Company has elected to apply the transition arrangement under IFRS 1, which allows for the recognition of all cumulative actuarial gains and losses as at January 1, 2004 and hence the amortization credit of such unrecognized gain or loss under Dutch GAAP in 2004 has been reversed in the income statement under IFRSs in 2004.

As a result, the pension provision on the balance sheet as at January 1, 2004 decreased by €23 million, pension costs 2004 increased by €2 million, having a negative impact on 2004 profit of €1 million, after allowing for the related tax benefit of €1 million.

In conformity with IAS 19.93A, as endorsed by the European Union in 2005, the Company opted to recognize all actuarial gains and losses immediately in the period in which they occur outside profit or loss. As a result, the pension provision as at December 31, 2004 increased by €38 million.

Other employee benefits

IAS 19 requires a provision to be charged for long-term employee benefits such as jubilee or other long-term service benefits.

Dutch GAAP has no specific accounting principles in this area, and the Company has hereto typically recognized this expense on a cash basis,

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except for a few businesses that already recognized an accrual for long-term employee benefits. These accruals were previously presented as other current liabilities, and have been reclassified to provisions under IFRS.

As a result, the Company has recognized a provision for long-term service benefits of €4 million.

The total impact on equity of the adjustments mentioned above, net of related deferred taxes, is an increase of €12 million per January 1, 2004, and a decrease of €30 million as at December 31, 2004.

IAS 32 and IAS 39 Financial instruments

IAS 32 and IAS 39 contain guidelines for the presentation, disclosure, recognition and measurement of financial instruments.

IFRS 1 contains an exemption from the requirement to restate comparative information for IAS 32 and IAS 39 for 2004. Wolters Kluwer has elected to apply this exemption. Consequently, Dutch GAAP has been consistently applied to the 2004 comparative figures.

Per January 1, 2005, the total net impact of the adoption of IAS 32 and IAS 39 on equity is €4 million increase, €6 million pre-tax less deferred taxes of €2 million.

The main financial effects of the adoption of IAS 32 and IAS 39 as of January 1, 2005 for Wolters Kluwer are as follows:

- Recognition of derivatives at fair value. Unless hedge accounting is applied, changes in the fair value will impact profit for the year.
- Recognition of the convertible bond at fair value, with changes in fair value recognized through profit or loss.
- Recognition of financial assets and liabilities at amortized cost including the transaction costs if held to maturity, unless hedge accounting is applied.
- Positive and negative bank balances of a legal entity with a bank are no longer offset, even though these balances are part of a notional cash pool, unless there is a legally enforceable right to set off the recognized amounts and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This leads to an increase of the cash balance and the bank overdraft for the same amount.

The Group opted to recognize its unsubordinated convertible bond loan at fair value through profit or loss as endorsed by the European Union in 2005 instead of treating the convertible bond as a compound financial instrument and recognizing the debt component at amortized cost. First time application of this fair value option for the unsubordinated convertible bond resulted in a decrease of equity of €1 million.

The remaining increase of equity of €5 million is related to the recognition of financial liabilities at amortized costs and the recognition of derivative financial instruments at fair value.

Reconciliation of shareholders' equity at January 1, 2004

Dutch GAAP shareholders' equity at January 1, 2004	861
Taxation	(221)
Employee benefits	12
IFRSs shareholders' equity at January 1, 2004	**652**

Reconciliation of shareholders' equity at December 31, 2004 and January 1, 2005

Dutch GAAP shareholders' equity at December 31, 2004	775
Business combinations	155
Taxation	(196)
Employee benefits	(31)
Exchange rate differences	1
IFRSs shareholders' equity at December 31, 2004	**704**
Financial instruments	4
IFRSs shareholders' equity at January 1, 2005	**708**

Consolidated balance sheet at January 1, 2004	January 1, 2004 Dutch GAAP	Taxation IAS 12	Employee Benefits IAS 19	Presentation IAS 1	January 1, 2004 IFRSs
Fixed assets					
Intangible fixed assets	3,042				3,042
Tangible fixed assets	243				243
Financial fixed assets	14			256	270
Total fixed assets	**3,299**			**256**	**3,555**
Current assets					
Inventories	146				146
Accounts receivable	1,195			(251)	944
Cash and cash equivalents	404				404
Total current assets	**1,745**			**(251)**	**1,494**
Current liabilities					
Deferred income	617			218	835
Trade creditors	268				268
Other current liabilities	468		(1)		467
Total current liabilities	**1,353**		**(1)**	**218**	**1,570**
Working capital	**392**		**1**	**(469)**	**(76)**
Capital employed	**3,691**		**1**	**(213)**	**3,479**
Long-term liabilities	**2,521**				**2,521**
Provisions					
Provision for pensions	227		(23)		204
Provision long service benefits			4		4
Other post employment obligations	28				28
Restructuring commitments	43				43
Deferred taxation	8	221	8	(213)	24
Total provisions	**306**	**221**	**(11)**	**(213)**	**303**
Group equity					
Issued share capital	35				35
Share premium reserve	92				92
Non-distributable reserve for translation differences	–				–
Other reserves	734	(221)	12		525
Shareholders' equity	861	(221)	12	–	652
Minority interests	3				3
Total Group equity	**864**	**(221)**	**12**	**–**	**655**
Total financing	**3,691**	**0**	**1**	**(213)**	**3,479**

Consolidated income statement 2004	2004 Dutch GAAP	Business combinations IFRS 3	Taxation IAS 12	Sharebased payments IFRS 2	Employee Benefits IAS 19	2004 IFRSs
Revenues	3,261					3,261
Cost of sales	1,243					1,243
▪ **Gross result**	**2,018**					**2,018**
Sales costs	532					532
General and Administrative costs						
▪ General and Administrative operating expenses	965			3	2	970
▪ Amortization of goodwill and publishing rights	238	(173)				65
▪ Exceptional restructuring expense	44					44
▪ **Total operating expenses**	**1,779**	**(173)**		**3**	**2**	**1,611**
▪ **Operating income**	**239**	**173**		**(3)**	**(2)**	**407**
Results on disposals	71		3			74
Income from investments	6					6
Interest income	14					14
Interest expense	(111)					(111)
▪ **Income before taxation**	**219**	**173**	**3**	**(3)**	**(2)**	**390**
Taxation on income	(85)	(18)	22		1	(80)
Net results from associates	1					1
▪ **Income after taxation**	**135**	**155**	**25**	**(3)**	**(1)**	**311**
Minority interests	–					0
▪ **Net income**	**135**	**155**	**25**	**(3)**	**(1)**	**311**
Earnings per share (€)	0.46					1.05
Diluted earnings per share (€)	0.46					1.04

Consolidated balance sheet at December 31, 2004 and January 1, 2005	December 31, 2004 Dutch GAAP	Business combinations IFRS 3	Taxation IAS 12	Sharebased payments IFRS 2	Employee Benefits IAS 19 [1]	Presentation IAS 1 [1]
Fixed assets						
Intangible fixed assets	2,639	173	11			
Tangible fixed assets	208					
Financial fixed assets	97					176
Total fixed assets	**2,944**	**173**	**11**			**176**
Current assets						
Inventories	134					
Accounts receivable	1,031					(123)
Cash and cash equivalents	687					
Total current assets	**1,852**					**(123)**
Current liabilities						
Deferred income	586					219
Trade creditors	318					
Other current liabilities	800				(1)	12
Total current liabilities	**1,704**				**(1)**	**231**
Working capital	**148**				**1**	**(354)**
Capital employed	**3,092**	**173**	**11**	**0**	**1**	**(178)**
Long-term liabilities	**2,093**					
Provisions						
Provision for pensions	148				38	
Provision long service benefits					4	
Other post employment obligations	27					
Restructuring commitments	33					
Deferred taxation	10	18	207		(10)	(178)
Total provisions	**218**	**18**	**207**		**32**	**(178)**
Group equity						
Issued share capital	36					
Share premium reserve	91					
Non-distributable reserve for translation differences	(148)					
Other reserves	661		(221)	3	(30)	
Net result for the year	135	155	25	(3)	(1)	
Shareholders' equity	775	155	(196)	0	(31)	
Minority interests	6					
Total Group equity	**781**	**155**	**(196)**	**0**	**(31)**	
Total financing	**3,092**	**173**	**11**	**0**	**1**	**(178)**

[1] The adjustments for employee benefits and presentation are updated when compared to the appendix to the 2004 Annual Report to reflect the adoption of IAS 19.93A, as endorsed by the EU in 2005.

Exchange rate differences	December 31, 2004 IFRSs	Financial instruments IAS 32/39	January 1, 2005 IFRSs
(11)	2,812		2,812
	208		208
	273	13	286
(11)	**3,293**	**13**	**3,306**
	134		134
	908	(11)	897
	687		687
	1,729	**(11)**	**1,718**
	805		805
	318		318
	811	(16)	795
	1,934	**(16)**	**1,918**
	(205)	**5**	**(200)**
(11)	**3,088**	**18**	**3,106**
	2,093	**12**	**2,105**
	186		186
	4		4
	27		27
	33		33
(12)	35	2	37
(12)	**285**	**2**	**287**
	36		36
	91		91
1	(147)		(147)
	413	4	417
	311		311
1	704	4	708
	6	–	6
1	**710**	**4**	**714**
(11)	**3,088**	**18**	**3,106**

Consolidated cash flow statement 2004	Dutch GAAP	Restatement	IFRSs
Operating income	239	168	407
Depreciation	103		103
Amortization of intangible fixed assets	238	(173)	65
Exceptional restructuring expense	44		44
Autonomous movements in working capital	107		107
Cash flow from operations	**731**	**(5)**	**726**
Paid financing costs	(62)		(62)
Paid corporate income tax	(83)		(83)
Appropriation of restructuring provisions	(55)	(5)	(60)
Other	3	5	8
	(197)	–	(197)
Cash flow from operating activities	**534**	**(5)**	**529**
Net expenditure fixed assets	(73)		(73)
Appropriation of acquisition provisions	(5)	5	–
Acquisition spending	(56)		(56)
Disposals of activities	(5)		(5)
Cash from derivatives	–	35	35
Cash flow investments	(139)	40	(99)
Cash flow surplus	**395**	**35**	**430**
Cash from derivatives	35	(35)	–
Movements in long-term loans	(418)		(418)
Movements in short-term borrowings	353		353
Dividend payments	(83)		(83)
Dividend on own shares	2		2
Cash flow financing	(111)	(35)	(146)
Net cash flow	**284**	**–**	**284**
Cash and cash equivalents as at January 1	404		404
Exchange differences on cash and cash equivalents	(1)		(1)
	403		403
Cash and cash equivalents as at December 31	**687**	**–**	**687**

Full Year 2004

Segment information	Dutch GAAP	Restatement	IFRSs
Revenues			
Health	623	–	623
Corporate & Financial Services	437	–	437
Tax, Accounting & Legal	596	–	596
Legal, Tax & Regulatory Europe	1,296	–	1,296
Education	309	–	309
Total revenues	**3,261**	**–**	**3,261**
Operating income			
Health	51	39	90
Corporate & Financial Services	58	14	72
Tax, Accounting & Legal	31	71	102
Legal, Tax & Regulatory Europe	97	35	132
Education	47	4	51
Corporate	(45)	5	(40)
Total operating income	**239**	**168**	**407**
Ordinary EBITA			
Health	103	–	103
Corporate & Financial Services	83	(1)	82
Tax, Accounting & Legal	139	(1)	138
Legal, Tax & Regulatory Europe	183	–	183
Education	52	–	52
Corporate	(39)	(3)	(42)
Total ordinary EBITA	**521**	**(5)**	**516**

Under IFRSs 2004 operating income is on balance €168 million higher due to the cancellation of the amortization of goodwill (€173 million), the increased pension costs at TAL (€1 million) and CFS (€1 million) and the costs of the share-based payments (€3 million) at Corporate, relating to the stock options that were granted in 2003.

Ordinary EBITA is restated for pension costs at TAL (€1 million) and CFS (€1 million) and costs of the share-based payments (€3 million) at Corporate regarding the stock options that were granted in 2003.

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RECONCILIATION OF BENCHMARK FIGURES

Reconciliation between operating income and ordinary EBITA	Full Year 2004		
	Dutch GAAP	Restatement	IFRSs
Operating income	239	168	407
Amortization of intangible fixed assets	238	(173)	65
Exceptional restructuring expense	44	–	44
■ **Ordinary EBITA**	**521**	**(5)**	**516**

Reconciliation between profit for the year and ordinary net income	Full Year 2004		
	Dutch GAAP	Restatement	IFRSs
Profit for the year	135	176	311
Amortization of intangible fixed assets	238	(173)	65
Tax on amortization	(21)	(4)	(25)
Exceptional other income/results from disposals (after taxation)	(70)	(3)	(73)
Exceptional restructuring expense (after taxation)	29	–	29
■ **Ordinary net income** (B)	**311**	**(4)**	**307**

Reconciliation of ROIC	Full Year 2004		
	Dutch GAAP	Restatement	IFRSs
Ordinary EBITA	521	(5)	516
Allocated tax	(148)	1	(147)
■ **Net Operating Profit After Allocated Tax (NOPAT)**	**373**	**(4)**	**369**
Average invested capital	5,468	(5)	5,463
ROIC (NOPAT / Average invested capital) (%)	6.8		6.8

Reconciliation between cash flow from operations and free cash flow	Full Year 2004		
	Dutch GAAP	Restatement	IFRSs
Cash flow from operating activities	534	(5)	529
Net expenditure fixed assets	(73)		(73)
Appropriation of acquisition provisions	(5)	5	–
■ **Free cash flow**	**456**	**–**	**456**

Per share information	Full Year 2004 Dutch GAAP	Restatement	IFRSs
Weighted average number of shares (in millions) (D)	295.6	–	295.6
Diluted weighted average number of shares (in millions) (E)	310.1	–	310.1
Correction to income of 2.5% unsubordinated convertible bonds (net of taxes) on assumed conversion (F) (€million)	11.2	–	11.2
Ordinary EPS (B/D) (€)	1.05	(0.01)	1.04
Diluted ordinary EPS (minimum of ordinary EPS and [(B+F)/E]) (€)	1.04	(0.02)	1.02

Financial Statements of Wolters Kluwer nv

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Financial Statements of Wolters Kluwer nv

Income statement Wolters Kluwer nv	2005	2004
Results subsidiaries after tax	197	239
Other income after tax note 30	63	72
Profit for the year	**260**	**311**

Balance sheet Wolters Kluwer nv

before appropriation of results, as at December 31	2005		2004	
Non-current assets				
Intangible assets	8		3	
Property, plant and equipment	2		2	
Financial assets note 31	2,311		2,465	
Deferred tax assets	–		20	
Total non-current assets		**2,321**		**2,490**
Current assets				
Accounts receivable note 32	1,350		373	
Cash and cash equivalents	315		604	
Total current assets	1,665		977	
Current liabilities note 33	1,249		523	
Working capital		416		454
Capital employed		**2,737**		**2,944**
Non-current liabilities				
Subordinated bonds	227		227	
Bonds	927		1,142	
Unsubordinated convertible bonds	–		422	
Perpetual cumulative subordinated bonds	225		225	
Derivative financial instruments	11		–	
Total non-current liabilities		1,390		2,016
Long-term debts to subsidiaries		235		220
Deferred tax liabilities		9		0
Provisions note 34		5		4
Shareholders’ equity note 35		1,098		704
Total financing		**2,737**		**2,944**

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.

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 page 74 to 86 of this annual report.
Subsidiaries are valued using the equity method, applying the European Union endorsed IFRSs accounting policies.
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.

CHANGES IN ACCOUNTING POLICIES IN 2005

As a result of the changes in the accounting policies as applied for the consolidated financial statements (see page 74 of this annual report), Wolters Kluwer nv has changed its accounting policies. This change is the result of the application of the regulations of section 362.8, Dutch Civil Code, Book 2. By applying these regulations reconciliation remains between shareholders' equity as reported in the consolidated financial statements and in the financial statements of Wolters Kluwer nv.

The financial statements of Wolters Kluwer nv were prepared in conformity with Dutch Generally Accepted Accounting Principles (Dutch GAAP) up to and including 2004. As the Company publishes comparative information for one year in its annual report, the transition date to IFRSs is January 1, 2004, and consequently the Company has restated its 2004 financials based on IFRSs, with the exception of IAS 32 and 39 that were adopted per January 1, 2005 (see note 29 of this annual report). The change in accounting policies has had effect on equity and profit for the year. The effect on equity as per January 1, 2004 is €(209) million and as per December 31, 2004 €(71) million and as per January 1, 2005 €(67) million. The effect on 2004 profit is €176 million.

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Reconciliation of the financial statements from Dutch GAAP to IFRSs	Full Year 2004		
	Dutch GAAP	Restatement	IFRSs
Results subsidiaries after tax	61	178	239
Other income after tax	74	(2)	72
Profit for the year	**135**	**176**	**311**

For the nature of the restatements we refer to note 29 of the consolidated financial statements.

Balance sheet Wolters Kluwer nv *before appropriation of results*	January 1, 2004			December 31, 2004			January 1, 2005	
	Dutch GAAP	Restatement	IFRSs	Dutch GAAP	Restatement	IFRSs	IAS 32/39	IFRSs
Non-current assets								
Intangible assets	3		3	3		3		3
Property, plant and equipment	2		2	2		2		2
Net asset value of subsidiaries	(531)	(204)	(735)	(363)	(87)	(450)	4	(446)
Long-term receivables from subsidiaries	3,250		3,250	2,779		2,779	–	2,779
Deferred tax asset			0		20	20	(1)	19
Derivative financial instruments		219	219		136	136	13	149
Total non-current assets	**2,724**	**15**	**2,739**	**2,421**	**69**	**2,490**	**16**	**2,506**
Current assets								
Accounts receivable	521	(219)	302	543	(170)	373	(11)	362
Cash and cash equivalents	343		343	604		604		604
Total current assets	**864**	**(219)**	**645**	**1,147**	**(170)**	**977**	**(11)**	**966**
Current liabilities	290	(193)	97	777	(254)	523	(16)	507
Working capital	574	(26)	548	370	84	454	5	459
Capital employed	**3,298**	**(11)**	**3,287**	**2,791**	**153**	**2,944**	**21**	**2,965**
Non-current liabilities								
Subordinated bonds	410		410	227		227	0	227
Bonds	1,312		1,312	1,142		1,142	4	1,146
Unsubordinated convertible bonds	490		490	422		422	16	438
Perpetual cumulative subordinated bonds	225		225	225		225	(3)	222
Total interest-bearing debt	2,437	0	2,437	2,016	0	2,016	17	2,033
Long-term debts to subsidiaries		193	193		220	220		220
Provisions	0	5	5	0	4	4		4
Shareholders' equity	861	(209)	652	775	(71)	704	4	708
Total financing	**3,298**	**(11)**	**3,287**	**2,791**	**153**	**2,944**	**21**	**2,965**

Personnel Costs

note 30

Personnel Costs	2005	2004
Salaries and wages	23	22
Social security charges	2	2
Costs of defined benefit plans	1	1
Share based payments	12	11
Total	**38**	**36**

The costs of the share-based payments relate to the Long-Term Incentive Plans 2004-2006 and 2005-2007 and the 2003-2010 stock option plan of the entire Group.

For the remuneration of the Executive Board and the Supervisory Board, we refer to note 27 of the consolidated financial statements.

Financial Assets

note 31

Financial Assets	2005	2004
Subsidiaries	(642)	(450)
Long-term receivables from subsidiaries	2,931	2,779
Value at spot rate of forward exchange contracts	–	136
Derivative financial instruments	22	–
Total	**2,311**	**2,465**

Subsidiaries	2005	2004
Net asset value of subsidiaries as at January 1	(450)	(735)
Movements related to restatements	4	–
Movements related to results	197	239
Movements related to exchange differences	(85)	35
Movements related to capital payments	–	115
Movements related to dividend payments	(310)	(42)
Actuarial gain/(loss) on employee benefits	2	(62)
Net asset value of subsidiaries as at December 31	**(642)**	**(450)**

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Accounts Receivable

note 32

Accounts Receivable	2005	2004
Receivables from subsidiaries	1,212	219
Value at spot rates of forward exchange contracts	–	118
Derivative financial instruments	108	–
Current tax receivable	29	9
Other receivables	1	27
Total	**1,350**	**373**

Current Liabilities

note 33

Current Liabilities	2005	2004
Debts to subsidiaries	468	56
(Subordinated) bonds	661	353
Bank overdrafts	20	–
Derivative financial instruments	14	–
Interest payable	64	86
Other liabilities	22	28
Total	**1,249**	**523**

For an explanation on the non-current liabilities,
we refer to note 19 of the consolidated financial statements

Provisions

note 34

Provisions	2005	2004
Provision for pensions	3	1
Provisions for restructuring commitments	2	3
Total	**5**	**4**

Shareholders' Equity

note 35

Statements of Changes in Equity of Wolters Kluwer nv	Issued share capital	Share premium reserve	Translation reserve	Reserve for own shares	Retained earnings	Un-distributed profit	Share-holders' equity
Balance as at January 1, 2004	**35**	**92**	**0**	**(53)**	**647**	**(69)**	**652**
Foreign exchange translation differences			(187)				(187)
Net gain/(loss) on hedge of net investment in foreign subsidiaries			40				40
Actuarial gain/(loss) on employee benefits					(59)		(59)
Taxation					17		17
Total income (loss) recognized directly in equity	0	0	(147)	0	(42)	0	(189)
Profit for the year						311	311
Total recognized income (loss)	0	0	(147)	0	(42)	311	122
Appropriation of profit previous year					(69)	69	0
Share–based payments				–	11		11
Cash dividend 2003	–	–	–	–	(81)		(81)
Stock dividend 2003	1	(1)	–	–	–	–	–
Balance as at December 31, 2004	**36**	**91**	**(147)**	**(53)**	**466**	**311**	**704**
Change in accounting policies	–	–	0	–	4		4
Balance as at January 1, 2005	**36**	**91**	**(147)**	**(53)**	**470**	**311**	**708**
Foreign exchange translation differences			252				252
Net gain/(loss) on hedge of net investment in foreign subsidiaries			(78)				(78)
Actuarial gain/(loss) on employee benefits					3		3
Taxation					(1)		(1)
Total income (loss) recognized directly in equity	0	0	174	0	2	0	176
Profit for the year						260	260
Total recognized income (loss)	0	0	174	0	2	260	436
Appropriation of profit previous year					311	(311)	–
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 as at December 31, 2005	**37**	**90**	**85**	**(41)**	**667**	**260**	**1,098**

Amsterdam, February 28, 2006

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

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

Other Information on the Financial Statements

REPORT OF INDEPENDENT AUDITORS

Introduction

We have audited the financial statements of Wolters Kluwer nv for the year 2005. These financial statements consist of the consolidated financial statements and the Company financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our 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 the Company as at December 31, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code as far as applicable. Furthermore we have established to the extent of our competence that the annual report is consistent with the consolidated financial statements.

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 the Company as at December 31, 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.

Furthermore, we have established to the extent of our competence that the annual report is consistent with the financial statements.

Amsterdam, February 28, 2006

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

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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, 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 as dividend on the ordinary shares.
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 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 30.2 of the Articles of Association

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

	2005	2004
Proposed cash distribution	167	164
Total	**167**	**164**

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 €0.55 per share in cash or in shares (at a ratio to be determined and announced on May 5, 2006).

EVENTS AFTER BALANCE SHEET DATE

Acquisitions

NDC Information Management (Phoenix, AZ, USA)
On August 29, 2005, Wolters Kluwer announced its intention to acquire the Information Management business of NDCHealth Corporation (NDC-IM), a provider of healthcare information solutions. NDC-IM has approximately 380 employees and will become part of the Health division. The transaction was completed on January 6, 2006. NDC-IM has revenues of approximately $165 million (€140 million). The purchase price of $382 million (€324 million) will be paid in cash.
The purchase price has not been reflected in the balance sheet as per December 31, 2005, since the transaction was subject to approval of the shareholders of NDCHealth and Per-Se Technologies as well as other customary closing conditions.

ProVation (Minneapolis, MN, USA)
On January 4, 2006, Wolters Kluwer announced its intention to acquire ProVation Medical, Inc. This privately-held company provides medical documentation, coding and workflow solutions to hospitals and ambulatory surgery centers in the United States.
ProVation Medical will become part of Wolters Kluwer's Health division, has annual revenues of approximately $13 million (€11 million) and approximately 100 employees.

The fair values of the identifiable assets and liabilities of NDC-IM and ProVation Medical have not yet been determined and are consequently not presented in this annual report.

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Other Information

10 Year Key Figures

Key Figures	IFRS 2005	IFRS 2004	2003 [1]	2002 [1]	2001 [1]	2000 [1]	1999 [1]	1998 [1]	1997 [1]	1996 [1]
Revenues	3,374	3,261	3,436	3,969	3,837	3,664	3,081	2,739	2,364	1,958
Operating profit	432	407	91	264	459	514	692	600	504	381
Profit for the year, attributable to equity holders of the parent	260	311	(69)	382	140	186	358	309	263	217
Ordinary EBITDA	624	619	722	881	919	878	813	732	613	472
Ordinary EBITA	533	516	610	763	812	789	735	668	552	421
Ordinary net income	327	307	349	442	436	412	410			
(Proposed) Dividend/cash distribution	167	164	161	156	150	140	128	110	93	76
Dividend proposal in % of ordinary net income	51.3	53.4	46.1	35.3	34.4	34.0	31.2			
Pay out in % of profit for the year, attributable to equity holders of the parent	64.3	52.7	n.a.	40.8	107.1	75.3	35.7	35.7	35.4	35.1
Free cash flow	351	456	393	400	328	363	386			
Cash conversion (ratio)	1.06	1.26	1.09	0.91						
Equity attributable to equity holders of the parent	1,098	704	861	1,278	1,379	1,146	1,488	1,011	823	541
Guarantee equity [2]	1,551	1,162	1,499	2,100	2,200	1,744	2,089	1,616	1,243	731
Net (interest-bearing) debt [3]	1,637	1,527	1,900	2,664	2,821	2,614	2,363	2,202	1,659	1,364
Capital employed	2,878	3,088	3,691	4,590	4,779	3,951	4,132	3,531	2,668	2,141
Total assets	5,440	5,022	5,044	6,161	6,520	5,792	5,696	4,743	3,771	3,061
Amortization of goodwill, publishing rights and impairments	81	65	423	415	353	275	89	68	48	30
Net investments assets	86	73	92	147	151	124	117	74	96	51
Depreciation and amortization other intangible assets	91	103	112	118	107	89	78	64	60	51
As % of revenues										
Operating profit	12.8	12.5	2.6	6.7	12.0	14.0	22.5	21.9	21.3	19.5
Profit for the year, attributable to equity holders of the parent	7.7	9.5	(2.0)	9.6	3.7	5.1	11.6	11.3	11.1	11.1
Ordinary EBITDA	18.5	19.0	21.0	22.0	23.9	24.0	26.4	26.7	25.9	24.1
Ordinary EBITA	15.8	15.8	17.8	19.2	21.2	21.5	23.9	24.4	23.4	21.5
Ordinary net income	9.7	9.4	10.2	11.1	11.4	11.3	13.3			
ROIC	6.9	6.8	7.1	8.1						
Net interest coverage [4]	5.2	5.3	5.4	5.5	4.5	4.4	5.1	5.3	5.5	5.6
Net gearing [5]	1.5	2.2	2.2	2.1	2.0	2.3	1.6	2.2	2.0	2.5
Group equity to capital employed	0.38	0.23	0.23	0.28	0.29	0.29	0.36	0.29	0.31	0.25
Guarantee equity to total assets	0.29	0.23	0.30	0.34	0.34	0.30	0.37	0.34	0.33	0.24

Information per share (€)	IFRS 2005	IFRS 2004	2003 [1]	2002 [1]	2001 [1]	2000 [1]	1999 [1]	1998 [1]	1997 [1]	1996 [1]
On the basis of 'fully diluted':										
■ Diluted earnings per share	0.85	1.04	(0.24)	1.30	0.52	0.68	1.29	1.12	0.96	0.80
■ Diluted ordinary earnings per share	1.06	1.02	1.18	1.50	1.54	1.47	1.48	1.34	1.13	0.90
■ Diluted free cash flow	1.14	1.51	1.32	1.36	1.17	1.30	1.39			
Weighted average number of shares, diluted (in million)	316.6	310.1	309.3	306.2	289.7	284.2	281.2	278.9	276.7	273.2
Ordinary earnings per share	1.08	1.04	1.20	1.56	1.55	1.48	1.48	1.34	1.13	0.90
Earnings per share	0.86	1.05	(0.24)	1.34	0.50	0.67	1.29	1.12	0.96	0.80
Free cash flow per share	1.16	1.54	1.36	1.41	1.16	1.30	1.39			
Dividend/cash distribution per share	[6] 0.55	0.55	0.55	0.55	0.53	0.50	0.46	0.40	0.34	0.28
Weighted average number of shares issued (x million)	302.4	295.6	289.8	284.3	281.8	279.4	277.2	274.8	272.7	270.0
Stock Exchange										
Highest quotation	17.45	15.55	17.35	26.45	33.00	44.30	48.56	45.72	33.09	26.43
Lowest quotation	13.31	11.90	8.66	13.40	20.51	20.10	27.30	28.54	23.84	16.93
Quotation as at December 31	17.08	14.77	12.40	16.60	25.60	29.04	33.60	45.58	29.71	26.04
Average daily trading volume Wolters Kluwer on Euronext Amsterdam nv number of shares (x 1,000)	1,393	1,245	1,660	1,129	2,037	2,750	2,160	2,100	1,492	1,192
Employees										
Headcount as at December 31	18,452	18,393	19,689	20,833	20,297	19,209	18,793	17,431	15,385	14,948
In full time equivalents as at December 31	17,419	17,515	18,687	19,617	19,317	18,269	17,812	16,505	14,538	14,010
In full time equivalents average per annum	18,467	18,270	19,540	20,284	19,766	19,009	17,452	16,297	14,543	13,768

[1] Figures for the years 1996-2001 have not been restated. Figures for the years 2002 and 2003 have been restated for Dutch GAAP changes. In 2005 IFRS has been applied. 2004 figures are restated for IFRS.
[2] The guarantee equity is defined as the sum of group 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 and value of derivative financial instruments.
[4] Ratio between ordinary EBITA and net interest costs.
[5] Net gearing is defined as net (interest-bearing) debt divided by Group equity.
[6] Proposed dividend/cash distribution per share.

Information for Shareholders and Investors

The Company seeks to be thoroughly open with shareholders and the investment community, and is committed to the highest degree of transparency in our financial reporting. In 2005, the Company reported full quarterly results under IFRS and has increased the number of roadshows, one-on-one and group meetings with investors. Wolters Kluwer has developed a comprehensive program for communicating with investors that includes participating in selected sector-specific seminars throughout the year. The purpose of this program is to help investors become better acquainted with Wolters Kluwer and its management, as well as to maintain a long-term relationship of trust with the investment community at large.

Activities in the year just ended included:

- A full presentation by management (video webcast) of half- and full-year results;
- Conference calls with management (audio webcast) providing first- and third-quarter results;
- Regular office and roadshow meetings with potential and existing shareholders and sell-side analysts covering the Company;
- Specific information for shareholders provided via the Investors section of www.wolterskluwer.com, which includes detailed financial information, strategy, archived copies of presentations, and webcasts delivered throughout the year.

2006 Calendar

March 1	2005 Full-Year Results
March 27	Publication of 2005 Annual Report
April 26	Annual General Meeting of Shareholders
April 28	Ex-dividend quotation
May 10	2006 First-Quarter Results
August 2	2006 Second-Quarter Results
November 8	2006 Third-Quarter Results

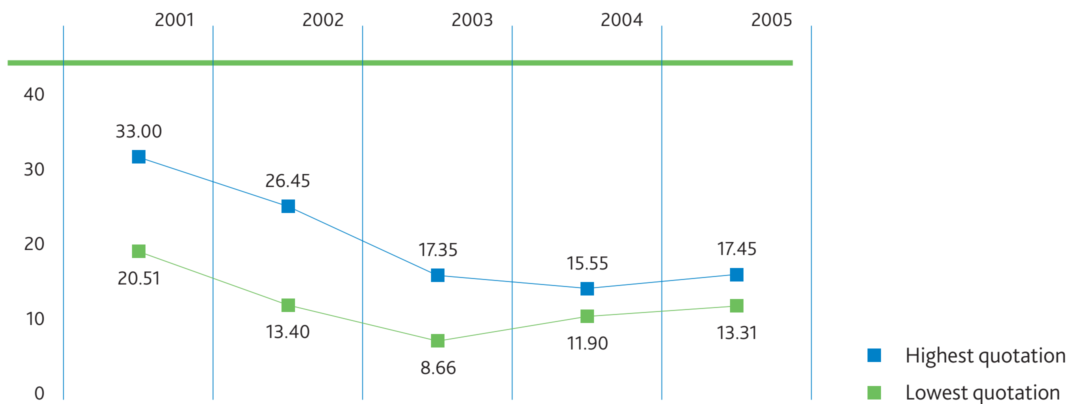
Share information

in euros (unless otherwise indicated)

	2005	2004
Diluted earnings per share	0.85	1.04
Diluted ordinary earnings per share	1.06	1.02
Diluted free cash flow per share	1.14	1.51
Basic earnings per share	0.86	1.05
Ordinary earnings per share	1.08	1.04
Free cash flow per share	1.16	1.54
Proposed dividend/cash distribution per share	0.55	0.55
Diluted weighted average number of shares	316.6	310.1
Weighted average number of shares	302.4	295.6
Highest quotation	17.45	15.55
Lowest quotation	13.31	11.90
Quotation at December 31	17.08	14.77
Average daily trading volume of Wolters Kluwer on Euronext Amsterdam nv number of shares (x1,000)	1,393	1,245

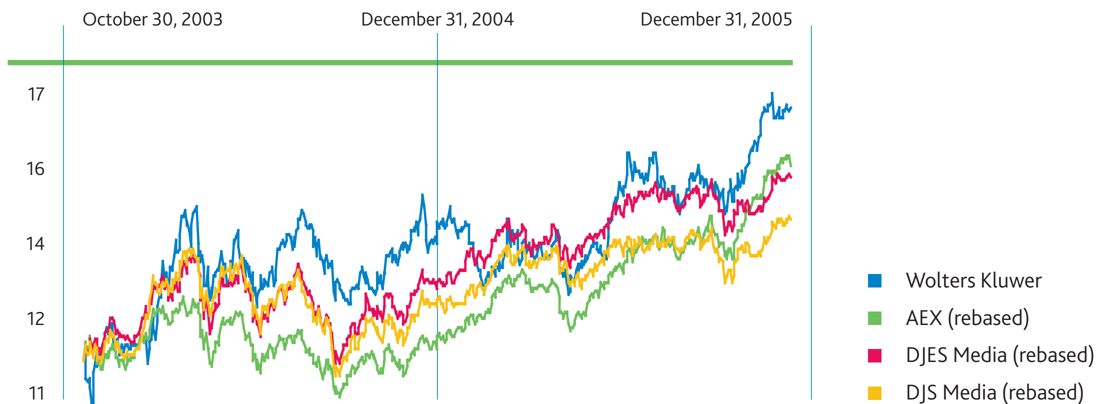
Highest and lowest quotation

in euros



Share price developments

since strategy update



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Capital stock

The ordinary shares have a nominal value of €0.12. The number of ordinary shares issued amounted to 304,400,933 on December 31, 2005 (December 31, 2004: 297,673,617).

The weighted average number of diluted ordinary shares used to compute the diluted per share figures was 316.6 million (2004: 310.1 million). Out of the money stock options are not included in this number. If these stock options are taken into account, the total weighted average number of diluted shares was 322.5 million (2004: 318.9 million).

Market capitalization at December 31, 2005

On the basis of ordinary shares issued: €5.2 billion (2004: €4.4 billion).

Geographical spread of Wolters Kluwer shares

Institutional investors hold the majority (75%) of the shares in Wolters Kluwer. With over 500 institutional investors in 25 countries, ownership is international in make-up. Investors in North America had an interest of 35% in the Company in 2005 (2004: 40%), while European shareholders held an interest of 64% (2004: 58%).

Below is a table showing the geographical spread of shareholders in approximate percentages on December 31, 2005, compared to the previous year.

Shareholders

in %

	2005	2004
North America	35	40
The Netherlands	19	20
The United Kingdom	30	28
Belgium / Luxembourg	5	1
Switzerland	3	2
France	2	4
Scandinavia	1	–
Germany	4	2
Other	1	3
Total	**100**	**100**

Shareholders exceeding 5%

In accordance with the Major Holdings in Listed Companies Disclosure Act *(Wet Melding Zeggenschap)*:

- Internationale Nederlanden Groep nv: 9.4%, disclosed on February 28, 1992.

Listings

Capital stock:

- Amsterdam (Euronext Amsterdam: WLSNC.AS; stock code 39588, ISIN code NL0000395887);
- Frankfurt: depositary receipts for ordinary shares Wolters Kluwer
- U.S. (over-the-counter, WTKWY, CUSIP No. 977874 20 5): American Depositary Receipts.

ADR Trust Office:

Morgan Guaranty Trust Company of New York
60 Wall Street, New York, NY, 10260 United States

Other Wolters Kluwer securities

Wolters Kluwer Bonds listed in Amsterdam:

- 6.250% subordinated Wolters Kluwer nv Bonds, 1997/2007, NLG 500 million (€226 million) (ISIN code XS0076781425)
- 5.250% senior Wolters Kluwer nv Bonds, 1998/2008, NLG 500 million (€227 million) (ISIN code NL0000121911)
- 6.875% perpetual cumulative subordinated Wolters Kluwer nv Bonds 2001, €225 million (ISIN code NL0000119105)

Wolters Kluwer Bonds listed in Amsterdam and Luxembourg:

- 5.500% senior Wolters Kluwer nv Bonds, 1999/2006, €750 million issued; €214 million outstanding (ISIN code XS0101766110)
- 5.125% senior Wolters Kluwer nv Bonds, 2003/2014, €700 million (ISIN code XS0181273342)

Wolters Kluwer Convertible Bond listed in Amsterdam:

- 1.000% Convertible unsubordinated Wolters Kluwer nv Bonds, 2001/2006, €700 million issued; €422 million outstanding (ISIN NL0000119634)

Credit ratings

In 2005, rating agencies reviewed Wolters Kluwer's credit rating. Moody's Investors Service changed the rating from Baa1 with stable outlook to Baa1 with negative outlook, while Standard & Poor's maintained the rating at BBB+ with stable outlook.

Indices

in %	Weighting
AEX	1.30
Euronext Top 100	0.29
DJ Euro Stoxx Media	5.38
DJS Media	2.92
MSCI Euro	0.21
S&P Euro 350 Media	3.53

Wolters kluwer is included in approximately 50 equity indices.

Dividend

Wolters Kluwer will propose to the Annual General Meeting of Shareholders that will be held on April 26, 2006, to distribute a dividend of €0.55 per share for the year 2005. This is in line with the existing dividend policy to pay out a dividend of €0.55 per share, provided there is a minimum dividend cover of 1.5.

A dividend of €0.55 corresponds with a dividend yield over the closing share price of December 31, 2005, of 3.2%.

In line with previous years, and indicating a strong belief in the future of the Company, Wolters Kluwer proposes to allow its shareholders to choose between a distribution in the form of cash or stock. After acceptance of the proposal at the Annual General Meeting of Shareholders, shareholders will be asked to make their choice known. The stock dividend ratio will be set on May 5, 2006 (after the close of trading). The cash distribution will be payable as of May 9, 2006.

For more information, please visit www.wolterskluwer.com.

Outlook

In 2006, Wolters Kluwer will continue its transformation and build on the momentum created in 2005. The focus will remain on delivering strong and sustainable organic revenue growth, particularly with investments in online and software solution products, and a strong focus on customers. Wolters Kluwer will continue to execute its restructuring plans to support the integration of the business.

Organic revenue growth for 2006 will be between 2 and 3%, as Wolters Kluwer builds on its 2005 performance in all divisions. Guidance for margins is an improved level of 16.5 to 17%, with continued substantial investments in product development of approximately €270 million and expected cost savings of approximately €120 million. Wolters Kluwer expects continued solid free cash flow.

2006 Outlook and 2007 Guidance

Key Performance Indicators, in constant currencies [1]	2006	2007 onwards
Organic revenue growth	2-3%	4%
Ordinary EBITA margin	16.5-17%	19-20%
Cash conversion	95-105%	95-105%
Free cash flow	± €350 million	≥ €400 million
Return on invested capital % [2]	7%	[3] ≥ WACC
Diluted ordinary EPS [4]	€1.18-€1.23	€1.45-€1.55

[1] Constant rate EUR/USD = 1.25. Changes of the fair value of derivatives that impact the profit and loss account are also eliminated to the extent that these result from currency fluctuations.

[2] After tax

[3] WACC (weighted average cost of capital) is currently 8% after tax

[4] Including acquisitions

The Divisions will build on the success of 2005 and increase their market positions. Growth expectations for Health are 3 to 5%; Corporate & Financial Services 4 to 6%, Tax, Accounting & Legal 3 to 4%, Legal, Tax & Regulatory Europe is expected to grow by 0 to 1% as the transformation of this Division continues, and finally, the Education division is expected to show improved performance of 1 to 2%.

Guidance per division

Organic revenue growth, in %	2006
Health	3-5
Corporate & Financial Services	4-6
Tax, Accounting & Legal	3-4
Legal, Tax & Regulatory Europe	0-1
Education	1-2

The strong foundation laid in 2005 gives confidence that Wolters Kluwer will achieve their 2006 targets.

Report of the Wolters Kluwer Preference Shares Foundation

Activities

The Board of the Preference Shares Foundation met twice in 2005. The annual figures of 2004, the half-year results of 2005, the general course of events at Wolters Kluwer, and the developments with respect to corporate governance were among the matters discussed. Furthermore, the composition of the Board of the Foundation was discussed. The Foundation acquired no preference shares during the year under review.

Exercise of the option

Wolters Kluwer and the Wolters Kluwer Preference Shares Foundation have concluded an agreement based on which the Foundation can take preference shares. This option on preference shares is at present the only measure Wolters Kluwer has left that could be considered as a potential protection against events that could threaten the continuity, independence, or identity of the Company. The Foundation is entitled to exercise the option on the preference shares in such a way that the number of preference shares taken will be no more than 100% of the number of issued and outstanding ordinary shares at the time of the exercise. Exercise of the option on the preference shares by the Foundation gives the Executive Board and the Supervisory Board the possibility to determine their position with respect to, for example, a party making a bid on the shares of Wolters Kluwer and its plans, and enables them to study alternatives.

Composition of the Board of the Foundation

In 2005 Messrs. S. Bergsma and E.J.J.C. van Groeningen retired because of their age. Messrs. R.P. Voogd and J.H.M. Lindenbergh have been appointed as new members of the Board. The Board of the Foundation consists entirely of persons having no association with Wolters Kluwer within the meaning of Appendix X to the General Rules Euronext Amsterdam Stock Market.

Amsterdam, February 28, 2006

Board of Wolters Kluwer Preference Shares Foundation
J.C.T. van der Wielen, *Chairman*
R.W.J.M. Bonnier
H.G. Bouwman
J.H.M. Lindenbergh
R.P. Voogd

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Statement

The Executive Board of Wolters Kluwer nv and the Board of Wolters Kluwer Preference Shares Foundation hereby declare that, in their joint opinion, the requirements regarding the independence of the members of the Board of Wolters Kluwer Preference Shares Foundation, as laid down in Appendix X to the General Rules Euronext Amsterdam Stock Market, have been satisfied.

Amsterdam, February 28, 2006

Executive Board
Board of Wolters Kluwer Preference Shares Foundation

Report of the Wolters Kluwer Trust Office

Activities

The Board of the Trust Office met twice in 2005. The Board also attended the Annual General Meeting of Shareholders of April 14, 2005, and the Extraordinary General Meeting of Shareholders of August 15, 2005. Furthermore, a separate meeting of holders of depositary receipts was held on February 1, 2005. The meetings of the Board of the Trust Office were partly held in the presence of a member of the Executive Board. During the meetings of the Board of the Trust Office, the 2004 annual results and the 2005 half-year results were extensively discussed with a member of the Executive Board. Particular attention was paid to the execution of the strategy, progress of restructuring, acquisitions, and the performance of the divisions.

Prior to the Annual General Meeting of Shareholders of 2005, the Board of the Trust Office discussed the agenda for this meeting. On that occasion a member of the Executive Board answered many questions from the Board of the Trust Office. The Board of the Trust Office received voting instructions from approximately 4% of the capital entitled to vote. In addition, approximately 24% of the capital was present or represented by third parties. For the remaining holders of depositary receipts for ordinary shares, who were not present or represented at the meeting, the Board of the Trust Office could vote at its own discretion, taking into consideration the Articles of Association. Taking into account the publicly available information received prior to the Annual General Meeting of Shareholders, and the discussions at the meeting, the Board of the Trust Office decided after careful consideration to support all proposals. As also mentioned by the Chairman of the Board of the Trust Office during the meeting, the Board also took into consideration the fact that the vast majority of all voting instructions that had been given to the Board of the Trust Office by depositary receipt holders, were in favor of the proposals. During the Annual General Meeting of Shareholders the Chairman of the Trust Office played an active role, and among others asked a question about the remuneration policy. He also reacted on a question with respect to the future of the issuance of depositary receipts by the Trust Office. He indicated that if the participation in the meetings would continue to grow for a couple of years, the Board of the Trust Office would consider a proposal that would lead to termination of the issuance of depositary receipts.

The Board of the Trust Office was also present at the Extraordinary

General Meeting of Shareholders of August 15, 2005. At that meeting, Mr. Forman was appointed Supervisory Board Member. The Board of the Trust Office received voting instructions from approximately 20% of the capital entitled to vote. In addition, approximately 12% of the capital was present or represented by third parties. For the remaining holders of depositary receipts for ordinary shares, who were not present or represented at the meeting, the Board of the Trust Office could vote at its own discretion, taking into consideration the Articles of Association. The Board of the Trust Office supported the proposal to appoint Mr. Forman as member of the Supervisory Board. A consideration was again that the vast majority of all voting instructions that had been given to the Board of the Trust Office by depositary receipt holders were in favor of the appointment of Mr. Forman.

In line with Best Practice Provision IV.2.1 of the Dutch Corporate Governance Code, the Board of the Trust Office called for a meeting of holders of depositary receipts, which was held on February 1, 2005. At this meeting only 4.8% of the total capital of outstanding depositary receipts was present.

During this meeting, corporate governance was discussed. The vast majority of the capital present at the meeting expressed its confidence in the Board of the Trust Office. The official minutes drawn up by a civil law notary of the meeting have been published on the Company's website (www.wolterskluwer.com).

The Board of the Trust Office has taken note of the press release in which the Company announced to put forward a proposal to the Annual General Meeting of shareholders which will lead to the termination of the issuance of depositary receipts of ordinary shares by the Trust Office. The Board of the Trust Office will deliberate on this proposal and announce its position during the Annual General Meeting of Shareholders that will be held on April 26, 2006.

Mr. G.W.Ch. Visser, civil-law notary in Amsterdam, has executed the deeds for the amendment of the Articles of Association and the Trust Conditions in 2005. Furthermore, the official minutes of the meeting of holders of depositary receipts were drawn up under his responsibility. Apart from that the Trust Office did not use external advisors in 2005.

Corporate governance

The Board of the Trust Office agrees to the principle of the Dutch Corporate Governance Code that depositary receipts for ordinary shares are a means of preventing a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at a General Meeting of Shareholders. The Trust Conditions and Articles of Association of the Trust Office were amended on January 13, 2005, to bring them fully in line with the Dutch Corporate Governance Code. All depositary receipt holders can in all circumstances and without limitation exchange their depositary receipts into ordinary shares and have the right to vote during shareholder meetings under all circumstances. Therefore, the depositary receipts are not an anti-takeover measure. The Board of the Trust Office would like to emphasize in this respect that although according to Dutch law it is still possible to use depositary receipts as anti-takeover measure in case of threat of an unfriendly takeover (by not allowing depositary receipt holders to vote in such case), the Trust Conditions state that, at Wolters Kluwer, no use will be made of this possibility in the law. Also in case of (a threat of) an unfriendly takeover, all depositary receipt holders will be allowed to vote without limitation. Furthermore, depositary receipt holders can give binding voting instructions

to the Board of the Trust Office or proxies to third parties to vote on their behalf. The Board of the Trust Office would like to encourage depositary receipt holders to use the possibility to vote, and supports simplifying the procedures as much as possible. In this respect it is noted that the Company has been using a record date for several years already. In line with the Dutch Corporate Governance Code, the new Articles of Association of the Trust Office explicitly stipulate that in exercising its voting rights, the Trust Office shall be primarily guided by the interests of the depositary receipt holders, taking the interests of the Company and its affiliated enterprises into account. All members of the Board of the Trust Office will be appointed by the Board of the Trust Office and are independent from the Company.
The Company provides the Board of the Trust Office with relevant information regularly. However, the Company shall not disclose information to the Trust Office that has not been made public.
In line with the Dutch Corporate Governance Code, the Board of the Trust Office will annually publish a report, which will be posted on the website of the Company. Other information available on the website includes the Trust Conditions, the Articles of Association of the Trust Office, information regarding the members of the Trust Office, and the rotation schedule of the Board of the Trust Office.

The annual remuneration for the members of the Board of the Trust Office is €9,000 for the Chairman and €7,000 for the other members. If the members of the Board attend more than three meetings a year, the Chairman will receive an additional compensation of €1,300 per meeting and the other members will receive an additional compensation of €1,000 per meeting. Other costs related to the Trust Office in 2005 are the administration costs (€52,496), insurance costs (€2,675), costs for the accountant (€4,600), and the costs related to the organization of the meeting of holders of depositary receipts (€13,042).

Composition of the Board of the Trust Office

In accordance with the rotation schedule, the term of Mr. H. Bolt expired in 2005. He was available for reappointment. In accordance with the Articles of Association, an advertisement was placed in two nationally-distributed Dutch newspapers and in the Official Price List of Euronext Amsterdam nv, in which the intention to reappoint Mr. Bolt was announced and in which the holders of depositary receipts were given the opportunity to recommend other persons in writing. Only one response was received. This response was taken into account by the Board of the Trust Office. After considering all relevant aspects, the Board of the Trust Office decided to reappoint Mr. Bolt as Board Member.

All members of the Board of the Trust Office are independent of the Company as stipulated in Appendix X to the General Rules Euronext Amsterdam Stock Market and Best Practice Provision IV.2.2 of the Dutch Corporate Governance Code. The members of the Board of the Trust Office have the following functions (including their most recent previous principle function):

Mr. S.D. de Bree
Former Chairman of the Executive Board of DSM nv; Chairman of the Supervisory Board of Stork nv; member of the Supervisory Board of Siemens Nederland nv; Board Member of Entergy Corporation; Chairman of the Boards of Stichting Preferente Aandelen Philips nv, and Stichting Administratiekantoor van Aandelen Koninklijke Grolsch.

Mr. H. Bolt
Former member of the Executive Board of CSM nv; Chairman of the Supervisory Board of Aegon Nederland nv; and Vice Chairman of the Supervisory Board of Schuitema nv.

Mr. S.C.J.J. Kortmann
Professor in Civil Law at the Radbout University Nijmegen; Chairman of the Board of the Research Centre Company and Law of this University; Deputy Justice of the Courts of Appeal of 's Hertogenbosch and Arnhem; member of the Supervisory Boards of SNS Reaal Groep nv, Kropman bv, and Dela Cooperatie; Chairman of the Boards of Stichting Administratiekantoor Preferente Aandelen Randstad Holding nv, Stichting Preferente Aandelen KPN, and Stichting Preferente Aandelen Fugro; member of the Boards of Stichting Continuïteit ING nv, Stichting Bescherming TNT, Stichting Administratiekantoor van Aandelen Koninklijke Grolsch, Stichting Administratiekantoor SNS Reaal Groep nv, Stichting Preferente Aandelen Koninlijke Nedlloyd Groep, and Stichting Preferente Aandelen DSM; as well as Chairman or member of Boards of various foundations focusing on educational programs for lawyers.

Mr. A.H.J. Risseeuw
Former Chairman of the Executive Board of Getronics nv; Chairman of the Supervisory Boards of KPN nv, Intergamma bv, and Groenveld bv; member of the Supervisory Boards of Heineken nv, and Blokker Holding bv; member of the Supervisory Board of TNO Delft; Chairman of the Board of Stichting Administratiekantoor ING nv, member of Stichting Administratiekantoor Preferente Aandelen Randstad Holding nv and member of the Advisory Board of Deloitte & Touche in Rotterdam.

Mr. J.F.Th. Vugts
Former Chairman of the Executive Board of SNS Reaal Groep nv; Chairman of the Supervisory Boards of Alewijnse Holding bv, DKZET Offsetrotatie bv, and MercaChem bv; member of the Supervisory Board of van Grinsven Drukkers bv, and Tennet bv; member of the Board of the Foundation Catholic University Nijmegen.

Depositary Receipts

Depositary receipts were issued and redeemed in 2005 as follows:

Depositary Receipts

Under administration at December 31, 2004	288,739,471
Depositary receipts issued in connection with stock dividend	6,488,959
Depositary receipts issued in exchange of registered shares	466,617
Depositary receipts redeemed	–
Under administration at December 31, 2005	295,695,047

Depositary receipts had been issued for 97% of the issued ordinary share capital at the balance sheet date.

Amsterdam, February 28, 2006

Board of Wolters Kluwer Trust Office
S.D. de Bree, *Chairman*
H. Bolt, *Deputy Chairman/Deputy Secretary*
S.C.J.J. Kortmann, *Secretary*
A.H.J. Risseeuw
J.F.Th. Vugts

Statement

The Executive Board of Wolters Kluwer nv and the Board of Wolters Kluwer Trust Office hereby declare that, in their joint opinion, the requirements regarding the independence of the members of the Board of the Foundation, as laid down in Appendix X to the General Rules Euronext Amsterdam Stock Market, have been satisfied.

Amsterdam, February 28, 2006

Executive Board
Board of Wolters Kluwer Trust Office

Board of Wolters Kluwer Trust Office
p/a Apollolaan 153
P.O. Box 75248
1070 AE Amsterdam
The Netherlands
trustoffice@wolterskluwer.com

Report of the Trustee

1% convertible unsubordinated bonds 2001 due 2006 of Wolters Kluwer nv, originally amounting €700 million.

In compliance with the provisions of III, article 2 of the trust deed executed before Mr. C.J. Groffen, civil-law notary practicing in Amsterdam, on November 30, 2001, we report as follows.

Unless previously purchased, redeemed, or converted as provided in the trust deed, the bonds will be redeemed at 107.88 % of their principal amount on November 30, 2006. Up to and including November 16, 2006, the bonds are convertible into depositary receipts, each issued for one ordinary share of Wolters Kluwer nv with a nominal value of €0.12, at a conversion price of €31. During the year, no bonds were purchased and cancelled by the Company and no bonds were converted into depositary receipts. At December 31, 2005 the amount outstanding of the bonds was €422,128,000.

In compliance with I, article 9 of the trust deed, a sufficient stock of depositary receipts has been deposited with the Trustee as is needed to enable complete conversion of all the bonds in issue.

Wolters Kluwer nv is authorized to redeem all of the bonds outstanding:

1 provided that, within a period of 30 consecutive trading days, the closing price of depositary receipts of Wolters Kluwer nv on Euronext Amsterdam for 20 trading days shall have been at least 130% of the then applicable conversion price;
2 if 85% of the bonds originally issued have been converted or purchased.

Upon the occurrence of a “Change of Control”, referred to in I, articles 4.g, 5.c, and 17 of the trust deed, Wolters Kluwer nv will fix a date for early redemption of the bonds and notify the bondholders of such date and at the option of the bondholders redeem the bonds on the date fixed for redemption at its accreted principal amount on such date as stipulated in I, article 5 of the trust deed, together with interest accrued to such date.

Amsterdam, February 28, 2006

N.V. Algemeen Nederlands Trustkantoor ANT
L.J.J.M. Lutz

Divisional and Corporate Management

HEALTH

Jeffery McCaulley
Chief Executive Officer,
Wolters Kluwer Health
The United States, 1966

Jeff McCaulley has been CEO of the Wolters Kluwer Health division since December 2004. The division's focus is to drive medical excellence by empowering health professionals and institutions with the information they need to make critical decisions effectively and efficiently. Mr. McCaulley began his career with GE Medical Systems, where he held numerous positions of increasing responsibility over a 13-year period, including executive and senior executive positions. He last served as President and Chief Executive Officer of GE Clinical Services, the leading provider of comprehensive bio-medical services to the healthcare industry.

Prior to joining Wolters Kluwer, Mr. McCaulley was Vice President and General Manager of Medtronic Diabetes, a $650 million global business and the leader in the design, development, manufacturing and marketing of advanced device and information systems for the management of diabetes.

Mr. McCaulley is a summa cum laude graduate of the University of Cincinnati with a B.S. in Aerospace Engineering. He also has an Executive MBA from the Vanderbilt University, Owen Graduate School of Management.

CORPORATE & FINANCIAL SERVICES

Christopher A. Cartwright
Chief Executive Officer,
Wolters Kluwer Corporate & Financial Services, and President, Wolters Kluwer North America Shared Services
The United States, 1965

Christopher Cartwright is CEO of the Wolters Kluwer Corporate & Financial Services division. Mr. Cartwright also serves as President of the Wolters Kluwer North America Shared Services group.

Prior to his appointment as CEO, Mr. Cartwright held several positions with Wolters Kluwer, including CEO of Wolters Kluwer Legal, Tax & Business North America, and President and CEO of CCH Legal Information Services. Under his leadership, CCH Legal Information Services experienced rapid organic growth, expanded its line of technology-based services and products, completed a series of successful acquisitions, and became one of Wolters Kluwer's most profitable companies worldwide.

Before joining Wolters Kluwer in 1997, Mr. Cartwright had served as a Senior Vice President for Christie's International Inc., where he was responsible for North American auction operations. Mr. Cartwright was previously a management consultant in the Strategic Management Services Group of Coopers & Lybrand.

Mr. Cartwright earned his bachelor's and master's degrees from the University of Texas at Austin, where he graduated with honors.

TAX, ACCOUNTING & LEGAL

Tax and Accounting

Kevin Robert
Chief Executive Officer, CCH Tax and Accounting
The United States, 1956

Prior to becoming CEO of Tax and Accounting, Kevin Robert was President and CEO of CCH Tax Compliance. During his more than 20 years with CCH, he has worked extensively in sales and marketing and was instrumental in the development and launch of such highly successful products as the company's first web-based research service, CCH Internet Tax Research NetWork, and the company's core tax preparation software product, ProSystem fx Tax. In addition, he was Director of Customer Service for CCH INCORPORATED, implementing new order management and customer service systems.

Mr. Robert holds a bachelor's degree from the University of New Orleans and an MBA from Pepperdine University, Malibu, California.

Law & Business

Robert Becker
Chief Executive Officer, Wolters Kluwer Law & Business
The United States, 1954

Robert Becker has been CEO of Wolters Kluwer Law & Business since July 2003. His extensive leadership experience in the global media and information services industry includes 13 years at The Thomson Corporation, where he served as CEO of various units. Before joining Thomson, Mr. Becker was senior vice president of Finance & Customer Operations/CFO at Warren, Gorham and Lamont, Inc.

Mr. Becker holds a bachelor's degree of Science from Marquette University and an MBA from the University of Connecticut.

LEGAL, TAX & REGULATORY EUROPE

Rolv Eide
Chief Executive Officer, Wolters Kluwer Legal, Tax & Regulatory Europe
Norway, 1954

Rolv Eide has been CEO of Wolters Kluwer Legal, Tax & Regulatory Europe since November 2003. He joined Wolters Kluwer from Tele Atlas Europe, where he was Chief Operating Officer since 2001. From 1985 to 2001, he worked with Dun & Bradstreet, concluding his service there as Executive Vice President. His extensive experience throughout Europe includes the development of electronic platforms for corporate customers in search of critical business information. His knowledge of business and technology is helping to advance the division's strategy to expand its market positions and increase operational efficiencies across Europe through shared services.

Mr. Eide holds a degree in Business Administration from the University of Stockholm.

EDUCATION

Fred Grainger
Chief Operating Officer, Wolters Kluwer Education
The United Kingdom, 1953

Prior to becoming COO of Education in September 2005, Fred Grainger served as CEO of Nelson Thornes. Before joining Wolters Kluwer in 2003, Mr. Grainger was President and CEO of the Global English Corporation (U.S.), the world's largest online, subscription-based English-language service provider. In this role, he created and oversaw the company's highly successful strategy to extend into the corporate educational market and established the company as the number one provider worldwide in its industry.

From 1994 until 1999, Mr. Grainger was active in several leadership roles

at The Thomson Corporation; among them, CEO of Alignmark Information Publishing (U.S.), Vice President of Strategy and Business Development for the International and Media Division (U.S.), and CEO of Thomson/Yorkshire TV joint venture (now Granada Learning), which he created and which became the powerhouse multimedia education publisher in the United Kingdom. Mr. Grainger was also the founder and CEO of Interactive Learning Productions. Early in his career, he was a mathematics teacher and lecturer, and senior research associate of The Interactive Learning Project. He has been at the forefront of electronic and print-based publishing for over 20 years.

CORPORATE STAFF

Senior Vice President, Accounting & Control
Matthijs Lusse

Senior Vice President, Human Resources
Kathy Baker

Senior Vice President, Operational Auditor
Paul Kooijmans

Senior Vice President, Strategy
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OTHER

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Burgemeester Rijnderslaan 20, Amstelveen
P.O. Box 74500
1070 DB Amsterdam
The Netherlands
www.kpmg.com
info@kpmg.com

American Depositary Receipts Trust Office
Morgan Guaranty Trust Company of New York
60 Wall Street
New York, NY 10260
United States
www.adr.com

2006 Calendar

March 1	2005 Full-Year Results
March 27	Publication of 2005 Annual Report
April 26	Annual General Meeting of Shareholders
	Amsterdam – Okura Hotel
April 28	Ex-dividend quotation
May 10	2006 First-Quarter Results
August 2	2006 Second-Quarter Results
November 8	2006 Third-Quarter Results

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Forward-Looking Statements

This annual report contains forward-looking statements. These statements may be identified by words such as “expect”, “should”, “could”, “shall”, and similar expressions. Wolters Kluwer cautions that such forward-looking statements are qualified by certain risks and uncertainties, that could cause actual results and events to differ materially from what is contemplated by the forward-looking statements. Factors which could cause actual results to differ from these forward-looking statements may include, without limitation, general economic conditions, conditions in the markets in which Wolters Kluwer is engaged, behavior of customers, suppliers and competitors, technological developments, the implementation and execution of new ICT systems or outsourcing, legal -, tax -, and regulatory rules affecting Wolters Kluwer’s businesses, as well as risks related to mergers, acquisitions and divestments. In addition, financial risks, such as currency movements, interest rate fluctuations, liquidity and credit risks could influence future results. The foregoing list of factors should not be construed as exhaustive.
Wolters Kluwer disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For a full overview of addresses, customer services, and resources, visit www.wolterskluwer.com

Overview of Wolters Kluwer Divisions, Business Units, and Brands

WOLTERS KLUWER HEALTH

With operations in Argentina, Australia, Brazil, China, Europe, India, Japan, New Zealand, the United States

Pharma Solutions

- Adis
- Source®

Medical Research

- Boucher Communications
- Lippincott Williams & Wilkins
- Ovid

Professional & Education

- IFI Patent Intelligence
- Lippincott Williams & Wilkins

Clinical Solutions

- Clin-eguide
- Facts & Comparisons
- Medi-Span
- ProVation Medical
- SKOLAR

WOLTERS KLUWER CORPORATE & FINANCIAL SERVICES

With operations in the United States

Corporate Legal Services

- BizFilings
- CCH Corsearch
- Summation Legal Technologies
- Tripoint
- TyMetrix
- UCC Direct Services

Financial Services

- Atchley Systems
- AuthenticWeb
- Bankers Systems
- CCH Capital Changes
- CCH® INSURANCE SERVICES
- CCH® Wall Street
- Compliance University™
- GainsKeeper®
- NILS INSource
- PCi Corporation
- Uniform Forms
- VMP® Mortgage Solutions

WOLTERS KLUWER TAX, ACCOUNTING & LEGAL

With operations in Australia, Canada, China, Europe, India, Japan, Malaysia, New Zealand, Singapore, the United States

Tax and Accounting

- CCH
- ProSystem *fx*

Law & Business

- Aspen
- CCH
- Kluwer Law International
- Loislaw

WOLTERS KLUWER LEGAL, TAX & REGULATORY EUROPE

With operations in Europe

Belgium

- Kluwer

Central and Eastern Europe

- Czech Republic: ASPI
- Hungary: CompLex
- Poland: ABC, LEX, PWP
- Romania: EON, Rosetti
- Slovakya: IURA
- Wolters Kluwer Russia

France

- Editions Dalian
- Groupe Liaisons
- Lamy
- Wolters Kluwer France

Germany

- AnNoText
- Carl Link
- CW Haarfeld
- Deutscher Wirtschaftsdienst
- Luchterhand
- Verlag Praktischen Wissen
- Verlag R.S. Schulz
- Werner Verlag
- Wolters Kluwer Deutschland

Italy

- CEDAM
- De Agostini Professionale
- IPSOA
- UTET Professionale
- Wolters Kluwer Italia

Netherlands

- Kluwer

Scandinavia

- Akelius
- Fritzes
- Magnus Informatik
- Norstedts Juridik

Spain

- A3 Software
- CISS
- ECOIURIS
- Especial Directivos
- LA LEY
- Praxis
- Wolters Kluwer España
- Wolters Kluwer Portugal

United Kingdom

- CCH
- Croner
- Wolters Kluwer U.K.

WOLTERS KLUWER
EDUCATION

With operations in Europe

- Austria: Jugend & Volk
- Belgium: Wolters Plantyn
- Germany: Bildungsverlag EINS, digital spirit
- Hungary: Műszaki Kiadó
- Netherlands: Wolters-Noordhoff
- Sweden: Liber
- United Kingdom: Nelson Thornes

WOLTERS KLUWER
TRANSPORT SERVICES

With operations in Europe

- Nolis
- Teleroute
- Transwide

Amsterdam

Wolters Kluwer

www.wolterskluwer.com