2005 ANNUAL REPORT

see

VNU

oppor

see

tunity


see what's for dinner
CONSUMER INSIGHT

see the stores...

and the story

see who's watching...

what they watch...

and how they watch it


Video
Favorites
Options
End
Desperate Housewives
abc

see how thousands...


become millions


see behind the scenes...
FCC dishes out new cable menu
INDUSTRY NEWS


and the connections to make
INDUSTRY EVENTS


see tomorrow's demand

There are countless ways VNU helps its clients see their markets more clearly, understand what's happening and decide what to do next. We deliver information, analysis and advice that help clients master the complexity of an incredibly fast-moving marketplace, find growth opportunities and improve their results. And we're making our services better every day.

In the global market for consumer packaged goods, we're expanding ACNielsen's *Homescan* panels to give manufacturers

see results

and retailers deeper **CONSUMER INSIGHT** into what household members buy, where they shop and why they make their decisions. We're also expanding our coverage of all the stores people visit to show clients every facet of **RETAIL DYNAMICS**, including what's moving off the shelves, the promotions that influence sales and the characteristics of their shoppers.

In the world of media and entertainment, Nielsen Media Research is expanding its coverage of **TELEVISION AUDIENCES** to measure what consumers are watching across hundreds of channels, and to reveal how personal video technology is shaping their viewing behavior. To help clients develop new promotional models, Nielsen is measuring product placement in movies, TV and video games, as well as the reach and impact of SPORTS SPONSORSHIPS and stadium advertising.

In Business Media, we're expanding our ability to help clients see behind the scenes with INDUSTRY NEWS covering entertainment, food and beverage retailing, recruitment and other industries.

And VNU Expositions is expanding its INDUSTRY EVENTS to help buyers and sellers make connections in new markets in the U.S., Europe, Latin America and Asia.

Across all of our businesses, the people of VNU are working together to create advanced ADVISORY SERVICES that combine our information and analysis to deliver the best intelligence on markets, media and consumers available today. In the end, it all comes down to helping clients see opportunity and achieve better results. Because when they are successful, so are we.

VNU... SERVES CLIENTS IN MORE THAN 100 COUNTRIES ▼ EMPLOYS MORE THAN 40,000 PEOPLE WORLDWIDE

ACNielsen | Nielsen Media Research | Billboard

RETAIL PRODUCT TRANSACTIONS PER YEAR ▼ IDENTIFIES AND CODES FOUR MILLION NEW PRODUCTS EACH

CINE | SRDS | BASES | PERQ/HCI

▼ CAPTURES ACTUAL PURCHASE BEHAVIOR FROM 265,000+ HOUSEHOLDS IN 27 COUNTRIES ▼ CONDUCTS

Spectra | HD 2006 expo & conference | CLIO | PC

THAN 55,000 NEW PRODUCT CONCEPTS IN 60 COUNTRIES SINCE 1977 ▼ MEASURES TV USAGE FOR ABOUT

AccountancyAge | National Jeweler | TDLinx | MEDIAWEEK

HABITS OF MORE THAN 50% OF THE WORLD'S POPULATION ▼ COLLECTS DATA ON MORE THAN 70% OF

Nielsen Entertainment | Progressive Grocer | Nielsen//NetRatings

GLOBAL INTERNET ACTIVITY ▼ PROVIDES INFORMATION ON 85% OF THE WORLD'S ADVERTISING SPENDING

Scarborough Research | Convenience Store News | hospitalitydesign

MEDIA INFORMATION IN THE WORLD: 100,000+ MEDIA PROPERTIES ▼ PROVIDES THE FIRST-EVER OUTDOOR

Elektrotechniek 2007 Jaarbeurs Utrecht | Nielsen BookScan | Computable

200 TRADE EXHIBITIONS, CONFERENCES AND EVENTS WORLDWIDE ▼ REACHES THREE MILLION BUSINESS-

Nielsen Monitor-Plus | consumer 360 Your Connection to Actionable Insights | SGB | MyM Marketing

▼ OFFERS MORE THAN 230 WEBSITES THAT REACH 18 MILLION+ UNIQUE VISITORS PER MONTH ▼ ISSUES

▼ INVESTS ABOUT 200 MILLION EUROS IN THE BUSINESS EACH YEAR ▼ MEASURES MORE THAN 85 MILLION

YEAR WORLDWIDE ▼ TRACKS RETAIL SALES INFORMATION FROM MORE THAN 350,000 STORES WORLDWIDE

HUNDREDS OF THOUSANDS OF CONSUMER INTERVIEWS WORLDWIDE EACH YEAR ▼ HAS TESTED MORE

110 MILLION U.S. HOUSEHOLDS ACROSS 210 LOCAL TELEVISION MARKETS ▼ REPORTS ON THE TV VIEWING

see the power of VNU

▼ TRACKS BOX-OFFICE RESULTS FROM 50,000+ MOVIE SCREENS ▼ MAINTAINS THE LARGEST DATABASE OF

ADVERTISING CURRENCY ▼ PUBLISHES MORE THAN 110 MAGAZINES WORLDWIDE ▼ PRODUCES

PROFESSIONAL READERS ▼ BRINGS TOGETHER TWO MILLION TRADE SHOW ATTENDEES EACH YEAR

65 MILLION COPIES OF TRADE MAGAZINES IN EUROPE EACH YEAR ▼ DISTRIBUTES 135 E-NEWSLETTERS

total company view

Every day, in all corners of the world, business professionals turn to VNU for vital information, analysis and knowledge about their clients, customers and markets. We help these professionals make better decisions and take more effective actions, increasing the revenues, efficiency and profitability of their businesses. We hold industry-leading positions in marketing information services, media information services, business publications and trade shows, and we work closely together across our units to combine our assets and create innovative information services. Our goal is to provide our clients and customers with unique and comprehensive solutions that make an essential contribution to their success.

TOP 10 COUNTRIES

Country	Total revenues x EUR million	Number of employees
United States	1,869	12,815
United Kingdom	224	1,514
France	120	1,099
Germany	119	825
The Netherlands	119	692
Canada	114	1,082
Italy	81	599
Australia	61	679
Spain	59	522
Mexico	55	1,332

business group view

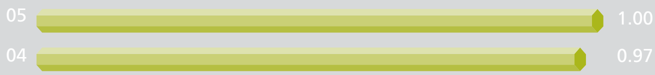
BUSINESS GROUP	MAIN BUSINESSES AND BRANDS
vnu marketing information We are the world's leading provider of marketing information and analysis. We measure retail sales of consumer packaged goods and study consumer attitudes and behavior to give our clients a competitive advantage in today's fast-moving, complex marketplace. This essential knowledge helps clients improve brand performance, develop and launch new products and identify new marketing opportunities.	ACNielsen, ACNielsen Retail Measurement Services, ACNielsen Consumer Panel Services, ACNielsen Customized Research Services, ACNielsen Advisory Services, ACNielsen Analytic Consulting, ACNielsen HCI, BASES, Claritas, Spectra
vnu media measurement & information We are the world's leading provider of media and entertainment information. We measure audiences for television, motion pictures, radio, print, the Internet, outdoor and other media. In advertising, we monitor both expenditures and creative content and we track CD, video, DVD and book sales. Using this wealth of information, our software and solutions help media owners, agencies, advertisers and retailers plan and optimize their marketing activities.	Nielsen Media Research, AGB Nielsen Media Research, Nielsen Outdoor, Nielsen Monitor-Plus, Nielsen Sports, Nielsen//NetRatings, Nielsen Entertainment, IMS, Perq/HCI, Scarborough Research, SRDS
vnu business information Through our publishing and trade show units, we connect buyers and sellers in dynamic business information environments. We deliver news, analysis and vital business insights to help busy professionals stay on top of industry issues and to enable them to make critical business decisions. We offer more than 110 print publications, 200 trade shows and related conferences and executive summits, and numerous websites, each targeted to the specific industry groups we serve.	VNU Business Media, VNU Business Publications USA, VNU Expositions, VNU Exhibitions, VNU eMedia & Information Marketing, VNU Business Media Europe, *Adweek, Billboard, Brandweek, The Hollywood Reporter, Progressive Grocer, Accountancy Age, Intermediair*

(AMOUNTS IN EUR MILLIONS EXCEPT FOR EPS)

REVENUES

EBITDA

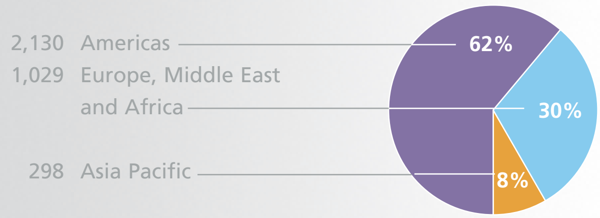
EARNINGS PER SHARE



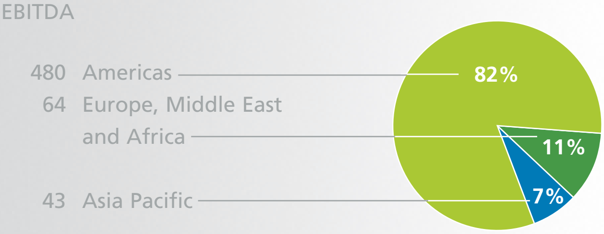
GEOGRAPHICAL BREAKDOWN

(AMOUNTS IN EUR MILLIONS)

Total Revenues



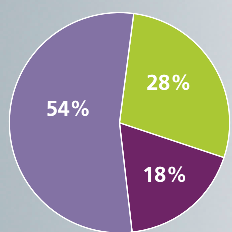
EBITDA



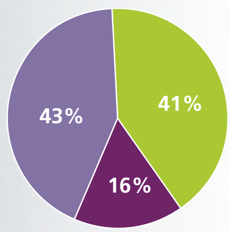
CORE SERVICES	MAIN CLIENTS
Point-of-sale retail measurement, consumer panels, custom research, new product sales forecasting, consumer segmentation and targeting, marketing campaign tracking, analysis and consulting	Manufacturers and retailers of Fast Moving Consumer Goods. Also serves, among others the general retail, restaurant, real estate, financial services and pharmaceutical industries
Television audience measurement, competitive advertising information, Internet audience and advertising measurement, pre-market entertainment testing, point-of-sale retail measurement, advertising rate and circulation data, consumer information, software	Advertisers and advertising agencies, media companies, motion picture studios, entertainment distributors and retailers, Internet marketers, TV and radio broadcasters, publishers
Trade magazines, trade shows and conferences, supporting web sites and portals	Professionals and advertisers from a variety of industries including marketing, media, advertising, entertainment, information technology, career management, finance

SHARE BY GROUP

TOTAL REVENUES*
(3,457)

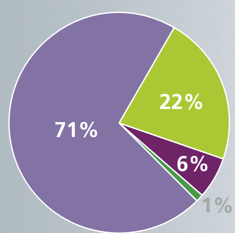


EBITDA*
(587)



Group's EBITDA percentage calculated before corporate expenses

EMPLOYEES
(40,694)



MARKETING INFORMATION

MEDIA MEASUREMENT & INFORMATION

BUSINESS INFORMATION

OTHER

*AMOUNTS IN EUR MILLIONS

Key figures	2005 EUR	2004 EUR	change %	2005 USD	2004 USD	change %
AMOUNTS X MILLION (EXCEPT RATIOS)						
Total revenues	**3,457**	3,319	4	**4,322**	4,097	5
EBITDA	**587**	576	2	**734**	711	3
EBITDA margin (in %)	**17**	17	(2)	**17**	17	(2)
Operating profit	**338**	296	14	**422**	365	16
Profit for the year - equity holders of VNU	**256**	250	2	**319**	309	3
Free cash flow	**231**	262	(12)	**289**	323	(11)
Cash flow from operating activities	**415**	474	(12)	**519**	585	(11)
Cash flow on acquisitions of subsidiaries/affiliates	**(142)**	(83)	(72)	**(178)**	(102)	(74)
Cash flow on divestitures of subsidiaries/affiliates	**(19)**	2,058	N/A	**(24)**	2,541	N/A
Capital expenditures	**(190)**	(217)	12	**(238)**	(268)	11
Working capital exclusive of cash	**(626)**	(422)	48	**(740)**	(575)	29
Issued capital and reserves	**4,149**	3,551	17	**4,908**	4,838	1
Net debt*	**1,089**	908	20	**1,288**	1,237	4
Interest coverage ratio	**7.10**	6.00	18	**7.10**	6.00	18
Net debt : EBITDA	**1.86**	1.58	18	**1.76**	1.74	1

Data per common share	2005 EUR	2004 EUR	change %	2005 USD	2004 USD	change %
AMOUNTS X 1						
Profit for the year	**1.00**	0.97	3	**1.25**	1.20	4
Profit for the year at constant currencies	**1.02**	0.97	5	**1.26**	1.20	5
Fully diluted profit for the year	**1.00**	0.97	3	**1.25**	1.20	4
Free cash flow	**0.90**	1.04	(13)	**1.13**	1.28	(12)
Cash flow from operating activities	**1.62**	1.88	(14)	**2.03**	2.32	(13)
Issued capital and reserves	**16.14**	13.99	15	**19.09**	19.06	–
Dividends (2005 interim)**	**0.12**	0.55	(78)	**0.15**	0.68	(78)
Dividends : Earnings per share	**0.12**	0.57	(79)	**0.15**	0.70	(79)

* As a result of the IAS 32/39 adoption, net debt went to EUR 908 million as of 01/01/05.

** An interim dividend was paid in August 2005. While the intended offer from Valcon Acquisition bv for VNU shares is pending, no dividend on common shares will be declared or paid. For scenarios other than the closing of this offer, no decisions as to dividends have been made.

In order to facilitate comparison on an international basis, current year Euro (EUR) balance sheet amounts have been translated into U.S. dollars (USD) at the December 31, 2005 exchange rate of USD 1.00 = EUR 0.85 (2004: EUR 0.73), while the statement of income/cash flow amounts have been translated based on the weighted average exchange rate of USD 1.00 = EUR 0.80 (2004: EUR 0.81).

Rob van den Bergh
Chief Executive Officer

To Our Shareholders, Clients and Employees:

Two thousand five was an eventful year for VNU. We made solid progress in the implementation of our growth strategy and delivered good gains in organic revenue, together with improved earnings that were better than our forecast. Still, we were disappointed by the termination of our agreement to merge with IMS Health, which was followed by several months of uncertainty while we engaged in discussions with a private-equity consortium about the possible sale of the company.

As announced on March 8, 2006, the Supervisory and Executive Boards of VNU have agreed to a public offer from the consortium that values the company's equity at EUR 7.5 billion, or EUR 28.75 per common share, and EUR 13.00 per 7% preferred share. The proposed sale price represents a premium of 23% over VNU's closing price on the last trading day before we announced the proposed IMS merger. It also represents an attractive valuation compared with the recent trading of peer company stocks, as well as with the recent history of trading in VNU's stock.

The Boards agreed to the offer following an intensive examination of the current value of the company and its potential future value under a number of options, including various stand-alone plans and a break-up plan. After thorough discussion, the Boards concluded that the offer is the most advantageous option for shareholders, as well as for clients and employees.

We are highly confident in the fundamental strength of VNU and that we would be able to increase value through a stand-alone strategy combining the return of capital to shareholders, broad improvements in our cost structure and aggressive development of integrated, next-generation services. Still, there are always risks associated with the execution of any plan. We believe the consortium's offer is more attractive for shareholders because it provides an immediate cash return at an attractive multiple on historical and projected cash flows, even including the positive impact of current and future restructuring initiatives.

We also believe the offer is substantially more attractive for shareholders than a break-up of the company. The offer price is in the mid-to-upper range of the projected value a break-up could deliver under any scenario that doesn't damage our individual business units. A break-up would carry risk associated with the timing and completion of the sale of our businesses, including the possibility of an extended and harmful period of disruption. It would sacrifice the economies of scale that are central to achieving meaningful cost reductions. It also would lead to adverse tax effects.

Negative client reaction to a break-up was also a factor in the Boards' considerations. VNU has been working with many major clients to develop integrated combinations of marketing, media and consumer information. We believe that clients understand the advantages VNU brings to the creation of integrated services and prefer that the company be kept together, especially the Marketing Information and

Media Measurement & Information groups. Members of the consortium have advised us that, following the closing of the proposed transaction, VNU will remain substantially intact for at least 18 months and the new ownership will pursue the long-term strategies that are now in place.

It is for these reasons that the Boards unanimously support, and unanimously recommend, the consortium's offer.

IRI Settlement

In another significant event, on February 16, 2006, we announced a settlement of the antitrust litigation brought more than 10 years ago by Information Resources, inc. (IRI), against ACNielsen, Dun & Bradstreet and IMS Health. Under the terms of the settlement, VNU agreed to pay EUR 47 million (roughly 2.5% of the treble damages sought by IRI) in return for a complete dismissal of all claims. After taxes, the settlement resulted in a charge against 2005 earnings of EUR 28 million. While we were confident that we would ultimately have prevailed (the case was on appeal in the U.S. Court of Appeals following a lower-court judgment in our favor), we felt it was in VNU's best interests to resolve this matter now, and eliminate the uncertainty and expense of any future litigation. The settlement also gives us the flexibility to structure the company in a way that will provide tax advantages in future years.

2005 Performance Highlights

VNU performed well in 2005, with earnings growth above our forecasts and solid top-line gains in most of our key businesses. Our Media Measurement & Information group (MMI), delivered exceptional double-digit gains in organic revenue and earnings. Marketing Information (MI) achieved good overall organic growth in revenue and earnings, performing well in every region worldwide except Europe, where results were held down by difficult market conditions and pricing pressures. Our Business Information (BI) group did well to deliver modest revenue growth in a challenging marketplace, and still achieved good earnings growth. More details about our groups' performance can be found in the Operating Review section beginning on page 46.

Strategic Initiatives

Our progress in 2005 demonstrates strong continuing demand for our services and our clients' positive response to our strategic development initiatives, which are focused on four key growth areas:

Market Coverage

To provide clients with more comprehensive, detailed and useful coverage of their markets, Nielsen Media Research has nearly completed the expansion of its National and Local People Meter coverage in the U.S., while ACNielsen completed its *Homescan* MegaPanel expansion in the U.S. and launched a major *Homescan* expansion in Europe. We also continued to expand ACNielsen's retail coverage through new cooperation agreements with retailers and the introduction of new methods to cover more outlets in an increasingly fragmented retailing landscape. In trade shows, part of the BI group, we're expanding our reach in the marketplace through the introduction of new expositions in such areas as digital marketing, entertainment and media, and ethnic marketing.

Global Expansion

We made excellent progress during the year in the rapidly developing markets of China, Russia, India and Brazil, as well as in additional markets in Eastern Europe, Asia and Latin America. ACNielsen is steadily expanding its core retail measurement services in these markets. BASES made strong progress in Asia with its new-product forecasting services. Our AGB Nielsen Media Research joint venture continued its expansion in China. BI launched the *Hospitality Design* trade show in Hong Kong and moved its *CineAsia* event to Beijing. BI also reached licensing and content syndication agreements with local publishers in such countries as China, Russia and Ukraine.

Technology and Service Innovation

Steps to improve our technology and service capabilities led to the introduction of important innovations in 2005. Clients in the Netherlands and Belgium responded very positively to the launch of higher-value services from ACNielsen Europe's new data factory, which we will roll out throughout the region in 2006 and 2007. We also brought important new data integration and business-intelligence capabilities to market in 2005.

Nielsen Media Research introduced advanced metering technology and began measuring video-on-demand (VOD) systems and time-shifted viewing of television programs during 2005. Nielsen Ventures continued to develop and expand new services that measure the impact of growing advertising spending on alternative media promotion methods, including product placement in movies and television, and sports sponsorships and video-game advertising.

In BI, our U.S. business is developing alternative models to support the exchange of information and ideas among modern business-to-business communities. BI introduced its first Information Gateway, the *Meeting Industry Megasite*, offering a full portfolio of print, digital and face-to-face products and services.

The value of our information services for sound

Solutions

Ultimately, clients look to VNU to provide them with a range of solutions they can use to understand their markets better, find their opportunities, address their business problems and accelerate their growth. We have a unique opportunity to bring together our industry-leading market and media measurement information, our analytical tools and systems and the expertise of our people to answer this demand, and we continued to focus on the creation of advanced advisory services during the year.

Our MI group is pilot testing its first integrated product offering, *Launch Control*, which will help clients improve their new-product success rates, and has begun testing an integrated, customized research service focused on helping clients measure and manage brand health. MI also conducted a successful pilot of an integrated "VNU Advantage" approach to client service during the year.

We remain optimistic about the potential of Project Apollo, which will call on the capabilities of our MI and MMI groups, as well as Arbitron, to provide entirely new insight into the links between consumers' media exposure and purchasing behavior.

decision-making has never been greater.

We also are developing promising opportunities between our BI and MMI groups to create new services for the entertainment industry, and between BI and MI in consumer packaged goods retailing and ethnic marketing.

Project Forward

At the same time that we invested in these strategic growth initiatives, we continued to take steps to better leverage our combined resources and control our costs. MI's Project Atlas restructuring program, focused principally on North America, and the Project GOL program in Latin America produced substantial improvements to our operational processes and technical systems and met our cost-reduction objectives in 2005. These projects will deliver important long-term benefits, including a lower cost structure, improved competitive positions and higher margins. They also will free additional resources to invest in our growth initiatives.

Late in the year, we announced a dramatic expansion of these initiatives under a new program called Project Forward. Through the efforts of a dedicated Program Management Office, working under the direction of CFO Rob Ruijter, we have identified opportunities to make fundamental changes in our operations and permanently reduce our costs by streamlining corporate functions, centralizing information technology and purchasing, and expanding the outsourcing and off-shoring of certain operational and production processes. We estimate that, at the end of three years, Project Forward could generate EUR 125 million in annualized savings, at a one-time cost of EUR 175 million, and create a stronger, more efficient and more competitive VNU.

Driving Our Growth Today and Tomorrow

With shareholders now considering the consortium's public offer, we await the decision confident that the company is in good shape – a strong, global organization composed of outstanding leaders in marketing, media and business information, filled with the talent that is needed to capture its many growth opportunities.

Our major businesses are operating in a dynamic global marketplace that presents a complex array of challenges and opportunities to our clients. In this climate, the value of our information services as a foundation for sound decision-making and fast action has never been greater. We are ideally positioned to deliver a unique and compelling combination of marketing and media intelligence, analysis, advice and client service that will help each of our clients be more successful.

We have our share of issues, including the rapid pace of change in the marketplace and in technology, as well as pricing pressure from clients who are more intently focused than ever on generating a measurable return on their information investment. Overall, I believe we have taken positive and effective steps to respond to these issues, bring innovative solutions to market, raise the value we deliver and ensure VNU's long-term success.

Regardless of the shareholders' ultimate decision, I am confident that VNU will move forward successfully under new leadership, constantly changing as its markets change, always growing, and always devoted to the success of its clients, to the advancement of its employees and to increasing the value of the company.

In closing, I would like to take the opportunity to recognize and thank Aad Jacobs, who will step down this year as Chairman of VNU's Supervisory Board. Aad joined the Board in 1998 and has served as Chairman since 2003. His leadership and guidance have made an invaluable contribution to VNU.

As for me, I will always treasure my 26 years with VNU. To the thousands of people who have contributed to our success and to those who will continue to drive this great company forward in the future, my heartfelt thanks.

Rob van den Bergh
Chief Executive Officer

Aad G. Jacobs (69)
Chairman

Former Chairman of the Executive Board of ING Groep nv

Other important positions: *Supervisory Director of Imtech nv (Chairman); Joh. Enschedé bv (Chairman); Royal Dutch Shell plc (Chairman); Buhrmann nv (Vice Chairman); SBM Offshore nv (Vice Chairman) and ING Groep nv*

Nationality: *Dutch - Residing in the Netherlands*

First appointment: *1998*

Term expires: *2006 (Mr. Jacobs has made himself available for reappointment for a term that would expire at closing of the offer of Valcon Acquisition bv for VNU's shares.)*

Member of the Audit Committee and the Remuneration and Nomination Committee

General

The supervision of the policies of the Executive Board and the general course of VNU's affairs and business operations is entrusted to the Supervisory Board. Furthermore, the Supervisory Board assists the Executive Board by providing advice. The Supervisory Board is a separate body and fully independent from the Executive Board. While retaining overall responsibility, the Supervisory Board assigned certain of its tasks to two permanent committees: the Audit Committee and the Remuneration and Nomination Committee.

Composition of the Board

The Supervisory Board currently consists of seven members. At the General Meeting of Shareholders on April 19, 2005, Mr. A. van Rossum was appointed to the Supervisory Board. At the 2006 General Meeting of Shareholders, the present term of the Chairman, Mr. A. Jacobs, will end. Mr. Jacobs joined the Supervisory Board in 1998, and has been Chairman since 2003. We highly value the way Mr. Jacobs has guided the Supervisory Board as its Chairman and his important contributions to VNU, in particular during the recent turbulent years. We wish him well for the future. The remuneration of the Supervisory Board was

Frank L.V. Meysman (53)
Vice Chairman

Former Chairman of the Board of Management of Sara Lee/DE International bv and Executive Vice President and Director of Sara Lee Corporation

Other important positions: *Supervisory Director of Grontmij nv and Member of the Board of GIMV nv*

Nationality: *Belgian - Residing in Belgium*

First appointment: *1995*

Term expires: *2007*

Chairman of the Remuneration and Nomination Committee

Joep L. Brentjens (65)

Former Chairman of the Executive Board of VNU nv

Other important positions: *Supervisory Director of Heijmans nv (Chairman); Océ nv (Chairman); Fortis Obam nv and P. Bakker Hillegom bv; Board Member of Van Leer Group Foundation (Vice Chairman); Stichtingsbestuur Radboud Universiteit Nijmegen (Chairman); Stichting Preferente Aandelen Gamma Holding nv*

Nationality: *Dutch - Residing in the Netherlands*

First appointment: *2000*

Term expires: *2008*

Member of the Audit Committee

determined by the General Meeting of Shareholders on April 19, 2005, and is detailed on page 114 of the Annual Report.

Meetings of the Supervisory Board

During the course of 2005, the Supervisory Board held six regularly scheduled meetings with the Executive Board. Of these six meetings, one was held in the United States. In the build-up to the intended merger with IMS Health and the potential sale of VNU, several additional meetings were held. All of the Supervisory Board members participated in nearly all of these meetings. In addition to these meetings, the Chairman and other members of the Supervisory Board had regular contact with the members of the Executive Board throughout the year.

The intended merger with IMS Health, alternative scenarios to that merger, including the potential sale of VNU, and the succession of Mr. R. van den Bergh, who has decided, in consultation with the Supervisory Board, to resign his position as CEO and member of the Executive Board, were major points of attention for the Supervisory Board in 2005. The performance of the individual business groups was also discussed regularly. Additional subjects of discussion were budgets; monthly, quarterly, half-yearly and yearly results; financial statements; the adoption of IFRS standards; corporate governance and the Annual Report.

The Supervisory Board also discussed the operational and financial objectives of VNU, the strategy to achieve these objectives, the parameters to be applied in relation to the strategy, the risks facing VNU, and the report by the Executive Board of VNU's internal risk management and control systems and the continuing development thereof. Furthermore, the Supervisory Board extensively discussed VNU's management development programs. In addition, the Supervisory Board devoted its attention to VNU's portfolio, the financing of VNU in general and its credit rating.

The Supervisory Board discussed, without the members of the Executive Board being present, its own performance, future composition, profile and competence, the performance of its individual members, its relationship to the Executive Board and the future composition thereof. The Supervisory Board also discussed, without the members of the Executive Board being present, the performance of the Executive Board and its individual members.

René Dahan (64)

Former Executive Vice President and Director of Exxon Mobil Corporation

Other important positions: *Chairman of the Supervisory Board of Koninklijke Ahold nv; Supervisory Director of TNT nv and Aegon nv; Member of the International Advisory Board of Instituto de Empresa*

Nationality: *Dutch - Residing in the United States*

First appointment: *2003*

Term expires: *2007*

Member of the Remuneration and Nomination Committee

Peter A.F.W. Elverding (57)

Chairman of DSM's Managing Board since July 1999; member of the Managing Board since October 1995.

Other important positions: *President of the European Chemical Industry Council (CEFIC); member of the Board of the American Chemical Council (ACC); member of the Supervisory Board of nv Nederlandse Gasunie and Chairman of the Committee of Delegate Members of the Supervisory Board of nv Nederlandse Gasunie until January 2006; Vice Chairman of the Supervisory Board of De Nederlandsche Bank nv; member of the General Council of the Confederation of Netherlands Industry and Employers (VNO-NCW); Chairman of the management committee of Stichting Management Studies until January 2006; Chairman of the University of Maastricht and member of the Supervisory Board of the Transnational University of Limburg*

Nationality: *Dutch - Residing in the Netherlands*

First appointment: *2000*

Term expires: *2008*

Chairman of the Audit Committee

In December 2005, the Supervisory Board, in consultation with the Executive Board, adopted new insider trading rules. These new rules result from amendments to the market abuse rules included in the Dutch Securities Act.

Audit Committee

The Audit Committee, currently consisting of Messrs. P.A.F.W. Elverding (Chairman), J.L. Brentjens and A.G. Jacobs, held four meetings, which were attended by the external auditor, and reported its findings to the Supervisory Board. The Audit Committee discussed and reviewed VNU's financial statements and interim financial statements prior to their publication and discussed the effect of internal risk management and control systems. This committee supervised the relationship with the external auditor and the functioning of the internal control policies and internal audit programs and the findings and recommendations of the internal and external auditors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee held three meetings. This committee consists of Messrs. F.L.V. Meysman (Chairman), A.G. Jacobs and R. Dahan. It discussed the remuneration of the Executive Board members as presented in this Annual Report, based upon their contributions in achieving stated performance objectives, the size and composition of the Supervisory Board and the Executive Board, as well as the functioning of the individual members of the Supervisory Board and the Executive Board. Furthermore, the committee discussed the succession of Mr. R. van den Bergh. The remuneration policy for Executive Board members and their remuneration in 2005 is included on pages 108-114 of this Annual Report.

Financial Statements 2005

The 2005 financial statements of VNU nv as prepared by the Executive Board for the year ended December 31, 2005 have been audited by Ernst & Young Accountants, who have issued

Gerald S. Hobbs (64)

Former Vice Chairman of the Executive Board of VNU nv

Other important positions: *Director of The Advertising Council; Jobson Publishing inc., Bureau of National Affairs inc., Medley Global Advisors and Governor of The Sky Club inc., Partner, Boston Ventures, inc. (private-equity fund)*

Nationality: *American / Irish - Residing in the United States*

First appointment: *2004*

Term expires: *2008*

Anton van Rossum (60)

Former Chief Executive Officer of Fortis

Other important positions: *Member of the Board of Credit Suisse Group; Vice-Chairman of the Board of Winterthur Insurance Group; Chairman of the Supervisory Board of Erasmus University Rotterdam; Trustee and Advisory Councilor of the Conference Board and International President of the European League for Economic Cooperation*

Nationality: *Dutch - Residing in Belgium*

First appointment: *2005*

Term expires: *2009*

an unqualified audit opinion thereon that appears on page 127 of this Annual Report.

The Supervisory Board has approved these financial statements and recommends that, at the General Meeting of Shareholders, the 2005 financial statements be adopted. An interim cash dividend of EUR 0.12 per common share was paid in August 2005. In departure from the framework of VNU's Dividend and Reservation Policy, while the intended offer of Valcon Acquisition bv for VNU shares is pending, no dividends on common shares will be declared or paid. For other scenarios than the closing of this offer, no decisions as to dividends have been made.

We would like to express our thanks to the members of the Executive Board, the Operating Committee, management and all employees of the company for their dedication during 2005.

Mr. R.F. van den Bergh is leaving VNU as CEO and a member of the Executive Board. We wish to express our sincere appreciation for the way Mr. Van den Bergh has directed VNU in its transformation from a publisher to a leading information and media company. We are grateful for Mr. Van den Bergh's great efforts and significant contribution during his nearly 26 years of service. The Supervisory Board very much appreciates his continued commitment as CEO and member of the Executive Board until a successor has been appointed.

The Supervisory Board
Haarlem, March 7, 2006

Introduction

In this report, VNU addresses its corporate governance structure and states to what extent it applies the provisions of the Dutch Corporate Governance Code (the "Code") that became effective as of January 1, 2004. The Code is applicable to VNU, as it has its corporate seat in the Netherlands and its shares listed on the Amsterdam Eurolist by Euronext Stock Exchange in the Netherlands.

VNU recognizes the importance of clear and straightforward rules on corporate governance. The Supervisory Board and the Executive Board are of the opinion that almost all the standards governing the conduct of the Executive Board and Supervisory Board are being applied. Some principles and best practices are not (fully) applied, and the reasons for these deviations are set out in this report. Important as these new rules may be, we want to stress that good corporate governance should not be the result of compliance with rules alone. Ultimately, good corporate governance resides in the culture of a company and in its employees.

Good corporate governance resides in the culture

Corporate Structure

VNU is a "naamloze vennootschap" (nv), a Dutch legal entity similar to an "incorporated company" (inc.) in the U.S. VNU has a two-tier board structure. The company is managed by an Executive Board under the supervision of a Supervisory Board. It is in the interest of the company and all its stakeholders that each Board performs its functions appropriately and that there is a clear division of responsibilities between the Executive Board, the Supervisory Board, the General Meeting of Shareholders and the external auditor in a well-functioning system of checks-and-balances.

Executive Board

The Executive Board manages the company and is responsible for achieving the company's goals, strategy, policies and results. The Executive Board is also responsible for complying with all relevant legislation and regulations, for managing the risks associated with the activities of the company, and for the financing of the company. It reports related developments to, and discusses the internal risk management and control systems with, the Supervisory Board and its Audit Committee. The Executive Board is accountable for the performance of its duties to the Supervisory Board and the General Meeting of Shareholders. The Executive Board provides the Supervisory Board with any and all (written) information necessary for the Supervisory Board to fulfill its responsibilities. In discharging its duties, the Executive Board takes into account the interests of VNU, its enterprise and all parties involved in VNU, including shareholders and other stakeholders.

Resolutions to enter into transactions under which members of the Executive Board have a conflict of interest with VNU that are of material significance to VNU and/or the relevant member of the Executive Board requires the approval of the Supervisory Board. In 2005 VNU has not entered into any such transactions.

The Executive Board consists of at least two members or such greater number as to be determined by the meeting of holders of priority shares. The members of the Executive Board are appointed by the General Meeting of Shareholders based on a binding nomination drawn up by the meeting of holders of priority shares. The General Meeting of Shareholders can overrule the binding nature of such nomination by a resolution adopted by an absolute majority of the votes cast, if such majority represents at least one-third of the issued share capital. Unless the General Meeting of Shareholders, on the proposal of the Supervisory Board, determines that a member of the Executive Board shall be appointed for a longer period, a member of the Executive Board shall be appointed for a maximum period of four years, provided however that in any event his term of office shall lapse at the end of the first annual General Meeting of Shareholders to be held in the fourth year after the year of his appointment. A retiring member of the Executive Board may be reappointed, provided that persons who will have reached the age of 65 or will reach such age in the current financial year, may not be (re)appointed as members of the Executive Board.

Members of the Executive Board may be suspended and dismissed by the General Meeting of Shareholders by a resolution adopted by an absolute majority of the votes cast. Unless the proposal was made by the meeting of holders of priority shares, such majority should represent at least one-third of our issued share capital. Furthermore, members of the Executive Board may be suspended by the Supervisory Board.

The General Meeting of Shareholders adopts, on the proposal of the Supervisory Board, the remuneration policy for the Executive Board. Any material change in the remuneration policy shall be submitted to the General Meeting of

Shareholders for adoption. The remuneration of the members of the Executive Board will, with due observance of the remuneration policy, be determined by the Supervisory Board, on a proposal by its Remuneration and Nomination Committee. The current remuneration policy was initially adopted by the General Meeting of Shareholders on April 20, 2004. Details on this policy, which has been drafted taking into account the principles and best practice provisions of the Code, are included on pages 108-114 of this Annual Report. The Supervisory Board shall submit any arrangements for the remuneration of members of the Executive Board in the form of shares or rights to acquire shares, as well as any major changes thereto, to the General Meeting of Shareholders for approval. Effective in 2006, the Long-Term Incentive Plan in relation to the Executive Board remuneration shall apply performance criteria. This was approved by the General Meeting of Shareholders on April 19, 2005.

# of a company and in its employees.

Supervisory Board

The Supervisory Board supervises the policies of the Executive Board and the general course of VNU's affairs and business operations and advises the Executive Board. Furthermore, the Supervisory Board is responsible for deciding on how to resolve conflicts of interest between members of the Executive Board, members of the Supervisory Board, major shareholders and the external auditor on the one hand and the company on the other. In discharging its duties, the Supervisory Board takes into account the interests of VNU, its enterprise and all parties involved in VNU, including shareholders and other stakeholders. The Supervisory Board is responsible for the quality of its own performance. The Supervisory Board and its individual members each have their own responsibility to request from the Executive Board and the external auditor all information that it needs in order to be able to carry out its duties. If the Supervisory Board considers it necessary, it may obtain information from officers and external advisers of the company.

The Supervisory Board has appointed an Audit Committee and a Remuneration and Nomination Committee from among its members. The committees prepare the resolutions of the Supervisory Board. Among other things, the Audit Committee is responsible for pre-approving all audit and non-audit services provided by the external auditor and reviewing our overall risk management and control systems and financial reporting. The Remuneration and Nomination Committee, among other things, recommends candidates for service on the Executive Board and Supervisory Board, assesses the functioning of the individual members of the Executive Board and Supervisory Board and prepares proposals regarding the remuneration policy for the Executive Board to be adopted by the General Meeting of Shareholders. The Supervisory Board has created a separation of duties within, and the working procedures of, the Supervisory Board and its committees in a set of regulations. The current regulations of the Supervisory Board and its committees can be found on our website. A report on how the duties of the Supervisory Board and its committees have been carried out in 2005 is included in the Report of the Supervisory Board, on pages 26-29 of this Annual Report.

Resolutions to enter into transactions under which members of the Supervisory Board have a conflict of interest with VNU that are of material significance to VNU and/or the relevant member of the Supervisory Board requires the approval of the Supervisory Board. In 2005, VNU has not entered into any such transactions.

The Supervisory Board consists of at least five members or such higher number as to be determined by the meeting of holders of priority shares. The members of the Supervisory Board are appointed by the General Meeting of Shareholders based on a binding nomination drawn up by the meeting of holders of priority shares. The General Meeting of Shareholders can overrule the binding nature of such nomination by a resolution adopted by an absolute majority of the votes cast, if such majority represents at least one third of the issued share capital. The Supervisory Board shall be composed in a way that it is able to carry out its duties properly and that its members are able to act critically and independently of one another and of the Executive Board and any particular interests. To that extent, the Supervisory Board has adopted a profile of its size and composition, taking into account the nature of our business, our activities and the desired expertise and background of the members of the Supervisory Board. The current profile of the Supervisory Board can be found on our website. The Supervisory Board has appointed a chairman from among its members who has the duties assigned to him by the Code and who is assisted by the company secretary.

Unless the General Meeting of Shareholders, on the proposal of the Supervisory Board, determines that a member of the Supervisory Board shall be appointed for a longer period, a member of the Supervisory Board shall be appointed for a maximum period of four years, provided, however, that in any event his term of office shall lapse at the end of the first annual General Meeting of Shareholders to be held in the fourth year after the year of his appointment. A retiring member of the Supervisory Board may be reappointed, provided that, unless the General Meeting of Shareholders, on proposal of the Supervisory Board determines otherwise, a member of the Supervisory Board may not serve on the Supervisory Board for a period exceeding 12 years. A member of the Supervisory Board shall only be reappointed after careful consideration.

Members of the Supervisory Board may be suspended and dismissed by the General Meeting of Shareholders by a resolution adopted by an absolute majority of the votes cast. Unless the proposal was made by the meeting of holders of priority shares, such majority should represent at least one-third of our issued share capital.

The General Meeting of Shareholders determines, on proposal of the Supervisory Board, the remuneration of the members of the Supervisory Board, which consists of a fixed annual amount. Effective 2005, the remuneration of the individual Supervisory Board members was amended and approved by the General Meeting of Shareholders on April 19, 2005. Details are included on page 114 of this Annual Report.

General Meeting of Shareholders

Our shareholders exercise their rights through the General Meeting of Shareholders. Resolutions are adopted by the General Meeting of Shareholders by an absolute majority of votes cast, unless a different majority of votes or quorum is required by Dutch law or our Articles of Association. The number of votes that can be cast in respect of a share is linked to the par value of such share. At the time of issue of the preferred B-shares, however, it was agreed to limit the number of votes that can be cast on such shares by providing that such number is linked to the capital contribution on such shares compared to the market price of our ordinary shares on the date of issue of the preferred B-shares.

The Executive Board and the Supervisory Board shall provide the General Meeting of Shareholders with all information it requests, unless this would be contrary to an overriding interest of the company. Furthermore, the Executive Board, or where appropriate, the Supervisory Board, shall provide all shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence the company's share price. If any price-sensitive information is provided during a General Meeting of Shareholders, or the answering of shareholders' questions has resulted in the disclosure of price-sensitive information, this information shall be made public without delay.

All information which is required to be published or deposited pursuant to the provisions of company law and securities law applicable to VNU is placed and updated on our website, or hyperlinks are established.

VNU sets a registration date for the exercise of the voting rights at the General Meeting of Shareholders. Shareholders registered at such date are entitled to attend the meeting and to exercise the other shareholder rights (in the meeting in question) notwithstanding subsequent sale of their shares thereafter. This date will be published in advance of every General Meeting of Shareholders. Shareholders who are entitled to attend a General Meeting of Shareholders may be represented by proxies.

VNU informs the General Meeting of Shareholders, by means of explanatory notes to the agenda, of all facts and circumstances relevant to the proposed resolutions. The explanatory notes shall be placed on our website.

External Auditor

The annual accounts are prepared by the Executive Board and reviewed by the Supervisory Board upon the advice of its Audit Committee and the external auditor. Upon approval by the Supervisory Board, the accounts are signed by all members of both the Executive Board and the Supervisory Board and, together with the final opinion of the external auditor, published. The annual accounts are presented to the General Meeting of Shareholders for adoption.

The external auditor is appointed by the General Meeting of Shareholders, based on a nomination drawn up by the Supervisory Board. The external auditor is invited to attend the meeting of the Supervisory Board at which the annual accounts shall be approved and is furthermore invited to attend the General Meeting of Shareholders at which the annual accounts are adopted and may be questioned by the General Meeting of Shareholders on its statement on the fairness of our annual accounts.

The company's corporate governance structure and the compliance with the Code is the joint responsibility of the Executive Board and the Supervisory Board.

Pursuant to the regulations of the Audit Committee, the Audit Committee shall assess the remuneration of the external auditor and any non-audit services provided by the external auditor.

Our Auditor Independence Policy requires VNU's external auditor to be independent in accordance with the independence rules of the Dutch accountants organization NIVRA and the European Commission Recommendation on Statutory Auditor's Independence in the EU. These rules and recommendations are based on the principle that an auditor must be independent of the audit client, both in act and appearance. It is the policy of VNU's current external auditor to rotate the lead partner of VNU's audit assignment every seven years.

Annually, the external auditor discloses to the Audit Committee, in writing and to the best of its knowledge, all relationships between the audit firm and VNU that in its opinion may reasonably be thought to bear on its independence. The external auditor will confirm, also on an annual basis and in writing, that it is independent of VNU within the meaning of the applicable laws and regulations. A full description of VNU's Auditor's Independence Policy is available on our website.

Anti Take-over Measures

For an overview of our anti take-over measures, reference is made to pages 125-126 of this Annual Report.

Apply or Explain

The company's corporate governance structure and the compliance with the Code is the joint responsibility of the Executive Board and the Supervisory Board. They are accountable for this to the General Meeting of Shareholders.

Non-application of a specific best practice provision is not in itself considered objectionable by the Code and may well be justified because of particular circumstances relevant to a company. In this section, we will indicate which specific best practice provisions of the Code we do not (fully) apply and why. VNU is positively disposed towards the Code and applies nearly all best practice provisions. However, a few best practice provisions we prefer not to apply, due to the international character of our company and to the fact – acknowledged by the commission that drafted the Code – that existing contractual agreements between the company and individual members of the Executive Board cannot be set aside at will.

Below is an overview of instances where VNU does not (yet) follow the letter of a best practice provision in the Code. Currently there is no reason to expect that in the near future VNU will not apply any other best practice provisions of the Code applicable to the Executive Board and the Supervisory Board.

Executive Board

In principle, new Executive Board members will be appointed for a period of four years, in accordance with best practice provision II.1.1 of the Code. In November 2004, Mr. R.A. Ruijter was appointed for a period of four years and four months, to make the end of his appointment-term coincide with a General Meeting of Shareholders. VNU has not limited the appointment-term of Mr. R.F. van den Bergh, who was already a member of the Executive Board when the Code came into force. In November 2005, Mr. Van den Bergh decided to step down as CEO and member of the Executive Board. He agreed to fulfill his function until a successor has been appointed.

Regarding the best practice provisions of the Code dealing with remuneration (Chapter II.2), we want to make the following observations:

Best practice provision II.2.7 provides that the maximum remuneration in the event of dismissal is one year's salary (only the fixed component). VNU will not apply this best practice provision to the members of its Executive Board as they are U.S. resident members for whom U.S. standards will be applied. These standards are different from Dutch standards. Remuneration packages in case of dismissal for current Board members are stated on page 111 of this Annual Report.

The company will not grant its Executive Board members any personal loans, guarantees or similar financial facilities. However, the one existing loan presently in place – agreed upon before the Code came into force – will not be changed or terminated (reference is made to page 112 of this Annual Report).

Supervisory Board

Best practice provision III.3.4 recommends that the number of individual memberships of supervisory boards of Dutch-listed companies shall be limited to such an extent that proper performance is assured. The best practice provision recommends a maximum number of five such supervisory board memberships, for which purpose the chairmanship of a supervisory board counts double. Using this calculation, two long-serving members of VNU's Supervisory Board, Mr. A.G. Jacobs and Mr. J.L. Brentjens, have currently more than five Dutch supervisory board memberships. VNU will take this recommendation of the Code into account for new appointments and reappointments as of January 1, 2005, because we recognize the importance of proper performance of their duties as Supervisory Board members by individual members. In some individual cases, however, this proper performance may be assured without applying this provision in the Code to the letter.

Within VNU, the Remuneration Committee and the Nomination Committee are combined in one committee.

Organic EBITDA, excluding one-time items, rose 11%.

Fueled by continued strong revenue growth and effective cost controls, VNU nv reported 2005 earnings per share of EUR 1.00, up 3% over the prior year. Reported EPS of EUR 1.00 was driven by better-than-expected business results, along with a positive impact of EUR 0.22 per share related to a lower effective tax rate resulting primarily from the closing of several tax audits and the associated release of provisions for potential tax exposures. Reported 2005 earnings also benefited from a gain on the disposition of businesses (EUR 0.04), a gain associated with the change in pension and post-retirement obligations in the Netherlands (EUR 0.03) and revised provisions associated with discontinued operations (EUR 0.02). The net positive impact of these items, in total, more than offset the negative impact of one-time transaction costs associated with the IMS merger and costs related to the settlement of the IRI antitrust litigation (combined negative impact of EUR 0.20 per share).

VNU continued to deliver solid top-line growth, with most businesses performing well, particularly VNU Media Measurement & Information, which grew organic revenues 11%. Overall, organic revenue growth was just over 5%, while reported revenues, at EUR 3,457 million, were up 4% from the prior year.

Organic EBITDA, excluding one-time items, rose 11%, as the company continued to manage costs effectively and deliver more of its revenue growth to the bottom line. Reported EBITDA of EUR 587 million was up 2%, reflecting the negative impact of IMS Health merger costs (EUR 30 million) and IRI settlement costs (EUR 47 million) in 2005, and restructuring provisions (EUR 38 million) and a real estate gain (EUR 14 million) in 2004.

VNU Marketing Information (MI) achieved 6% organic revenue growth outside of Europe, led by double-digit increases in Latin America and Emerging Markets (including Eastern Europe) and solid growth in other regions and business units. Overall, including Europe, organic revenues were up 4%. On a reported basis, MI revenue was EUR 1,874 million, 4% higher than last year, as the group faced pricing pressure, particularly in the U.S. and Europe, and revenue compression from industry mergers.

The group's organic EBITDA rose 14%, excluding ACNielsen Europe and one-time costs for restructuring and other efficiency actions in 2004, as all other regions and business units achieved strong profit growth, driven by higher revenues and cost improvements. Including Europe, where earnings declined as expected and revenues were held down by difficult market conditions and pricing pressures, but excluding the one-time

Rob F. van den Bergh (55)
Board member and CEO

Rob van den Bergh joined VNU in 1980 and held important management positions within several business groups. He became a member of the Executive Board in 1992, Vice Chairman in 1998, and in 2000, he was named Chairman of the Executive Board. In April 2003, Mr. Van den Bergh took on an additional role as Chairman and CEO of the Marketing Information group.

***Portfolio:** Marketing Information group, Business Information group and the corporate staff departments of Corporate Development, Human Resources, Internal and External Corporate Communications and Legal.*

Mr. Van den Bergh serves on the Supervisory Boards of ABN AMRO nv and Pon Holdings bv; and is a member of the Investment Committee of NPM Capital nv

***Nationality:** Dutch - Residing in the United States*

Rob A. Ruijter (54)
Board member as of December 1, 2004
CFO as of January 1, 2005

Rob Ruijter was appointed a member of VNU's Executive Board on December 1, 2004 and Chief Financial Officer effective January 1, 2005. Until his appointment at VNU, he was CFO of KLM Royal Dutch Airlines. Earlier, he was EVP and CFO of Philips Lighting and EVP and CFO of Baan Company.

***Portfolio:** Corporate Controlling, Investor Relations, Corporate Pensions, Tax, Treasury and Insurance, Operational Audit and Information Technology.*

***Nationality:** Dutch - Residing in the United States*

items, organic EBITDA was up 4%. Reported EBITDA amounted to EUR 287 million, up 18%. Continuing its aggressive cost management, the group's EBITDA margin rose to 15% from 13.5% in 2004, when the margin was impacted by one-time restructuring costs.

The Media Measurement & Information (MMI) group delivered strong organic revenue growth of 11%, fueled by another strong performance from Nielsen Media Research in the U.S., and growing demand for the Internet measurement services of NetRatings, which is 61% owned by VNU. Reported revenues rose 8%, to EUR 968 million. Organic EBITDA climbed 19%, driven by the strong top-line growth of Nielsen Media Research in the U.S. On a reported basis, EBITDA rose 14%, to EUR 271 million, including a gain on the disposition of businesses which contributed EUR 8 million to group profits. The group's EBITDA margin increased to 28%.

Organic revenues at VNU Business Information (BI) were up 2%, while organic EBITDA grew 8% on a continued strong performance from VNU's trade show business, which accounts for about 80% of the group's profit, and continued improvement from Business Publications in the Netherlands. Top-line growth was held down by sluggish advertising markets, especially in Europe among the group's IT titles. Reported revenue was EUR 618 million, up 1%, while reported EBITDA, at EUR 109 million, was 15% higher than the prior year. The group's 2005 reported EBITDA benefited from a gain of EUR 4 million on the sale of several publications. The group's EBITDA margin rose to nearly 18%.

IMS Health

On July 11, 2005, VNU and IMS Health (NYSE: RX) announced a definitive agreement to merge in a stock-and-cash transaction, which was valued at that date at EUR 5.8 billion (USD 7.0 billion). At the same time, VNU announced its plans to list its ADRs on the New York Stock Exchange in connection with the merger, and to buy back up to EUR 500 million of its stock. We believed that this merger would have given us greater scale and capabilities to meet growing client demand for must-have market intelligence that drives critical business decisions. The combined companies would have held leading positions in three key sectors of the global economy – consumer packaged goods, healthcare and media – and improved ability to offer superior insights into the consumer behavior that drives these markets. We also believed that this transaction would have provided enhanced value to clients, employees and shareholders in both the near- and long-term. The transaction, unanimously

VNU continued to deliver solid top-line growth, with most businesses performing well.

approved by the Executive and Supervisory Boards of VNU and the Board of Directors of IMS, was expected to close in the first quarter of 2006.

However, on November 17, 2005, the two companies agreed to terminate the planned merger as a result of opposition from shareholders claiming to represent nearly 50% of our outstanding shares. The merger would have required approval from a majority of shareholders to be completed.

Under the terms of the termination agreement, VNU agreed to reimburse IMS USD 15 million for its actual out-of-pocket costs, and to pay an additional USD 45 million to IMS should VNU be acquired pursuant to any agreement entered into within the next 12 months. For its part, IMS agreed to pay VNU USD 15 million should IMS be acquired pursuant to any agreement entered into within the next 12 months. VNU and IMS still expect to work together cooperatively to develop joint revenue initiatives that were identified during the merger planning process.

Agreement on Public Offer

On March 8, 2006, VNU and Valcon Acquisition bv announced that they have agreed to a public offer for VNU that values the company's equity at EUR 7.5 billion, or EUR 28.75 per common share and EUR 13.00 per 7% preferred share. Valcon is controlled by a private-equity group consisting of affiliated funds of AlpInvest Partners nv, The Blackstone Group lp, The Carlyle Group, Hellman & Friedman llc, Kohlberg Kravis Roberts & Co. lp and Thomas Lee Partners, lp. Before agreeing to the public offer, the Supervisory and Executive Boards of VNU considered a number of alternatives, including remaining a stand-alone company while implementing a three-year program to achieve annualized cost-savings of EUR 125 million by 2008. The Boards also considered the risk-reward benefits of breaking up the company. After taking into consideration the opportunities and risks associated with remaining a stand-alone company, the substantial valuation and execution risks associated with a potential break-up, and the strategic, financial and social aspects of the proposed transaction, the Boards concluded that the offer from the private-equity group is in the best interests of VNU's shareholders and all other stakeholders. The Board members, supported by analysis and opinions from independent advisors including Credit Suisse and Evercore Partners (retained by the company) and NM Rothschild & Sons (engaged by the Boards), believe the all-cash offer fully reflects the fair value of the company and unanimously recommend that shareholders accept the offer.

Project Forward

In November 2005, VNU announced plans to expand current cost-management initiatives in its groups as part of a new, company-wide effort called Project Forward. Under Project Forward, we have identified opportunities to introduce changes

Change in total revenues, EBITDA and organic growth	Change in total revenues	Organic growth total revenues	Change in EBITDA	Organic growth EBITDA*
(IN %)				
Marketing Information	4	4	18	4
Media Measurement & Information	8	11	14	19
Business Information	1	2	15	8
Total	4	5	2	11

*excluding one-time items

Performance by Business Group	Total revenues 2005	EBITDA 2005	Total revenues 2004	EBITDA 2004
AMOUNTS X EUR MILLION				
Marketing Information	1,874	287	1,806	243
Media Measurement & Information	968	271	900	238
Business Information	618	109	614	95
Other	(3)	(80)*	(1)	0
Total	3,457	587	3,319	576

*includes IMS transaction costs and IRI settlement costs

Capital expenditures and depreciation	Capital expenditures 2005	Depreciation* 2005	Capital expenditures 2004	Depreciation* 2004
AMOUNTS X EUR MILLION				
Marketing Information	87	68	82	64
Media Measurement & Information	94	64	116	58
Business Information	7	6	5	7
Other	2	13	14	14
Total	190	151	217	143

*includes fixed asset depreciation, software amortization and amortization of pre-contract costs

in IT infrastructure and support, operations and such corporate functions as human resources and finance that, over a three-year period, could generate EUR 125 million in annualized savings, at a one-time cost of EUR 175 million. We believe this initiative will also strengthen VNU's leadership position in the marketplace, help us respond more effectively to clients' needs and accelerate development of next-generation services.

Acquisitions and Divestitures

In 2005, VNU completed several acquisitions for an aggregate cost of approximately EUR 145 million, including EUR 100 million in relation to the joint venture between Nielsen Media Research International and the AGB Group, which closed in March 2005. Cash flows relating to acquisitions amounted to EUR 142 million.

There were only a few small divestitures in 2005, for which total proceeds amounted to EUR 13 million. None of these divestitures were substantial enough to be treated as so-called discontinued operations under IFRS. The amount recorded in that category is mainly related to a change in estimate with regard to the book gain on the sale of World Directories in 2004.

Capital Spending

Capital expenditures totaled EUR 190 million in 2005, down EUR 27 million from the prior year. Together, VNU's Marketing Information and Media Measurement & Information groups accounted for 95% of total capital spending for 2005. VNU views its capital investments as vital to its competitiveness in the marketplace and to achieving top- and bottom-line growth.

The company must prepare for the future by upgrading its technological infrastructure in measurement and analysis, by increasing the quantity and quality of its product offerings and by improving its client service.

Finances

Total net debt increased to EUR 1,089 million at year-end 2005 compared to EUR 760 million at year-end 2004 and to EUR 908 million in the restated balance at year-end 2004 resulting from the adoption of IAS 32/39 on financial instruments. EUR 166 million of the increase was due to foreign currency fluctuations.

Net interest expense fell to EUR 83 million in 2005 versus EUR 97 million in 2004.

VNU's interest coverage ratio of EBITDA to net interest amounted to 7.1 in 2005, above our current target range of 5.0 to 7.0. This ratio is also higher than the 2004 ratio of 6.0 and well above the minimum ratio of 3.0 that has been agreed with our lenders and which has not yet been formally adjusted for any IFRS impact. VNU has not committed to any other material covenants.

Capital and reserves attributable to VNU's equity holders as a percentage of the balance sheet total, including current liabilities, reached 48% at year-end 2005 from 41% at year-end 2004. At the end of January 2005, a debt buy-back program (announced on January 10, 2005) was finalized, which has reduced the peaks of the redemption schedule in 2006 and 2008 by a total of EUR 1.1 billion. This has improved the debt maturity profile, as redemption will be more evenly spread over time.

On October 12, 2005, Standard & Poor's placed VNU's credit rating of BBB with stable outlook on "Watch Negative" and maintained this watch on November 17, 2005, after the cancellation of the planned IMS merger. Following a non-binding offer for VNU by a group of private-equity investors, S&P on January 17, 2006, lowered its rating to BBB- and maintained the Credit Watch with negative implications. This was reconfirmed on March 8, 2006, following an agreement by VNU and the private-equity consortium on a public offer for the company. After placing the rating under review on July 11, 2005, Moody's Investors Service changed VNU's credit rating on December 20, 2005, from Baa1 to Baa2 and kept the rating under review for further downgrade. On March 8, 2006, following the private-equity offer, Moody's downgraded VNU from Baa2 to Ba1 and the rating remains under review for further downgrade.

In 2005, the company's effective tax rate was 8% compared with 25% in 2004. The effective tax rate is calculated as income taxes expressed as a percentage of profit before tax (excluding the share of net income of associates and joint ventures). The decrease in the effective tax rate is primarily due to the closing of several tax audits (including audits in the Netherlands and the United States) and the associated release of provisions for potential tax exposures.

Shareholders' equity attributable to VNU equity holders increased to EUR 4,149 million at year-end 2005 compared to EUR 3,551 million at year-end 2004, mainly due to positive currency translation differences of EUR 499 million. Other components of the remaining amount of the increase are the profit for the year minus dividends and the negative impact of the adoption of IFRS on financial instruments.

International Financial Reporting Standards (IFRS)

The consolidated financial statements of VNU were prepared in accordance with generally accepted accounting principles in the Netherlands (Dutch GAAP) until December 2004. Effective from 2005, VNU is required to prepare its consolidated financial reporting in accordance with IFRS, as endorsed by the EU. When appropriate, the company has adopted IFRS standards and made certain elections in an effort to harmonize its accounting policies with U.S. GAAP, as part of its intention to pursue a listing on the New York Stock Exchange (NYSE). The reconciliation of VNU's shareholders' equity, respectively of net earnings, as reported in the consolidated financial statements under Dutch GAAP to its shareholders' equity under IFRS (attributable to the equity holders of VNU) as of January 1 and December 31, 2004, as well as the reconciliation of the profit for the year 2004 reported in the Dutch GAAP consolidated financial statements to the profit for the year under IFRS (attributable to the equity holders of VNU) are reflected on pages 114-118 of this Annual Report.

In its half-year earnings release in August, VNU indicated that the information presented was preliminary and subject to change. Final adjustments resulted in a restatement of 2004 earnings per share from EUR 0.95 to EUR 0.97.

Prior to 2005, cash earnings (earnings before goodwill amortization and impairment charges) had been VNU's key performance indicator (KPI). However, the introduction of IFRS, which brought new non-cash and uncontrollable items in the statement of earnings, prompted a review of our set of key-performance indicators (KPIs). Effective in 2005, we have adopted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Free Cash Flow as our primary indicators to reflect the results of the company's normal continuing operations and its capacity to generate cash. In 2005, EBITDA totaled EUR 587 million, an increase of 2% compared to EBITDA of EUR 576 million in 2004. The underlying increase at constant currencies (excluding one-time items) was 11%. Free Cash Flow decreased to EUR 231 million in 2005 from EUR 262 million in 2004 (the prior year included the divested Directories group).

RISK MANAGEMENT

As a global company, VNU faces market risks, financial risks and technological risks, among others. This section aims to give insight into the principal risks facing our business and the way these risks are managed.

Risk Factors

Our Businesses and Our Markets

Our marketing and media information revenues are relatively stable, even under less favorable economic conditions, as clients tend to regard the information provided as "must have" information to operate their business. In addition, many of the contracts are multiyear.

We expect that revenues generated from our marketing information and television audience measurement services and related software and consulting services will continue to represent a substantial portion of our overall revenue for the foreseeable future. To the extent the businesses we service, especially our clients in the consumer packaged goods, media and entertainment industries, are subject to the financial pressures of, for example, increased costs or reduced demand for their products, the demand for our services, or the prices our clients are willing to pay for those services, may decline.

Consolidation in the consumer packaged goods, media and entertainment industries could put pressure on the pricing of our information products and services, as the consolidated client seeks pricing concessions from us, and could limit client spending. While we have experienced success in mitigating the revenue impact of any pricing pressure through effective negotiations and by providing services to individual businesses within a particular group, there can be no assurance as to the degree to which we will be able to continue to do so as industry consolidation continues.

A relatively small number of clients contribute a significant percentage of the consolidated revenues of Nielsen Media Research. We cannot ensure that any of Nielsen Media Research's clients will continue to use its services to the same extent, or at all, in the future. A loss of one or more of Nielsen's largest clients, if not replaced by a new client or an increase in business from existing clients, would adversely affect Nielsen Media Research's prospects, business, financial condition and results of operations.

VNU's Business Information group and clients of VNU's Media Measurement & Information group derive much of their revenue from the sale or purchase of advertising. During challenging economic times, advertisers may reduce advertising expenditures, and cut-backs in personnel may negatively impact our circulation revenues, adversely affecting the revenue of our trade publications. In addition, advertising agencies and other media may be less likely to purchase our media information services.

Due to the high-profile nature of our services in the media and entertainment information industries, we could become the target of criticism by various industry groups and market segments. Although we strive to be fair, reasonable and impartial in the production of audience measurement services, criticism of our business by special interests, and by clients with competing and often conflicting demands on the measurement service, could adversely affect our business. Currently, the quality of our ratings services are reviewed and audited by the Media Rating Council, an independent, voluntary trade organization, governed by our key client constituencies. In July 2004, the U.S. Senate Commerce Committee held a public hearing to review Nielsen Media Research's plans to introduce its Local People Meter ratings system in the top 10 U.S. markets. The same committee held an additional hearing in July 2005. The primary purpose of the hearings was to determine if this measurement system was misrepresenting television viewing by African American and Hispanic households. Additionally, certain segments of Nielsen's client base have requested that rating services be subject to government regulation. While VNU believes it accurately represents viewing of all U.S. households and that government regulation is unnecessary, no assurance can be given that legislation will not be enacted in the future that would subject our business to regulation.

We operate globally, with VNU deriving approximately 18% and 55%, respectively, of its 2005 revenues in euros and U.S. dollars. VNU reports its operating results and financial condition in euros. Our United States operations earn revenue and incur expenses primarily in dollars, while our European operations earn revenue and incur expenses primarily in euros. Outside the United States and the European Union, we generate revenue and expenses predominantly in local currencies. Because of fluctuations (including possible devaluations) in currency exchange rates or the imposition of limitations on conversion of foreign currencies into U.S. dollars, we are subject to currency translation exposure on the profits of our operations, in addition to economic exposure. This risk could have a material adverse effect on our business, results of operations and financial condition. International operations are subject to various risks that could adversely affect our business, including costs of customizing services for foreign clients; reduced protection for intellectual property rights in some countries; the burdens of complying with a wide variety of foreign laws; exposure to local economic conditions; and exposure to local political conditions, including the risks of an outbreak of war, the escalation of hostilities, acts of terrorism and seizure of assets by a foreign government. Adverse stock market developments or changes in interest rates could negatively affect assets or liabilities in our pension funds, causing higher pension charges.

In addition, local law and regulation may prohibit the repatriation of funds available from certain countries.

Access to External Data Sources and Data Protection

VNU's Marketing Information group enters into agreements with third parties (primarily retailers of fast-moving consumer goods) to obtain the raw data on retail product sales it processes and edits and from which it creates products and services. The loss of access to, or inability to acquire, these data would have a material adverse impact on our marketing information business. For example, in the U.S., Wal-Mart in 2001 discontinued sharing its sales data with the market research industry. This resulted in a significant decline in marketplace coverage, given Wal-Mart's substantial share of all retail sales volume.

VNU's Media Measurement & Information group uses set meters, People Meters and diaries to gather television viewing data from sample households. It is increasingly difficult and costly to obtain consent from households to participate in the surveys. In addition, it is increasingly difficult and costly to ensure that the selected sample of households mirrors the behaviors and characteristics of the entire population, covering every relevant segment (for example, African Americans, Hispanics or households headed by 18-35 year olds). Additionally, as consumers adopt modes of telecommunication other than traditional telephone service, such as mobile, cable and Internet calling, it may become more difficult for our Media Measurement & Information group to reach and recruit participants for its audience measurement services. If we are unsuccessful in our efforts to recruit appropriate participants and maintain adequate participation levels, our clients may lose confidence in our ratings services and we could lose the support of the relevant industries, such as through accreditation by the Media Rating Council in the United States. If this were to happen, our audience measurement business may be materially and adversely affected.

Data protection laws affect our collection, use, storage and transfer of personally identifiable information, both abroad and in the United States. Compliance with such laws may require investment or may dictate that we not offer certain types of products and services. Failure to comply with such laws may result in, among other things, civil and criminal liability, negative publicity, data being blocked from use and liability under contractual warranties. In addition, there is an increasing public concern regarding data protection issues and the number of jurisdictions with data protection laws has been increasing. Currently these regulations do not apply to survey research of the type that VNU conducts. If the laws are extended to include survey research, VNU's ability to recruit participants for its surveys could be adversely affected.

Technological Developments

We operate in businesses that require sophisticated data collection and processing systems and software and other technology. Some of the technologies supporting the industries we serve are changing rapidly and we must continue to develop cost-effective techniques for data collection and processing to accommodate such changes. We also must continue to deliver data to our clients in forms that are easy to understand while simultaneously providing clear answers to complex questions. There can be no guarantee that we will be able to develop new techniques for data collection, processing and delivery or that we will be able to do so as quickly or cost-effectively as our competition. Significant technological change could render our products and services obsolete.

Moreover, the introduction of new products and services embodying new technologies and the emergence of new industry standards could render existing products and services obsolete. Our continued success will depend on our ability to adapt to changing technologies, manage and process ever-increasing amounts of data and information and improve the performance, features and reliability of our products and services in response to changing client and industry demands. We may experience difficulties that could delay or prevent the successful design, development, testing, introduction or marketing of our products and services. New products and services, or enhancements to existing products and services, may not adequately meet the requirements of current and prospective clients or achieve any degree of significant market acceptance.

Hardware and Software

Our success depends on the efficient and uninterrupted operation of our computer and communications systems. A failure of our network or data gathering procedures could impede the processing of data, delivery of databases and services, client orders and day-to-day management of our business and could result in the corruption or loss of data. While many of our businesses have appropriate disaster recovery plans in place, we currently do not have full backup facilities everywhere in the world to provide redundant network capacity in the event of a system failure. Despite any precautions we may take, damage from fire, floods, hurricanes, power loss, telecommunications failures, computer viruses, break-ins and similar events at our various computer facilities could result in interruptions in the flow of data to our servers and from our servers to our clients. In addition, any failure by our computer environment to provide our required data communications capacity could result in interruptions in our service. In the event of a delay in the delivery of data, we could be required to transfer our data collection operations to an alternative provider of server hosting services. Such a transfer could result in significant delays in our ability to deliver our products and services to our clients. Additionally, significant delays in the planned delivery of system enhancements and improvements, or inadequate performance of the systems once they are completed, could damage our reputation and harm our business. Finally, long-term disruptions in infrastructure caused by events such as natural disasters, the outbreak of war, the escalation of hostilities, and acts of terrorism (particularly involving cities in which we have offices) could adversely affect our businesses. Although we carry property and business interruption insurance, our coverage may not be adequate to compensate us for all losses that may occur.

Our Intellectual Property Rights

The success of our businesses will continue to depend, in part, on obtaining patent protection for our technology, products and services; defending our patents, copyrights and other intellectual property; preserving our trade secrets and maintaining the security of our know-how; and operating without infringing upon patents and proprietary rights held by third parties. We rely on a combination of contractual provisions, confidentiality procedures and patent, copyright, trademark, service-mark and trade-secret laws to protect the proprietary aspects of our technology, data and estimates. These legal measures afford only limited protection, and competitors may gain access to our intellectual property and proprietary information. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets and to determine the validity and scope of our proprietary rights. There can be no assurance that the intellectual property laws and other statutory and contractual arrangements we currently depend upon will provide sufficient protection in the future to prevent the use or misappropriation of our data, technology and other products and services. In addition, the growing need for global data, along with increased competition and technological advances, puts increasing pressure on us to share our intellectual property for client applications. Any future litigation, regardless of outcome, could result in substantial expense and diversion of resources with no assurance of success and could seriously harm our business, results of operations and financial condition.

Staffing and Managing Multinational Operations

Our future success depends in large part on our ability to retain our key employees and to attract and motivate additional highly skilled employees in many locations around the world. Our goal is to provide market-competitive compensation packages that include base salaries, stock options, bonus incentives and other employee benefits. If we are unable to retain key employees or attract highly qualified personnel to replace any employees who leave, our business may be materially and adversely affected.

Potentially Adverse Tax Consequences

Our businesses operate in approximately 100 countries worldwide and our earnings are subject to taxation in many differing jurisdictions and at differing rates. VNU seeks to organize its affairs in a tax-efficient manner, taking account of the jurisdictions in which we operate. Tax laws that apply to our businesses may be amended by the relevant authorities, for example as a result of changes in fiscal circumstances or priorities. Such amendments, or their application to our businesses, may adversely affect our reported results.

Project Forward

The success of the project will depend on our ability to realize the anticipated cost savings. We cannot provide absolute assurance that we will achieve these costs savings. In particular, our ability to successfully realize these cost savings and the timing of this realization may be affected by a variety of factors.

Risks of Financial Instruments

VNU's principal financial instruments, other than derivatives, consist of common shares, public bonds, private loans, bank loans, credit facilities, convertible bonds, debentures, operational leases, cash and other investments. The main purpose of these financial instruments is to provide adequate financing for our operating activities and to optimize cash management. Furthermore, we employ additional financial instruments such as foreign currency contracts, trade receivables and trade payables. VNU also enters into derivative transactions, mainly interest-rate swaps, cross-currency swaps and forward-rate agreements. The purpose of these transactions is to manage the interest rate and currency risks of our assets and revenues vis-à-vis our sources of financing. For a detailed discussion of the financial risks, we refer to the Notes to the Consolidated Balance Sheet on pages 82-83 of this Annual Report.

Other

It is VNU's policy to have our activities and assets well covered by reputable, creditworthy insurance companies. In 2003, we started a program to ensure optimal Business Continuity Planning and we have made good progress in 2004 and 2005. We will continue with this program in 2006.

In Control Statement

As the Executive Board of VNU, we hereby state that we are responsible for the design, implementation and operation of the company's internal risk-management and control systems. The purpose of these systems is to manage the significant risks to which the company is exposed in an optimal way. Such systems can never provide absolute assurance regarding achievement of corporate objectives, nor can they provide an absolute and total guarantee that material errors, losses, fraud and the violation of laws or regulations will not occur.

All material risk management activities have been discussed with the Audit Committee and the Supervisory Board.

1. Financial Reporting Risks

To comply with our duties in the area of internal risk management and control systems with respect to financial reporting risks, we have used various measures in the course of the year:

- Budgets and quarterly forecast updates;
- Monthly and quarterly financial reporting;
- Quarterly performance meetings with the business groups' management teams;
- Monthly meetings with the Operating Committee;
- Regular meetings with senior corporate staff;
- Letters of representation which are issued by our operating companies and signed by their CEOs and CFOs in which they confirm that for their responsible area based upon their knowledge (i) an effective system of internal controls is maintained, (ii) the financial reports fairly present the financial position and results of operations and (iii) VNU's Code of Business Conduct has been communicated to their employees and state to the best of their knowledge the company and its employees complied with the code;
- Reports of our Operational Audit department;
- Management letters and audit reports provided by the external auditor;
- The implementation of our Preventure project (Business Control Framework);
- Our Business Code of Conduct and Whistleblower Policy.

In 2003, VNU started the Preventure project to further strengthen VNU's Business Control Framework throughout the company. This Business Control Framework is the entire set of processes designed to provide assurance with respect to the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. This framework, based on the COSO model, will also ensure that VNU complies with relatively new international standards on corporate governance such as the Dutch Corporate Governance Code and section 404 of the Sarbanes-Oxley Act ("SOX 404"). We are running an internal plan of action for compliance with SOX 404, which includes a timeline and scheduled activities. During 2005, the implementation of the improved Business Control Framework has made good progress but has not yet been completed. Therefore, this Business Control Framework was not in place during the full year 2005 to such extent that we would fully comply with all the requirements of SOX 404, as we are not required to fully comply. We have a defined action plan to be in full compliance with SOX 404.

For a detailed discussion of the financial risks, we refer to the Notes to the Consolidated Balance Sheet on pages 82-83 of this Annual Report.

Summary

Based on the outcome of the above mentioned measures and to the best of its knowledge and belief, the Executive Board states that the above mentioned measures provide a reasonable level of assurance that VNU's financial reporting fairly presents in all material respects the financial condition, results of operations and cash flows of the company and that VNU's financial reporting in 2005 does not contain any material inaccuracy.

The Board is currently not aware of any change in the company's internal control over financial reporting that occurred during 2005 and the period up until the date of the Annual Report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

2. Operational/Strategic Risks and Legal and Compliance Risks

To comply with our duties in the area of internal risk management and control systems with respect to operational/strategic risks and legal and compliance risks, we have used the following measures in the course of the year, additional to the measures mentioned under 1:

- Strategic evaluations of our business, which take place on an annual basis;
- Three-year planning documents (Mid-Term Plan).

We acknowledge the importance of further improvements to our internal control and risk management systems. The set-up of these systems is based on the identification of external and internal risk factors that could influence the operational and financial objectives of the company and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with the Audit Committee and the Supervisory Board.

SUSTAINABILITY

Vision and Policy

Sustainability is intrinsic to our way of doing business. We strive to find the proper balance between social, environmental and economic responsibility ("People, Planet, Profit"). Corporate sustainability contributes positively to our economic results through lower operating costs, a better reputation, more loyal customers and an increased capacity to attract and retain the best employees.

In 2003 we formulated a three-pronged strategy:

- Develop and implement a code of business conduct, including business principles;
- Design and execute a substantial community investment program; and
- Set up a measurement and reporting system.

Implementation of this strategy was delayed in 2005 due to some exceptional circumstances. The implementation program for the Code of Business Conduct and a measurement and reporting system will be further developed. Initially, we will concentrate on our social performance indicators, with the Global Reporting Initiative as an important guideline. We made good progress with the execution of our community investment program.

Code of Business Conduct

Each and every employee of VNU has to do business in an ethically responsible manner and behave in accordance with VNU's norms and values. VNU's Code of Business Conduct came into effect in late 2004. In 2005, we also finalized the Whistleblower Policy. Both the Code of Business Conduct and our Whistleblower Policy can be found on our website, www.vnu.com.

During 2006, we will focus on a wide-ranging, intensive, all-employee implementation program of our new Code. Prior to the launch of our training program, a printed copy (translated into 37 languages) will be sent to all employees. Recently, we signed a contract with a legal compliance training vendor to provide general on-line training, as well as specific compliance and ethics training to targeted high-risk audiences. We will also ask all employees to certify the Code.

Community Investment Program

As stated in our Business Principles, community and social investments are prominent features of VNU's social responsibility. Our current donation guideline is “Development of people by improving their access to information.” To strengthen our socially targeted programs, we support a few large, theme-related projects in addition to current, smaller donations. Donation criteria include neutrality (no political or regional causes), multiyear cooperation, geographical spread as well as active involvement, if applicable, by our employees and (local) business units.

In 2005, we agreed to a three-year commitment in support of “Close the Gap” in South Africa. Close the Gap is an international non-profit organization headquartered in Belgium and engaged in narrowing the digital gap between the Northern and Southern hemispheres by giving used computers a second life in Africa. By its financial contributions, VNU can give this still-young organization an important boost. Projects which VNU supported in 2005 include the installation of a complete computer information center at an AIDS-Orphans school in Johannesburg, the building of a computer classroom for blind children in Soshanguve and the establishment of five computer classrooms in the Limpopo province, which included teacher training.

VNU also made a donation during the year to “New Visions for Public Schools.” New Visions is the largest education reform organization in the U.S. dedicated to improving the quality of education in New York City's public schools. The organization aims to transform low-performing high schools into campuses of small, more personalized schools, in communities such as the Bronx and South Brooklyn. In partnership with VNU, New Visions for Public Schools is creating the VNU High School Library for the 21st century by transforming the high school library into a key instructional resource and the center of student learning for the campus of small schools.

Another key initiative was the VNU Tsunami Relief Fund, a program that matched the Tsunami contributions from thousands of VNU employees in more than 30 countries. VNU decided to give the total matching donation of EUR 367,000 to the United Nations World Food Programme (WFP) due to its focus on providing long-term, structural aid. Our donation has been distributed equally between Indonesia (Aceh Besar) and Sri Lanka to support WFP's School Feeding program, which benefits approximately 7,000 children in Aceh Besar and to help reconstruct vital infrastructure in Sri Lanka, especially schools, roads and community buildings through the Food for Work initiatives. In the United States, VNU established a similar employee matching fund to help the victims of Hurricane Katrina in New Orleans and the Gulf Coast.

Other charitable causes VNU supported include research projects of the Stichting Bevordering Geneeskundige Oncologie (Foundation for the Advancement of Medical Oncology) of the Academic Hospital of the “Vrije Universiteit” in Amsterdam (the Netherlands); the scholarship fund for students of United World Colleges; the Drushba Foundation (fund for school books in Kalush in Ukraine); and the Spaarnestad Fotoarchief (Picture Library in the Netherlands, digitizing of historical press photos).

Economic Performance

As a business entity, VNU contributes to society through the creation of employment and the payment of taxes, dividends and interest. VNU has more than 40,000 full-time employees and creates a significant amount of indirect jobs. In 2005, our gross payroll (including wages, pensions, other benefits and redundancy payments) was EUR 1,524 million. During the same year, we paid EUR 120 million in interest on debt and borrowings and EUR 72 million in dividends. We charged EUR 20 million in income taxes to the statements of income. In 2005, we supported charitable causes with contributions of EUR 3.4 million. This figure represents 0.6% of our EBITDA.

Environmental Performance

As an information and media company, VNU does not have manufacturing plants, but operates business offices around the world. Our impact is therefore limited in areas such as use of materials, energy and water, emissions, effluents, waste and impact on biodiversity. VNU's main environmental issues are more universal in character: efficient use of resources, procurement policy in the office and business travel. Although the environmental impact of VNU's operations is relatively modest, we do seek to reduce it whenever possible.

The majority of the information we produce is not printed, but distributed electronically. We limit the environmental burden of our printed products as much as possible. Total paper use for Business Information, our main print publishing entity, was 25,589 metric tons in 2005. The wood used for our paper publications originates from forests managed in a sustainable way. The suppliers of paper used for our trade magazines are ISO 14001 certified or pending certification. ISO 14001 is the international standard for environmental management systems. All primary print partners of VNU Business Media (USA) meet and adhere to U.S. guidelines as mandated by the Environmental Protection Agency and the Occupational Safety & Health Administration.

Social Performance

VNU believes in the fundamental dignity and value of each individual. We attract, train and compensate individuals based only on job-related qualifications and abilities. We have a strong commitment to maintain a work environment free of bias, and any form of harassment is unacceptable. A thorough description of our norms, values and internal guidelines can be found in our Code of Business Conduct on our website, www.vnu.com.

We also endeavor to create a healthy and safe working environment and to prevent occupation-related illnesses. We concentrate on minimizing travel risks, managing work pressure and preventing Repetitive Stress Injury (RSI). These three issues have been identified as the potential work hazards most relevant to our business.

The percentage of women in our current top leadership is 22%, while the percentage of women in our leadership programs for high potentials is 25%.

HUMAN RESOURCES

VNU is an information and insights business that depends on the quality, commitment and creativity of its people to deliver superior products and service that enable our clients to meet their goals and our company to reach its financial objectives. We therefore place a high priority on taking thorough and effective steps to attract, develop and retain highly qualified people.

Recognizing that people are our most critical and important asset requires that now, as in the past, we continue to provide both educational and career opportunities to enable our people to navigate the pace of change in a complex global business environment. Development programs such as the Global Leadership Program for more seasoned executives and the Explorers Program for emerging leaders, as well as programs to move executives among businesses, help VNU build the depth of talent that is needed to ensure stability and continuity as well as the ability to embrace change. Since VNU is a global enterprise, these worldwide educational and cross-business initiatives reaffirm our belief in constant learning and our acknowledgement of the necessity of a multicultural approach.

In 2005, VNU continued the work we began in 2004 to closely align our Human Resources (HR) investments with the organization's strategic direction and business needs. In addition to maximizing the company's talent management capabilities, our HR processes are designed to reduce transactional and administrative costs.

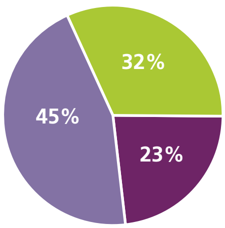
The essential components of VNU's model in HR are three-fold:

- Generalists who have deep knowledge of the business and support strategic business priorities through talent acquisition and development, and business transformation;

We strive to find the proper balance between social,

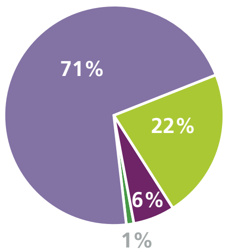
Headcount	2005	2004	% change
FULL-TIME EQUIVALENTS AT YEAR-END			
Marketing Information	29,016	28,468	2
Media Measurement & Information	8,868	8,759	1
Business Information	2,412	2,545	(5)
Other	398	451	(12)
Total VNU, excluding divested operations	40,694	40,223	1
Personnel costs as % of total revenues	50.7	52.9	

EMPLOYEES PER REGION



AMERICAS (18,441)
EUROPE, MIDDLE EAST AND AFRICA (12,988)
ASIA PACIFIC (9,265)

EMPLOYEES PER GROUP



MARKETING INFORMATION (29,016)
MEDIA MEASUREMENT & INFORMATION (8,868)
BUSINESS INFORMATION (2,412)
OTHER (398)

environmental and economic responsibility.

- Centers of Excellence, which deliver solutions to VNU's businesses based on best practices in such areas as compensation and benefits, workforce development and organization effectiveness, staffing and workforce planning, diversity and inclusion; and
- Shared Services, which deliver key data and transaction services via standardized and automated global HR processes that leverage our global scale efficiently and enable the company to measure the effectiveness of our programs.

Moreover, our institutionalized Code of Business Conduct, with its mandatory training requirements, will ensure that the company's business principles, values and behaviors will benefit our clients, customers, employees and the community at large.

With the charge of further developing current and future leaders, improving functional efficiency and effectiveness, and assisting in making the Code of Business Conduct the bedrock of our organizational culture, VNU's Human Resources will continue to play a key strategic role in the future success of the organization.

Outlook 2006

VNU is confident about its growth prospects in 2006 and beyond, based on its leading market positions, its ability to expand its existing services and create new services to meet the changing needs of its client base, and its opportunities to integrate its information, analysis and advice to develop a new generation of advanced business solutions for clients. However, the company deems it too early in the year to give any earnings guidance for 2006.

The Executive Board
Haarlem, March 7, 2006

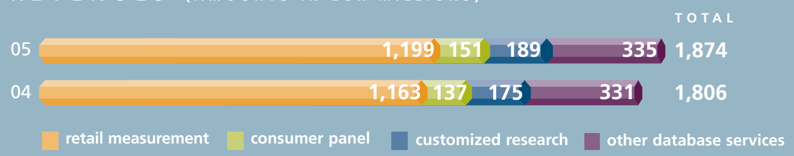
VNU Marketing Information had a good year and made excellent progress to increase consumer and retail coverage, expand in developing markets, deploy new capabilities and develop integrated advisory services.

2005 vs. 2004

Total revenues	+ 4%	+ 4% organic	EUR 1,874 million (from EUR 1,806 million)
EBITDA	+ 18%	+ 4% organic*	EUR 287 million (from EUR 243 million)
EBITDA margin	+ 180 basis points		15% (from 13%)
FTEs	+ 2%		29,016 (from 28,468)

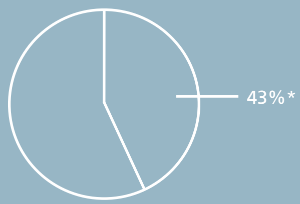
*excluding EUR 30 million of restructuring costs in 2004

REVENUES (AMOUNTS IN EUR MILLIONS)



TOTAL REVENUES (as % of total VNU)

EBITDA (as % of total VNU)



*Group's EBITDA percentage calculated before corporate expenses

VNU Marketing Information (MI) had a good year, with growth in organic revenue and EBITDA in all business units except ACNielsen Europe. Results were especially strong in ACNielsen's Emerging Markets and Latin American regions, which delivered double-digit gains in revenue and earnings. Total organic revenue for the group increased 4% to EUR 1,874 million and organic EBITDA, excluding one-time items in 2004, increased 4% to EUR 287 million. Excluding the one-time items and ACNielsen Europe, where earnings declined as expected and revenues were held down by difficult market conditions and pricing pressures, MI's revenue increased 6% and EBITDA increased 14%. The group's EBITDA margin improved to 15% in 2005. MI's major efficiency initiatives in North America, Latin America and Europe, particularly Project Atlas, met objectives and delivered productivity improvements during the year.

ACNielsen

On a global basis, ACNielsen delivered solid organic growth in revenue, EBITDA and margins, with good results in four out of five regions. ACNielsen acquired Decisions Made Easy, a software company that helps FMCG manufacturers manage retailer data.

ACNielsen North America

ACNielsen's business in the United States delivered a solid increase in EBITDA. Revenue growth was driven principally by the expanded *Homescan* consumer panel, as well as retail measurement services. Effective cost management helped ACNielsen U.S. overcome pricing pressures and improve its EBITDA margin, while continuing to invest in new services.

The U.S. business completed its *Homescan* MegaPanel expansion to 125,000 households during the fourth quarter. The enlarged U.S. panel is a key growth driver that will deliver more valuable insights into consumer purchasing behavior in national and local markets and across a wider range of retail outlets. *Homescan* also provides an important platform for developing advanced services within ACNielsen and in collaboration with other VNU businesses.

ACNielsen U.S. maintained its leading market share among manufacturers, winning 21 contract renewals and significant new business with Wrigley. Among retailers, the U.S. renewed 27 data cooperation agreements, including 26 for high-value account-level services.

Major service initiatives include the launch of *TargetTrack*, the first comprehensive tracking service covering cultural and ethnic groups in the U.S.; *Answers Interactive*, a web-based service for real-time analysis and enterprise-wide distribution of marketing information; and *Data Bank*, a data management solution that allows clients to enhance, customize and harmonize data content from multiple sources to fuel alerts, scorecards and dashboards in their business workflow. The U.S. launched services for retailers during the year that address such issues as optimizing store performance, tracking seasonal and special-event promotions and monitoring trends and changes in consumer shopping behavior.

ACNielsen U.S. developed an advanced coverage solution that integrates retail measurement, *Homescan* and third-party data to provide clients with comprehensive information from the highly fragmented retail universe.

ACNielsen Canada delivered excellent revenue and EBITDA growth. Factors driving revenue gains included ad hoc sales to government and regional clients, and growth in new business. The business expanded in-store coverage in retail measurement services to include fresh foods, and saw good gains as a result of its expanded coverage of tobacco sales. Canada introduced *What's in Store* as the first phase of a plan to deliver store-by-store census data.

ACNielsen Latin America

ACNielsen's Latin America region achieved double-digit growth in revenue and EBITDA, led by Argentina, Brazil, Mexico and Colombia. Progress in all segments was led by gains in core retail measurement services due to coverage expansions, conversions to scanning-based data collection and the introduction of coverage for consumer electronic products and home appliances. ACNielsen acquired full ownership of its business in Chile during the year.

Latin America continued to expand its consumer panel services. Brazil's new *Homescan* panel was positively received by clients and *Homescan* coverage and capabilities were expanded in Mexico and Colombia. Latin America continued to consolidate and streamline its information factories and launched the web-based ACNielsen *Advisor i-sights* information-delivery system for all services.

ACNielsen Europe

ACNielsen Europe continued to build for the future, investing in improvements in retail measurement, consumer panel and retailer services and launching its new retail measurement factory. Although market share increased, revenue declined modestly due to difficult market conditions, pricing pressures and lower client spending on discretionary projects. Effective expense controls enabled Europe to meet its internal profit targets, although organic EBITDA was down for the year.

Europe's new retail measurement factory was launched during the year in the Netherlands and Belgium. Clients are responding positively to the factory's advanced capabilities, including enhanced data freshness, consistent multi-country reporting, “on-the-fly” data modeling, a web-enabled interface and electronic delivery through the ACNielsen *Answers* portal. France, Italy and the United Kingdom will transition to the new factory during 2006 and the balance of the region over the next two years. The region also commenced deployment of the innovative, customizable ACNielsen *i-sights* in all markets during 2005.

ACNielsen continued to expand its consumer panels in Europe. *Homescan* panels were increased significantly in France, Germany and Spain, and a *MyScan* individual panel was launched in the U.K. to measure purchases of products consumed outside the home. The region will complete household panel expansions in the U.K., Italy and Finland in the first half of 2006, and ultimately expects to reach a total of 70,000 households in 10 markets.

ACNielsen Europe enhanced its services for retailers and won many expanded cooperation agreements. The region launched an innovative and consistent approach to providing coverage of the fast-growing Hard-Discounter channel.

With the new factory on track and well received by clients, and with continuing steps to upgrade retail measurement, consumer panel and customized research services, ACNielsen Europe is well positioned for future growth as economic conditions improve in the region.

VNU Marketing Information continued to focus its organization and capabilities more closely on solutions to clients' key business issues.

ACNielsen Emerging Markets

ACNielsen Emerging Markets, encompassing Central and Eastern Europe, the Middle East and Africa, delivered double-digit gains in organic revenue and EBITDA for the sixth consecutive year, led by strong revenue growth in Russia, Poland, Hungary, South Africa, United Arab Emirates, Pakistan and Nigeria.

The region continued to expand its retail measurement and customized research services. Retail measurement was launched in Bosnia Herzegovina, and coverage was expanded in Russia, Ukraine, South Africa, Nigeria and Algeria. Poland, Hungary and several other countries launched electronic *Scantrack* retail measurement. The Czech Republic launched coverage of the discount retailer channel. Proprietary customized research services generated strong revenue growth.

The Emerging Markets region continued to expand the availability of major services for retailers, including *Shopper Trends, Total Store Read* and *Total Business Read*. ACNielsen *Advisor i-sights* were launched in 25 countries for manufacturer and retailer clients.

ACNielsen Asia Pacific

ACNielsen Asia Pacific delivered solid revenue gains and double-digit growth in EBITDA. Gains were reported in all product segments. Countries reporting strong revenue growth included Australia, Indonesia, Malaysia, Philippines, South Korea, Thailand and Vietnam.

Asia Pacific continued to invest in the expansion of retail measurement services (RMS) in major countries. China reported solid growth in RMS and opened a centralized operations center in Shanghai. Advanced *Scantrack* RMS service was launched in Indonesia and Thailand.

A *Homescan* consumer panel was launched in Thailand and South Korea began converting its diary-based consumer panel to the electronic *Homescan* system, while enlarging the sample. *Homescan* panels were expanded in Hong Kong and Australia.

Growth in revenue from profitable proprietary customized research services continued to accelerate during the year, especially in Indonesia, Thailand and South Korea. ACNielsen International Research, which manages multi-country customized research projects for clients, generated strong growth. The region also continued to expand its online customized research capabilities.

The region's pioneering ACNielsen *Advisor i-sights* continued to gain wide acceptance. Nearly 95% of clients receive and work with their information using the web-based system.

ACNielsen Advisory Services

VNU Advisory Services was re-branded ACNielsen Advisory Services late in the year to emphasize the close linkage across the group's marketing information services, analytical products, advisory services and solutions. The unit made strong progress in modeling and analytical services, launching the *DecisionSmart* system and moving to develop a unified global modeling platform. Advisory Services also continued to drive development of integrated client service capabilities and new services in such areas as new product development, including *Launch Control*, market foresight, consumer segmentation, retail channel execution and retailer loyalty.

STRATEGIC FOCUS

- Provide comprehensive information and insights about complex markets and fragmenting consumer populations to help clients make better marketing decisions
- Expand in developing countries to help clients succeed in these high-growth markets
- Offer expert analysis and fact-based advice
- Enhance data warehousing, data integration, software and delivery capabilities to make information more accessible and useful
- Develop integrated advisory services that deliver innovative business solutions focused on client issues
- Achieve recognition as the global authority on consumer behavior and marketing effectiveness

Late in the year, the MI group announced changes designed to focus the organization more closely against clients' needs, bring complementary capabilities together under Advisory Services and accelerate development of advanced services. The global *Homescan* business, which now operates household and individual consumer panels in 27 countries, was made part of Advisory Services and brought together with Spectra to drive growth in value-added consumer segmentation services and help Spectra expand internationally. Global Customized Research was brought under Advisory Services to drive further growth in MI's highly successful, branded proprietary services. Advisory Services also will accelerate global development of high-value analytical services, under the branding ACNielsen Analytic Consulting.

BASES

BASES achieved revenue and EBITDA gains, driven by strong growth in Asia Pacific, good gains in Europe and growth from clients in new industries, including pharmaceuticals, alcoholic beverages and entertainment. These results helped overcome slower growth in the U.S., where clients held down spending as a result of reduced new-product activity.

BASES took steps during the year to expand its testing and simulation services in such areas as pre-launch analysis and marketing plan analysis. BASES continued to expand usage of its innovative *ePanel* research methodology, now available in its seven largest markets.

Spectra

Spectra reported solid growth in revenue and EBITDA in 2005, with good results from consumer-segmentation and targeting services. Spectra introduced *BehaviorScape*, a major advance in Spectra's core consumer segmentation methodology. The business migrated all legacy desk-top system clients to the web-based delivery platform, *InfiNet*.

Spectra worked closely with ACNielsen *Homescan* to drive growth from services that integrate purchasing information with demographic information and analysis. With the combination in 2006 of Spectra and *Homescan*, Spectra will maintain its brand identity in the marketplace, and continue to work closely with ACNielsen Analytic Consulting on the development of advanced modeling capabilities related to consumer segmentation.

Claritas

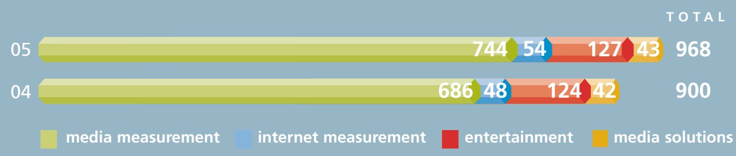
Revenue was flat at Claritas, which serves industries outside CPG, but EBITDA growth was robust, as a result of major operational improvements and the introduction of a web-based survey methodology for its core Market Audit service. Revenue performance improved late in the year with the signing of new contracts that will have a carry-over effect into 2006. Claritas also continued to expand sales of segmentation services, released a new site analysis platform and is completing a product strategy initiative to add functionality and drive revenue growth through a comprehensive offering of marketing analysis tools.

VNU Media Measurement & Information brought a range of innovative services to market for media and entertainment clients while delivering another strong performance in 2005.

2005 vs. 2004

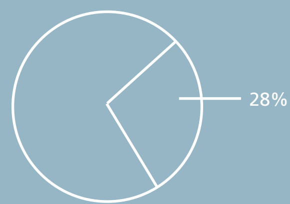
Total revenues	+ 8%	+ 11% organic	EUR 968 million (from EUR 900 million)
EBITDA	+ 14%	+ 19% organic	EUR 271 million (from EUR 238 million)
EBITDA margin	+ 160 basis points		28% (from 26%)
FTEs	+ 1%		8,868 (from 8,759)

REVENUES (AMOUNTS IN EUR MILLIONS)



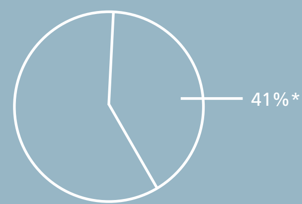
TOTAL REVENUES

(as % of total VNU)



EBITDA

(as % of total VNU)



*Group's EBITDA percentage calculated before corporate expenses

Excellent execution of a business strategy that is well-suited to market conditions and client needs led to another strong performance by the VNU Media Measurement & Information (MMI) group in 2005. The group continued to expand and strengthen its measurement services for the media and entertainment industries, providing deeper and more comprehensive coverage of the marketplace and higher value to clients. MMI also is bringing a range of innovative services to market designed to help clients see more clearly how to reach and build their audiences and improve their performance in a highly complex and fast-changing environment.

Led by excellent growth at Nielsen Media Research in the U.S. and a good performance by NetRatings, the group's Internet measurement division that is 61% owned by VNU, MMI's organic revenue increased 11% to EUR 968 million, and organic EBITDA rose 19% to EUR 271 million. The strong top- and bottom-line gains enabled the group to achieve an EBITDA margin of 28% for the year. All MMI divisions achieved organic growth in revenue and EBITDA in 2005.

Media Measurement & Solutions

Nielsen Media Research in the United States once again achieved double-digit organic growth in revenue and EBITDA, as clients continued to respond positively to the expansion of national and local audience measurement samples and advances in measurement technology. Agreements with major broadcast and cable networks, cable systems, syndicators and local station groups reached in 2003 and 2004 fueled the growth, and Nielsen signed additional clients to new contracts in 2005. These included a three-year extension with Time-Warner for national and local measurement services and new agreements with Univision Communications, Emmis Television, Gannett and Media General local station groups, Fox Sports and Cox Communications.

Nielsen completed more than 90% of its National People Meter (NPM) sample expansion during 2005 and will reach its goal of doubling the sample to about 10,000 households during 2006. Local People Meter (LPM) services were introduced in Philadelphia, San Francisco, Dallas, Detroit and Washington, D.C., during 2005, part of a two-year effort to provide overnight demographic ratings information in the top 10 U.S. markets. The introduction of LPM services will be completed in 2006 with the addition of Atlanta by mid-year. Nielsen has also made several other significant investments in coverage initiatives in People Meter, meter/diary and diary-only samples, in order to provide clients with higher quality and more precision in television audience measurement.

Nielsen began adding measurement of video-on-demand and time-shifted viewing of television programs to its national and local services in the U.S. during 2005. These enhanced services are enabled by the 2005 introduction of Nielsen's advanced "active/passive" (A/P) television meters within its audience samples, a major milestone in measurement technology that provides a flexible platform for measuring new digital devices available to consumers. To further improve measurement of both television programs and commercials in the digital environment, Nielsen acquired AudioAudit in July and began integrating its broadcast verification service with an existing and complementary service. Nielsen Media Research announced in March 2006 that it will adopt a portfolio strategy with regard to television audience measurement technology and will not enter into a venture with Arbitron to deploy its Portable People Meter (PPM) as the primary measurement tool for ratings currency. The decision has no impact on VNU's Project Apollo marketing research initiative with Arbitron. Nielsen and Arbitron also are discussing Nielsen's potential licensing of the PPM to measure television viewing outside the home.

Nielsen has made a number of improvements to its data gathering, processing and delivery software applications and tools that clients use to access and analyze audience information. The business completed the second phase of development for its Global Technology and Information Center, which will serve as a central resource for all MMI technology operations.

Controversy about the conversion to LPM measurement in local markets abated during the year, as Nielsen worked closely with clients and community groups to respond to their concerns and demonstrate the superiority of the new system. Nielsen testified before the U.S. Senate during the year to oppose a proposal to introduce government regulation of television audience measurement, which to date has gained little support in Congress.

Nielsen Media Research International achieved good organic growth in revenue and EBITDA. The AGB Nielsen Media Research television audience measurement (TAM) joint venture covering more than 30 countries was finalized in March 2005. The joint venture performed well and continued its expansion in China, where People Meter coverage will be introduced in 17 provinces, including all major metropolitan areas. All told, Nielsen International's TAM joint ventures*, which include joint ventures in Latin America with IBOPE, as well as separate ventures in Finland and India, cover 45 countries.

Nielsen International moved to extend its global leadership in Advertising Information Services (AIS), which provide clients with competitive information on advertising expenditures and creative content. The business launched *Nielsen AdVantage*, which integrates expenditure and creative information covering more than 25 countries, and acquired successful local AIS businesses in the Netherlands and South Korea. Nielsen Monitor-Plus, the U.S. AIS business, continued to gain market share.

**All operating results with respect to joint ventures are included in the caption "share of net income of associates and joint ventures" in the accompanying Consolidated Statements of Income.*

Nielsen Media Research is expanding its coverage of television audiences in the U.S. and in 45 international markets.

Nielsen Outdoor, established in 2004 as the first research service to measure both consumer exposure to outdoor advertising and audience demographics, launched its service in Chicago following a successful pilot, and will expand into additional U.S. markets in 2006. Nielsen Outdoor also secured a contract to measure outdoor advertising in South Africa. The service uses global positioning technology to monitor motorists' and pedestrians' opportunity to see outdoor advertising.

Media Solutions, which markets a range of advertising information and specialized media planning services, delivered good organic revenue growth and double-digit organic EBITDA growth. SRDS continued to reformulate its advertising-rate and media-planning services in electronic formats, and clients responded positively, driving double-digit gains in revenue from online services. Interactive Market Systems (IMS) launched a range of new products as it continued to replace legacy offerings with web-based services. IMS also contributed its software expertise to joint development activities with other MMI businesses to create new services focused on specific consumer groups and industry segments. Scarborough Research (a joint venture* with Arbitron) had a very successful year in terms of both revenue and earnings growth.

Nielsen Ventures continued to launch innovative services that respond to shifting business models that are challenging media, entertainment and marketing clients, driving revenue growth that accelerated in 2005. Following the introduction of *Sports Sponsorship Scorecard* in 2004, the business introduced *FanLinks* in 2005, a service developed with ACNielsen to link consumers' sports media consumption to product purchasing. Major sports organizations signing contracts for Nielsen Ventures' services included the PGA Tour, Major League Baseball, the National Football League and 16 individual teams belonging to the league, NASCAR and a number of NASCAR sponsors, and the ESPN and Fox Sports networks. Nielsen Ventures also continued to develop and expand sales of services, including *PlaceViews,* that enable clients to measure the impact of product placement on television and in the movies. Early in 2006, VNU acquired a majority interest in BuzzMetrics, a pioneer in the measurement and analysis of online consumer-generated media, including Internet blogs, public message boards and product feedback sites. The move expanded VNU's media measurement capabilities in a fast-growing area and will open collaborative development opportunities with the MMI and MI groups that will be coordinated through Nielsen Ventures.

MMI continued to lead VNU's participation in the Project Apollo test with Arbitron. Project Apollo is focused on developing a new marketing information service that will give clients a better understanding of the links between consumer media exposure and consumer purchasing. VNU and Arbitron are planning a test panel in the U.S. that will consist of approximately 14,500 participants in 6,250 households.

STRATEGIC FOCUS

- Ensure comprehensive coverage of a changing media environment where new technologies give greater control to consumers
- Help clients manage shifting business models by providing solution-based insights and analysis
- Help clients better understand and improve the return on their advertising investments
- Build a culture that supports innovation and encourages diversity in the workplace
- Strengthen global leadership in advertising information services covering both expenditures and creative content
- Expand Nielsen Entertainment's portfolio of tracking services, qualitative research and consultation

Entertainment

Nielsen Entertainment delivered organic revenue growth and double-digit organic EBITDA growth, despite challenging economic and market conditions. Growth drivers included both syndicated and custom analysis product offerings in its entertainment consulting services and measurement businesses for the film, home entertainment, music, video/DVD and book industries. Growth was also driven by new product development, process reengineering, strategic alliances and positive results from restructuring activities.

Nielsen Entertainment invested in new consumer entertainment tracking products; the expansion of Nielsen Mobile's measurement services with the launch of *RingScan*, which measures downloads of music to mobile phones for use as ring tones; the release of industry benchmark reports on the Digital Household, Active Gamers, Mobile User Behavior, Motion Picture industry analysis and On Demand Economics; integration of the BookData and MusicControl acquisitions in Europe; and the redesign of Nielsen SoundScan operating systems to include Christian and Canadian music tracking.

Nielsen Entertainment reorganized Nielsen NRG, a provider of testing, consulting and research services for films and promotional materials, to expand its Theatrical, Home Entertainment and International focus to include Interactive Entertainment (video games), and launched new services in the Independent Film and Live Theatrical Events verticals. Nielsen ReelResearch also re-branded its business as Nielsen Television Practice to provide consumer insights to the television and consumer products industries and launched a VNU/MMI On-Demand initiative in partnership with Nielsen Media Research.

Internet Measurement

NetRatings, 61% owned by VNU, continued its strong revenue growth and improved its profitability during 2005, reflecting continuing growth in the Internet as an advertising and marketing medium. NetRatings is expected to be profitable in EBITDA for the full year in 2006. Revenue gains were driven by Internet advertising information services and web analytics offerings, as well as the rollout of new services based on the NetRatings *MegaPanel*, which tracks Internet usage and buying behavior among more than one million people in countries, including the United States, the United Kingdom, France and Germany.

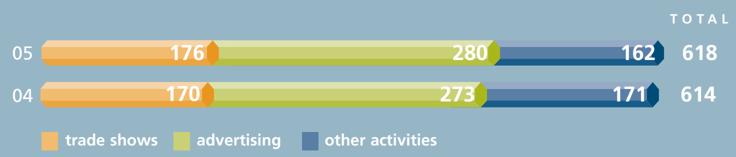
NetRatings also saw good growth from *Homescan Online*, a service developed with ACNielsen, that provides integrated views of consumers' online behavior and offline purchasing patterns.

VNU Business Information's expansion of its profitable trade show business and growth in online media helped overcome a challenging business-to-business advertising market.

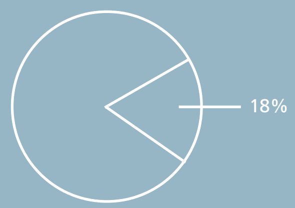
2005 vs. 2004

Total revenues	+ 1%	+ 2% organic	EUR 618 million (from EUR 614 million)
EBITDA	+ 15%	+ 8% organic	EUR 109 million (from EUR 95 million)
EBITDA margin	+ 230 basis points		18% (from 16%)
FTEs	- 5%		2,412 (from 2,545)

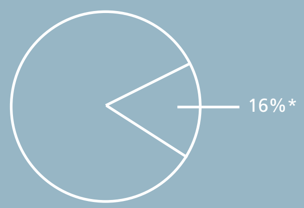
REVENUES (AMOUNTS IN EUR MILLIONS)



TOTAL REVENUES
(as % of total VNU)



EBITDA
(as % of total VNU)



*Group's EBITDA percentage calculated before corporate expenses

VNU Business Information (BI) expanded its profitable trade show businesses, accelerated growth in online media and delivered strong earnings growth in 2006, despite a difficult business-to-business advertising market, especially in Europe. While there were some significant positive developments in publications, weak overall advertising results held down revenue growth for the group. For the year, BI delivered organic revenues of EUR 618 million, a 2% increase. Organic EBITDA rose 8% to EUR 109 million, led by good results from the U.S. trade show business and online media growth in Europe. BI's EBITDA margin reached 18%.

Trade Shows

United States

VNU Expositions organizes large, prominent trade shows and conferences for the retail, entertainment, jewelry, healthcare, sports and design and construction industries, among others. With 66 shows in these key market segments, VNU Expositions is one of the largest organizers of face-to-face events in the United States and Brazil. Two thousand five was another successful year, as net square feet and attendance increased, and both organic revenues and EBITDA grew about 10%.

During 2005, VNU Expositions launched 10 new events and further improved product offerings in many markets. For example, the *ASD/AMD Merchandise Show* was realigned to allow over 350 new booths to be sold, driving gains in both revenue and profitability. VNU's position in the high-end jewelry industry was strengthened in 2005 by the launch of *Signature Salon* in Las Vegas, immediately following the existing *Couture Jewelry Collection & Conference* event there, extending the group's presence at the leading industry gathering from three days to seven. *Couture* pavilions were also created successfully at the *JA* Winter and Summer events in New York.

In October, the *Year-End Merchandise* show was launched in Los Angeles and exceeded expectations. *The Digital Marketing Conference* was launched in partnership with the *Adweek* Group and NetRatings, and the *DEMExpo* was launched in partnership with *Billboard*, *The Hollywood Reporter, Adweek,* and Nielsen Entertainment's SoundScan.

VNU Expositions' global reach was expanded by a successful launch of *Hospitality Design Asia* in Hong Kong, and the *CineAsia* event was moved to Beijing in 2005 with the help of VNU Exhibitions Asia. Other 2005 initiatives included the launch of the *At-Retail Media Show* and the *Hispanic Retail 360* conference and trade show.

VNU Expositions expects continued progress in 2006, despite some challenges, such as increased difficulties for some international visitors to attend events in the U.S. due to heightened security, and an increase in competition from smaller companies. There is still ample room to grow for VNU Expositions through new events, product improvement and collaboration with other VNU businesses. Six new events are planned for 2006, including three in new markets. In Brazil, the *Kitchen and Bath* and *Food Technology* shows will be expanded.

Europe

VNU Expositions Europe delivered mixed results in 2005, in part due to the postponement of a major agricultural exposition from 2005 to 2006. Most business-to-business shows conducted during the year met their objectives, but earnings from business-to-consumer shows were lower than expected due to declining visitor numbers. The business is taking steps to improve sales performance in 2006, increase yield per square meter, add sponsorships and develop spin-off opportunities.

VNU Expositions Asia, a joint venture that is managed by the European business, continued to expand its activities in China. Sixteen trade shows were held in China in 2005 and floor-space sales increased by more than 25%. Growth was especially strong from the *Domotex Chinafloor* show, up 35%, and from *Busworld* and a real estate show. VNU Expositions Asia worked closely during the year with VNU Expositions U.S. to support efforts to expand in China.

Print and Online Media

United States

After four consecutive years of advertising revenue declines, VNU's publishing business in the United States slightly increased advertising revenue during the year on an organic basis. The gains were led by solid increases at *Billboard, Adweek, Brandweek* and *Mediaweek*, as well as by strong Internet advertising. Licensing revenue grew 18% and eMedia increased revenue 27%, reflecting changes in the marketplace and the continued migration of marketing communications budgets from traditional media to alternative and electronic media. Also contributing to revenue growth were four new cross-brand conferences linked to multiple publishing brands that were launched during the year by the VNU Conference Group: *What Teens Want: The Next Big Idea*; *The Future of Marketing and Measurement; Voz Latina: Marketing to Hispanics, 18 to 34;* and

VNU Expositions launched 10 new trade shows in the U.S. and introduced *Hospitality Design Asia* in China.

Marketing to Men. Titles adversely affected by the sluggish market included *Retailing* and *Performance*.

The U.S. publishing business created a new Internet site, *demexpo.com*, and completed 14 website rebuilds, including the *bookstandard.com, billboardradiomonitor.com, billboard.biz, mediaweek.com, brandweek.com, pdnonline.com, csnews.com, kbbonline.com, billboard.com, backstage.com, medtrade.com, theincentiveshow.com, trainingconference.com* and *hdexpo.com*. Additionally, BI redesigned four magazine brands including *Billboard, The BookSeller, Back Stage* and *Meeting News*.

Four publications celebrated landmark anniversaries, including *Incentive*'s 100th; *The Hollywood Reporter*'s 75th; *Kitchen and Bath Business*'s 50th; and *Photo District News*'s 25th. VNU Business Media publications won more than 30 awards in 2005, including seven Neal Awards, five ASBPE awards, and four Folio Awards.

Billboard launched a mobile application in the U.S., Canada and Japan to distribute selected content through a variety of major wireless carriers; a Latino weekly TV show on TV Azteca; and the *Billboard Hot Ring Tones Chart*. Licensing agreements were reached for print editions of *Sales & Marketing Management* in Russia and *Europa Star* in the Ukraine, as well as print content syndication agreements for *Adweek* in Israel, Russia and Mexico, and *Training* in China.

In the digital space, BI launched VNU Publications' first Information Gateway, the *Meeting Industry Megasite,* with a full-range portfolio of print, digital and face-to-face products and services. In addition, electronic information portals for *Branded Entertainment* and *Inside Videogames* were launched, as well as the first VNU blogs, *Adfreak.com* and *misoapbox.com*.

The U.S. publishing business is continuing to develop promising initiatives that are still in the investment stage, including *Marketing y Medios* for the Hispanic community, the *Billboard Radio Monitor*, in partnership with Nielsen Music's BDS unit, and *The Book Standard*, a web portal for book and allied industry professionals developed with Nielsen BookScan.

STRATEGIC FOCUS

- Maintain leading brand positions in the marketplace for trade media
- Develop multimedia capabilities combining print and online publishing with expositions to serve major industries
- Continue to develop a publishing model using online services for news and current events, and print for background and analysis
- Maintain tight cost controls in response to continuing weakness in display advertising

Europe

Responding effectively to difficult market circumstances, VNU Business Media Europe (BME) increased its revenues and EBITDA. Declines in display advertising in the technology sector and newsstand sales were offset by growth in recruitment advertising in print and online, led by a very strong performance by *Intermediair*, and in revenue from the *VNUNet* network of IT web sites. Market shares in technology display remained stable and BME remains the market leader in the countries where it operates, especially the U.K. and the Netherlands, which represent 64% of revenue.

Results from online recruitment advertising were particularly strong in the Netherlands, due in part to a strong performance by *NationaleVacaturebank.nl*, which was acquired in 2004, and by *Intermediair.nl*. BME re-focused on online recruitment advertising in the U.K., with positive results, especially in *Accountancy Age Jobs*. IT recruitment advertising in the U.K. and Belgium generated modest growth.

VNUNet, which operates web portals in seven countries, delivered strong growth in 2005. The portals provide IT professionals with easy access to critical information on products, prices, test results and other data. Site visits increased by over 30% during the year. Major progress was made in 2005 toward placing the portals on a uniform technology platform and enhancing the international sales organization, and *VNUNet* is well positioned for accelerated growth going forward. Online revenues now account for nearly 15% of BME's advertising results, up from 8% in 2004. To further expand its position in online media, BME acquired leading IT news and information web sites in the U.K., France and the Netherlands in early 2006.

In publications, *Intermediair* achieved strong growth in revenue and market share. *Accountancy Age* and *Financial Director* in the U.K. delivered good results and BME's marketing title in Spain performed well. BME continued to build archives of editorial content for re-use and syndication on multiple print and electronic publishing platforms.

financial statements

PRIMARY FINANCIAL STATEMENTS

Consolidated Balance Sheet
at December 31, 2005

Note	(EUR IN MILLIONS)	2005	2004
	ASSETS		
	Current assets		
7	Cash and cash equivalents	**862**	2,045
8	Other financial assets	**263**	121
9	Trade and other receivables	**644**	549
10	Other current assets	**169**	124
		1,938	2,839
	Non-current assets		
11	Goodwill	**4,027**	3,579
11	Other intangible assets	**1,548**	1,451
12	Property, plant & equipment	**424**	370
26	Deferred tax assets	**68**	116
13	Investments accounted for using the equity method	**172**	52
21	Pension assets	**63**	60
8	Other financial assets	**323**	78
14	Other non-current assets	**82**	70
		6,707	5,776
	TOTAL ASSETS	**8,645**	**8,615**
	LIABILITIES AND EQUITY		
	Current liabilities		
	Bank overdrafts	**80**	—
15	Accounts payable and other current liabilities	**589**	628
16	Deferred revenues	**369**	334
	Income tax payable	**50**	41
17	Borrowings and other financing	**535**	167
20	Provisions	**79**	46
		1,702	1,216
	Non-current liabilities		
20	Provisions	**221**	415
21	Post-employment benefit liabilities	**153**	158
26	Deferred tax liabilities	**394**	334
17	Borrowings and other financing	**1,819**	2,759
	Other non-current liabilities	**124**	103
		2,711	3,769
	TOTAL LIABILITIES	**4,413**	**4,985**
	Capital and reserves attributable to VNU's equity holders		
22	Share capital	**51**	53
	Additional paid-in-capital	**2,623**	2,640
	Retained earnings	**1,847**	1,669
22	Other reserves	**(372)**	(811)
		4,149	3,551
	Minority interests	**83**	79
	Total equity	**4,232**	3,630
	TOTAL LIABILITIES AND EQUITY	**8,645**	**8,615**

Consolidated Statement of Income
for the Year Ended December 31, 2005

Note	(EUR IN MILLIONS)	2005	2004
23	**Revenues**	**3,457**	**3,319**
23	**Other income**	**20**	**16**
		3,477	**3,335**
24	Personnel costs	**1,752**	1,756
24	Supplies and purchased services	**717**	704
24	Depreciation and amortization expenses	**249**	280
24	Other operating expenses	**421**	299
	Operating profit	**338**	**296**
27	Financial income	**29**	20
27	Financial expense	**(107)**	(110)
13	Share of net-income of associates and joint ventures	**10**	(2)
	Profit before tax	**270**	**204**
26	Income tax expense	**(20)**	(52)
	Profit for the year from continuing operations	**250**	**152**
6	**Profit for the year from discontinued operations**	**6**	**94**
	Profit for the year	**256**	**246**
	Attributable to:		
	Equity holders of VNU	**256**	250
	Minority interests	—	(4)
		256	**246**
30	**Earnings per common share, basic and diluted:**		
	Profit for the year from continuing operations	**0.98**	0.59
	Profit for the year	**1.00**	0.97

Consolidated Statement of Cash Flows
for the Year Ended December 31, 2005

Note	(EUR IN MILLIONS)	2005	2004
	Operating Activities		
	Profit for the year attributable to equity holders of VNU	**256**	250
	Adjustments to reconcile profit for the year to net cash provided by operating activities:		
	Share-based compensation	**19**	22
	Gain on sale of discontinued operations, net of tax	**(6)**	(8)
	Interest income and expense (net)	**94**	139
	Currency exchange rate differences on financial transactions	**(9)**	1
	Gain on derivative financial instruments and other	**(7)**	(9)
	Income tax expense	**20**	74
13	Income from joint ventures and associates	**(10)**	(18)
	Minority interests in net income of consolidated subsidiaries	**—**	(4)
23	Gain on sale of assets	**(19)**	(16)
24	Depreciation and amortization	**249**	247
24	Impairment charges	**—**	40
	Changes in operating assets and liabilities, net of effect of businesses acquired and divested:		
	Trade and other receivables, and other current assets	**(37)**	(35)
	Accounts payable and other current liabilities and deferred revenues	**9**	31
	Other non-current liabilities	**(11)**	1
	Interest received	**29**	17
	Cash paid for interest, net of amounts capitalized	**(120)**	(175)
	Dividends received from unconsolidated affiliates	**9**	30
	Cash received for income taxes	**16**	11
	Cash paid for income taxes	**(67)**	(124)
	Net cash provided by operating activities	**415**	**474**
	Investing Activities		
6	Acquisition of subsidiaries and unconsolidated affiliates, net of cash acquired	**(142)**	(83)
6	Proceeds from sale of subsidiaries and unconsolidated affiliates	**(19)**	2,058
	Additions to property, plant & equipment and other assets	**(131)**	(147)
	Additions to intangible assets	**(59)**	(70)
	Proceeds from sale of property, plant & equipment	**6**	5
28	Other investing activities	**(2)**	92
	Net cash (used in) provided by investing activities	**(347)**	**1,855**
	Financing Activities		
	Proceeds from issuance of debt	**—**	83
	Repayments of debt	**(1,332)**	(667)
	Payments to minority interests, net of cash received	**(9)**	16
	Proceeds from share issuance on exercise on share options	**5**	—
	Cash dividends paid to shareholders	**(72)**	(66)
	Other financing activities	**53**	4
	Net cash used in financing activities	**(1,355)**	**(630)**
	Effect of exchange-rate changes on cash and cash equivalents	**24**	(6)
	(Decrease) increase in cash and cash equivalents	**(1,263)**	1,693
7	Cash and cash equivalents at beginning of year	**2,045**	352
7	**Cash and cash equivalents at end of year**	**862**	**2,045**
	Bank overdrafts at beginning of year	**—**	—
	Bank overdrafts at end of year	**80**	—

Consolidated Statement of Changes in Equity

Note	(EUR IN MILLIONS)	Share Capital (22)	Additional Paid-in-Capital	Retained Earnings	Other Reserves (22)	Capital and Reserves Attributable to VNU's Equity Holders	Minority Interests	Total Equity
	Balance, January 1, 2004	**52**	**2,563**	**1,564**	**(687)**	**3,492**	**74**	**3,566**
	Currency translation adjustments	—	—	—	(145)	(145)	8	(137)
	Total income and expense for the year recognized directly in equity	—	—	—	(145)	(145)	8	(137)
	Profit for the year attributable to the equity holders of VNU	—	—	250	—	250	(4)	246
	Total income and expense for the year	—	—	*250*	*(145)*	*105*	*4*	*109*
	Common share dividends	1	78	(139)	—	(60)	—	(60)
17	Preference share dividends	—	—	(6)	—	(6)	—	(6)
25	Share-based compensation	—	—	—	21	21	—	21
	Share movements of majority owned subsidiaries	—	(1)	—	—	(1)	1	—
	Balance, December 31, 2004	**53**	**2,640**	**1,669**	**(811)**	**3,551**	**79**	**3,630**
34	Impact of IAS 32/39 adoption	(3)	(89)	63	(90)	(119)	—	(119)
	Balance, January 1, 2005	**50**	**2,551**	**1,732**	**(901)**	**3,432**	**79**	**3,511**
	Currency translation adjustments	—	—	—	499	499	12	511
22	Revaluation reserve	—	—	—	2	2	—	2
	Net unrealized gain on available-for-sale securities	—	—	—	5	5	—	5
19	Cash flow hedges	—	—	—	5	5	—	5
	Total income and expense for the year recognized directly in equity	—	—	—	511	511	12	523
	Profit for the year attributable to the equity holders of VNU	—	—	256	—	256	—	256
	Total income and expense for the year	—	—	*256*	*511*	*767*	*12*	*779*
	Common share dividends	1	68	(141)	—	(72)	—	(72)
25	Share option exercises	—	6	—	—	6	—	6
25	Share-based compensation	—	—	—	18	18	—	18
	Share movements of majority owned subsidiaries	—	(2)	—	—	(2)	2	—
	Other changes	—	—	—	—	—	(10)	(10)
	Balance, December 31, 2005	**51**	**2,623**	**1,847**	**(372)**	**4,149**	**83**	**4,232**

1. Corporate Information

VNU nv ("VNU", or "the Company") is a global information and media company, with leading market positions and recognized brands. Until November 2004, VNU was organized into four groups: Marketing Information (e.g. ACNielsen), Media Measurement & Information (e.g. Nielsen Media Research), Business Information (e.g. Billboard, The Hollywood Reporter, Computing, Intermediair, Expositions) and Directories (e.g. Golden Pages). In November 2004, VNU completed the sale of the Directories group (See Note 6). VNU is active in more than 100 countries, with its headquarters located at Ceylonpoort 5–25 in Haarlem, the Netherlands and at 770 Broadway in New York City, USA. VNU has approximately 40,000 full-time employees. VNU is listed on the Amsterdam Euronext Stock Exchange (ASE: VNU), and is part of the AEX index of leading Netherlands-based stocks.

The consolidated financial statements of VNU for the year ended December 31, 2005 were authorized for issue in accordance with a resolution of the Supervisory Board on March 7, 2006.

The consolidated financial statements will be presented for adoption to the General Meeting of Shareholders, which is scheduled for April 18, 2006 in Amsterdam, the Netherlands.

2. Basis of Preparation / Statement of Compliance

The consolidated financial statements of VNU for the year ended December 31, 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The IFRS transition date is January 1, 2004, prior to which the financial statements of VNU were prepared under Dutch GAAP. Details about first time adoption of IFRS and the most significant decisions made by VNU in relation to the optional exemptions and mandatory exceptions are disclosed in Note 34.

The consolidated financial statements are presented in Euro (EUR).

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

Principles of Consolidation

The consolidated financial statements include accounts of VNU and all subsidiaries. Intercompany accounts and transactions between consolidated companies have been eliminated in consolidation. The financial statements of certain subsidiaries outside the United States and Canada are consolidated using their statutory fiscal years ending November 30. There have been no significant events after the balance sheet dates of November 30, 2005 and 2004 related to these subsidiaries which were not recorded in the consolidated financial statements.

Accounting for Associates and Joint Ventures

Associates are entities over which VNU has significant influence but not control, usually supported by a shareholding of between 20% and 50% of the voting rights. These investments are accounted for by the equity method of accounting, which involves recognition in the consolidated statement of income of VNU's proportionate share of the associate's profit or loss for the year. VNU's interest in an associate is carried in the balance sheet at its share in the net assets of the associate together with goodwill paid on acquisition, less any impairment loss. Joint ventures are entities in which VNU holds an interest and which are jointly controlled by VNU and one or more other ventures under a contractual arrangement. VNU's interests in jointly controlled entities are accounted for by the equity method of accounting.

Accounting for Acquisitions

VNU uses the purchase method of accounting to account for acquisitions of subsidiaries. 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 acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of VNU's share of identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill.

Foreign Currency Translation

The functional and presentation currency of VNU and its euro-zone subsidiaries is the Euro (EUR). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a non-euro-zone entity, which are taken directly to equity along with any tax charges and credits attributable to exchange differences on the borrowings until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the initial transaction date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

VNU has investments in non-euro-zone countries, primarily the United States and the United Kingdom of which changes in the value of foreign currencies affect the consolidated financial statements when translated into Euro. For all operations outside the euro-zone where VNU has designated the local currency as the functional currency, assets and liabilities are translated using end-of-period exchange rates; revenues, expenses and cash flows are translated using monthly average rates of exchange. The exchange differences arising on the retranslation are taken directly to a separate component of equity, whereas transaction gains and losses are recognized in other income and other expense. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and deposits held at call with banks with a remaining maturity of three months or less. Cash equivalents are carried at fair value. Prior to the adoption of IAS 32 "Financial Instruments: Disclosure and Presentation", on January 1, 2005, cash and cash equivalents included bank overdrafts. Upon the adoption of IAS 32, bank overdrafts, which are not intended to be settled on a net basis, are classified as a current liability.

Trade and Other Receivables

The reported values represent the invoiced amounts, less adjustments for doubtful receivables. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Goodwill and Indefinite-Lived Assets

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over VNU's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Indefinite-lived intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition.

Goodwill and other indefinite-lived intangible assets are stated at historical cost less accumulated impairment losses.

Other Amortized Intangible Assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is fair value at the date of acquisition.

Intangible assets with finite lives are carried at cost less accumulated amortization and impairment losses. These intangible assets are amortized on a straight-line basis over the following estimated useful lives, which are reviewed annually: for trade names and trademarks (with finite lives) 5–30 years; for customer-related intangibles 4–30 years; for tradeshows and related publications 5–20 years; for covenants not to compete 2–7 years; for databases 3–7 years; for computer software 3–10 years; and for patents and other 3–14 years.

Computer software includes purchased software and internally developed software to facilitate our global information processing, financial reporting and access needs, as well as developed software to be sold, leased or otherwise marketed to customers.

Property, Plant & Equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment losses. Expenditures relating to major scheduled turnarounds are capitalized and depreciated over the period up to the next turnaround.

Property, plant and equipment is depreciated on a straight-line basis over the following estimated useful lives. The initially assumed expected useful lives are in principle: for office buildings 25–50 years; for information and communication equipment 3–5 years; and for other equipment 3–10 years. Land is not depreciated.

Reviews are made annually of the estimated remaining lives of the most important individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

Maintenance and repairs are charged to expense when incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from continued use or sale of the asset. Any gain or loss arising on derecognition of the asset is included in income.

Other Non-Current Assets

Direct costs of establishing an electronic metered sample/panel in a market, classified as pre-contract costs, are deferred. These pre-contract costs are amortized over the original contract period, generally five years, beginning when the electronic metered sample/panel is adequate in terms of size and composition and therefore ready for its intended use. The amortization of these costs is classified within depreciation and amortization in the consolidated statement of income.

Impairment of Assets

Goodwill and other indefinite-lived intangible assets, consisting of certain trade names and trademarks, are tested for impairment on an annual basis as of December 31 and whenever events or circumstances indicate that the carrying amount of assets may not be recoverable.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The estimates of fair value of trade names and trademarks are determined using a "relief from royalty" discounted cash flow valuation methodology. Significant assumptions inherent in this methodology include estimates of royalty and discount rates. Assumptions about royalty rates are based on the rates at which comparable trade names and trademarks are being licensed in the marketplace.

Impairment losses of goodwill, indefinite lived intangibles, other intangibles or tangible assets are included in depreciation and amortization expenses in the consolidated statement of income, while impairment losses of other non-current financial assets are included in financial expense.

Impairments, except for goodwill, are reversed if and to the extent that the impairment no longer exists.

Provisions

Provisions are recognized when all of the following conditions are met: 1) there is a present legal or constructive obligation as a result of past events; 2) it is probable that a transfer of economic benefits will settle the obligation; and 3) a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows. Where discounting is used, the increase in the provision due to the passage of time is recognized as borrowing cost. However, the interest costs relating to pension obligations are included in pension costs.

Provisions include reorganization accruals following restructuring of businesses. Provisions for restructuring as a result of an acquisition are only recognized as part of the cost of the acquisition if the acquired company has an existing liability for restructuring recognized before the acquisition date.

Pension and Other Post-Employment Benefit Plans

Employee pension plans have been established in many countries in which VNU is active in accordance with local policy and legal requirements. Approximately 25% of VNU employees participate in defined benefit plans. Certain employees of VNU are eligible to participate in VNU's defined contribution plans. In certain countries, in addition to providing pension benefits, VNU provides other post-employment benefits, primarily retiree healthcare benefits.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If the aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Pension costs, in respect of defined-benefit pension plans, primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting year exceeds 10% or the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. VNU recognizes obligations for contributions to defined-contribution pension plans as expenses in the statement of income as they are incurred. Additional information on pension and other post-employment benefit plans is contained in Note 21.

Financial Instruments

VNU's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable, borrowings and derivative financial instruments. VNU's financial instruments are carried at fair value, except for differences with respect to long-term, fixed-rate debt and certain differences relating to investments accounted for at cost and other financial instruments. In 2004, prior to the adoption of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement", borrowings were recorded at face value.

As of January 1, 2005, which is the IFRS transition date for IAS 32 and IAS 39, this policy was revised. Upon the adoption of IAS 32/39, borrowings are carried at amortized cost, with any difference between the proceeds (net of transaction costs) and the redemption value recognized in income using the effective interest method.

The fair value of financial instruments is generally determined by reference to market prices resulting from trading on a securities exchange or in an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques.

Other Financial Assets

Financial assets in the scope of IAS 39 are classified in accordance with the standard. When financial assets are recognized initially, they are measured at fair value. VNU determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The available-for-sale financial assets are measured against fair value with changes in fair value being recognized in equity. In case a reliable fair value cannot be established, the securities are held at cost. On disposal, the cumulative fair value adjustments of the related securities are released from equity and included in income. Proceeds from other securities held at cost are recognized in income upon disposal.

VNU assesses declines in the value of individual investments to determine whether such decline is other-than-temporary and thus the investment is impaired.

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they were acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognized in income.

The financial assets classified as held for trading include a trading asset portfolio which has been designated as an asset at fair value through profit or loss, maintained to generate returns to offset changes in certain liabilities related to deferred compensation arrangements. Regular purchases and sales of investments are recognized on the date on which VNU commits to purchase or sell the asset, the trade date.

The fair values of the securities are determined based on prevailing market prices. In cases where quoted market prices are not available, fair value is based on estimates using present value or other valuation techniques.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the term of the borrowings using the effective interest method.

Preferred shares, which require payment of dividends, are classified as liabilities with the related dividends recognized in the statement of income as financial expense.

Derivative financial instruments and hedge accounting

VNU uses derivative financial instruments principally to manage the risk associated with movements in foreign currency exchange rates and the risk that changes in interest rates will affect the fair value or cash flows of its debt obligations. See Note 19 for additional information regarding derivative financial instruments held by VNU and Note 18 for the related risk management strategies.

Prior to the adoption of IAS 32 and IAS 39 on January 1, 2005, derivative financial instruments were not separately recognized in the balance sheet. Interest rate swaps were recognized at initial cost, which was always zero. Cross currency swaps were netted against the carrying value of the financial instrument to which they related. Transactions qualified as hedges if they were identified as such, and there was a negative correlation between the hedging results and the results of the positions being hedged. Prior to the adoption of IAS 32 and IAS 39, all derivatives that contributed to VNU's risk management policy were considered hedges for accounting purposes, and were accounted for in accordance with the accounting principles of the hedged item to which the derivative financial instrument related.

As of January 1, 2005, all derivative financial instruments are recognized on the balance sheet at fair value. For derivative financial instruments that qualify for hedge accounting, changes in the fair value are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through income, or recognized in equity as a component of other reserves until the hedged item is recognized in income, depending on whether the derivative financial instrument is being used to hedge changes in fair value, cash flows or net investments in foreign operations. The ineffective portion of a derivative financial instrument's change in fair value is immediately recognized in income. The purpose of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statement of income or to match the movements on the net investments due to currency differences with the related hedging instruments in equity. To qualify for hedge accounting, the hedging relationship must meet strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement.

VNU also evaluates contracts for embedded derivatives, and considers whether any embedded derivatives must be bifurcated, or separated, from the host contracts. If embedded derivatives exist and are not clearly and closely related to the host contract, they are accounted for separately from the host contract as derivatives.

Financial liabilities at fair value through profit or loss

IAS 39, as amended, allows for debt instruments containing embedded derivatives to be measured at fair value through profit or loss, provided they are irrevocably designated as such upon initial recognition. VNU has elected to apply the "fair value option" to the 1.75% convertible debenture loan and its embedded conversion feature, and the 6.75% debenture loan (EMTN) that VNU partially repaid in January 2005.

Since the application of the Fair Value Option significantly reduces a measurement inconsistency that would otherwise arise, the Company believes that the conditions of IAS 39 are met.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Company has transferred rights to receive cash flows from the asset, and either has transferred substantially all of the risks and rewards of the asset, or the Company has transferred control of the asset.

If an asset does not meet the above criteria in full, the asset is recognized to the extent of the Company's continuing involvement in the asset. Guarantees related to transferred assets are measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Company could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Revenue Recognition

Sale of Products

VNU recognizes revenue for the sale of products when significant risks and rewards of ownership have been transferred to the customer, VNU is no longer involved with ownership or control of the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to VNU, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the balance sheet date. Service revenue is recognized when: the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; the stage of completion of the transaction at the balance sheet date can be measured reliably; and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

In cases where VNU delivers multiple products or services within the same contractual arrangement (a "multiple element arrangement"), the individual deliverables within the contract are separated and recognized upon delivery based upon their fair values relative to the total contract value, to the extent that the fair values are readily determinable and to the extent that the deliverables have stand-alone value to the customer (the "relative fair value method"). In cases where the fair value is not determinable, or the deliverables do not have stand-alone value to the customer, the individual elements are considered to be one unit of accounting, and revenue is recognized when all of the revenue recognition criteria have been met for the particular contract.

VNU enters into barter transactions that exchange advertising for advertising, advertising for other products and services, data for data, or data for other products and services. Revenue from barter transactions is recognized based on the fair value of the goods or services received or the fair value of the goods or services provided to customers, whichever is more clearly evident. If the fair values are not determinable, no recognition is given to such barter transactions. VNU recognizes revenue from barter transactions as its products are delivered or services are performed. The related barter expense is recognized as the products or services are utilized by VNU.

A discussion of VNU's revenue recognition policies, by segment, follows:

Marketing Information

Revenue from retail measurement services and consumer panel services is recognized on a straight-line basis over the period during which the services are performed and information is delivered to the customer. Software sold as part of these arrangements is considered to be incidental to the arrangements, and is not recognized as a separate element.

Revenue from customized research projects is recognized as value is delivered to the customer. The pattern of revenue recognition for these contracts varies depending on the terms of the individual contracts, and may be recognized proportionally or deferred until the end of the contract term and recognized when the final report has been delivered to the customer.

Revenue from perpetually licensed software products is recognized once the software has been delivered or installed. Maintenance fees associated with these products are recognized on a straight-line basis over the maintenance period.

Media Measurement & Information

Television audience measurement revenue is recognized on a straight-line basis over the contract period, as the information is delivered to the customer. Software sold as part of these arrangements is considered to be incidental to the arrangements, and is not recognized as a separate element.

Internet measurement revenue is recognized ratably over the term of the related contract as services are provided (recurring services) or in the period in which the product is delivered (non-recurring services).

Revenue from customized research projects is recognized as value is delivered to the customer. The pattern of revenue recognition for these contracts varies depending on the terms of the individual contracts, and may be recognized proportionally or deferred until the end of the contract term and recognized when the final report has been delivered to the customer.

Business Information

Single copy revenue for publications sold via newsstands and/or dealers is recognized in the month of the magazine cover date. Revenue from printed circulation and advertisements included therein is recognized on the publishing date. Revenue from electronic circulation and advertising is recognized over the period during which both are electronically available. The unearned portion of paid magazine subscriptions is deferred until magazines are delivered to subscribers. Upon each delivery, a proportionate share of the gross subscription price is included in revenues, net of any fees paid to subscription agents. For products (such as magazines and books) sold to customers with the right to return unsold items, revenues are recognized when the products are shipped, based on gross sales less an allowance for future estimated returns.

In transactions involving intermediaries or agents, revenue is recorded on a gross or net basis depending on whether VNU is acting as a principal or an agent in the transaction. VNU serves as the principal in transactions in which it has substantial risks and rewards of ownership and, accordingly, records revenue on a gross basis. To the extent that revenues are recorded on a gross basis, any commissions or other payments to third parties are recorded as costs of sales.

Revenue from trade shows is recognized upon completion of the event.

Directories

Revenue from printed advertisements is recognized on the date that the directories, in which these advertisements are included, are published. Revenue from electronic advertisements is recognized on a straight-line basis over the period in which the advertisement is electronically available. The Directories business was disposed of in 2004 and is included in discontinued operations for all years presented.

Raw Materials and Purchased Services

Direct and incremental project costs are capitalized and recognized proportionally with the related revenue. Other costs are charged to income in the period in which they are incurred.

Research and Development

Research and development costs mainly consist of software development costs. Costs relating to the development of software for internal use, after the software has reached technical feasibility, are capitalized and subsequently amortized over the estimated useful life of the software. Other costs of new products or services are charged to income in the year in which they are incurred, because they do not meet the criteria for capitalization.

Share-Based Compensation

The costs of option plans are measured by reference to the fair value of the options at the date at which the options are granted. The fair value is determined using a Black-Scholes option pricing model, taking into account market conditions linked to the price of the VNU share. The costs of these options are recognized in income (personnel costs), together with a corresponding increase in equity (reserve for share-based compensation) during the vesting period, except for the cash-settled options that are granted to the CEO. All other options are settled in equity. No expense is recognized for options that do not ultimately vest.

Income Taxes

VNU provides for income taxes utilizing the asset and liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each balance sheet date, based on enacted or substantially enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Deferred taxes are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The effect on deferred tax assets and liabilities of a change in the tax rates is recognized in income as an adjustment to income tax expense in the period that includes the enactment or substantial enactment date.

Borrowing Costs

Borrowing costs directly attributable to acquisition or production of qualifying assets are capitalized as part of the cost of the assets, until the assets are substantially ready for their use. All other borrowing costs are expensed in the consolidated statement of income in the period in which they are incurred.

Leases

Leases of property, plant and equipment where VNU has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at the lower of the fair value of the leased property and the present value of the minimum lease payments at the inception of the lease. The corresponding lease liabilities are included in borrowings. Leases that do not qualify as finance leases are considered operating leases and the related lease payments are charged on a straight-line basis to the consolidated statement of income over the term of the lease agreement.

Earnings per Common Share

Basic profit per common share is computed by dividing the profit available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted profit per common share adjusts basic profit per common share for the effects of convertible securities, share options, restricted share units and other potentially dilutive financial instruments, only in the periods in which such effect is dilutive.

Dividends

Dividends are recorded as a liability in the period in which they are approved by VNU's shareholders.

Effect of New Accounting Standards

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for VNU's accounting periods beginning on or after January 1, 2006 or later periods but which VNU has not early adopted, as follows:

- IAS 19 (Amendment), "Employee Benefits". This amendment introduces the option of an alternative recognition approach for actuarial gains and losses.
- IAS 21 (Amendment), "Net Investment in a Foreign Operation" (effective from January 1, 2006). This amendment relates to the recognition of exchange differences arising from the translation of foreign currency into the reporting currency.
- IAS 39 (Amendment), "Recognition and Measurement — Cash Flow Hedge Accounting of Forecast Intragroup Transactions".

- IFRS 7, "Financial Instruments: Disclosures, and a Complementary Amendment to IAS 1, Presentation of Financial Statements — Capital Disclosures" (effective from January 1, 2007).
- IFRIC 4, "Determining Whether an Arrangement Contains a Lease".
- IFRIC 7, "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies".
- IFRIC 8, "Scope of IFRS 2".

VNU expects that the adoption of these new standards, amendments to standards and new IFRIC interpretations in future periods will have no material impact on VNU's financial statements.

4. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated Impairment of Goodwill

Goodwill is tested for impairment annually. The recoverable amounts of cash-generating units have been determined based on various valuation techniques, including a discounted cash flow analysis and market-based assumptions. These calculations require the use of estimates.

Estimated Impairment of Intangible Assets

Indefinite lived intangible assets are tested annually for impairment. The recoverable amounts of indefinite lived intangible assets have been determined based on a "relief from royalty" discounted cash flow valuation methodology. These calculations require the use of estimates.

Income Taxes

VNU operates in over 100 locations worldwide. Over the past five years, VNU completed many material acquisitions and divestitures, which have generated complex tax issues requiring management to use its judgment to make various tax determinations. VNU tries to organize the affairs of its subsidiaries in a tax efficient manner, taking account of the jurisdictions in which VNU operates. The tax payable on a number of disposals made in recent years has not been determined. Although VNU is confident that tax returns have been appropriately compiled, there are risks that further tax may be payable on certain transactions or that the deductibility of certain expenditures may be disallowed for tax purposes. VNU's policy is to make its best estimate of the provision for tax risks until a high degree of confidence exists that the tax treatment will be accepted by the tax authorities. The policy in respect of deferred taxation is to provide in full for timing differences using the liability method.

Deferred tax assets are only recognized to the extent that they are considered recoverable in the short term. This assessment of the recoverability is judgmental.

Management assesses the recoverability of deferred tax assets by considering the forecast level of taxable profits in jurisdictions where such assets have arisen. Forecasts are made of taxable profits, taking into account any unresolved tax risks. Only to the extent that the forecast level of taxable profits supports the amount of deferred tax benefits are deferred tax benefits recognized.

Pension Costs

The determination of benefit obligations and expense is based on actuarial models. In order to measure benefit costs and obligations using these models, certain assumptions are made with regard to the discount rate, expected return on plan assets and the assumed rate of compensation increases. In addition, retiree medical care cost trend rates are a key assumption used in determining costs for post-employment benefit plans. Management reviews these assumptions at least annually. Other assumptions involve demographic factors such as the turnover, retirement and mortality rates. Management reviews these assumptions periodically and updates them as necessary.

The discount rate is the rate at which the benefit obligations could be effectively settled. The discount rate is set by reference to market yields on high quality corporate bonds.

At December 31, 2005, VNU reduced the discount rate from 4.5% to 4.0% for its Dutch pension plans and from 5.9% to 5.8% for its U.S. plans. Reduction in the discount rate also occurred in the remaining country plans, where the range of applicable discount rates at December 31, 2005 is 1.75% to 9.0% versus a range of 2.0% to 9.5% at December 31, 2004. As a sensitivity measure for VNU's U.S. plans, a further 50 basis point decrease in the discount rate, without changing any other assumptions, would increase pension expense by approximately EUR 3 million per year. For VNU's primary Dutch plan, a similar decrease would reduce pension expense by approximately EUR 0.1 million. To determine the expected long-term rate of return on pension plan assets, VNU considers, for each country, the structure of the asset portfolio and the expected rates of return for each of the components. For VNU's U.S. plans, a 50 basis point decrease in the expected return on assets would increase pension expense on VNU's principal plans by approximately EUR 0.8 million per year. For VNU's primary Dutch plan, a similar 50 basis point decrease in the expected return on assets would increase pension expense on VNU's principal Dutch plans by approximately EUR 2.2 million per year. VNU assumed that the weighted averages of long-term returns on VNU's pension plans were 6.1% in 2005 and 6.0% in 2004. The actual return on plan assets will vary from year to year versus this assumption. Although the actual return on plan assets will vary from year to year, VNU believes it is appropriate to use long-term expected forecasts in selecting its expected return on plan assets. As such, there can be no assurance that VNU's actual return on plan assets will approximate the long-term expected forecasts.

5. Segments

VNU classifies its business interests into three reportable segments: Marketing Information, consisting principally of market research and analysis and marketing and sales advisory services; Media Measurement & Information, consisting principally of television ratings, television, radio and Internet audience and advertising measurement and research and analysis in various facets of the entertainment and media sectors; and Business Information, consisting principally of business publications, both in print and online, trade shows, events and conferences and information databases and websites. Corporate consists principally of unallocated corporate expenses. Information as to the operations of VNU in each of its business segments is set forth below based on the nature of the products and services offered and geographic areas of operations. The accounting policies of the business segments are the same as those described in Note 3. Corporate includes the elimination of intersegment revenues.

Primary Segments

	Marketing Information (1)		Media Measurement & information		Business Information		Corporate (2)		Total (3)	
(EUR IN MILLIONS)	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Financial performance										
Revenues	**1,874**	1,806	**968**	900	**618**	614	**(3)**	(1)	**3,457**	3,319
Operating profit	**161**	82	**186**	158	**84**	70	**(93)**	(14)	**338**	296
Share-based compensation	**8**	8	**7**	6	**3**	3	**1**	3	**19**	20
EBITDA	**287**	243	**271**	238	**109**	95	**(80)**	—	**587**	576
Depreciation and amortization expenses	**(126)**	(121)	**(85)**	(80)	**(25)**	(25)	**(13)**	(14)	**(249)**	(240)
Impairment charges	**—**	(40)	**—**	—	**—**	—	**—**	—	**—**	(40)
Financial income (expense)									**(78)**	(90)
Share of profit of associates and joint ventures	**(2)**	(12)	**8**	8	**4**	2	**—**	—	**10**	(2)
Profit before tax									**270**	204
Income tax expense									**(20)**	(52)
Profit for the year from continuing operations									**250**	**152**
Financial position										
Capital expenditures	**87**	82	**94**	116	**7**	5	**2**	14	**190**	217
Total assets	**3,321**	3,074	**3,243**	2,752	**1,023**	926	**1,058**	1,863	**8,645**	8,615
Total liabilities	**1,226**	1,021	**648**	620	**243**	216	**2,296**	3,128	**4,413**	4,985
Investments accounted for under the equity method	**30**	27	**127**	12	**15**	13	**—**	—	**172**	52

(1) Revenues include retail measurement service revenues of EUR 1,199 and EUR 1,163 for 2005 and 2004, respectively.
(2) At corporate, total assets includes cash of EUR 543 and EUR 1,689 and derivative financial instruments of EUR 355 and EUR 0 for 2005 and 2004, respectively. Total liabilities includes debt of EUR 2,123 and EUR 2,696 for 2005 and 2004, respectively. Operating profit and EBITDA include EUR 47 to settle the IRI lawsuit and EUR 30 of deal related expenses associated with the terminated merger with IMS Health in 2005.
(3) Discontinued operations are presented on a net basis below operating profit in the consolidated statement of income. Directories revenues of EUR 408 and operating profit of EUR 131 are reflected in the consolidated statement of income as discontinued operations and are not included in amounts above. See Note 6. There were no assets or liabilities classified as held for sale at December 31, 2005 or 2004.

Geographic Segments

Geographic Region Information

(EUR IN MILLIONS)	Revenues (1) 2005	Revenues (1) 2004	Operating profit 2005	Operating profit 2004	Total assets 2005	Total assets 2004	Capital expenditures 2005	Capital expenditures 2004
U.S.	**1,869**	1,770	**247**	231	**5,456**	4,737	**127**	152
Other Americas	**261**	226	**57**	39	**508**	390	**21**	14
The Netherlands	**119**	249	**(13)**	39	**964**	1,681	**3**	5
Other Europe, Middle East & Africa	**910**	781	**21**	(28)	**1,245**	1,350	**27**	35
Asia Pacific	**298**	293	**26**	15	**472**	457	**12**	11
Total	**3,457**	**3,319**	**338**	**296**	**8,645**	**8,615**	**190**	**217**

(1) Revenues are attributed to geographic areas based on the location of the sale.

6. Business Acquisitions and Divestitures

Business Acquisitions

During the years ended December 31, 2005 and 2004, VNU completed several acquisitions for an aggregate cost of EUR 145 million and EUR 81 million, respectively. The following overview gives a summary of the purchase price and the assets and liabilities acquired:

(EUR IN MILLIONS)	2005 AGB joint venture	2005 Other acquisitions	2005 Total	2004 Total
Purchase price				
Cash paid	**51**	42	**93**	72
Other consideration	**36**	2	**38**	6
Transaction costs	**13**	1	**14**	3
Total purchase price	**100**	**45**	**145**	**81**
Purchase price allocation				
Cash acquired	—	—	—	1
Tangible assets	**100**	10	**110**	9
Liabilities assumed	—	(6)	**(6)**	(10)
Intangible assets	—	7	**7**	10
Goodwill	—	34	**34**	71
Total purchase price	**100**	**45**	**145**	**81**
Consolidated revenues	—	17	**17**	45
Consolidated operating profit	—	4	**4**	6
Full year revenues	—	29	**29**	49
Full year operating profit	—	4	**4**	8
Reconciliation with statement of cash flows				
Cash paid for current year acquisitions			**93**	72
Cash acquired			—	(1)
Transaction costs paid			**4**	10
Cash paid for prior years' acquisitions			**45**	2
Acquisition of subsidiaries and unconsolidated affiliates, net of cash acquired			**142**	**83**

In March 2005, VNU announced that Nielsen Media Research International, a division of Media Measurement & Information (MMI), and the AGB Group successfully closed a joint venture arrangement. The 50/50 joint venture, named AGB Nielsen Media Research, merges the television audience measurement services of the Kantar Media Research owned AGB Group operations with those of Nielsen Media Research International. In addition to a cash contribution by VNU, there was a contribution in kind by VNU's international television audience measurement companies of approximately EUR 36 million including EUR 25 million of allocated goodwill from MMI. The purchase price allocation of the joint venture has not yet been finalized. VNU's share of the joint venture's loss for the year was EUR 1 million and is recorded net of tax in net-income of associates and joint ventures on the consolidated statement of income.

The shares of BBC De Media en Reclame Bank bv currently named Nielsen Media Research bv (BBC) were acquired by VNU by Nielsen Media Research International. BBC offers intelligence covering most of the Dutch advertising market such as Internet, newspapers, magazines, television and radio. Other MMI acquisitions include Korea Advanced Digital Data inc (KADD) and its subsidiary, BasisNet inc, one of South Korea's largest advertising monitoring and intelligence companies and, in June 2005, AudioAudit, a leading provider of broadcast verification technology services for the advertising industry based in New Jersey, USA.

In November 2005, the remaining 49% of the activities in Chile was acquired by Marketing Information (MI). The activities were already fully consolidated in prior periods as VNU owned 51%. In December 2005, the Marketing Information group acquired all shares in Decisions Made Easy, a company dedicated to helping suppliers of consumer packaged goods manage, analyze, present and action their sales and supply chain data.

The acquisitions in 2005 resulted in goodwill of EUR 34 million, none of which is deductible for tax purposes, EUR 3 million of customer-related intangibles, and EUR 4 million of other intangibles. The intangible assets are being amortized on a straight-line basis over their useful lives, which range from five to fifteen years.

The most notable acquisitions during 2004 were the purchase of Nationale Vacaturebank.nl bv, an online job search company, by VNU Business Media Europe, a division of Business Information (BI); the remaining interest of Music Control gmbh, a radio-airplay monitoring business, acquired by Nielsen Entertainment, a division of MMI; Redsheriff, a site-centric-based Internet audience measurement and information company, acquired in 2004 and 2003 by VNU's subsidiary NetRatings inc; and the remaining interest in AMER Research ltd, a company that provides marketing information services to the Middle East, acquired by MI.

The acquisitions in 2004 resulted in goodwill of EUR 71 million, none of which is deductible for tax purposes, EUR 5 million of customer-related intangibles and EUR 5 million of tradenames. The intangible assets are being amortized on a straight-line basis over their useful lives, which vary from five to fifteen years.

Acquisition-related arrangements that could require further payments, once the contingencies are resolved, are described further in Note 31.

On January 17, 2006 VNU announced that it acquired a majority interest (50.1%) in privately held Buzzmetrics, inc.

Business Divestitures

The following shows the overview of divestitures during 2005 and 2004:

(EUR IN MILLIONS)	2005 Book gain	2005 Cash received (paid)	2004 Book gain	2004 Cash received (paid)
Discontinued operations (Directories group)	**7**	**(32)**	9	2,003
Other divestitures	**12**	**13**	14	55
Total	**19**	**(19)**	23	2,058

Discontinued Operations

In 2004, as part of its long-term business strategy, VNU decided to focus on its core marketing, media measurement and business information activities. As a result, VNU began exploring strategic options for its Directories group, including a possible sale of the business. In November 2004, VNU completed the sale of VNU World Directories, inc to World Directories Acquisition Corp., a legal entity owned by funds advised by Apax Partners Worldwide llp and Cinven Limited, for EUR 2,075 million in cash. After deductions for net indebtedness, working capital and transaction costs, VNU received EUR 2,003 million in net cash proceeds.

Balance sheet information Directories group (EUR IN MILLIONS)	*November 28,* **2004**
Assets	2,292
Liabilities	(281)
Net asset value	2,011

The sale resulted in a gain of EUR 9 million, net of income taxes; EUR 1,170 million of the proceeds was used to repay debt in 2005. Prior to its sale, VNU considered Directories a reportable segment.

In connection with the sale of the Directories group, VNU has an exposure under a tax indemnity guarantee with the acquirer, pursuant to which VNU has agreed to pay any tax obligations relating to past years (see Note 26). Additionally, the sale price is subject to adjustment based on final agreement on working capital and net indebtedness. VNU expects to reach an agreement with the buyers in the first half of 2006. In 2005 VNU recorded an additional gain of EUR 7 million to reflect the anticipated final closing position.

VNU recorded the results of the Directories group through the disposition date, and the corresponding gain and loss on disposal, as income (loss) from discontinued operations, net of income taxes, in the consolidated statements of income for 2005 and 2004.

Summarized results of operations for discontinued operations are as follows:

(EUR IN MILLIONS)	December 31, 2005 (1)	2004
Revenues	—	408
Operating profit	—	131
Profit before tax	—	89
Income tax expense	—	(24)
Share of net-income of unconsolidated affiliates	—	20
Minority interests	—	—
Profit	—	85
Gains on sale, net of tax	6	9
Profit from discontinued operations	**6**	**94**

(1) Net amount of closing positions on the sale of the Directories group, Claritas Europe and VNU Magazines.

The interest charges allocated to discontinued operations were comprised of interest expense on debt that was assumed by the acquirers of VNU's discontinued operations and a portion of interest expense that could not be specifically attributed to other operations of VNU, which was based on the ratio of net assets sold as a proportion of consolidated net assets. For the year ended December 31, 2004, VNU allocated interest expense of EUR 43 million to Directories for related debt, including approximately EUR 42 million of debt that was assumed by Apax Partners Worldwide llp and Cinven Limited.

The major categories of cash flows from discontinued operations, net of tax, are as follows:

(EUR IN MILLIONS)	December 31, 2004
Net cash provided by operating activities	166
Net cash used in investing activities	(26)
Net cash provided by financing activities	1
	141

There were no material cash flows from discontinued operations during 2005.

Other Divestitures

The book gains in 2005 and in 2004 are related to the sale of insignificant activities.

7. Cash and Cash Equivalents

(EUR IN MILLIONS)	December 31, 2005	2004
Cash	303	869
Investment in EUR money market funds	423	1,702
Bank overdrafts (1)	—	(643)
Other time deposits	136	117
	862	2,045

(1) In 2005 bank overdrafts of EUR 80 were included in current liabilities, see Note 34.

Time deposits can be converted into cash immediately. Cash amounting to EUR 30 million for 2005 and EUR 24 million for 2004 was held by NetRatings, inc, a U.S. publicly traded subsidiary, and is therefore not available for corporate financing purposes. Investments in money market funds, which can be converted to cash immediately, have been designated as financial instruments at fair value through profit or loss.

8. Other Financial Assets

Current Portion of Other Financial Assets

(EUR IN MILLIONS)	December 31, 2005	2004
Auction rate securities	46	36
Corporate notes	22	14
Commercial paper	2	1
Euro dollar bonds	20	31
Floating rate bonds	2	—
U.S. government and agency securities	31	39
Other	5	—
	128	121
Derivative financial instruments	135	—
	263	121

Of the 2005 available-for-sale financial assets, EUR 123 million are held by VNU's majority-owned, publicly-traded subsidiary, NetRatings, inc ("NetRatings") and are therefore not available for corporate financial purposes. All assets have maturities of less than twenty-four months.

At December 31, 2005, cost and net unrealized loss of the available-for-sale financial assets totaled EUR 129 million and EUR 1 million, respectively. At December 31, 2004, cost and net unrealized losses of NetRatings' available for sale financial assets totaled EUR 122 million and EUR 1 million, respectively. During 2005 and 2004, realized gains and losses on these assets were not material.

Non-current Portion of Other Financial Assets

(EUR IN MILLIONS)	December 31, 2005	2004
Derivative financial instruments	220	—
Financial assets at fair value through profit and loss	75	57
Available-for-sale assets	21	15
Other	7	6
	323	78

The available-for-sale financial assets include investments in two publicly traded companies, RSDB nv and CMGI, inc.

At December 31, 2005, the cost and net unrealized gains of VNU's non-current available-for-sale assets totaled EUR 8 million and EUR 13 million, respectively.

VNU's financial assets through profit and loss are comprised of investments in mutual funds which are intended to fund liabilities arising from its deferred compensation plan. These investments are classified as trading securities and any gains or losses from changes in fair value are included in financial income (expense); these gains or losses are offset in their entirety by the changes in liabilities to participants in the deferred compensation plan.

For a discussion on the derivative financial instruments refer to Note 19.

9. Trade and Other Receivables

(EUR IN MILLIONS)	December 31, 2005	2004
Trade receivables	553	488
Less: Allowance for doubtful accounts	(21)	(22)
Less: Provision returns on product/reworks	(9)	(8)
Trade receivables, net	523	458
Unbilled receivables	69	58
Other receivables	52	33
	644	549

Other receivables include VAT and sales tax receivables, loans to third parties and personnel and collectible interest from third parties in 2005 and 2004, and an additional gain on the Directories divestiture in 2005.

10. Other Current Assets

(EUR IN MILLIONS)	December 31, 2005	2004
Prepaid expenses	82	92
Income tax receivable/prepaid	62	—
Pension assets	11	2
Inventory	11	9
Other current assets	3	21
	169	124

Pension assets are discussed in Note 21. Other current assets as at December 31, 2004 include deferred bank fees.

11. Goodwill and Other Intangible Assets

The table below summarizes the carrying amounts of goodwill and other indefinite lived intangible assets by cash-generating unit at December 31, 2005 and 2004.

(EUR IN MILLIONS)	Goodwill 2005	2004
Marketing Information	1,540	1,390
Media Measurement	1,555	1,362
Media Solutions	34	30
Entertainment	205	186
Internet Measurement	58	49
VNU Business Media USA	536	465
VNU Business Media Europe	99	97
	4,027	3,579

(EUR IN MILLIONS)	Indefinite lived intangible assets 2005	2004
Marketing Information	407	365
Media Measurement	109	94
Media Solutions	—	—
Entertainment	—	—
Internet Measurement	—	—
VNU Business Media USA	—	—
VNU Business Media Europe	—	—
	516	459

Goodwill

The table below summarizes the changes in the carrying amount of goodwill.

(EUR IN MILLIONS)	2005	2004
Balance, January 1	3,579	5,504
Effect of foreign currency translation	441	(170)
Acquired during the year (see Note 6)	34	71
Impairment charges	—	(40)
Sale of Directories (see Note 6)	—	(1,786)
Disposals and other (see Note 6)	(27)	—
Balance, December 31	**4,027**	**3,579**

Other Indefinite Lived Intangible Assets

The table below summarizes the changes in the carrying amount of the other indefinite lived intangible assets.

(EUR IN MILLIONS)	2005	2004
Balance, January 1	459	534
Effect of foreign currency translation	57	(21)
Sale of Directories	—	(54)
Balance, December 31	**516**	**459**

The indefinite lived intangibles represent trade names and trademarks purchased through the effect of a business combination. The trade names associated with the acquisitions of Nielsen Media Research and ACNielsen were deemed indefinite lived intangible assets as their associated brand awareness and recognition has existed for over 50 years and VNU intends to utilize these trade names for the foreseeable future. There are also no legal, regulatory, contractual, competitive, economic or other factors that may limit their useful lives.

Impairment Testing of Goodwill and Other Indefinite Lived Intangible Assets

The recoverable amounts of the cash-generating units have been determined based on the value in use calculations. To calculate these, cash flow projections are based on financial budgets approved by senior management covering a three-year period. The discount rates, as well as the growth rates which have been used in the extrapolation applied to cash flow projections beyond the three-year period, are shown in the following table.

	Discount rates used in the cash flow projections	
CASH-GENERATING UNIT (IN %)	2005	2004
Marketing Information	9	10
Media Measurement	8	10
Media Solutions	10	10
Entertainment	10	10
Business Media USA	10	10
Business Media Europe	11	10

	Growth rates used for extrapolation beyond the three year period	
CASH-GENERATING UNIT (IN %)	2005	2004
Marketing Information	3.0	3.0
Media Measurement	3.0	3.0
Media Solutions	2.5	2.5
Entertainment	2.5	2.5
Business Media USA	3.0	3.0
Business Media Europe	3.0	3.0

Management determined budgeted gross margin based on past performance and its expectations for the market development. The discount rates reflect specific risks relating to the relevant units. Internet Measurement was valued based on the year-end stock price.

The 2004 Marketing Information goodwill impairment charge relates to the recognition of deferred tax assets after the initial accounting of a business combination is complete. If the potential benefit of the acquiree's income tax loss carryforwards or other deferred tax assets did not satisfy the criteria for separate recognition when a business combination is initially accounted for but is subsequently realized, VNU recognizes that benefit as income. In addition, VNU reduces the carrying amount of goodwill to the amount that would have been recognized if the deferred tax asset had been recognized as an identifiable asset from the acquisition date and recognizes the reduction in the carrying amount of the goodwill as expense. The impairment of EUR 40 million had no impact on profit for the year or equity.

The annual impairment test for indefinite-lived trade names and trademarks did not result in any impairment charge in 2005 or 2004.

Intangible Assets Subject to Amortization

The following table summarizes the changes in the carrying amounts of amortizable intangible assets in 2005 and 2004.

(EUR IN MILLIONS)	Customer-related intangibles	Tradeshows and related publications	Software (2)	Other	Total
At January 1, 2004:					
Cost	764	172	411	57	1,404
Accumulated amortization	(24)	(2)	(223)	(10)	(259)
Net book value	740	170	188	47	1,145
Balance, January 1, 2004	**740**	**170**	**188**	**47**	**1,145**
Exchange differences	(41)	(12)	(9)	(3)	(65)
Additions	—	—	67	3	70
Additions as a result of business combinations	5	—	—	5	10
Amortization (1)	(76)	(10)	(55)	(11)	(152)
Sale of Directories	—	—	(18)	—	(18)
Other	—	—	2	—	2
Balance, December 31, 2004	**628**	**148**	**175**	**41**	**992**
At December 31, 2004:					
Cost	719	159	410	61	1,349
Accumulated amortization	(91)	(11)	(235)	(20)	(357)
Net book value	628	148	175	41	992
Exchange differences	80	22	19	1	122
Additions	—	—	59	—	59
Additions as a result of business combinations	3	—	—	4	7
Amortization	(76)	(10)	(50)	(12)	(148)
Balance, December 31, 2005	**635**	**160**	**203**	**34**	**1,032**
At December 31, 2005:					
Cost	833	183	509	70	1,595
Accumulated amortization	(198)	(23)	(306)	(36)	(563)
Net book value	**635**	**160**	**203**	**34**	**1,032**

(1) Amortization includes EUR 7 relating to Directories classified as discontinued operations on the consolidated statement of income.
(2) Software at December 31, 2005 and 2004 includes EUR 164 and EUR 120, respectively, of internally developed software.

Future amortization expense is estimated to be as follows for the years ending December 31:

(EUR IN MILLIONS)	
2006	156
2007	147
2008	130
2009	66
2010	47
Thereafter	486
	1,032

Total of Other Intangible Assets

(EUR IN MILLIONS)	2005	2004
Indefinite lived intangible assets	**516**	459
Intangible assets subject to amortization	**1,032**	992
Total of other intangible assets	**1,548**	**1,451**

12. Property, Plant & Equipment

(EUR IN MILLIONS)	Land and buildings	Information and communication equipment	Other	Total
At January 1, 2004:				
Cost	267	487	179	933
Accumulated depreciation	(88)	(361)	(107)	(556)
Net book value	179	126	72	377
Year ended December 31, 2004:				
Opening net book value	179	126	72	377
Additions	39	68	14	121
Additions as a result of business combinations	—	—	—	—
Depreciation (1)	(16)	(57)	(18)	(91)
Disposals and other	(4)	(9)	(1)	(14)
Divestitures	(2)	(2)	(3)	(7)
Effect of foreign currency translation	(10)	(3)	(3)	(16)
Closing net book value	186	123	61	370
At December 31, 2004:				
Cost	283	456	159	898
Accumulated depreciation	(97)	(333)	(98)	(528)
Net book value	186	123	61	370
Year ended December 31, 2005:				
Opening net book value	186	123	61	370
Additions	23	72	18	113
Additions as a result of business combinations	—	—	3	3
Depreciation	(17)	(59)	(14)	(90)
Disposals and other	(2)	(3)	(8)	(13)
Divestitures	—	(6)	—	(6)
Effect of foreign currency translation	28	13	6	47
Closing net book value	218	140	66	424
At December 31, 2005				
Cost	334	524	176	1,034
Accumulated depreciation	(116)	(384)	(110)	(610)
Net book value	**218**	**140**	**66**	**424**

(1) Depreciation includes EUR 2 relating to Directories classified as discontinued operations on the consolidated statement of income.

Other primarily consists of office furniture and other equipment. Assets under finance lease included in property, plant & equipment and related accumulated depreciation are as follows:

(EUR IN MILLIONS)	December 31, 2005	2004
Gross asset amount:		
Buildings	**128**	117
Information and communication equipment	**5**	10
Other	**7**	5
Total	**140**	132
Less: accumulated depreciation		
Buildings	**16**	11
Information and communication equipment	**3**	5
Other	**3**	1
Total	**22**	17
Net assets amount (included in property, plant & equipment)	**118**	**115**

13. Investments Accounted for Using the Equity Method

(EUR IN MILLIONS)	2005 Joint Ventures	2005 Associates	2005 Total	2004 Joint Ventures	2004 Associates	2004 Total
Balance, January 1	**22**	**30**	**52**	155	93	248
Acquisitions of equity investments (1)	101	4	**105**	—	—	—
Dispositions of equity investments	—	—	—	(133)	(41)	(174)
Consolidations of equity investments	—	—	—	—	(9)	(9)
Share of profit/(loss) (2)	11	(1)	**10**	16	2	18
Dividends	(8)	(1)	**(9)**	(14)	(16)	(30)
Exchange differences	1	4	**5**	—	(2)	(2)
Other equity movements	7	2	**9**	(2)	3	1
Balance, December 31 (3)	**134**	**38**	**172**	**22**	**30**	**52**

(1) Acquisitions of equity investments in 2005 includes the newly formed AGB Nielsen Media Research joint venture.
(2) Share of profit/(loss) is after tax and minority interests of associates and includes the share in profit of Directories' equity investments in Portugal, South Africa and Puerto Rico in 2004.
(3) Investments in associates and joint ventures at December 31, 2005 include goodwill of EUR 134.

VNU's significant equity-method investees are Scarborough Research, VNU Exhibitions Europe bv, Solucient llc and AGB Nielsen Media Research bv. In March 2005 the Company announced that its subsidiary Nielsen Media Research International and the AGB Group successfully closed the joint venture deal which had been announced in August 2004. The newly formed company is called AGB Nielsen Media Research bv, a 50/50 joint venture that merges the television audience measurement operations of the Kantar Media Research owned AGB Group with those of Nielsen Media Research International. In addition to its contributed television audience measurement operations, VNU paid EUR 51 million to our JV partner to increase the Company's ownership to 50%.

Equity-method investments held by Directories as of January 1, 2004 in Portugal, South Africa and Puerto Rico have been deconsolidated in connection with VNU's disposition of the Directories group in 2004.

VNU's share of the results of its significant joint ventures and associates, all of which are unlisted, and its share of the assets (including goodwill and liabilities) are as follows:

(EUR IN MILLIONS)	Country of incorporation	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenues	Profit or (loss)	% held
2005								
AGB	Netherlands	24	90	21	6	44	**(1)**	50%
Scarborough	US	11	3	1	—	23	**6**	51%
VNU Exhibitions	Netherlands	13	17	13	—	31	**3**	50%
Solucient	US	7	59	16	20	27	**(2)**	35%
2004								
Scarborough	US	9	—	—	—	22	**6**	51%
VNU Exhibitions	Netherlands	16	15	15	—	28	**2**	50%
Solucient	US	6	55	14	18	23	**(14)**	35%

14. Other Non-Current Assets

(EUR IN MILLIONS)	*December 31,* 2005	2004
Pre-contract costs (deferred charges)	**56**	44
Prepaid expenses	**9**	14
Other sundry non-current assets	**17**	12
	82	**70**

Pre-contract costs relate to the deferral of direct costs of establishing an electronic metered sample/panel in a market. VNU capitalized EUR 18 million and EUR 26 million, while amortizing EUR 11 million and EUR 6 million of pre-contract costs in 2005 and 2004, respectively.

Other sundry non-current assets contain long-term prepaid expenses related to exhibitions and software maintenance contracts.

15. Accounts Payable and Other Current Liabilities

(EUR IN MILLIONS)	*December 31,* 2005	2004
Trade accounts payable	**101**	98
Other taxes and social benefits	**63**	52
Personnel costs	**238**	225
Accrued outside services	**81**	95
Other current liabilities	**106**	158
	589	**628**

Other current liabilities include interest, royalties and cooperation payments.

16. Deferred Revenues

Amounts recorded on this line item reflect the liabilities resulting from client invoicing in advance of the delivery of services.

17. Borrowings and Other Financing

(EUR IN MILLIONS)	December 31, 2005			January 1, 2005 (1)		
	Current carrying amount	Non-current carrying amount	Fair value	Current carrying amount	Non-current carrying amount	Fair value
Borrowings						
EUR 15 million private placement debenture loan (EMTN) (3-month Euribor based variable rate) due 2005	—	—	—	15	—	15
EUR 150 million private placement debenture loan (EMTN) (3-month Euribor based variable rate) due 2005–2012	**148**	—	149	2	148	151
EUR 10 million private placement debenture loan (EMTN) (3-month Euribor based variable rate) due 2005	—	—	—	10	—	10
NLG 2,750 million syndicated bank loan (6-month Euribor based variable rate) due 2005	—	—	—	89	—	90
EUR 1,150 million 1.75% convertible debenture loan due 2006 (2)	**335**	—	335	—	882	882
EUR 500 million 6.625% debenture loan due 2007 (effective rate 6.75%)	—	**502**	527	—	502	544
NLG 500 million 5.55% subordinated private placement loan due 2005-2008	**47**	**94**	145	47	141	196
NLG 600 million 5.50% debenture loan due 2008 (effective rate 5.37%)	—	**281**	286	—	281	300
EUR 600 million 6.75% debenture loan (EMTN) due 2008 (2)	—	**54**	54	—	681	681
USD 150 million 7.60% debenture loan due 2009	—	**127**	137	—	110	124
EUR 50 million private placement debenture loan (EMTN) (3-month Euribor based variable rate) due 2010	—	**50**	50	—	50	50
GBP 250 million 5.625% debenture loan (EMTN) due 2010 or 2017 (effective rate 5.76%)	—	**378**	388	—	370	377
JPY 4,000 million 2.50% private placement debenture loan (EMTN) due 2011 (effective rate 2.68%)	—	**29**	31	—	28	31
EUR 30 million 6.75% private placement debenture loan (EMTN) due 2012 (effective rate 6.86%)	—	**32**	37	—	32	37
EUR 50 million private placement debenture loan (EMTN) (3-month Euribor based variable rate) due 2012	—	**50**	50	—	50	50
Total borrowings	**530**	**1,597**	2,189	163	3,275	3,538
Other financing						
7% preferred shares	—	**1**	1	—	1	1
Series B preferred shares,	—	**96**	96	—	96	96
Finance lease obligations	**5**	**125**	130	4	115	119
Other financing	**5**	**222**	227	4	212	216
Total borrowings and other financing	**535**	**1,819**	**2,416**	**167**	**3,487**	**3,754**

(1) For reasons of consistency the comparables are presented as of January 1, 2005. Please refer to Note 34 First-time adoption of International Financial Reporting Standards.
(2) The loan has been designated as at fair value through profit or loss ('Fair Value Option').

The carrying amounts of VNU's borrowings are denominated in the following currencies:

(EUR IN MILLIONS)	December 31, 2005	January 1, 2005 (1)
Euro	1,593	2,930
British Pounds	378	370
Japanese Yen	29	28
U.S. Dollars	127	110
	2,127	3,438

(1) For reasons of consistency, the comparables are presented as of January 1, 2005. Please refer to Note 34, First-time adoption of International Financial Reporting Standards.

Annual maturities of VNU's borrowings (nominal amounts) are as follows:

	December 31,	
(EUR IN MILLIONS)	2005	2004
2005	—	162
2006	527	1,077
2007	545	545
2008	367	918
2009	127	110
2010	418	410
Thereafter	108	109
	2,092	3,331

All borrowings are senior debt unless stated otherwise, and are not secured.

See Note 18 for a discussion of VNU's policies with respect to foreign currency exchange risk, interest rate risk, credit risk and liquidity risk.

Gross and Net Debt

(EUR IN MILLIONS)	December 31, 2005	January 1, 2005 (1)
Borrowings	2,127	3,438
Preferred shares	97	97
Finance lease obligations	130	119
Total borrowings and other financing	**2,354**	**3,654**
Derivative financial instruments	(355)	(580)
Cash and cash equivalents minus bank overdrafts	(782)	(2,045)
Short-term investments	(128)	(121)
Net debt	**1,089**	**908**

(1) For reasons of consistency the comparables are presented as of January 1, 2005. Please refer to Note 34, First-time adoption of International Financial Reporting Standards.

Euro Medium Term Note Program

In October 2001, a EUR 2,000 million Euro Medium Term Note program (EMTN) was established. Under this program, debenture loans and private placements can be issued up to the program amount, both on a long-term and short-term basis. Debenture loans and private placements issued under this program can be quoted on the Luxembourg Stock Exchange. In fact, all debenture loans and most private placements are quoted. In October 2003, the program amount was increased to EUR 2,500 million. At December 31, 2005 and 2004, EUR 712 million and EUR 1,294 million, respectively, was outstanding under the EMTN program.

The EUR 150 million private placement debenture loan originally due 2005 is automatically extended in 18 month increments to 2012 at the option of the holder. During 2005 the maturity of EUR 148 million was extended through September 2006. The extension option embedded in the EUR 150 million debenture loan (EMTN) should, in principle, be bifurcated. However, since neither the fair value of the embedded option nor of the hybrid instrument (combined debenture loan and embedded derivative) can be reliably measured, no bifurcation has been applied and the combined instrument is carried at amortized cost.

In 2003, a GBP 250 million debenture loan was issued under the EMTN program. After 7 years, the interest rate on the debenture loan will be reset for the remaining 7 years to 5.50% plus the then applicable market credit spread for VNU. As a feature of the loan, after the 7 years, VNU had a right to acquire the debentures from the holders at par. At the issuance date of the loan, VNU has assigned this right to two investment banks. If the acquisition right is exercised, the interest rate will be reset as aforementioned. If the acquisition right is not exercised, VNU will redeem the debenture loan at par.

In January 2005, VNU made a tender offer for the EUR 600 million debenture loan due 2008. Of the debentures tendered, VNU accepted and cancelled a nominal amount of EUR 551 million for which VNU paid cash of EUR 625 million, excluding accrued interest, resulting in a loss of EUR 0.3 million.

The EUR 600 million debenture loan due 2008 has been designated as at fair value through profit or loss. At December 31, 2005 the nominal amount outstanding was EUR 49 million. During the year ended December 31, 2005 a loss of EUR 4 million was recorded in financial expense as fair value change on this loan.

Convertible Debenture Loan

The holders have the right to convert the convertible debenture loan, issued in 2001 in the amount of EUR 1,150 million into VNU common shares at a conversion price of EUR 59.50. When debentures are offered for conversion, VNU is entitled in lieu of delivery of common shares to pay a cash amount in Euro based on the market price of the common shares. As of December 31, 2005 no conversion rights have been exercised.

During 2004 and 2003, debentures with a nominal value of EUR 87 million and EUR 180 million, respectively, were repurchased in various open market transactions and subsequently cancelled. In January 2005, VNU made a tender offer for the remainder of the convertible debenture loan. Of the convertible debentures tendered, VNU accepted and cancelled a nominal amount of EUR 550 million for which it paid cash of EUR 546 million, excluding accrued interest, resulting in a loss of EUR 1 million.

VNU has the right to redeem the outstanding debentures if the closing price of the common shares for 20 trading days within a period of 30 consecutive trading days ending within 5 days before the date on which VNU notifies the Trustee of the early redemption, has been at least 130% of the conversion price.

The convertible debenture loan has been designated as at fair value through profit or loss. At December 31, 2005 the nominal amount outstanding was EUR 333 million. During the year ended December 31, 2005 a loss of EUR 5 million was recorded in financial expense as fair value change on this loan.

Syndicated Bank Loan

The syndicated bank loan was originally issued in 1998 in the amount of NLG 2,750 million (EUR 1,248 million) which was payable in 14 semi-annual payments, commencing December 15, 1998 with the final payment made on June 15, 2005 in final settlement.

Other Financing Arrangements

On December 31, 2005, VNU had a committed credit facility available of EUR 1,000 million. This 5-7 year committed revolving credit facility for liquidity back-stop, acquisitions, working capital financing and general corporate purposes was entered into in October, 2004 with a syndicate of 23 banks. The facility is unsecured and requires that VNU comply with certain covenants, the most significant of which is the interest coverage ratio described below.

Amounts drawn under the committed revolving credit facility, carry a variable interest rate plus a credit spread, that is linked to VNU's credit rating. At December 31, 2005 the credit spread was 0.35%. Effective January 17, 2006 this credit spread is 0.45%. On the unused amount of the facility, VNU pays a quarterly commitment fee of 35% per annum of the applicable credit spread. Before the first and second anniversaries of the facility, respectively, VNU is entitled to request an extension of the final maturity date of one year. Subject to the approval of each syndicate bank for its share in the commitment, the facility amount will be extended in full or pro rata. If both extension requests are granted, the final maturity date of the facility will be extended from 5 to 7 years.

In September 2005, the first one-year extension of the facility until 2010 was requested by VNU and granted by all of the banks.

At December 31, 2005 and 2004, no amounts were outstanding under the committed revolving credit facility.

Preferred Shares

The 7% preferred shares are listed on Euronext Amsterdam. In the years ended December 31, 2005 and 2004, VNU declared and paid dividends of EUR 0.1 million (EUR 0.64 per share) on these preferred shares.

The Series B cumulative preferred shares are not listed and have a cumulative preferred dividend of 6.22% of the paid-in-capital on these preferred shares. The dividend percentage is reset every 7 years based on the average effective yield on certain Dutch State loans plus a margin of 0.7–1.3%. In the years ended December 31, 2005 and 2004, VNU declared and paid dividends of EUR 6 million (EUR 0.78 per share) on these preferred shares. In 2004, the dividend was a direct charge to equity, while in 2005, after adoption of IAS 32/39, the dividend was recorded in interest expense.

Financial Ratio Covenant

VNU is required to maintain a minimum interest coverage ratio of 3.0 under the terms of the NLG 2,750 million (EUR 1,248 million) syndicated bank loan and the EUR 1,000 million committed revolving credit facility. This interest coverage ratio is defined in the agreements as total operating income before goodwill amortization, impairment charges and depreciation of property, plant, and equipment divided by interest expense net of interest income. Additionally, in the calculation of the interest coverage ratio, VNU's share of operating income of associates is limited to 10% of operating income of subsidiaries. The interest coverage ratio was 6.6 for the year ended December 31, 2004, calculated under Dutch GAAP as stipulated under the agreements. In view of the change of the applicable accounting standards from Dutch GAAP to IFRS, VNU will enter into discussions with the relevant credit providers to make appropriate adjustments to the definition of the financial ratio or to the financial ratio covenant.

Finance Leases

VNU leases real estate, computer equipment, and automobiles under finance leases. These leases are discussed in Note 31 Commitments and Contingencies.

Fair Value of Short-term Financial Instruments

The carrying value of short-term financial instruments approximates fair value.

18. Financial Risk Management

Market Risk

VNU is exposed to market risk, primarily related to foreign exchange and interest rates. VNU actively monitors these exposures. To manage the volatility relating to these exposures, VNU enters into a variety of derivative financial instruments, mainly interest rate swaps, cross-currency swaps and forward rate agreements. VNU's objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings, cash flows and the value of its net investments in foreign entities associated with changes in interest rates and foreign currency rates. It is VNU's policy not to trade in financial instruments.

Foreign Currency Exchange Risk

VNU is active in more than 100 countries. Therefore, a substantial portion of its assets, liabilities and operating profit are denominated in foreign currencies, primarily the U.S. dollar. As a result, VNU is exposed to foreign currency transaction risk and foreign currency translation risk.

Foreign currency transaction risk is the risk that the value of transactions to be settled at a future date in a foreign currency will fluctuate, expressed in the functional currency of a subsidiary or associate. It is VNU's policy that all material net foreign currency transaction risks be hedged.

Foreign currency translation risk is the risk that exchange rate gains or losses arise from translating the statements of income and the balance sheets of foreign entities to VNU's corporate reporting currency (the Euro) for consolidation purposes. Translation risk exposure is managed by creating "natural hedges" in VNU's financing or by using derivative financial instruments, aimed at offsetting certain exposures in the statement of income or the balance sheet.

On December 31, 2005, including the effect of derivative financial instruments, approximately 82% of VNU's total interest-bearing debt (nominal amounts) was denominated in U.S. dollar.

The table below details the breakdown of revenues and expenses by currency in 2005.

	Euro	U.S. dollars	Other currencies
Percentage of revenues	18%	55%	27%
Percentage of expenses	20%	52%	28%
EBITDA	7%	74%	19%

One eurocent change in the Euro/U.S. dollar exchange rate will affect revenues by EUR 24 million, EBITDA by EUR 6 million, operating profit by EUR 4 million, profit for the year by EUR 2 million, and earnings per common share by EUR 0.01 (calculation based on 2005 figures).

Interest Rate Risk

VNU is subject to market risk from exposure to changes in interest rates based on its financing and investing activities. VNU's objective is to protect its earnings from material adverse movements in interest rates by controlled management of interest rate structures in the areas of investments and borrowings. VNU does this through a mixture of fixed and floating rate debt, interest rate swaps and forward rate agreements.

On December 31, 2005, including the effect of derivative financial instruments, approximately 65% of total interest-bearing debt (nominal amounts) was at a fixed rate.

VNU has time deposits on which it receives interest and investments in money-market funds on which it receives dividends. In both cases, the income received is subject to changes in short-term interest rates. NetRatings has investments in various securities of which the value is subject to changes in interest rates.

Equity Price Risk

VNU is a minority shareholder in two publicly listed companies, RSDB nv and CMGI, inc. As a result, VNU is exposed to equity price risk through movements in the share prices of these companies. One way of assessing exposure to changes in equity market prices is to estimate the potential changes in market values on equity investments resulting from a hypothetical broad-based decline in equity market prices of 10%. Under this model, with all other factors constant, VNU estimated that such a decline in equity market prices would decrease the market value of its equity investments by approximately EUR 2 million, based on VNU's equity positions as at December 31, 2005.

Credit Risk

VNU has no significant concentrations of credit risk with its customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Corporate Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

19. Derivative Financial Instruments

The following tables show the contract or underlying principal amounts and fair values of derivative financial instruments by type of contract at December 31, 2005 and 2004. Contract or underlying principal amounts indicate the volume of transactions outstanding at the balance sheet date and do not represent amounts at risk. The fair values are determined using market prices and standard pricing models at December 31, 2005 and 2004.

(EUR IN MILLIONS)	*Contract or underlying principle amount* December 31, 2005	December 31, 2004	*Fair value 2005* Positive value (assets)	*Fair value 2005* Negative value (liability)	*Fair value 2004* Positive value (assets)	*Fair value 2004* Negative value (liability)
Currency related instruments						
EUR/USD cross-currency swaps	1,533	1,783	333	—	530	—
GBP/EUR cross-currency swaps	211	211	5	—	—	4
Forward foreign exchange contracts	160	100	—	1	—	1
Total currency related instruments	1,904	2,094	338	1	530	5
Interest related instruments						
Fixed-to-floating interest rate swaps	583	1,250	18	—	56	—
Floating-to-fixed interest rate swaps	—	215	—	—	—	2
Total interest related instruments	583	1,465	18	—	56	2
Total derivative financial instruments	**2,487**	**3,559**	**356**	**1**	**586**	**7**
Current derivative financial instruments	1,143	315	136	1	—	3
Non-current derivative financial instruments	1,344	3,244	220	—	586	4

Currency Related Instruments

VNU uses the Euro as its reporting currency and is therefore exposed to foreign exchange rate movements, primarily in the U.S., the U.K. and Japan. Consequently, VNU enters into various contracts which change in value as foreign exchange rates change, to preserve the value in Euro of certain assets, liabilities, commitments and anticipated transactions. VNU enters into forward foreign exchange contracts and cross-currency swaps to hedge certain anticipated foreign currency cash flows, revenues and costs and the net investment in certain foreign entities.

At December 31, 2005, VNU had entered into cross-currency swaps with notional amounts aggregating EUR 1,744 million to hedge its net investments in foreign entities. In the period ended December 31, 2005, a cross-currency swap with a notional amount of EUR 250 million designated as a net investment in foreign entity hedge was terminated.

At December 31, 2005, VNU had also entered into several forward foreign exchange contracts with notional amounts aggregating EUR 160 million to hedge exposure to fluctuations in the British Pound Sterling and the U.S. dollar. These contracts expire ratably over the subsequent year. Based on quoted market prices, for contracts with similar terms and maturity dates, in 2005, VNU recorded a net gain of EUR 15 million to adjust forward foreign exchange contracts to their fair market value.

Interest Related Instruments

VNU is exposed to cash flow interest rate risk on floating-rated borrowings and has used floating-to-fixed interest rate swaps to hedge this exposure. As of December 31, 2005 no floating-to-fixed interest rate swaps were outstanding.

VNU is also exposed to fair value interest rate risk on fixed-rated borrowings and uses fixed-to-floating interest rate swaps to hedge this exposure. As of December 31, 2005, two fixed-to-floating interest rate swaps with an aggregate notional amount of EUR 583 million were outstanding. Changes in the fair value of these interest rate swaps are recorded in financial expense.

In the period ended December 31, 2005, interest rate swaps with notional amounts aggregating EUR 215 million designated as cash flow hedges matured. Additionally, interest rate swaps with notional amounts aggregating EUR 417 million hedging loans designated at fair value through profit or loss and an interest rate swap with a notional amount of EUR 250 million with no hedge designation were terminated.

Hedge Accounting

Effective January 1, 2005 VNU thoroughly documented its hedging relationships and conducted a high-quality analysis of hedge effectiveness for derivative financial instruments already outstanding at January 1, 2005. As a result of clearly documenting its risk-management objective and strategy for entering into a derivative transaction as well as performing and documenting a hedge-effectiveness analysis assessing whether the relationship between the hedging instrument and the hedged item is highly effective, all but one of the derivative financial instruments held by VNU at January 1, 2005 qualified for hedge accounting and were determined to be highly effective.

On January 1, 2005, VNU designated derivative financial instruments which qualify as hedges for accounting purposes as cash flow hedges or net investment in foreign entity hedges. No derivative financial instruments were designated as fair value hedges.

Net Investment Hedges

VNU uses cross-currency swaps and foreign-currency-denominated debt to hedge its net investments in foreign entities against adverse movements in foreign exchange rates. VNU measures ineffectiveness based upon the change in spot rates in the case of floating-to-floating cross-currency swaps and forward rates in the case of fixed-to-fixed cross-currency swaps. For the period ended December 31, 2005, EUR 157 million of net losses related to these derivative financial instruments and foreign-currency denominated debt were included in the foreign currency translation reserve in equity. For the same period, no net gains or losses were recorded in income representing the amount of the hedges' ineffectiveness.

Cash Flow Hedges

Cash flow hedges are hedges that use derivative financial instruments to offset the variability of expected future cash flows. VNU uses cross-currency swaps to convert certain debt denominated in a foreign currency to (effectively) Euro-denominated debt. Furthermore, as part of its interest rate risk management policy, VNU uses interest rate swaps to convert floating-rated debt into fixed-rated debt. If, as would be expected, the derivative financial instrument is highly effective in offsetting variability in the hedged item, changes in its fair value are recorded in the cash flow hedge reserve in equity and reclassified to income in the same line item in which the hedged item is recorded contemporaneously with the income effects of the hedged item.

As of December 31, 2005, and excluding hedges related to the payment of variable interest on existing financial instruments, VNU had cash flow hedges in place with maturity dates up to 2010.

For the period ended December 31, 2005, amounts related to derivative financial instruments qualifying as cash flow hedges resulted in an increase of the cash flow hedge reserve in equity of EUR 5 million. Nothing is expected to be transferred from the cash flow hedge reserve to income in the next 12 months as the derivative financial instruments and their underlying hedged items expire or mature according to their original terms, along with the income effects of the related forecast transactions in the next 12 months. For the period ended December 31, 2005, no amount has been reclassified to income as a result of cash flow hedges being terminated or sold.

Counterparty Risk

VNU manages exposure to possible defaults on derivative financial instruments by monitoring the concentration of risk that VNU has with any one bank and through the use of minimum credit quality standards for all counterparties. VNU does not require, nor is required to provide, collateral or other security in relation to derivative financial instruments. Since it is VNU's policy to only enter into derivative contracts with banks of internationally acknowledged standing, VNU considers the counterparty risk to be remote.

It is VNU's policy to enter into an ISDA Master Agreement with a bank prior to entering into any derivative contract with that bank. Under each of these ISDA Master Agreements, it is agreed to settle only the net amount of the combined market values of all derivative contracts outstanding with any one counterparty should that counterparty default. As at December 31, 2005, VNU's maximum economic exposure to loss due to credit risk on derivative financial instruments was EUR 355 million if all bank counterparties were to default.

20. Provisions

A summary of the changes in provisions is as follows:

(EUR IN MILLIONS)	Provision for tax exposures (1)	Restructuring	Onerous contracts (2)	Other (3)	Total
Balance at January 1, 2004	**330**	**6**	**46**	**99**	**481**
Accruals	29	49	1	7	86
Payments / transfers to current liabilities	—	(18)	(6)	(14)	(38)
Acquisitions	—	—	—	—	—
Divestitures	—	(2)	—	—	(2)
Releases	(41)	—	(14)	(11)	(66)
Increase as a result of the passage of time	—	—	4	—	4
Effect of foreign currency translation	—	—	(1)	(3)	(4)
Balance at December 31, 2004	**318**	**35**	**30**	**78**	**461**
Current	—	27	10	9	46
Non-current	318	8	20	69	415
Accruals	19	—	2	51	72
Payments / transfers to current liabilities	(42)	(21)	(8)	(42)	(113)
Acquisitions	—	—	—	—	—
Divestitures	—	—	—	—	—
Releases	(120)	(1)	—	(16)	(137)
Increase as a result of the passage of time	—	—	5	—	5
Effect of foreign currency translation	—	2	3	7	12
Balance at December 31, 2005	**175**	**15**	**32**	**78**	**300**
Current	—	12	12	55	79
Non-current	175	3	20	23	221

(1) From the provision for tax exposures, in 2005 an amount of EUR 29 was released to equity relating to income tax attributable to exchange differences arising on the translation of borrowings in foreign currency.
(2) Onerous contracts include the 605 Third Avenue real estate lease in New York.
(3) Other includes the accrual of EUR 47 in 2005 for settlement of the IRI antitrust litigation and the payment of EUR 37 in 2005 to settle D&B Legacy Tax Matters.

Restructuring

	2005		2004	
(EUR IN MILLIONS)	Current	Non-current	Current	Non-current
Marketing Information Europe restructuring	**4**	**—**	11	—
Corporate Headquarters restructuring	**2**	**2**	9	—
Project Atlas restructuring	**6**	**1**	7	8
	12	**3**	**27**	**8**

Marketing Information Europe Restructuring

In December 2004, VNU initiated a restructuring plan within Marketing Information to improve the competitiveness of the European retail measurement business. The 2004 charge of EUR 11 million was entirely for severance benefits associated with headcount reductions of 81 employees in Europe. Cash payments related to this plan totaled EUR 7 million in 2005 and are expected to be approximately EUR 4 million in 2006.

Corporate Headquarters Restructuring

In November 2004, VNU initiated a restructuring plan in conjunction with the transfer of a portion of Corporate Headquarters' responsibilities from Haarlem, the Netherlands to New York. The transfer of responsibilities is the consequence of the recent changes in VNU's business portfolio (including the sale of World Directories) and the fact that the majority of operations are now managed from New York. This plan will result in a headcount reduction of approximately 40 employees in Haarlem. The 2004 charge of EUR 9 million consisted of severance benefits. Cash payments related to this plan totaled EUR 5 million in 2005 and are expected to be approximately EUR 2 million in 2006 and EUR 2 million thereafter.

Project Atlas Restructuring

In December 2003, VNU launched Project Atlas, a multi-year business improvement program in Marketing Information. This program was designed to enable Marketing Information to better meet client needs, improve operational efficiency, accelerate revenue growth through the introduction of new products and services and increase operating margins. Primarily concentrated in Marketing Information's North American operations, Project Atlas activities are expected to streamline key operational practices to enhance quality and lower production costs, create a more streamlined and state-of-the-art technology platform and leverage global purchasing power to achieve cost efficiencies.

Project Atlas began in 2003 and is expected to be completed by 2007 and result in headcount reductions in excess of 700 employees, primarily in North America. The opening 2004 accrual included EUR 6 million of accrued but unpaid severance benefits and asset write-offs. Additional charges of EUR 19 million in 2004, relate to severance benefits. Cash payments related to this plan totaled EUR 10 million in 2004 and EUR 9 million in 2005, and VNU expects additional cash outlays to be EUR 6 million in 2006 and EUR 1 million in 2007.

Directories Restructuring

During 2003, Directories launched an operational improvement program to realign the organization and the staffing levels in certain parts of the organization with the levels of business activity and to adjust the staffing levels to new business processes. The restructuring began in December 2003 and was still in process at the time of the World Directories divestiture. The original plan anticipated headcount reductions of 66 employees in Europe. A 2004 charge of EUR 10 million is included in income from discontinued operations in the consolidated statement of income. During 2004, payments of EUR 8 million were made prior to the divestiture of World Directories in November 2004.

In connection with all of the restructuring actions discussed above, severance benefits were computed pursuant to the terms of local statutory minimum requirements in labor contracts or similar employment agreements.

21. Post-Employment Benefit Obligations

Defined Benefit Plans

VNU sponsors both funded and unfunded defined benefit pension plans and other post-employment benefit plans for some of its employees in the Netherlands, United States and other international locations. The post-employment benefit plans relate to healthcare benefits for retirees who meet the eligibility requirements. All of these plans provide benefits to the employees based on various criteria, including years of service and compensation during the service period, that are dependent on the terms and legal requirements of the respective plans and jurisdictions. VNU uses a measurement date of December 31 for its primary Netherlands, United States and Canada pension and post-employment benefit plans and November 30 for other international plans. Results for other international plans would not differ significantly if they were determined by using a measurement date of December 31.

A summary of the activity for VNU's defined benefit pension plans and other post-employment benefit plans follows:

	Pension benefits 2005			
(EUR IN MILLIONS)	The Netherlands	United States	Other	Total
Change in defined benefit obligation				
Benefit obligation at beginning of year	446	149	324	919
Service cost	5	10	10	25
Interest cost	20	10	16	46
Plan participants' contributions	2	—	2	4
Plan amendments	—	—	1	1
Actuarial gains/(losses) on obligation	30	9	22	61
Acquisitions/divestitures	2	—	—	2
Benefits paid	(22)	(4)	(15)	(41)
Curtailments	(3)	—	—	(3)
Settlements	2	—	(1)	1
Transfer from retiree healthcare benefits	2	—	—	2
Effect of foreign currency translation	—	24	12	36
Benefit obligation at end of year	484	198	371	1,053
Change in plan assets				
Fair value of plan assets at beginning of year	483	103	224	810
Expected return on plan assets	24	10	16	50
Actuarial gains/(losses) on plan assets	28	(3)	21	46
Actual return on plan assets	52	7	37	96
Employer contributions	6	20	20	46
Plan participants' contributions	2	—	2	4
Acquisitions/divestitures	2	—	—	2
Benefits paid	(22)	(4)	(15)	(41)
Settlements	2	—	(1)	1
Effect of foreign currency translation	—	17	9	26
Fair value of plan assets at end of year	525	143	276	944
Funded status at end of year	41	(55)	(95)	(109)
Unrecognized past service cost	—	—	1	1
Unrecognized net actuarial gains/(losses)	23	18	18	59
Net amount recognized	64	(37)	(76)	(49)
Amounts recognized in the consolidated balance sheet consist of:				
Pension assets	62	—	1	63
Prepaid pension assets under other current assets	7	—	4	11
Accrued benefit liability	(5)	(37)	(81)	(123)
Net amount recognized	64	(37)	(76)	(49)

(EUR IN MILLIONS)	*Pension benefits* **2004** The Netherlands	United States	Other	Total
Change in defined benefit obligation				
Benefit obligation at beginning of year	483	138	334	955
Service cost	7	10	12	29
Interest cost	25	9	18	52
Plan participants' contributions	2	—	2	4
Plan amendments	—	—	2	2
Actuarial gains/(losses) on obligation	46	6	27	79
Acquisitions/divestitures	(94)	2	(53)	(145)
Benefits paid	(23)	(3)	(16)	(42)
Settlements	—	—	—	—
Effect of foreign currency translation	—	(13)	(2)	(15)
Benefit obligation at end of year	446	149	324	919
Change in plan assets				
Fair value of plan assets at beginning of year	510	105	240	855
Expected return on plan assets	25	9	17	51
Actuarial gains/(losses) on plan assets	15	1	7	23
Actual return on plan assets	40	10	24	74
Employer contributions	23	—	13	36
Plan participants' contributions	2	—	2	4
Acquisitions/divestitures	(69)	—	(38)	(107)
Benefits paid	(23)	(3)	(16)	(42)
Settlements	—	—	—	—
Effect of foreign currency translation	—	(9)	(1)	(10)
Fair value of plan assets at end of year	483	103	224	810
Funded status at end of year	37	(46)	(100)	(109)
Unrecognized past service cost (credit)	—	—	1	1
Unrecognized net actuarial gains/(losses)	21	4	16	41
Net amount recognized	58	(42)	(83)	(67)
Amounts recognized in the consolidated balance sheet consist of:				
Pension assets	60	—	—	60
Prepaid pension assets under current assets	2	—	—	2
Accrued benefit liability	(4)	(42)	(83)	(129)
Net amount recognized	58	(42)	(83)	(67)

(EUR IN MILLIONS)	The Netherlands	United States	Other	Total
		Net periodic pension cost		
Year ended December 31, 2005				
Service cost	5	10	10	25
Interest cost	20	10	16	46
Expected return on plan assets	(24)	(10)	(16)	(50)
Amortization of net (gain)/loss	1	—	—	1
Amortization of past service cost/(credit)	—	—	1	1
Curtailment (gain)	(3)	—	—	(3)
Transfer from retiree healthcare benefits	2	—	—	2
Net periodic pension cost	1	10	11	22
Year ended December 31, 2004				
Service cost	7	10	12	29
Interest cost	25	9	18	52
Expected return on plan assets	(25)	(9)	(17)	(51)
Amortization of net (gain)/loss	—	—	—	—
Amortization of past service cost/(credit)	—	—	1	1
Net periodic pension cost	7	10	14	31

The weighted average assumptions underlying the pension computations were as follows:

(IN %)	The Netherlands	United States	Other	Total
2005				
Pension benefit obligation:				
discount rate	4.0	5.8	4.7	4.6
rate of compensation increase	3.0	4.0	3.0	3.2
Net periodic pension costs:				
discount rate	4.5	5.9	5.1	4.9
rate of compensation increase	3.0	4.0	3.1	3.2
expected long-term return on plan assets	5.2	8.3	6.9	6.1
2004				
Pension benefit obligation:				
discount rate	4.5	5.9	5.1	4.9
rate of compensation increase	3.0	4.0	3.1	3.2
Net periodic pension costs:				
discount rate	5.3	6.3	5.3	5.4
rate of compensation increase	2.9	4.0	2.9	3.0
expected long-term return on plan assets	5.2	8.3	6.8	6.0

VNU's pension plans' weighted average asset allocations by asset category are as follows:

(IN %)	The Netherlands	United States	Other	Total
December 31, 2005				
Equity securities	25	70	62	43
Fixed income securities	74	30	36	56
Other	1	—	2	1
Total	100	100	100	100
December 31, 2004				
Equity securities	20	68	62	38
Fixed income securities	80	32	36	61
Other	—	—	2	1
Total	**100**	**100**	**100**	**100**

No VNU shares are held by the pension plans.

The target asset allocation for 2006 is 40% equity securities and 60% long-term interest-earning investments (debt or fixed income securities).

The assumptions for the expected return on plan assets for pension plans were based on a review of the historical returns of the asset classes in which the assets of the pension plans are invested. The historical returns on these asset classes were weighted based on the expected long-term allocation of the assets of the pension plans.

VNU's primary objective with regard to the investment of pension plan assets is to ensure that in each individual scheme sufficient funds are available to satisfy future benefit obligations. For this purpose, Asset and Liability Management (ALM) studies are made periodically at each pension fund. For each of the pension plans an appropriate mix is determined on the basis of the outcome of these ALM studies, taking into account the national rules and regulations.

Contributions to the pension plans in 2006 are expected to be none for U.S. plans, EUR 8 million for Netherlands plans and EUR 16 million for other plans.

The following pension benefit table shows the 2005 and 2004 payments:

(EUR IN MILLIONS)	2005	2004
The Netherlands	**22**	23
United States	**4**	3
Other	**15**	16
Total	**41**	42

(EUR IN MILLIONS)	Other post-employment benefits 2005 The Netherlands	United States	Total
Change in benefit obligation			
Benefit obligation at beginning of year	10	12	22
Service cost	—	—	—
Interest cost	—	1	1
Plan participants' contributions	—	—	—
Actuarial (gains)/losses	—	—	—
Benefits paid	(1)	(1)	(2)
Settlements	(7)	—	(7)
Transfer to defined benefit plan	(2)	—	(2)
Effect of foreign currency translation	—	2	2
Benefit obligation at end of year	—	14	14
Change in plan assets			
Fair value of plan assets at beginning of year	—	—	—
Employer contributions	1	1	2
Plan participants' contributions	—	—	—
Benefits paid	(1)	(1)	(2)
Fair value of plan assets at end of year	—	—	—
Funded status at end of year	—	(14)	(14)
Unrecognized past service cost	—	—	—
Unrecognized net actuarial (gain)/loss	—	(1)	(1)
Net amount recognized	—	(15)	(15)

Prior to December 2005 in the U.S. and in the Netherlands VNU provided other post-employment benefits, primarily retiree healthcare benefits. As a result of changes in Dutch healthcare laws in 2005, VNU ceased to provide retiree healthcare benefits to certain of its Dutch retirees. VNU recorded a gain of EUR 7 million to record the settlement.

	Other post-employment benefits **2004**		
(EUR IN MILLIONS)	The Netherlands	United States	Total
Change in benefit obligation			
Defined benefit obligation at beginning of year	10	12	22
Service cost	—	—	—
Interest cost	—	1	1
Plan participants' contributions	—	1	1
Actuarial (gains)/losses	1	—	1
Benefits paid	(1)	(1)	(2)
Effect of foreign currency translation	—	(1)	(1)
Benefit obligation at end of year	10	12	22
Change in plan assets			
Fair value of plan assets at beginning of year	—	—	—
Employer contributions	1	1	2
Plan participants' contributions	—	—	—
Benefits paid	(1)	(1)	(2)
Fair value of plan assets at end of year	—	—	—
Funded status at end of year	(10)	(12)	(22)
Unrecognized past service cost	—	—	—
Unrecognized net actuarial (gain)/loss	1	(1)	—
Net amount recognized	(9)	(13)	(22)

The components of other post-employment benefit cost for the year ended December 31, 2005 were as follows:

(EUR IN MILLIONS)	The Netherlands	United States	Total
Service cost	—	—	—
Interest cost	—	1	1
Amortization of net (gain)/loss	—	—	—
Settlement (gain)	(7)	—	(7)
Transfer to defined benefit plan	(2)	—	(2)
Net periodic benefit cost	(9)	1	(8)

The components of other post-employment benefit cost for the year ended December 31, 2004 were as follows:

(EUR IN MILLIONS)	The Netherlands	United States	Total
Service cost	—	—	—
Interest cost	—	1	1
Amortization of net (gain)/loss	—	—	—
Net periodic benefit cost	—	1	1

The weighted average assumptions for the post-employment benefits were as follows:

	2005	2004
Discount rate for net periodic other post-employment benefit costs	5.3%	5.8%
Discount rate for other post-employment benefit obligations at December 31	5.8%	5.3%
Assumed healthcare cost trend rates at December 31:		
healthcare cost trend assumed for next year	11.0%	7.6%
rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.0%	3.8%
year in which rate reaches the ultimate trend rate	2011	2011

A one-percentage point change in the assumed healthcare cost trend rates would have the following effects:

(EUR IN MILLIONS)	1% Increase	1% Decrease
Effect on total of service and interest costs	—	—
Effect on other post-employment benefit obligation	1	(1)

Employer contributions to the post-employment benefit plans in 2006 are expected to be EUR 1 million for U.S. plans.

The following post-employment benefit table shows the 2005 and 2004 payments.

(EUR IN MILLIONS)	2005	2004
The Netherlands	1	1
United States	1	1
Total	2	2

In December 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 was enacted in the U.S. VNU determined that the subsidy did not have a material impact on VNU's financial position, results of operations or cash flows in 2005.

Defined Contribution Plans

VNU also offers a defined contribution plan to certain participants, primarily in the United States. VNU's expense related to these plans was EUR 19 million and EUR 18 million for the years ended December 31, 2005 and 2004, respectively. In the U.S., VNU contributes cash to each employee's account in an amount up to 3% of compensation (subject to IRS limitations). No contributions are made in VNU shares.

22. Capital and Reserves Attributable to VNU's Equity Holders

Issued and Authorized Share Capital

(EUR IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	*December 31,* 2005	2004
Common shares, EUR 0.20 par value, 550,000,000 shares authorized; 257,073,932 and 253,757,620 shares issued at December 31, 2005 and 2004, respectively	51	51
Priority shares, EUR 8.00 par value, 500 shares authorized, issued and outstanding	—	—
7% preferred shares, EUR 8.00 par value, 150,000 shares authorized, issued and outstanding	—	1
Series A preferred shares, EUR 8.00 par value, 13,750,000 shares authorized, none issued or outstanding	—	—
Series B cumulative preferred shares, EUR 0.20 par value, 25,000,000 shares authorized; 7,200,000 shares issued and outstanding	—	1
Total share capital	51	53

Issued Common Shares

(ACTUAL NUMBER OF UNITS)	2005	2004
Balance at January 1, Beginning of period	253,757,620	250,323,801
Common share dividend	3,088,567	3,433,819
Exercise of management and personnel options	227,745	—
Balance at December 31,	257,073,932	253,757,620
Common shares held in treasury at December 31,	15,136	15,136

Each priority share has the right to 40 votes, non-cumulative dividends of EUR 0.45 per share and a liquidation preference equal to the original issuance price of the priority shares, any capital contributions of the shareholder and any unpaid dividends. VNU declared and paid dividends of EUR 0.45 per share on priority shares during 2005 and 2004.

Each 7% preferred share has the right to 40 votes. See Note 34 for a discussion of the 7% preferred shares which have been classified in borrowings and other financing from January 1, 2005.

Each series A preferred share has the right to 40 votes, a non-cumulative dividend based on a rate calculated based on the weighted average of the EURIBOR for cash loans with a maturity of 12 months, increased by 1% and a liquidation preference equal to the par value of EUR 8 per share, any capital contributions by the shareholder and any unpaid dividends. There were no series A preferred shares outstanding at December 31, 2005 or 2004.

Each series B cumulative preferred share has the right to one vote. See Note 17 for a discussion of the series B cumulative preferred shares which have been classified in borrowings and financing from January 1, 2005.

Each common share has the right to one vote and a dividend determined at the general meeting of shareholders payable in cash or common shares. The common share dividend price per share is the average final market price during the last three days of the period in which shareholders can make the dividend payment election. VNU declared dividends of EUR 0.12 per common share for the financial year 2005 and of EUR 0.55 per common share for the financial year 2004, paid in cash and common shares at the option of the shareholder. Beginning with the interim dividend payable on August 23, 2005, VNU will pay a cash dividend only. The issued and outstanding common shares of VNU are listed on the Amsterdam Euronext Stock Exchange.

In the event of an issuance of common shares, each holder of common shares has the first opportunity to purchase newly issued VNU common shares proportionate to the percentage of shares already held by the respective holder ("pre-emptive right"). However, such holder does not have a pre-emptive right to (i) shares issued against contribution other than in cash, (ii) common shares issued to employees of VNU or of a group company of VNU and (iii) common shares issued as a result of merger or legal split-off. Holders of priority shares, 7% preferred shares, series A preferred shares and series B cumulative preferred shares do not have a pre-emptive right in case of common shares being issued. No pre-emptive rights exist for the issue of shares other than common shares.

Each shareholder of VNU has the right to attend the general meeting of shareholders and to exercise his / her voting rights.

VNU holds a limited number of treasury shares to satisfy an existing obligation under the Dutch employee share purchase plan, which is no longer active.

Other Reserves

(EUR IN MILLIONS)	Foreign currency translation reserve	Cash flow hedge reserve	Revaluation reserve	Net unrealized gains/losses reserve	Reserve for share-based compensation	Total
Balance at January 1, 2004	(687)	—	—	—	—	(687)
Options granted	—	—	—	—	21	21
Currency translation differences:						
VNU	(143)	—	—	—	—	(143)
Associates	(2)	—	—	—	—	(2)
Balance at December 31, 2004	(832)	—	—	—	21	(811)
Impact of IAS 32/39 adoption	(88)	(10)	—	8	—	(90)
January 1, 2005	**(920)**	**(10)**	—	**8**	**21**	**(901)**
Options granted	—	—	—	—	18	18
Net unrealized gains on available-for-sale assets	—	—	—	5	—	5
Currency translation differences:						
VNU	651	—	—	—	—	651
Associates	5	—	—	—	—	5
Changes in cash flow hedges		5	—	—	—	5
Changes in net investment hedges	(157)	—	—	—	—	(157)
Revaluation reserve	—	—	2	—	—	2
Balance at December 31, 2005	**(421)**	**(5)**	**2**	**13**	**39**	**(372)**

Share Movements of Majority Owned Subsidiaries

Gains and losses on issuances of shares by majority owned subsidiaries, or the acquisition of treasury shares are reflected as changes in additional paid-in-capital.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

Cash Flow Hedge Reserve

Recorded in the cash flow hedge reserve is the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Revaluation reserve

The revaluation of assets resulting from a step acquisition is reflected as a change in the revaluation reserve.

Net unrealized gains reserve

The net unrealized gains reserve records fair value changes on available-for-sale financial assets.

Reserve for share-based compensation

The reserve for share-based compensation records the amount of share-based compensation expense attributable to the equity holders of VNU.

23. Revenues and Other Income

Revenues

(EUR IN MILLIONS)	2005	in %	2004	in %
Revenues from the provision of services				
Marketing information	1,874	54	1,806	55
Media information	968	28	900	27
Advertising	280	8	273	8
Trade shows	177	5	170	5
Miscellaneous	58	2	58	2
	3,357		3,207	
Revenues from sale of goods				
Circulation	100	3	112	3
Revenues	3,457	100	3,319	100

Barter Revenues

The following table presents revenues recognized from barter transactions, which are included in total revenues in the previous schedule.

(EUR IN MILLIONS)	2005	in %	2004	in %
Marketing information	28	68	25	67
Advertising	11	26	10	28
Trade shows	2	6	2	5
Barter revenues	41	100	37	100

Other Income

(EUR IN MILLIONS)	2005	2004
Gains on divestitures	12	14
Gains on disposals of fixed assets	7	2
Other	1	—
Other income	20	16

24. Operating Expenses

On the face of the statement of income, VNU has classified the operating expenses by nature. In the following table, additional information is disclosed.

Expenses by Nature

(EUR IN MILLIONS)	2005	2004
Personnel costs included in the consolidated statement of income		
Wages and salaries	1,265	1,269
Share-based compensation	19	20
Social security costs	240	251
Other staff costs	228	216
Personnel costs	1,752	1,756
Supplies and purchased services included in the consolidated statement of income		
Trade shows	45	43
Editorial, paper, printing and distribution	131	138
Marketing and data services	267	262
Other supplies and purchased services	274	261
Supplies and purchased services	717	704
Depreciation, impairment, and amortization, included in the consolidated statement of income		
Depreciation	90	89
Amortization of intangible fixed assets	148	145
Impairment	—	40
Amortization of pre-contract costs	11	6
Depreciation and amortization expenses	249	280

(EUR IN MILLIONS)	2005	2004
Other operating expenses included in the consolidated statement of income		
Sales costs	77	64
Occupancy costs	117	98
Office expenses	83	82
Other	144	55
Other operating expenses	**421**	**299**

In 2005, one-time transaction costs associated with the terminated IMS Health merger of EUR 30 million and costs related to the settlement of the IRI antitrust litigation of EUR 47 million are included in operating expenses.

A one-time gain associated with the change in post-retirement and pension obligations in the Netherlands of EUR 9 million is included in personnel costs.

Research and development costs related to the development of software were EUR 16 million and EUR 22 million in 2005 and 2004, respectively and are included in operating expenses.

25. Share-Based Compensation

VNU has several share option plans under which it may grant options to purchase VNU common shares to employees of VNU and its subsidiaries. The plans include the Management Option Plan (MOP) and the Personnel Option Plan (POP). MOP was established for members of the Executive Board and senior management. Generally, MOP options granted cliff vest after two years. As of 2004, certain MOP options granted to the Executive Board cliff vest after three years. MOP options granted prior to 2002 have a five or ten-year life and MOP options granted beginning in 2002 have a seven or ten-year life. MOP options can lapse when employment has been terminated.

Under the MOP, the number of options granted to members of VNU's Executive Board is dependent upon the performance of VNU's share price in relation to the share price of a peer group of nine other companies ("Total Shareholder Return"). The first 20,000 options have a ten-year life and other options, if granted, have a seven-year life. The effect of the market condition is reflected in the options' fair value on the date of grant.

POP was established in 1999 and available for participation until 2004, for VNU employees in the Netherlands, including senior management. POP options vest immediately and have a five-year life.

Options under the respective plans have exercise prices equal to fair market value at the date of grant. All MOP and POP participants are bound by VNU's Insider Trading Regulations.

Generally, VNU's policy is to issue new shares when options are exercised. The Executive Board is granted the authority to issue a maximum of 10% of the outstanding issued capital of common shares for general purposes, including issuance of shares under share option plans in 2005 without further approval of the shareholders. An additional 10% of the outstanding issued capital of the common shares may be issued in connection with a merger or acquisition. Through December 31, 2005, VNU did not acquire its own shares for outstanding options but issued new shares if options were exercised.

At the General Meeting of Shareholders, April 19, 2005, the Executive Board was granted the authority to issue 25,375,762 shares of Common Stock amongst others for issuance under all of VNU's share plans. Subsequent exercises of 227,745 options resulted in a balance of 25,148,017 shares reserved for issuance at December 31, 2005.

Restricted Share Unit Plans

Executive Equity Participation Plan

In 2004, the Supervisory Board approved the Executive Equity Participation Plan (the Plan). Under the Plan, Executive Board members and certain key employees are permitted to defer a portion of their annual bonus, and instead, receive VNU Restricted Share Units ("RSUs"). Each RSU represents the right to one VNU common share, to be transferred to the employee three years from the grant date. VNU matches each deferred bonus RSU with an additional RSU. The bonus RSUs are fully vested when received and the matching RSUs vest three years after the award of the initial bonus. In 2004, no RSUs were granted, as the first award was scheduled for 2005. As a result of the link with the annual bonus plan, the granting of RSUs under the Plan is conditional on the grantees meeting certain performance criteria in the year prior to the grant.

The cost of the matching RSUs are amortized on a straight-line basis over the full four-year service period and totaled EUR 0.7 million and EUR 0.3 million in 2005 and 2004, respectively.

Executive Board Long Term Incentive Plan

Beginning in April 2005, the Supervisory Board approved the Executive Board Long Term Incentive Plan (EB LTIP). Under the EB LTIP, each member of the Executive Board is eligible to receive a number of Performance Shares, determined over a three-year performance period. The number of shares awarded at the end of the performance period is based upon EBITDA growth, Total Shareholder Return (using the same peer group as described above), and the achievement of certain personal objectives.

The effect of the market condition contained in the EB LTIP is reflected in the share award's fair value on the date of grant. Based on the performance period beginning in 2005, a maximum of 203,762 shares can be settled in 2008 at the end of the performance period related to the 2005 grant.

Share Option Activity

The following table summarizes VNU's share option activity in the two-year period ended December 31, 2005:

(ACTUAL NUMBER OF UNITS)	2005 Number of options	2005 Weighted average exercise price	2004 Number of options	2004 Weighted average exercise price
Outstanding as at January 1	**15,119,721**	**EUR 31.62**	12,141,542	EUR 35.11
Option plans granted				
MOP March (all but Executive Board)	**3,585,642**	**EUR 21.92**	3,806,300	EUR 22.60
Executive MOP March	**60,000**	**EUR 21.92**	120,000	EUR 22.60
MOP August	**258,200**	**EUR 24.97**	332,250	EUR 21.01
POP	**—**	**—**	26,426	EUR 21.01
	3,903,842	**EUR 22.12**	4,284,976	EUR 22.47
Exercised (all series)	**(227,745)**	**EUR 24.99**	—	—
Expired (all series)	**(934,506)**	**EUR 62.04**	(736,197)	EUR 36.61
Forfeited and lapsed (all series)	**(1,698,275)**	**EUR 32.48**	(570,600)	EUR 31.29
Outstanding as at December 31	**16,163,037**	**EUR 27.57**	**15,119,721**	**EUR 31.62**

The weighted average share price for the share options exercised during 2005 was EUR 27.23. During 2004 there were no exercises.

The following table summarizes significant ranges of outstanding and exercisable options of VNU at December 31, 2005:

Exercise price ranges	*Options outstanding as at December 31, 2005* Number of options	Weighted average exercise price	Weighted average remaining life	*Number exercisable (fully vested) as at December 31, 2005* Number of options	Weighted average exercise price	Weighted average remaining life
EUR 21.01 to EUR 24.97	**10,861,126**	**EUR 23.08**	**5.33**	3,267,834	EUR 24.89	4.27
EUR 26.00 to EUR 27.27	**500,211**	**EUR 26.57**	**3.74**	500,211	EUR 26.57	3.74
EUR 36.15 to EUR 39.29	**4,721,700**	**EUR 37.46**	**2.25**	4,721,700	EUR 37.46	2.25
EUR 57.15 to EUR 64.70	**80,000**	**EUR 59.80**	**4.42**	80,000	EUR 59.80	4.42
	16,163,037			8,569,745		

As of December 31, 2005, the aggregate intrinsic value for outstanding options is EUR 54 million and for exercisable options is EUR 11 million. The intrinsic value of all options outstanding and exercisable at December 31, 2004 was zero.

VNU applied fair value accounting as described in IFRS 2 "Share-Based Payments" to all share-based compensation granted after November 7, 2002 which had not vested at January 1, 2005, the effective date of IFRS 2. The compensation costs charged to the consolidated statement of income related to the VNU options plans were EUR 16 million and EUR 18 million for 2005 and 2004, respectively. For 2004, EUR 2 million was charged to discontinued operations. The fair value of the option grants was estimated using a Black-Scholes option-pricing model. The expected volatility estimates were based on the historical volatility of VNU's share price, over a period commensurate with the expected term of each respective option grant. The volatility estimate was adjusted for discrete periods of unusual market volatility, which VNU believes were not representative of VNU's historic volatility, specifically the period from September 1999 through September 2000.

Cash from exercises and taxation

Cash received from option exercises under all VNU share-based payment arrangements for the years ended December 31, 2005, was EUR 5 million. There were no exercises in 2004. The actual tax benefit realized for the tax deductions in 2005 from option exercise of the share-based payment arrangements totaled EUR 0.1 million.

The tax effects of the recognition of share-based compensation have an impact on our consolidated statement of income of EUR 9 million and none respectively, for the years ended December 31, 2005 and 2004. Cash received from options exercised and the related tax benefits are reflected within cash flows from financing activities in our consolidated statement of cash flows.

Fair Value Estimates

The expected option term was estimated at half the contractual life, based on historical data. The expected life used for share awards with market based performance conditions was assumed to equal the vesting period for the related share award. The expected dividends were based on VNU's actual historical dividend yield. The risk-free interest rate was based on a composite of euro-denominated government bonds.

The following weighted average assumptions relating to VNU's share options were used for the periods ending December 31:

	Black-Scholes fair value information	
	2005	2004
Fair value per option granted during the year	**EUR 4.70**	EUR 4.80
Weighted average valuation assumptions:		
Expected life (years)	**3.52**	3.51
Expected volatility	**31.97%**	32.60%
Expected dividend growth rate	**1.91%**	5.73%
Expected forfeiture	**7.90%**	6.47%
Risk-free interest rate	**2.78%**	2.73%

Share-based payment expense for VNU's share options is recognized on a straight-line basis over the requisite vesting period.

A summary of the nonvested VNU shares as of December 31, 2005, and changes during the year ended December 31, 2005, is presented below:

Nonvested options	Options	Weighted average grant-date fair value
Nonvested at January 1, 2005	8,252,000	EUR 5.28
Granted	3,903,842	EUR 4.70
Exercised	(217,000)	EUR 5.69
Forfeited	(904,600)	EUR 5.20
Vested	(3,440,950)	EUR 5.77
Nonvested at December 31, 2005	7,593,292	EUR 4.76

Total fair value of options vested during 2005 and 2004 were EUR 20 million and EUR 35 million, respectively.

As of December 31, 2005, there was EUR 13 million of total unrecognized compensation expense related to unvested VNU stock options. The expenses are expected to be recognized over a weighted-average period of 0.76 years.

NetRatings

Option Plans

NetRatings, a consolidated subsidiary of VNU, has stock option plans that provide for the grant of stock options exercisable into shares of NetRatings common stock to eligible employees and non-employee directors of NetRatings.

In 1998, NetRatings adopted the 1998 Stock Option Plan (the "Plan"). Under the Plan, up to 1.2 million shares of NetRatings' common stock were initially reserved for issuance. An additional 7.3 million shares of NetRatings' common stock were reserved for issuance through December 31, 2004. Options may be granted at exercise prices of no less than 85% of the fair value of the related common stock on the date of the grant (110% of fair value in certain instances), as determined by the Board of Directors. Options generally vest over a four-year period and have a maximum term of ten years. In addition to the options granted pursuant to the Plan, NetRatings assumed a total of 26,000 options in connection with NetRatings' purchase of the remaining 80.1% interest in eRatings.

In 2005, NetRatings' Board of Directors and stockholders approved the Amended and Restated 1998 Stock Plan (the "Amended Plan"). Under the Amended Plan, NetRatings is authorized to issue restricted stock (as well as other equity-based compensation) to NetRatings' employees and members of the Board of Directors. In 2005, NetRatings issued, net of forfeitures, approximately 492,000 shares of restricted stock with a fair market value at time of issuance of approximately USD 7 million. The restricted stock issued to members of the Board of Directors vests ratably in equal annual installments over 2 years, while the restricted stock issued to NetRatings' non-executive employees vests ratably in equal annual installments over 3 years. The restricted stock issued to NetRatings' executive officers vests in its entirety on the third anniversary of the date of grant but vesting can be accelerated if specific performance criteria are achieved. The restricted stock has voting rights until canceled. The compensation expense related to these restricted stock awards is amortized over the term of the restricted stock awards using the accelerated graded vesting method.

Stock Option Expense

VNU recorded share-based payment expense from NetRatings' stock options of EUR 3 million and EUR 2 million in 2005 and 2004, respectively. The fair value of NetRatings' options grants was estimated using a Black-Scholes option-pricing model. The estimated fair value of the NetRatings options is amortized to expense over the vesting period of the options using an accelerated attribution method.

Information with respect to NetRatings stock option activity is summarized as follows:

	Stock Options Outstanding				
	Available for grant	Number of restricted stock awards	Number of stock options	Price per share (in USD)	Weighted-average exercise price (in USD)
Balance at January 1, 2004	1,398,000	—	**5,033,000**	0.10–106.83	10.00
Granted	(1,208,000)	—	**1,208,000**	10.72–20.00	11.29
Exercised	—	—	**(1,649,000)**	0.10–17.13	9.63
Canceled	481,000	—	**(481,000)**	5.40–106.83	10.81
Balance at December 31, 2004	671,000	—	**4,111,000**	0.10–106.83	10.43
Granted	(647,000)	545,000	**102,000**	18.25–18.25	18.25
Exercised	—	—	**(581,000)**	0.10–15.68	8.73
Released	—	(7,000)	**—**	—	—
Canceled	575,000	(53,000)	**(522,000)**	5.40–106.83	12.66
Balance at December 31, 2005	599,000	485,000	**3,110,000**	0.10–106.83	10.64
Options exercisable at:					
December 31, 2004			**1,618,000**		11.09
December 31, 2005			**2,176,000**		11.19

The following table summarizes information concerning NetRatings options outstanding and exercisable at December 31, 2005:

	Options Outstanding			Options Exercisable	
Exercise price (in USD)	Number of shares	Weighted-average exercise price (in USD)	Weighted-average remaining term (in years)	Number of shares (in USD)	Weighted-average exercise price (in USD)
0.10–5.40	62,000	4.37	5.55	50,000	4.13
5.82–5.82	548,000	5.82	7.19	273,000	5.82
5.84–9.15	343,000	7.44	6.65	216,000	7.65
9.29–11.02	166,000	10.39	6.26	137,000	10.49
11.05–11.05	684,000	11.05	8.24	255,000	11.05
11.20–12.08	361,000	11.65	6.03	339,000	11.65
12.12–12.375	89,000	12.32	5.67	85,000	12.33
12.51–12.51	456,000	12.51	5.83	456,000	12.51
12.60–15.68	327,000	13.87	5.88	311,000	13.87
16.29–106.83	74,000	30.32	6.09	54,000	30.34
0.10–106.83	3,110,000	10.64	6.74	2,176,000	11.19

26. Income Taxes

The income tax expense on profit before income tax from continuing operations amounted to EUR 20 million in 2005 (2004: income tax expense EUR 52 million). The major components of income tax expense for the years ended December 31, 2005 and 2004 are:

(EUR IN MILLIONS)	December 31, 2005	2004
Current income tax expense:		
Current income tax charge	**(10)**	101
Adjustments in respect of current income tax of previous years	**(18)**	—
Relating to previously unrecognized tax loss, tax credit or temporary difference	—	—
Deferred income tax expense:		
Relating to origination and reversal of temporary differences	**54**	(3)
Relating to changes in tax rates and imposition of new taxes	**(4)**	—
Relating to previously unrecognized tax loss, tax credit or temporary difference	**(2)**	(46)
Income tax expense from continuing operations	**20**	**52**

The aggregate current and deferred tax relating to items that are charged or credited to equity are:

(EUR IN MILLIONS)	December 31, 2005	2004
Charged or credited to equity		
Related to financial instruments	**(45)**	—
Related to share-based compensation and other	**(2)**	—
	(47)	—

A reconciliation between the effective tax rate and domestic statutory tax rate is as follows:

(IN %)	December 31, 2005	2004
Profit from continuing operations before tax (EUR IN MILLIONS)	**260**	206
Dutch statutory tax rate	**31.5**	34.5
Jurisdictional tax rate differences, U.S. state and local taxation	**8.8**	7.2
Change of estimates for contingent tax matters	**(25.7)**	(8.3)
Changes in the recoverability of deferred tax assets	**8.9**	(11.2)
Change of estimates for other tax positions	**(8.2)**	2.8
Other	**(7.6)**	0.3
Effective tax rate from continuing operations	**7.7**	**25.3**

The drop of effective tax rate from continuing operations from 25.3% to 7.7% is primarily caused by the release of provisions for tax exposures (due to settlement of tax audits, and other tax claims), changes in estimates for valuation allowances, and changes of estimates for other tax positions. Furthermore the effective tax rate is affected by the mix of earnings and differing tax rates within the various regions and jurisdictions.

In assessing the realizability of deferred tax assets, VNU considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon generating future taxable income during the periods in which those temporary differences become deductible. VNU takes into account the scheduled reversal of deferred tax liabilities, tax contingencies, projected future taxable income and tax strategies in making this assessment.

In order to fully realize the deferred tax asset, VNU will need to generate future taxable income in the countries where the unused losses, tax credits and deductible temporary differences were incurred. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, VNU believes it is probable that VNU will realize all or some portion of the benefits of these unused tax losses, credits and deductible differences.

Deferred tax assets and liabilities relate to the following balance sheet captions, of which the movements in temporary differences during the year are as follows:

(EUR IN MILLIONS)	2004	Recognized in income	Recognized in equity (1)	2005
Deferred tax assets and deferred tax liabilities				
Intangible assets	(438)	(45)	—	(483)
Computer software	(58)	(2)	—	(60)
Financial instruments	5	(12)	(17)	(24)
Net operating loss carryforwards (including tax credits)	107	(3)	—	104
Deferred compensation	19	6	—	25
Deferred revenues/costs	47	(12)	—	35
Fixed assets	9	2	—	11
Employee benefits	56	(2)	—	54
Other	35	(5)	(18)	12
Net deferred tax assets (liabilities) (2)	**(218)**	**(73)**	**(35)**	**(326)**

(1) Including currency translation effects.
(2) This schedule presents deferred taxes on a net basis for balance sheet presentation, deferred tax assets and liabilities in different jurisdictions are not offset against one another.

The net deferred income tax liability is presented in the balance sheet as follows:

(EUR IN MILLIONS)	*December 31,* 2005	2004
Deferred tax assets	68	116
Deferred tax liabilities	(394)	(334)
Deferred income taxes	(326)	(218)

As of December 31, 2005 VNU had net operating loss carryforwards of approximately EUR 734 million (2004: EUR 497 million), tax credit carryforwards of approximately EUR 20 million (2004: EUR 13 million) that will begin to expire in 2009. Due to the uncertainty of achieving sufficient profits to utilize these operating loss carryforwards, VNU currently believes it is not probable that all of these losses will be realized. VNU has not recorded a deferred tax asset of EUR 117 million (2004: EUR 94 million) which is the portion of the losses and tax credit carryforwards that are not probable to be utilized.

In addition, VNU has not recognized a deferred tax asset on deductible temporary differences in the net amount of EUR 66 million (2004: EUR 57 million), as VNU currently believes it is not probable that all of these deductible temporary differences will be realized.

As of December 31, 2005, VNU had approximately EUR 607 million of undistributed earnings of non-Dutch subsidiaries. Taxes were not provided on these undistributed earnings, as VNU has invested or expects to invest these undistributed earnings permanently offshore, and is able to control the timing of distribution. If in the future these earnings are repatriated to the United States, or if VNU determines such earnings will be remitted in the foreseeable future, or VNU is unable to control timing of any distribution, additional tax provisions would be required. Due to complexities in the tax laws and the assumptions that would have to be made, it is not practicable to estimate the amounts of income taxes that would have to be provided.

There are no income tax consequences attaching to the payment of dividends by VNU nv to its shareholders.

VNU establishes liabilities for possible assessments by taxing authorities resulting from known tax exposures including, but not limited to, intercompany transfer pricing and various other tax matters. Such amounts represent a reasonable provision for taxes ultimately expected to be paid, and may need to be adjusted over time as more information becomes known.

27. Financial Income and Financial Expense

(EUR IN MILLIONS)	December 31, 2005	2004
Financial income		
Bank interest	13	9
Income from investments	15	10
Other interest income	1	1
Total financial income	29	20
Interest expense		
Bank borrowings	(1)	(1)
Loan interest (including convertible debenture loans)	(92)	(140)
Dividend on preferred shares	(6)	—
Finance charges under finance leases	(7)	(8)
Discounted provisions interest	(3)	(4)
Other interest expense	(3)	(2)
Interest expense reclassified to discontinued operations	—	43
	(112)	(112)
Capitalized interest	1	2
Total interest expense	(111)	(110)
Net foreign exchange transaction gains/(losses)	8	(1)
Fair value gains on financial instruments	8	—
Loans designated as at fair value through profit and loss	(10)	—
Interest rate swaps—cash flow hedges, transfers from equity	(1)	—
Other gains/losses	(1)	1
Total financial expense	(107)	(110)
Total financial income and financial expense	(78)	(90)

28. Statement of Cash Flows

Tax payments associated with the continuing operations of VNU in 2005 were EUR 67 million. Included in investing activities on the line "acquisition of subsidiaries and unconsolidated affiliates, net of cash acquired" was EUR 37 million in relation to the contingent exposure for the D&B Legacy Tax Matters (see Note 31).

An amount of EUR 1 million and EUR 2 million of interest paid is included in "additions to property, plant & equipment and other assets" and in "additions to intangible assets" representing the amount of interest capitalized during the years ending December 31, 2005 and 2004, respectively.

29. Related Party Transactions

Our related parties consist of our investments accounted for using the equity method, our key management (see remuneration Note 33), and our subsidiaries.

A list with VNU nv's subsidiaries, joint ventures and associates is published at the Chamber of Commerce for Amsterdam, in the Netherlands and available from the Company upon request. The list is also available on the Company's website at www.vnu.com.

Related Party Transactions with Scarborough

VNU and Scarborough entered into various related party transactions in the ordinary course of business. VNU and its subsidiaries provide various services to Scarborough, including data collection, accounting, insurance administration, and the rental of real estate. VNU pays royalties to Scarborough for the right to include Scarborough data in VNU products sold directly to VNU customers. Additionally, VNU sells various Scarborough products directly to its clients, for which it receives a commission from Scarborough. The net cash payments from Scarborough to VNU as a result of these transactions were EUR 9 million and EUR 11 million in 2005 and 2004, respectively.

Obligations between VNU and Scarborough are net settled in cash on a monthly basis in the ordinary course of business at December 31, 2005 and 2004 the related amounts outstanding were not significant.

Other Related Party Transactions

In March 2002, with the relocation to the United States of the Chairman of the Executive Board and his family, the Chairman received a home mortgage loan from VNU in the amount of EUR 4.7 million. The loan, which is denominated in U.S. dollars, accrues interest at the rate of 6.0% per year and is collateralized by the house. Interest is due at the time that the loan is repaid, which can be no later than July 1, 2007. If at that time the value of the house is not sufficient to cover the amount of this loan plus accrued interest, VNU will absorb the difference on an after-tax basis. The carrying value of the loan receivable, including accrued interest, was EUR 4.4 million and EUR 3.6 million at December 31, 2005 and 2004, respectively, and is included as a component of other non-current financial assets.

VNU has not made or arranged for a loan or guarantee for any other member of the Executive Board or Supervisory Board.

30. Earnings Per Common Share

Basic and diluted earnings per common share were calculated using the following common share data:

(EUR IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	December 31, 2005	2004
Profit for the year from continuing operations	**250**	152
Less: preferred share dividends, net of tax	**—**	(6)
Add: minority interests	**—**	4
Profit for the year available to common shareholders of VNU from continuing operations — basic and diluted	**250**	150
Profit for the year from discontinued operations, net of tax — basic and diluted	**6**	94
Profit for the year available to common shareholders, adjusted for the effect of preferred share dividends — basic and diluted	**256**	244
Weighted average number of common shares outstanding — basic	**255,795,495**	252,272,732
Dilutive effect of share options outstanding	**107,282**	947
Weighted average number of common shares outstanding — diluted	**255,902,777**	252,273,679
Earnings per common share — basic and diluted:		
Profit for the year from continuing operations	**0.98**	0.59
Profit for the year from discontinued operations	**0.02**	0.38
Profit for the year	**1.00**	0.97

In the computation of diluted earnings per common share from both continuing operations and on a profit for the year basis for the year ended December 31, 2005, the assumed conversion of the EUR 883 million, 1.75% convertible debenture loan due 2006 (Note 17) and 15.8 million share options (Note 25) were excluded since they would have had an anti-dilutive effect on earnings per common share.

In the computation of diluted earnings per common share from both continuing operations and on a profit for the year basis for the year ended December 31, 2004, the assumed conversion of the EUR 265 million 1.75% subordinated convertible debenture loan due 2004, the EUR 883 million 1.75% convertible debenture loan due 2006, and 15.1 million share options were excluded since they would have had an anti-dilutive effect on earnings per common share.

31. Commitments and Contingencies

Contractual Arrangements

VNU has entered into operating leases and other contractual obligations to secure real estate facilities, agreements to purchase data processing services and leases of computers and other equipment used in the ordinary course of business and various outsourcing contracts. Total expenses incurred under these operating leases and other contractual arrangements were EUR 110 million and EUR 317 million, respectively, in 2005 and EUR 111 million and EUR 299 million, respectively, in 2004. At December 31, 2005, the minimum annual payments under these agreements that have initial or remaining non-cancelable terms in excess of one year are listed in the following table:

(EUR IN MILLIONS)	Operating leases	Other contractual obligations	Pension fund obligations (1)	Total
For the years ending December 31,				
2006	103	109	24	236
2007	81	48	—	129
2008	69	30	—	99
2009	57	25	—	82
2010	51	15	—	66
Thereafter	199	9	—	208
Total	560	236	24	820

(1) Pension fund obligations relate primarily to pension plans in Europe and are based on actuarial estimates (see Note 21).

Operating Leases

VNU has entered into commercial leases on real estate, and on certain motor vehicles and office equipment, where it is not in the best interest of the Company to purchase these assets. These leases have an average life of 16, 4 and 4 years, respectively with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon VNU by entering into these leases.

Future minimum rentals payable under non-cancelable operating leases as at December 31, 2005 are as follows:

(EUR IN MILLIONS)	2005
Within one year	**103**
After one year but not more than five years	**258**
More than five years	**199**
Total	**560**

VNU recognized rental income received under subleases of EUR 12 million and EUR 11 million in 2005 and 2004, respectively. At December 31, 2005, VNU had aggregate future minimum rental income to be received under non-cancelable subleases of EUR 90 million.

Finance Lease Commitments

VNU has finance leases for offices in Markham, Canada and Oldsmar, Florida. These leases have no terms of renewal, purchase options, or escalation clauses.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are as follows:

(EUR IN MILLIONS)	2005 Minimum payments	Present value of payments
Within one year	16	7
After one year but not more than five years	51	21
After five years	157	103
Total minimum lease payments	224	
Less amounts representing finance charges	(93)	
Present value of minimum lease payments	131	131

Guarantees and Other Contingent Commitments

The following table summarizes VNU's contingent commitments for which no liability has been accrued at December 31, 2005:

(EUR IN MILLIONS)	2005
Guarantees	10
Letters of credit	1
Total	11

NMR, a subsidiary of VNU, has provided sub-lease guarantees in accordance with certain real estate sub-lease agreements pursuant to which VNU guarantees all rental payments upon default of rental payment by the sub-lessee. VNU does not anticipate making any significant payments under real estate sub-lease guarantees. Accordingly, no liabilities were recorded with respect to such guarantees.

In connection with the sale of World Directories in 2004, VNU has an exposure under a tax indemnity guarantee with the acquirer, pursuant to which VNU has agreed to pay any tax obligations relating to periods prior to the sale. VNU has accrued EUR 27 million at December 31, 2005 which is not included in the table above. See Note 6 for further discussion.

VNU guarantees subsidiary credit facilities with international banks totaling EUR 87 million. At December 31, 2005 no amounts were outstanding under these facilities.

VNU has no material liabilities for other guarantees arising in the normal course of business at December 31, 2005.

Letters of Credit

VNU has letters of credit outstanding to an international bank in relation to certain guarantees of real estate leases of VNU subsidiaries, which expire through 2014.

Contingent Consideration

In connection with VNU's acquisition of Nationale Vacaturebank.nl in 2004, VNU may be required to pay contingent consideration up to a maximum of EUR 11 million based on the achievement of certain EBIT targets during 2005 and 2006. A guaranteed payment of EUR 2 million was made in 2005, and an additional guaranteed amount of EUR 2 million will be made in 2006. Based on 2005 operating results, an earnout of EUR 3 million was recorded in 2005, which will also be paid in 2006.

In connection with VNU's 16% share in Trendum, VNU has a call option to acquire an additional 35% at a price based on year 2007 multiples of either EBITA or total revenues. The call option is exercisable from January 1, 2008 until 30 days after VNU's receipt of financial statements containing the information required to make the calculation. Based on current estimates, the value of the call option is not material.

In connection with VNU's acquisition of a further 15% share in VNU Business Publications Espana sa in 2004, VNU had a call option to acquire an additional 10% at a price based on the higher of an average of 2004 and 2005 multiples of EBITDA or a guaranteed amount of EUR 2 million. The call option was exercised at the end of 2005 for the guaranteed amount.

In connection with the December 2005 acquisition of Decisions Made Easy (DME), VNU may be required to pay contingent consideration based on fiscal March 2008 or fiscal March 2008 and 2009 revenue and operating profit. Sellers must notify VNU prior to January 2008 as to the basis they elect to determine the contingent purchase price. Regardless of the choice made by the sellers, a prepayment will be made in 2006 based on revenue achievement. The amount of estimated contingent consideration will be recorded in 2006 upon finalizing DME's purchase accounting.

In connection with VNU's acquisition of Audio Audit in 2005, the estimated contingent payment of EUR 0.6 million was recognized as part of the purchase price, to be paid in 2008.

Termination Agreement VNU — IMS Health

On November 17, 2005 VNU and IMS Health announced their agreement on the termination of the planned merger of the two companies.

Under the terms of the termination agreement, amongst other things, VNU has agreed to pay an amount of USD 45 million to IMS should VNU be acquired pursuant to any agreement entered into within the 12 months following the termination. For its part, IMS has agreed to pay VNU USD 15 million should IMS be acquired pursuant to any agreement entered into within the next 12 months.

Legal Proceedings and Contingencies

VNU is subject to litigation and other claims in the ordinary course of business.

In November 1996, D&B, then known as The Dun & Bradstreet Corporation ("Old D&B") separated into three public companies by spinning off the A.C. Nielsen Company ("ACNielsen") and Cognizant Corporation ("Cognizant") (the "1996 Spin-Off").

In June 1998 Old D&B changed its name to R.H. Donnelley Corporation ("Donnelley") and spun-off The Dun & Bradstreet Corporation ("New D&B") (the "D&B Spin"), and Cognizant changed its name to Nielsen Media Research, Inc ("NMR"), now part of VNU, and spun-off IMS Health Inc ("IMS Health") (the "Cognizant Spin"). In September 2000, New D&B changed its name to Moody's Corporation ("Moody's") and spun off a company now called The Dun & Bradstreet Corporation ("Current D&B") (the "Moody's spin"). In November 1999, VNU acquired NMR and in 2001 VNU acquired ACNielsen.

D&B Legacy Tax Matters

Pursuant to the agreements effecting the 1996 Spin-Off, among other things, certain liabilities, including contingent liabilities relating to the IRI Action (as defined below) and tax liabilities arising out of certain prior business transactions (the "D&B Legacy Tax Matters"), were allocated among Old D&B, ACNielsen and Cognizant under the Original JDA (as defined below).

As a result of the Cognizant Spin, IMS Health and NMR agreed they would share equally Cognizant's share of liability arising out of the D&B Legacy Tax Matters after IMS Health paid the first USD 0.1 million of such liability. NMR's aggregate liability for payments related to the D&B Legacy Tax Matters and legal fees of the IRI Action shall not exceed USD 125 million.

In connection with the acquisition of NMR, VNU recorded a liability of USD 125 million for NMR's aggregate liability for payments related to the D&B Legacy Tax Matters and legal fees of the IRI Action.

IRI

On July 29, 1996, Information Resources Inc ("IRI") filed a complaint in the U.S. District Court for the Southern District of New York, subsequently amended in 1997 (the "IRI Action"), naming as defendants Old D&B, ACNielsen, Cognizant and a predecessor of IMS Health.

The amended complaint alleged various violations of United States antitrust laws under Sections 1 and 2 of the Sherman Act. The amended complaint also alleged a claim of tortuous interference with a contract and a claim of tortuous interference with a prospective business relationship. These claims related to the acquisition by defendants of Survey Research Group Limited ("SRG"). IRI alleged SRG violated an alleged agreement with IRI when it agreed to be acquired by defendants and that defendants induced SRG to breach that agreement.

IRI's amended complaint originally alleged damages in excess of USD 350 million, which IRI asked to be trebled under antitrust laws. IRI has since filed with the Court the report of its expert who has opined that IRI suffered damages of between USD 581.6 million and USD 651.7 million from the defendants' alleged practices, which amount IRI has requested be trebled under the antitrust laws. IRI also sought punitive damages in an unspecified amount.

In April 2003, the court denied a motion for partial summary judgment by defendants seeking dismissal of certain of IRI's claims and granted in part a motion by IRI seeking reconsideration of certain summary judgment rulings the Court had previously made in favor of defendants. The motion granted by the Court concerns IRI's claims of injuries from defendants' alleged conduct in certain foreign markets.

On June 21, 2004, pursuant to a stipulation between IRI and defendants, the Court ordered that certain of IRI's claims be dismissed with prejudice from the lawsuit, including the claim for tortuous interference with the SRG acquisition. VNU believes that the dismissal of the tortuous interference claims precludes any claim for punitive damages.

On December 3, 2004, the Court entered In limine Order No. 1, which bars IRI from "arguing that Nielsen's pricing practices or discounts were illegal or anti-competitive unless it can prove they involved prices below short-run average variable cost, calculated without the inclusion of Nielsen's 'Fixed Operations' costs". On December 17, 2004, IRI issued a press release, which said, in relevant part "Without this evidence, IRI believes that little would be left of IRI's case to take to trial" and that IRI had expressed its willingness to have the Court enter a final judgment against it, for the purpose of taking an immediate appeal to the Second Circuit. Defendants did not object to IRI's request and, on January 26, 2005, the parties submitted a stipulation to the Court requesting it to enter a final judgment dismissing IRI's claims with prejudice and on the merits.

On February 1, 2005, the Court entered a judgment dismissing IRI's claims with prejudice and on the merits. IRI has filed a notice of appeal to the United States Court of Appeals for the Second Circuit. Oral arguments were held on October 18, 2005.

The parties entered into a settlement agreement effective February 16, 2006. The United States Court of Appeals for the Second Circuit issued an order dismissing the case on March 7, 2006. The settlement and the order result in a complete dismissal of all claims in the IRI litigation.

The Indemnity and Joint Defense Agreement

In connection with the 1996 distribution, described below, Cognizant, ACNielsen and Old D&B entered into an Indemnity and Joint Defense Agreement (the "Original JDA"), pursuant to which they agreed to:

- allocate potential liabilities that may relate to, arise out of or result from the IRI lawsuit (referred to in this document as IRI Liabilities); and
- conduct a joint defense of such action.

In particular, the Original JDA provided that:

- ACNielsen would assume exclusive liability for IRI Liabilities up to a maximum amount to be calculated at such time as such liabilities became payable as a result of a final non-appealable judgment or any settlement permitted under the Original JDA (referred to in this document as the ACN Maximum Amount); and

- Old D&B and Cognizant would share liability equally for any amounts in excess of the ACN Maximum Amount (referred to in this document as the Old D&B Liabilities and the Cognizant Liabilities).

The ACN Maximum Amount was to be determined by an investment banking firm as the maximum amount that ACNielsen is able to pay after giving effect to:

- any recapitalization plan submitted by such investment bank that is designed to maximize the claims-paying ability of ACNielsen without impairing the investment banking firm's ability to deliver a viability opinion and without requiring shareholder approval; and
- payment of interest on the ACN Notes and related fees and expenses.

The Original JDA also provided that if it becomes necessary to post any bond pending an appeal of an adverse judgment, then Cognizant and Old D&B shall obtain the bond required for the appeal, and each shall pay 50% of the costs of such bond, if any, which cost will be added to IRI Liabilities.

As contemplated by the terms of a distribution agreement dated as of October 28, 1996 among ACNielsen, Old D&B and Cognizant, pursuant to which shares of Cognizant and ACNielsen were distributed to the shareholders of Old D&B (i) New D&B in connection with the D&B Spin, and Current D&B, in connection with the Moody's spin, provided undertakings to ACNielsen to be jointly and severally liable for the Old D&B Liabilities, and (ii) IMS Health, in connection with the Cognizant Spin, provided an undertaking to ACNielsen to be jointly and severally liable for the Cognizant Liabilities. Pursuant to a distribution agreement dated as of June 30, 1998, between Nielsen Media Research and IMS Health, IMS Health and Nielsen Media Research agreed that, as between themselves, IMS Health will assume 75%, and Nielsen Media Research will assume 25%, of any payments to be made in respect of the IRI Action under the Original JDA or otherwise, including any legal fees and expenses related thereto incurred in 1999 or thereafter.

In 2001, ACNielsen was acquired by VNU. VNU assumed ACNielsen's obligations under the Original JDA, and pursuant to the Original JDA, VNU, as parent, was to be included with ACNielsen for purposes of determining the ACN Maximum Amount.

The Amended and Restated JDA

Effective June 30, 2004, VNU entered into an Amended and Restated Indemnity and Joint Defense Agreement with Donnelley, Current D&B, Moody's and IMS Health (referred to in this document as the Amended JDA).

Pursuant to the Amended JDA, any and all IRI Liabilities incurred by Donnelley, Current D&B, Moody's or IMS Health relating to a judgment (even if not final) or any settlement being entered into in the IRI action will be jointly and severally assumed and fully discharged exclusively by us.

Under the Amended JDA, VNU has agreed to, jointly and severally, indemnify Donnelley, Current D&B, Moody's and IMS Health from and against all IRI Liabilities to which they become subject. As a result, the concept of "ACN Maximum Amount" which used to cap ACNielsen's liability for the IRI Liabilities no longer exists and all such liabilities are VNU's responsibility pursuant to the Amended JDA. In addition, the Amended JDA provides that if it becomes necessary to post any bond pending an appeal of an adverse judgment, then VNU shall obtain the bond required for the appeal and shall pay the full cost of such bond.

In connection with entering into the Amended JDA, the parties agreed to amend certain covenants of the Original JDA to provide operational flexibility for ACNielsen going forward. In addition, the Amended JDA includes certain amendments to the covenants of ACNielsen which are designed to preserve such parties' claim-paying ability and protect Donnelley, Current D&B, Moody's and IMS Health. Among other covenants, ACNielsen agreed that neither they nor any of their respective subsidiaries will incur any indebtedness to any affiliated person, except indebtedness which its payment will, after a payment obligation under the Amended JDA comes due, be conditioned on, and subordinated to, the payment and performance of the obligations of such parties under the Amended JDA.

It is VNU's position that the settlement and dismissal of the IRI lawsuit renders the Amended JDA without any further force and effect. VNU understands that several of the other parties to the amended JDA may disagree with VNU's position.

erinMedia

erinMedia, llc filed a lawsuit in federal district court in Tampa, Florida on June 16, 2005. The suit alleges that Nielsen Media Research ("Nielsen") violated Federal and Florida state antitrust laws by attempting to maintain a monopoly in the market for producing national television audience measurement data. The complaint does not specify the amount of damages sought, but does request that the court terminate Nielsen's contracts with the four major national broadcast television networks. On November 17, 2005, the court granted Nielsen's motion to dismiss in part, and dismissed erinMedia's affiliated company, ReacTV, and its claims. The case is now in discovery on the remaining claims by erinMedia.

On January 11, 2006, erinMedia filed a related action against Nielsen alleging violations of federal and state false advertising and unfair competition law. Nielsen moved to dismiss this related action on February 22, 2006; that motion is currently pending.

Although it is too early to predict the outcome of either case, VNU believes both actions are without merit.

Except as described above, there are no other pending actions, suits or proceedings against or affecting VNU which, if determined adversely to VNU, would in its view, individually or in the aggregate, have a material effect on VNU's business, results of operations, financial condition and prospects.

32. Events After Balance Sheet Date

IRI Settlement

On February 16, 2006, VNU announced that it had entered into a settlement agreement of the 1996 antitrust litigation brought by Information Resources, inc (IRI) against Dun & Bradstreet, ACNielsen and IMS Health. On March 7, 2006, the United States Court of Appeals for the Second Circuit issued an order dismissing the case. The settlement and the order result in a complete dismissal of all claims in the IRI litigation.

Under the settlement agreement, VNU agreed to a payment of USD 55 million (EUR 47 million), which, after tax, resulted in a EUR 28 million charge to 2005 earnings, since this settlement provided evidence of conditions that existed at the balance sheet date. It is VNU's position that the settlement and dismissal of the IRI lawsuit renders the Amended JDA without any further force and effect. VNU understands that several of the other parties to the Amended JDA may disagree with VNU's position.

Agreement to Public Offer

On March 8, VNU and Valcon Acquisition bv ("Valcon") announced that they have agreed to a public offer for VNU that values the company's equity at EUR 7,500 million, or EUR 28.75 per common share. Valcon is controlled by a private-equity group consisting of affiliated funds of AlpInvest Partners nv, The Blackstone Group lp, The Carlyle Group, Hellman & Friedman llc, Kohlberg Kravis Roberts & Co. lp and Thomas Lee Partners lp. The Supervisory and Executive Boards of VNU, after giving due consideration to the strategic, financial and social aspects of the proposed transaction, unanimously support the offer and conclude that it is in the best interests of shareholders and all other stakeholders of VNU, and they unanimously recommend that shareholders accept the offer.

While the intended offer from Valcon is pending, no dividend on common shares will be declared or paid. Valcon has agreed to pay to VNU a termination fee equal to two percent of the transaction value if Valcon has wilfully and materially breached the merger protocol and the offer conditions have been satisfied or such willful and material breach is the sole reason that the offer conditions have not been satisfied. The members of the private equity consortium have guaranteed this payment on a several basis. VNU has agreed to pay a termination fee to Valcon equal to one percent of the transaction value in certain circumstances if VNU recommends or pursues an alternative transaction. VNU has also agreed to reimburse Valcon's transaction expenses up to EUR 30 million if not at least 95% of the ordinary shares have been tendered into the offer and certain other offer conditions have been satisfied or waived. As disclosed in Note 31, a successful consummation of the transaction with Valcon would result in a USD 45 million termination payment to IMS Health.

Following this offer, Standard & Poor's on January 17, 2006, lowered its credit rating to BBB– and maintained the Credit Watch with negative implications. This was reconfirmed on March 8, 2006, following an agreement by VNU and the private equity consortium on the public offer for the company. On the same date, Moody's Investors Service downgraded VNU from Baa2 to Ba1 and the rating remains under review for further downgrade.

33. Remuneration

Remuneration Policy for Members of the Executive Board

The remuneration of members of the Executive Board is proposed by the Remuneration and Nomination Committee and established by the Supervisory Board, with due observation of the remuneration policy adopted by the General Meeting of Shareholders. The current policy has been adopted by the General Meeting of Shareholders on April 20, 2004 and amended on November 16, 2004, and April 19, 2005. Assisted by independent consultants, the Remuneration and Nomination Committee regularly reviews market developments; it recommends adjustments of the structure or the level of remuneration if and when it deems such changes necessary. The members of the Remuneration and Nomination Committee are selected among the members of the Supervisory Board. Currently the Remuneration and Nomination Committee is constituted by Mr. F.L.V. Meysman (Chairman), Mr. A.G. Jacobs, and Mr. R. Dahan.

VNU's remuneration policy has to be internationally competitive. The remuneration system is designed to attract and retain highly qualified business people and to provide incentives for superior performance. The remuneration system also endeavors to align the interests of senior executives with the interests of shareholders. In order to evaluate Executive Board remuneration packages, they are compared with those of Dutch (amongst others Wolters Kluwer and Reed Elsevier), U.S. (e.g. IMS Health and McGraw-Hill) and other peer companies and competitors (e.g. Pearson and Thomson).

The remuneration structure for the Executive Board is designed to balance short-term operational performance with the longer-term objectives of the Company. The bonus targets and performance conditions reflect the key drivers for value creation and medium- to long-term growth in shareholder value. Variable pay is a significant part of the remuneration packages, because VNU is convinced that a significant variable remuneration component encourages the performance of the individual Executive Board members and of the Executive Board as a whole. Depending on where the Executive Board member is located, the relative importance of the variable versus the non-variable remuneration component can be different in individual remuneration packages. The performance criteria VNU applies to determine variable pay are in line with the Company's corporate goals and internationally broadly accepted. Furthermore, in line with international best practice, VNU has decided to pay future long-term incentive plan awards in VNU shares instead of cash.

The Remuneration and Nomination Committee generally sets the performance criteria and target levels for each Executive Board member at the beginning of the performance period. Subsequently, at the end of the performance period, actual performance is measured and verified and the pay-out determined by the Remuneration and Nomination Committee.

Remuneration of Members of the Executive Board

At present, both members of the Executive Board reside in the United States. In the course of 2005, Mr. R.A. Ruijter relocated from the Netherlands to the United States. A former member of the Executive Board, Mr. M.P. Connors, resigned as of April 1, 2005.

On November 17, 2005 it was announced that Mr. R.F. van den Bergh would step down as CEO and member of the Executive Board. Mr. Van den Bergh has agreed to stay until the Supervisory Board has completed its search for a successor.

Base Salary

Base salaries are usually fixed in the currency of the country where the member of the Executive Board resides.

In 2005 and 2004, base salaries of members of VNU's Executive Board were as follows:

Base salary	Resident	2005	2004
R.F. van den Bergh (CEO)	US	**USD 778,500**	USD 768,635
R.A. Ruijter (1)	NL / US	**EUR 470,000**	EUR 39,167
M.P. Connors (2)	US	**USD 175,000**	USD 700,000

(1) Mr. Ruijter was appointed to the Executive Board effective December 1, 2004.
(2) Mr. Connors resigned from the Board effective April 1, 2005. For the period April 1 through June 30, 2005, Mr. Connors continued as Chairman and CEO of the MMI group and received a salary of USD 175,000.

Annual Bonus

In 2005, of the annual bonus, 75% was based on achievement by VNU of an Earnings per Share (EPS) target and 25% was based on achievement of individual targets (as reviewed by the Remuneration and Nomination Committee). Until 2005, bonus awards were linked to Cash Earnings per Share.

As of 2005, a threshold and maximum have been added to the corporate target. There will be no payment in case EPS is less than 80% of the target. If 80% of the target is achieved, 50% of the quantitative portion of the cash incentive will be paid; if 120% or more of the target is achieved, a maximum of 150% of the quantitative part of the cash incentive will be awarded. This plan was approved by the Extraordinary General Meeting of the Shareholders on November 16, 2004.

This table states the actual bonuses accrued during 2005 and 2004. The table also contains the target bonus amounts that each Board member could have earned in each of 2005 and 2004. As of 2005, in the case of superior performance, bonus payouts can exceed the target amount by a maximum of 50%.

	2005		2004	
Annual bonus	Target bonus	Accrued bonus	Target bonus	Actual bonus
R.F. van den Bergh	USD 778,500	USD 998,426	USD 778,500	USD 778,500
R.A. Ruijter	EUR 300,000	EUR 396,000	—	—
M.P. Connors	—	—	USD 700,000	USD 700,000

The bonuses accrued in 2005 reflect an achievement of 119% of the EPS target; 75% of Mr. Van den Bergh's individual targets; and 90% of Mr. Ruijter's individual targets. The 2005 bonuses are expected to be paid in April 2006. Mr. Ruijter participates in the annual bonus plan as of 2005.

Executive Equity Participation Plan

Under the Executive Equity Participation Plan, Executive Board members may defer half of the annual bonus they have actually earned into VNU Restricted Share Units (RSUs). VNU will match the RSUs with an equal number of RSUs. The Executive Equity Participation Plan was introduced in 2004, with the first grants awarded in early 2005. Vesting of the match component of the RSUs is under a suspensory condition and requires three years of service, calculated from the day the RSUs are granted. In addition, Executive Board members are required to hold the underlying shares for an additional two years. During the six months' period prior to retirement, Executive Board members cannot receive RSUs. The cost of the matching RSUs will be amortized over a four-year period.

The first RSU grant in 2005 was based on the actual annual bonus for financial year 2004:

2004 Executive Equity Participation Plan	2004 bonus	Deferral (1)	Deferral (in bonus RSUs) (2)	2005 Matching RSUs	2005 Accrual
R.F. van den Bergh	USD 778,500	EUR 297,387	13,567	13,567	USD 97,313 (3)

(1) One half of 2004 bonus, converted to Euro using April 20, 2005 rate of USD 1.00 = EUR 0.764.
(2) Converted to RSUs using share price on March 18, 2005 of EUR 21.92.
(3) Accrual attributable to second year of four-year amortization period.

Mr. Ruijter will participate beginning with the 2005 plan (RSUs granted in early 2006 based on 2005 bonus). The cost of the matching RSUs will be amortized over a four-year period, starting with financial year 2005. Therefore, in 2005 an amount of EUR 49,500 was charged to the statement of income.

Mr. Connors did not participate in the plan due to his departure as a member of the Executive Board on April 1, 2005.

Mr. Van den Bergh will not participate in the 2005 plan. He will receive a payout in cash of the 2004 plan based on the VNU share price on the date he relinquishes the CEO position.

VNU Share Option Plan

Members of VNU's Executive Board participate in the VNU Share Option Plan (SOP). Options under the SOP give holders the right to obtain common shares of VNU. Executive Board options are unconditionally vested after 3 years. The number of options granted to members of the Executive Board is dependent upon the performance of VNU's share price in relation to the share price of a peer group of nine other companies ("Total Shareholder Return"). Options are typically awarded in the second half of March in any year, approximately ten days after the publication of the prior years' annual results. The exercise price is equal to the closing share price on the date of grant.

Through 2005, the procedure to determine the number of options granted to the members of the Executive Board was as follows:

1. Comparison of VNU's share price with the share price of the following nine companies: GfK, IMS Health, McGraw-Hill, Pearson, Primedia, SEAT/Eniro, Reed Elsevier, TPI and Wolters Kluwer. The 2005 grant was based upon a comparison covering the period March 29, 2002 through December 31, 2004.
2. When VNU's share price performance is in the range of the share price performance of the top three peer companies, each member of the Executive Board is granted a maximum of 60,000 options. When VNU's share price performance is in line with the performance of the lowest three peer companies, each member of the Executive Board receives 20,000 options. If performance is in the range of the middle segment, an award of 40,000 options is granted.

The first 20,000 options have an option term of 10 years. Other options, if granted, have an option term of 7 years. Conditions regarding granted options will not be modified during the term of the options, except for technical changes such as stock splits, and always in accordance with established market practices.

As of August 4, 2003, SEAT, one of VNU's peers, is no longer quoted. Therefore, for the purpose of the 2004 option award (granted in 2005), it was decided to include SEAT's share price performance for the period March 29, 2002 through August 3, 2003 and to include Eniro as a peer successor effective August 4, 2003 through December 31, 2004. As a result of the disposal of the Directories group, for the purpose of the 2005 option award (to be granted in 2006), it has been decided to remove the directory companies Eniro and TPI from VNU's peer group. They have been replaced by WPP and Taylor Nelson Sofres effective January 1, 2005. For the period preceding that date, SEAT (March 28, 2003 through August 3, 2003) and Eniro (August 4, 2003 through December 31, 2004) are still part of the peer group.

As of 2006, the number of options to be granted will change. Performance in line with the top three peer companies will result in a grant of 80,000 options. If performance is in the range of the middle segment, 50,000 options will be awarded. In case performance is in line with the lowest segment, no options will be granted. Through this change, VNU's policy for granting options will become compliant with best practice provision II.2.2 of the Dutch Corporate Governance Code.

In 2005, as a result of the share price performance in the period from March 29, 2002 through December 31, 2004, Messrs. Van den Bergh and Ruijter were each granted 20,000 options, which all have a ten-year term. In accordance with Mr. Ruijter's employment contract, he received an additional 20,000 options in 2005, which have a 7-year term. The exercise price of EUR 21.92 was established at the date of grant (March 18, 2005). According to the calculation as explained in Note 25, these options can be valued at EUR 111,400 and EUR 204,000 for Messrs. Van den Bergh and Ruijter respectively.

Mr. Connors did not receive an option grant in 2005 due to his departure as a member of the Executive Board on April 1, 2005.

In 2006, as a result of the share price performance in the applicable period (March 29, 2003 through December 31, 2005), Mr. Ruijter will not be granted any share options. Mr. Van den Bergh will not receive options due to his impending departure.

Mr. Van den Bergh's existing options will continue in accordance with their original terms after he relinquishes the CEO position.

Long-Term Incentive Plan

VNU's Long-Term Incentive Plan (LTIP) provides for payments to individual members of the Executive Board once every three years, to the extent they have achieved, during the three preceding years, corporate targets and individual targets, which can be of a qualitative or quantitative nature. In case responsibilities of an Executive Board member change during a three-year LTIP-period, the Remuneration and Nomination Committee will adjust the performance criteria. In line with international best practice, LTIP awards for Executive Board members will be payable in VNU shares instead of cash.

Under the 2005–2007 LTIP, 45% of the incentive target is linked to growth in VNU's Earnings Before Interest Taxes Depreciation and Amortization (EBITDA); 45% is linked to Total Shareholder Return (TSR) as compared to a peer group (see discussion of VNU Share Option plan for companies included in the peer group); and the remaining 10% is defined by individual targets. The maximum amount payable is 150% of the target for each of the performance criteria.

The amounts accrued beginning in 2005 for VNU's current LTIP are as follows:

LTIP	Cash target	Performance share unit equivalent	2005 Accrual	Term of the current LTIP
R.F. van den Bergh	USD 2,100,000	70,954	EUR 377,107	01/01/2005–12/31/2007
R.A. Ruijter	EUR 1,410,000	64,887	EUR 344,863	01/01/2005–12/31/2007

Because of the change in VNU's business portfolio, the introduction of new accounting standards and the movement from payment in cash to payment in shares, Mr. Van den Bergh's former LTIP — in effect as of January 1, 2004 — was terminated and replaced by the new three-year plan based on the new performance criteria. Upon termination of the former LTIP, Mr. Van den Bergh was paid USD 595,000 charged to 2004.

Mr. Connors LTIP was terminated effective December 31, 2004 as he was leaving the Company. Upon termination of the former LTIP, Mr. Connors was paid the pro-rata portion of his three-year target which was USD 833,000.

Mr. Van den Bergh will receive a pro-rated payout for the 2005–2007 performance period of one third of the performance share units. These units will be converted to cash based on the VNU share price on the date he relinquishes the CEO position. An additional EUR 285,598 has been accrued for this payout.

Pension and Retirement Benefits

Pension rights to Mr. Van den Bergh and Mr. Ruijter are covered by the Dutch Foundation "Stichting Pensioenfonds VNU", which covers defined benefit plans for Dutch employees. The benefit accrual for Mr. Van den Bergh and Mr. Ruijter is 2% of the pension base per annum. In 2005 the pension benefit of Mr. Van den Bergh was increased to provide him with a pension at age 60 of 60% of his base salary. In connection with this increase an additional accrual of EUR 600,000 has been made in 2005. Mr. Ruijter will receive 70% of his current base salary. Beginning in 2006, a portion of Mr. Ruijter's bonus can be made pensionable (2.25%).

Mr. Van den Bergh and Mr. Ruijter both participate in the U.S. 401K plan (defined contribution plan). The following accruals were made in 2005 and 2004:

Pension and retirement benefits	2005	2004
R.F. van den Bergh	EUR 278,677	EUR 220,902
	EUR 600,000	
	USD 6,300	USD 6,150
R.A. Ruijter	EUR 273,088	EUR 16,243
	USD 4,415	
M.P. Connors	USD 11,693	USD 35,294

Executive Termination Plans

If an Executive Board member's employment is terminated by VNU other than for cause or voluntary resignation, the following will apply:

Mr. Van den Bergh: In case of termination other than for cause and voluntary resignation, Mr. Van den Bergh will receive twelve months' salary. This payment will be increased by one month's salary for every full year of service from the age of 40, plus an additional 2% for every full year of service. For the purpose of these calculations, 5 years of additional service were awarded to Mr. Van den Bergh in the year 2000. In connection with the monthly salary, the proportional monthly part of 50% of the cash incentive of the annual bonus plan will be included in the termination payment. In case of termination as a result of change-of-control, the above mentioned amount will be multiplied by 1.5, but the total pay-out will not exceed sixty months' salary (for this calculation, the monthly salary is defined as described above).

In no event will the total payment amount to more than would have been paid if monthly salary, as defined above, had continued until Mr. Van den Bergh's retirement in May 2010.

Mr. Ruijter: Mr. Ruijter's contract provides for a notice period of six months for VNU and three months for Mr. Ruijter. Mr. Ruijter was appointed for a period of approximately four years. In case of termination of employment, other than for cause and voluntary resignation, Mr. Ruijter will receive an amount equal to one year of base salary.

Mr. Connors: Mr. Connors resigned from VNU effective July 1, 2005. He remained on the Executive Board until April 1, 2005 and continued as Chairman and CEO of the MMI group until June 30, 2005. In accordance with his agreement with VNU, Mr. Connors received two years of base salary and targeted annual incentive (USD 2,800,000). In addition the Company paid him a pro-rated portion of the three-year targeted LTIP. In the second half of 2005, he was also entitled to the continuation of certain fringe benefits following his departure from the Company. These benefits were valued at USD 157,502.

Other Benefits

During 2005, Mr. Van den Bergh received a payment in honor of his 25 year anniversary with VNU in the amount of 1/12 of his annual salary (USD 64,875). During 2005 and 2004 Mr. Van den Bergh received automobile assistance.

During 2005, Mr. Ruijter received housing related assistance totaling USD 293,297, a portion of which includes gross-up for U.S. income tax purposes, and automobile assistance. In connection with his relocation to the United States, USD 214,222 of costs were incurred.

Total Remuneration

For the years ended December 31, 2004, and 2005, total base salaries, accrued annual bonuses, share options, long-term incentives and pension and retirement benefits amounted to:

Total remuneration amounts	*Total remuneration*		*Variable remuneration as a % of total remuneration*	
(IN EUR)	2005	2004	2005	2004
R.F. van den Bergh (1)	2,923,515	2,248,366	46.7	62.3
R.A. Ruijter	2,146,998	205,410	46.3	73.0
M.P. Connors	275,572	4,311,012	—	86.2
Total	5,346,085	6,764,788		

(1) EUR 600,000 of the 2005 total is a one-time accrual due to a change in pension.

All 2005 U.S. dollar amounts have been translated into Euro amounts at the weighted average exchange rate in 2005 of USD 1.00 = EUR 0.80. For 2004, the average rate was USD 1.00 = EUR 0.81.

The total remuneration for 2005 does not include expenses related to Mr. Van den Bergh's resignation. The total costs will be dependent on the timing of his departure, and are in accordance with prior agreements. The Company has estimated these expenses to be EUR 3,617,600 and has taken a charge against 2005 earnings for this amount. An additional EUR 285,598 has been charged to 2005 based on the termination of the Long Term Incentive Plan as described above.

Director's Loan

In March 2002, in connection with the relocation to the United States of the Chairman of the Executive Board and his family, the Chairman received a home mortgage loan from VNU in the amount of USD 4,140,000. The loan accrues interest at the rate of 6.0% per year. Interest is due at the time that the loan is repaid, which can be no later than July 1, 2007. If at that time the value of the house is not sufficient to cover the amount of this loan plus accrued interest, VNU will absorb the difference on an after-tax basis.

VNU has not made or arranged for a loan or guarantee for any other member of the Executive Board or Supervisory Board.

Common stock holdings of members of the Executive Board and members of the Supervisory Board:

Shares	*Balance at December 31,* 2005	2004
Executive Board		
R.F. van den Bergh	2,571	2,522
R.A. Ruijter	1,314	1,289
Supervisory Board		
J.L. Brentjens	10,086	10,086
Total	13,971	13,897

Common Stock Option Holdings of Members of VNU's Executive and Supervisory Boards

As of December 31, 2005, current members of the Executive Board and one member of the Supervisory Board (granted during his service as a member of the Executive Board) held 380,000 options to acquire common shares, consisting of 40,000 options from the series 2000; 80,000 options from the series 2001; 120,000 options from the series 2002; 40,000 options from the series 2003; 40,000 options from the series 2004; and 60,000 options from the series 2005. These options grant the option holders the right to acquire VNU common shares. VNU issues new shares if and when stock options are exercised. During 2005, no options were exercised by Executive Board members.

The most important conditions for exercising options by members of either Board do not differ from those which are applicable to other members of senior management. These conditions are described in Note 25. Beginning in 2004, options awarded to members of the Executive Board will vest after three years. All other options have already vested.

It is VNU's policy not to grant options to members of the Supervisory Board.

Details of VNU stock options (including number of options, expiration dates and exercise prices) held by members of the Executive and Supervisory Boards are presented below.

Stock options	Balance at January 1, 2005	Granted	Expired	Balance at December 31, 2005	Expiration date	Exercise price in EUR
Executive Board						
R.F. van den Bergh	40,000		40,000	—	06/02/05	59.80
	20,000			20,000	06/02/10	59.80
	20,000			20,000	03/23/06	39.29
	20,000			20,000	03/23/11	39.29
	40,000			40,000	03/22/09	36.50
	20,000			20,000	03/22/12	36.50
	20,000			20,000	03/21/10	24.92
	20,000			20,000	03/21/13	24.92
	20,000			20,000	03/18/11	22.60
	20,000			20,000	03/18/14	22.60
		20,000		20,000	03/18/15	21.92
Sub-total	240,000	20,000	40,000	220,000		
R.A. Ruijter		20,000		20,000	03/18/12	21.92
		20,000		20,000	03/18/15	21.92
Sub-total		40,000		40,000		
Supervisory Board						
G.S. Hobbs (former member of the Executive Board)	40,000		40,000	—	06/02/05	59.80
	20,000			20,000	06/02/10	59.80
	20,000			20,000	03/23/06	39.29
	20,000			20,000	03/23/11	39.29
	40,000			40,000	03/22/09	36.50
	20,000			20,000	03/22/12	36.50
Sub-total	160,000		40,000	120,000		
Total	400,000	60,000	80,000	380,000		

Remuneration of Other Key Management Personnel

There are three other executives designated as Key Management: Mr. M. Marchesano, President & CEO — Business Media U.S.; Mr. S.M. Schmidt, President & CEO — VNU Marketing Information; and Ms. S.D. Whiting, President & CEO — VNU Media Measurement & Information and Nielsen Media Research. All reside in the United States.

The remuneration of Key Management is established by the Executive Board. VNU's renumeration systems should be internationally competitive; attract, motivate, and retain highly qualified business people; align the interests of senior executives with the interests of shareholders; and balance short-term operational performance with longer-term objectives.

For the years ended December 31, 2005 and 2004, the table on the next page summarizes their remuneration, including: base salaries, accrued annual bonuses, equity based remuneration including share options and restricted stock units, long-term incentives, pension and retirement benefits, and other benefits including housing assistance, automobile assistance, financial planning, and/or country club dues.

(IN EUR)	2005	2004
Base salary	1,172,000	1,132,460
Annual bonus	1,156,000	779,739
Equity based remuneration	889,095	744,267
Long-term incentive plans	869,344	957,276
Pension & retirement Benefits (1)	304,706	(530,859)
Other benefits	238,167	205,913
Total	4,629,312	3,288,796

(1) 2004 amount revised to reflect modification to a retirement plan.

All 2005 and 2004 U.S. dollar amounts have been translated into Euro amounts at the weighted average exchange rate in 2005 of USD 1.00 = EUR 0.80 and in 2004 of USD 1.00 = EUR 0.81.

Remuneration of Members of the Supervisory Board

In order to align the remuneration level of the members of VNU's Supervisory Board with the average level at companies of similar size and structure, VNU increased the annual remuneration of each member of the Supervisory Board by EUR 5,000 in each of the years 2005 and 2006. Accordingly, the remuneration of the Chairman, the Vice Chairman and each of the other members of the Supervisory Board will amount to EUR 45,000, EUR 40,000 and EUR 35,000, respectively, for the financial year 2005 and to EUR 50,000, EUR 45,000 and EUR 40,000, respectively, for the financial year 2006. Furthermore, effective 2005, VNU increased the compensation for the Chairman and each of the members of the Audit Committee to EUR 10,000 (from EUR 7,000) and EUR 8,000 (from EUR 5,000), respectively.

No options or shares are granted to members of the Supervisory Board and none of the members of the Supervisory Board accrued any pension rights.

Remuneration for 2005 (IN EUR)	2005 Membership	2005 Committees	2004 Total
A.G. Jacobs	45,000	8,000	45,000
F.L.V. Meysman	40,000	5,000	40,000
J.L. Brentjens	35,000	8,000	35,000
R. Dahan	35,000	5,000	35,000
P.A.F.W. Elverding	35,000	10,000	37,000
G.S. Hobbs	35,000	—	30,000
A. van Rossum	24,519	—	—
Total	249,519	36,000	222,000

34. First-Time Adoption of International Financial Reporting Standards

IFRS 1, "First-time Adoption of International Financial Reporting Standards", prescribes the procedures that VNU followed when adopting IFRS for the first time as its primary basis for preparing its consolidated financial statements. Due to the requirements of IFRS 1 for first-time adopters, the accounting policies should, in principle, be applied retrospectively to VNU's IFRS opening balance sheet at the date of transition, which is January 1, 2004. IFRS 1 also includes a number of optional exemptions and mandatory exceptions from this principle, and the most significant decisions made by VNU in respect of the exemptions and exceptions are described below.

Business Combinations

VNU has elected not to apply IFRS 3, "Business Combinations", retrospectively to business combinations that took place before the date of transition. As a result, in the opening balance sheet, goodwill arising from past business combinations remains as stated under Dutch GAAP at December 31, 2003, except for certain other adjustments and reclassifications required to be made between goodwill and intangible assets, as discussed later in this note. This goodwill has been tested for impairment at the date of transition.

Employee Benefits

VNU has elected to apply the transition exemption under IFRS 1 which allows recognition of all cumulative unrecognized actuarial gains and losses in relation to employee benefit schemes at the date of transition. This exemption allows VNU to adopt the corridor approach prospectively from the date of transition.

Financial Instruments

As permitted by IFRS 1, VNU has elected to use January 1, 2005 as its transition date for the adoption of IAS 32, "Financial Instruments: Disclosure and Presentation", and "IAS 39, Financial Instruments: Recognition and Measurement" (as amended on June 16, 2005 to include the use of the Fair Value Option). Consequently, the IFRS opening balance sheet as of January 1, 2004, the IFRS consolidated statement of income for 2004, and the IFRS balance sheet as of December 31, 2004 do not reflect any impact from the recognition, classification or measurement provisions of IAS 32 or IAS 39. For the balance sheet as of January 1, 2005, hedge accounting has been applied only to the relationships that qualified for hedge accounting under Dutch GAAP and also meet the requirements of IAS 39. Additionally, under the provisions of the "fair value option" amendment to IAS 39, VNU has irrevocably designated two of its debt issues, along with their embedded derivatives, as financial instruments at "fair value through profit or loss" as of January 1, 2005 and has recorded the corresponding gains and losses in financial income and financial expense, respectively, in 2005.

Share-Based Payments

Consistent with IFRS 2, "Share-based Payment", VNU applied the standard to options granted after November 7, 2002 which are unvested at January 1, 2005. This has no impact on the opening equity in the IFRS opening balance sheet as of January 1, 2004 since all share-based payment plans existing at that date are equity settled.

Assets Classified as Held for Sale and Discontinued Operations

VNU has elected to apply the provisions of IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations”, to non-current assets (or disposal groups) that meet the criteria to be classified as held for sale and operations that meet the criteria to be classified as discontinued operations as from January 1, 2004.

Reconciliations of Equity as of January 1, 2004 and December 31, 2004 and Net Income for the Year 2004

Reconciliation of VNU’s issued capital and reserves as reported in the consolidated financial statements under Dutch GAAP to its capital and reserves attributable to VNU’s equity holders under IFRS as of January 1, and December 31, 2004:

(EUR IN MILLIONS)		January 1, 2004	December 31, 2004
Issued capital and reserves under Dutch GAAP		4,066	3,957
Intangible assets	(a)	—	114
Deferred tax liability for identified intangible assets	(b)	(529)	(433)
Income taxes	(b)	12	36
Revenue recognition	(c)	(118)	(99)
Employee benefits	(d)	(35)	(11)
Provisions	(e)	46	(7)
Leases	(g)	(4)	(7)
World Directories book gain and other tax items	(h)	43	—
Other adjustments	(i)	11	1
Equity attributable to equity holders of VNU under IFRS		3,492	3,551

Reconciliation of the net earnings for 2004 reported in the Dutch GAAP consolidated financial statements to the profit for the year attributable to the equity holders of VNU under IFRS:

(EUR IN MILLIONS)		2004
Dutch GAAP net earnings 2004		163
Goodwill amortization and impairment charges	(a)	247
Amortization of identified intangible assets	(a)	(100)
Deferred taxes for identified intangible assets	(b)	33
Income taxes	(b)	30
Revenue recognition	(c)	(5)
Employee benefits	(d)	(16)
Provisions	(e)	(47)
Share-based payments	(f)	(21)
Leases	(g)	(4)
World Directories book gain and other tax items	(h)	(19)
Other adjustments	(i)	(11)
IFRS profit for the year 2004 attributable to equity holders of VNU		250

Explanation of the Effect of the Transition to IFRS

The following is an explanation of the reconciling items shown above and changes that impact classification and presentation but do not give rise to amounts in the reconciliations.

(a) Business Combinations, Goodwill, and Intangible Assets

Under Dutch GAAP, acquired goodwill was capitalized and amortized over its estimated useful life. IFRS 3 requires that goodwill is not amortized, but is subject to an annual impairment test. As a result, VNU reversed 2004 goodwill amortization and impairment charges of EUR 247 million recorded under Dutch GAAP. Any 2004 Dutch GAAP impairment charges related to VNU’s 2004 recognition of deferred tax assets of a prior business combination, which were not initially valued in the purchase price accounting, were not reversed for IFRS. The resulting tax gain was recognized in the statement of income, and the goodwill associated with the business combination was reduced by an equal amount.

VNU conducted an impairment test of the IFRS goodwill balance at January 1, 2004 and at December 31, 2004 in accordance with IAS 36, “Impairment of Assets”. As part of the implementation of IFRS, VNU defined its cash generating units, which differ from the level at which goodwill was tested under Dutch GAAP. As a result of the impairment tests, no impairment charges were recorded at January 1, 2004 or at December 31, 2004.

Under Dutch GAAP, VNU classified intangible assets such as trade names, trade shows, customer contracts, and other intangible assets under a single account called publishing rights. As part of VNU’s conversion to IFRS, those intangibles which met the criteria of IAS 38, "Intangible Assets", as well as previously recognized software assets, have been separately accounted for and are presented under 'Other intangible assets' at an amount of EUR 1,679 million as of January 1, 2004, with no net impact on equity. As of January 1, 2004, these intangibles are amortized (except for indefinite-lived intangibles), which resulted in an additional amortization charge of EUR 100 million in 2004, whereas under Dutch GAAP, these intangibles were not amortized.

At December 31, 2004, the impact to equity of EUR 114 million is primarily related to the reversal of Dutch GAAP amortization, offset by incremental IFRS amortization during 2004.

(b) Deferred Tax Liability for Identified Intangible Assets / Income Taxes

IAS 12, "Income Taxes", 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 the intangible assets that are acquired as part of a business combination, requiring an adjustment of EUR 529 million under IFRS to account for the deferred tax liability relating to the intangible assets separately recognized under IFRS. According to the IFRS transition methodology applied by VNU, goodwill and the carrying value of the intangible assets are not changed as a result of the transition to IFRS, except in specific circumstances. Therefore, the recognition of the deferred tax liability on intangible assets was charged to retained earnings upon adoption of IFRS. At December 31, 2004, the impact to equity for the recognition of the deferred tax liabilities is EUR 433 million. The amortization of the IFRS deferred tax liability results in an increase to 2004 profit of EUR 33 million. The remaining difference between the January 1, 2004 opening and December 31, 2004 closing equity adjustments, relates to the impact of foreign currency translation of EUR 38 million, since the deferred taxes are denominated in U.S. dollars, as well as the positive equity impact of EUR 25 million resulting from the disposal of VNU's Directories group.

The income taxes line in the reconciliations includes the tax impact of all other IFRS adjustments, as well as principle differences between Dutch GAAP and IFRS related to income tax. The overall tax impact of these other adjustments is an increase to equity of EUR 12 million and EUR 36 million at January 1, 2004 and December 31, 2004, respectively, and an increase of the 2004 IFRS profit for the year of EUR 30 million.

(c) Revenue Recognition

Under IFRS, revenues in 2004 are EUR 461 million lower than under Dutch GAAP. This decrease is primarily explained by the deconsolidation of joint ventures, the reclassification of the Directories group to discontinued operations, and changes in accounting principles for revenue recognition.

The Company changed its revenue recognition policies upon adoption of IFRS, as described below. For further information on revenue recognition policies, see Note 3.

Revenues from retail, television audience, and Internet measurement are recognized over the period that the services are performed and information is delivered to the customer, whereas under Dutch GAAP, revenue was generally recognized over the period that services were rendered.

Revenues from customized research services are recognized as value is delivered to the customer. The pattern of revenue recognition for these contracts varies depending on the terms of the individual contracts, and may be recognized proportionally or deferred until the end of the contract term and recognized when the final report has been delivered to the customer. Under Dutch GAAP, revenue was recognized using a percentage of completion method, whereby revenues and costs were deferred and recognized by reference to the stage of completion.

As a result of the change in revenue recognition policies, profit for the year 2004 under IFRS is EUR 5 million lower, and shareholders' equity is reduced EUR 118 million and EUR 99 million at January 1, 2004 and December 31, 2004, respectively.

When the Business Information group sells goods or services to an agent or distributor at a discount, revenues are recorded at the fair values of the total consideration received, which may include both cash received from the agent or distributor, and services performed by the agent or distributor, to the extent that the fair value of the services performed by the agent or distributor is determinable. Under Dutch GAAP, such transactions were recorded based only on the net cash received from the customer. The result is that revenues and cost of sales are both increased by an amount of EUR 32 million under IFRS in 2004.

(d) Employee Benefits

Under Dutch GAAP, VNU accounted for pensions and other post-employment benefits in accordance with U.S. GAAP SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Plans other than Pensions". VNU's IFRS opening balance sheet as of January 1, 2004 reflects the implementation of IAS 19, "Employee Benefits".

For the implementation of IAS 19, VNU has recognized the funded status, at January 1, 2004, of the defined benefit obligation (PBO) so far as this is not covered by provisions or net pension assets in the Dutch GAAP balance sheet. The deficit in the Dutch GAAP balance sheet has been charged against retained earnings in the IFRS opening balance sheet at January 1, 2004.

In the Dutch GAAP balance sheet, VNU had recognized a minimum pension liability for the deficit determined on the accumulated benefit obligation (ABO) level, as required under SFAS No. 87. As an ABO is not recognized under IAS 19, the minimum pension liability related entries have been reversed, partly offsetting the aforementioned recognition of the deficits on a PBO basis.

The impact on profit under IFRS in 2004 was EUR 16 million as a result of a one-time item relating to employee benefits, and the net impact on shareholders' equity is a reduction of EUR 35 million and EUR 11 million at January 1, 2004, and December 31, 2004, respectively.

(e) Provisions

IFRS sets a higher threshold for the recognition of restructuring charges for employee terminations than was required under Dutch GAAP. IFRS requires that a termination plan be communicated to the affected employees in order to recognize a liability within the reporting period, whereas Dutch GAAP allowed the recognition of the liabilities at the balance sheet date, as long as certain requirements were met before the annual report was issued. Under IFRS, any accretion charge related to a discounted provision will be recorded as interest expense and included in financial expense. In addition, certain other provisions recorded under Dutch GAAP did not meet the IFRS criteria for recognition and are reversed in the reconciliation to IFRS. Altogether, the impact of restructuring charges and other provisions on equity was an increase of EUR 46 million at January 1, 2004, and a decrease of EUR 7 million at December 31, 2004. The impact on profit was a reduction of EUR 47 million for the year ended December 31, 2004.

(f) Share-Based Payments

Under Dutch GAAP, VNU did not record any charges for employee share options, because all of the options granted to employees were issued at an exercise price equal to the price of VNU's shares on the date of grant (the options were granted "at the money"). IFRS 2 requires VNU to recognize compensation charges in its statement of income for all employee share options. The compensation charges are recognized over the vesting period of the options, based upon the fair values of the options granted to the employees, with a corresponding increase in other reserves. The fair values are computed using a Black-Scholes option pricing model, as described in Note 25. VNU also recorded share-based compensation charges for NetRatings' employee share options based on the fair value of those options.

As prescribed by IFRS 1, the Company began recording share-based compensation charges for options granted after November 7, 2002, which were unvested at January 1, 2005. As a result, VNU recorded additional expense of EUR 21 million during the year ended December 31, 2004, with no impact to shareholders' equity at January 1, 2004 or at December 31, 2004.

(g) Leases

IAS 17, "Leases", requires a more formal assessment of lease classification than was previously applied under Dutch GAAP. As a result of the assessment performed under IAS 17, VNU recognized certain leases as finance leases, which were previously classified as operating leases under Dutch GAAP.

VNU had previously entered into separate sale and leaseback arrangements for two office buildings in its North American operations. While these were classified as operating leases under Dutch GAAP, the Company's assessment under IAS 17 and a related interpretation, SIC 27, "Evaluating the Substance of Transactions Involving the Legal Form of a Lease", concluded that these arrangements will be accounted for as financings under IFRS.

The impact on the December 31, 2004 balance sheet was an addition of EUR 107 million included in assets and EUR 111 million in liabilities relating to the lease adjustments above, while the net impact to capital and reserves was a reduction of EUR 4 million at January 1, 2004, and a reduction of EUR 7 million at December 31, 2004. The total impact to profit was a reduction of EUR 4 million for the year-ended December 31, 2004.

(h) World Directories Book Gain and Tax Items

As a result of differences in book basis under IFRS, the gain realized on the sale of World Directories in 2004 increased by EUR 24 million. This increase was offset by EUR 43 million of additional tax charges under IFRS in 2004 related to a review of World Directories' tax position at the time VNU began the divestiture process.

(i) Other Adjustments

Other adjustments primarily include the impact of differences related to capitalized internal use software, and the impact of capitalization of interest costs.

Classification and Presentation

Discontinued Operations

VNU has chosen to apply IFRS 5 as of January 1, 2004, as it sold the Directories group in 2004. As a result, revenues and the other lines in the consolidated statement of income do not include the operations of the Directories group. Instead, the income from operations and gain on sale of the Directories group is presented in a separate section of the consolidated statement of income.

Interests in Joint Ventures

Under Dutch GAAP VNU's interests in jointly controlled entities were accounted for by proportionate consolidation, which means that VNU combined its share of the joint ventures' individual assets and liabilities on a line-by-line basis with similar items in VNU's financial statements. Under IFRS, VNU has elected to use the equity method of accounting for jointly controlled entities.

Other Differences in the Consolidated Balance Sheet

IFRS requires a different presentation than was required under Dutch GAAP. Consequently, VNU has reclassified certain elements of the balance sheet, of which the most significant are as follows:

Under IFRS, software that is not deemed a part of related hardware is classified within intangible assets. Consequently, software amounting to EUR 187 million as of January 1, 2004 has been reclassified from property, plant & equipment to other intangible assets;

Under IFRS, for share dividends issued, the fair value amount of the additional shares issued should be transferred from retained earnings to additional paid-in-capital. Therefore, approximately EUR 221 million of retained earnings was reclassified to additional paid-in-capital as of January 1, 2004 related to share dividends granted prior to the IFRS transition date of January 1, 2004;

Deferred tax items are presented as non-current assets or liabilities separately on the face of the balance sheet;

All balance sheet items must be classified as an asset, a liability or as equity under IFRS. Consequently, no balance sheet items can be presented between non-current liabilities and capital and reserves.

Reconciliation of Equity as of January 1, 2005

As permitted by IFRS 1, VNU adopted IAS 32 and IAS 39 (as amended on June 16, 2005 to include the use of the Fair Value Option) as of January 1, 2005. The impact of implementing IAS 32 and IAS 39 on equity attributable to equity holders of VNU as of January 1, 2005 is as follows:

(EUR IN MILLIONS)	IAS 32/39 Impact
Equity attributable to equity holders of VNU under IFRS as of December 31, 2004	**3,551**
Borrowings valued at amortized cost/fair value	(64)
Derivatives at fair value	42
Net investment hedges	9
Cash flow hedges	(11)
Preferred shares (reclassification to borrowings)	(97)
Tax impact of IAS 32/39 adjustments	2
Equity attributable to equity holders of VNU under IFRS as of January 1, 2005	**3,432**

The Impact of Financial Instruments on the Opening Balance Sheet as of January 1, 2005

Companies that have an IFRS adoption date before January 1, 2006 may choose not to restate their comparatives for IAS 32 and IAS 39. VNU has elected to apply this IFRS 1 exemption, which means that January 1, 2005 is the "IAS 32/39 transition date". The impact on VNU's financial information of implementing IAS 32/39 as from January 1, 2005 is as follows:

Borrowings are stated at amortized cost using the effective interest method or at fair value;

Derivatives are recognized at fair value in the balance sheet as from January 1, 2005. Currency and interest rate swaps are shown separately on the balance sheet, which results in an increase of VNU's gross debt by EUR 525 million. Unless hedge accounting is applied, the full change in the fair value will impact the financial results in the statement of income and therefore profit for the year. Hedge accounting is applied to hedge relationships that were accounted for as hedges under Dutch GAAP and that met the IAS 39 criteria for hedge accounting as of January 1, 2005;

Preferred shares are no longer classified as equity but are included in borrowings and classified under non-current liabilities. Dividends on preferred shares will be classified as interest and included in financial expense;

VNU has elected to apply the IAS 39 Fair Value Option to its 1.75% convertible debenture loan and the 6.75% debenture loan (EMTN) that the Company partially bought back in January 2005, irrevocably designating these loans as "at fair value through profit or loss";

Capitalized transaction costs of loans are no longer recognized as an asset, but instead as a deduction from borrowings. The amortization of such transaction costs, using the effective interest method, is reclassified from operating expenses to financial expense;

Upon adoption of IAS 32, VNU reclassified EUR 643 million of bank overdrafts from cash and cash equivalents to borrowings because VNU does not have a legally enforceable right to offset such overdrafts against our positive cash balances.

Consolidated IFRS Balance Sheets

(EUR IN MILLIONS)	*January 1,* 2004	*December 31,* 2004	*January 1,* 2005
ASSETS			
Current assets			
Cash and cash equivalents	352	2,045	2,688
Other financial assets	127	121	121
Trade and other receivables	708	549	549
Other current assets	176	124	114
	1,363	2,839	3,472
Non-current assets			
Goodwill	5,504	3,579	3,579
Other intangible assets	1,679	1,451	1,451
Property, plant & equipment	377	370	370
Deferred tax assets	141	116	119
Investments accounted for using the equity method	248	52	52
Pension assets	65	60	60
Other financial assets	75	78	657
Other non-current assets	68	70	70
	8,157	5,776	6,358
TOTAL ASSETS	9,520	8,615	9,830
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts	—	—	643
Accounts payable and other current liabilities	726	628	591
Deferred revenue	396	334	334
Income tax payable	154	41	41
Borrowings and other financing	399	167	167
Provisions	28	46	46
	1,703	1,216	1,822
Non-current liabilities			
Provisions	454	415	415
Post-employment benefit liabilities	200	158	158
Deferred tax liabilities	368	334	334
Borrowings and other financing	3,131	2,759	3,487
Other non-current liabilities	98	103	103
	4,251	3,769	4,497
TOTAL LIABILITIES	5,954	4,985	6,319
Capital and reserves attributable to VNU's equity holders			
Share capital	52	53	50
Additional paid-in-capital	2,563	2,640	2,551
Retained earnings	1,564	1,669	1,732
Other reserves	(687)	(811)	(901)
	3,492	3,551	3,432
Minority interests	74	79	79
Total equity	3,566	3,630	3,511
TOTAL LIABILITIES AND EQUITY	9,520	8,615	9,830

Financial Statements of VNU nv

Balance Sheet Before Profit Appropriation

Note	(EUR IN MILLIONS)	December 31, 2005	2004
	ASSETS		
	Non-current assets		
4	Financial assets	**6,148**	5,144
5	Other non-current assets	**98**	15
		6,246	5,159
	Current assets		
6	Cash and cash equivalents	**5**	1,801
7	Other current assets	**2**	15
		7	1,816
	TOTAL ASSETS	**6,253**	**6,975**
	EQUITY AND LIABILITIES		
8	**Shareholders' equity**		
	Share capital	**51**	53
	Additional paid-in-capital	**2,623**	2,640
	Retained earnings	**1,847**	1,669
	Other reserves	**(372)**	(811)
		4,149	3,551
9	**Provisions**	**—**	95
	Non-current liabilities		
10	Borrowings and other financing	**1,567**	2,531
	Current liabilities		
11	Accounts payable and other current liabilities	**7**	70
10	Borrowings and other financing	**530**	728
		537	798
	TOTAL EQUITY AND LIABILITIES	**6,253**	**6,975**

Statement of Income

Note	(EUR IN MILLIONS)	For the years ended December 31, 2005	2004
12	Share of net-income of subsidiaries, associates and joint ventures	**264**	194
	Selling, general and administrative expenses	**(61)**	(32)
	Financial income / expense	**53**	95
	Income tax expense	**—**	(7)
12	**Profit attributable to Equity Holders of VNU**	**256**	**250**

Statement of Changes in Equity

(EUR IN MILLIONS)	Share capital	Additional paid-in-capital	Retained earnings	Other reserves	Total shareholders' equity
Balance, January 1, 2004	52	2,563	1,564	(687)	3,492
Currency translation adjustments	—	—	—	(145)	(145)
Total income for the year recognized directly in equity	—	—	—	(145)	(145)
Profit for the year	—	—	250	—	250
Total income and expense for the year	—	—	250	(145)	105
Common share dividends	1	78	(139)	—	(60)
Preference share dividends	—	—	(6)	—	(6)
Share-based compensation	—	—	—	21	21
Share movements of majority owned subsidiaries	—	(1)	—	—	(1)
Balance, December 31, 2004	53	2,640	1,669	(811)	3,551
Impact of IAS 32/39 adoption	(3)	(89)	63	(90)	(119)
Balance, January 1, 2005	50	2,551	1,732	(901)	3,432
Currency translation adjustments	—	—	—	499	499
Revaluation reserve	—	—	—	2	2
Net unrealized gain on available-for-sale securities	—	—	—	5	5
Cash flow hedges	—	—	—	5	5
Total income for the year recognized directly in equity	—	—	—	511	511
Profit for the year	—	—	256	—	256
Total income and expense for the year	—	—	256	511	767
Common share dividends	1	68	(141)	—	(72)
Share option exercise	—	6	—	—	6
Share-based compensation	—	—	—	18	18
Share movements of majority owned subsidiaries	—	(2)	—	—	(2)
Balance, December 31, 2005	**51**	**2,623**	**1,847**	**(372)**	**4,149**

Notes to the Financial Statements

1. Basis of Presentation

The statutory accounts of VNU nv are prepared on the basis of Dutch law and regulations and are in accordance with the provision of article 362-8 of Book 2 of the Dutch Civil Code. The accounting policies used are the same as in the consolidated financial statements. Investments in subsidiaries are accounted for at net asset value. The accounting principles are explained in Note 3 of the consolidated financial statements.

In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed statement of income is included in the VNU nv accounts.

2. Change of Accounting Policies

As a result of application of the provision of article 362-8 of Book 2 of the Dutch Civil Code, which allows the use of the same accounting principles as for the consoldiated financial statements, the 2004 comparatives have been amended retrospectively to reflect the implementation of IFRS. The primary changes are related to the amount of investment in subsidiaries and the related equity.

For a more detailed explanation of these changes see the explanation of the effect of transition to IFRS in Note 34 of the consolidated financial statements.

3. Legal Restructuring

Effective on June 30, 2005, the two legal entities previously held by the Company — VNU Beheer bv and VNU Finance bv — legally merged with and into the Company and ceased to exist. Effective July 1, 2005, a significant portion of the Company's assets and liabilities were split off to a newly incorporated subsidiary — VNU Holding and Finance bv — including among others, cash, receivables from subsidiaries and the derivative financial instruments. VNU Holding and Finance bv is a Dutch legal entity managed in the Netherlands and acts as the Group's finance and holding company.

4. Financial Assets

(EUR IN MILLIONS)	December 31, 2005	2004
Share in equity of subsidiaries		
Balance at December 31, prior year	2,317	2,611
IFRS adjustments	—	(515)
Balance at January 1,	2,317	2,096
Share in net-profit of subsidiaries, associates and joint ventures	264	194
Net effect restructuring	1,426	—
Other changes	49	27
Balance at December 31,	4,056	2,317
Financing		
Balance at December 31, prior year	2,827	5,320
Reclass of other stocks and shares to fixed assets — other	—	(21)
Balance at January 1,	2,827	5,299
Changes in loans	(852)	(2,484)
Changes in receivables from subsidiaries	100	18
Changes in interest receivable	17	(6)
Balance at December 31,	2,092	2,827
Total financial assets	6,148	5,144

In relation to the merger of VNU Finance bv and VNU Beheer bv with and into VNU nv on June 30, 2005, the carrying value of the merged subsidiaries was EUR 4,450 million. As a result of the split-off of assets and liabilities to the newly formed subsidiary, the financial asset balance as at December 31, 2005 increased by EUR 1,426 million.

A list with VNU subsidiaries, associates and joint ventures is published at the Chamber of Commerce for Amsterdam in the Netherlands and available from VNU upon request. The list is also available on VNU's website www.vnu.com.

5. Other Non-Current Assets

In the 2004 financial statements "other stocks and shares" were included in financing, and are now included in non-current assets. An amount of EUR 92 million at December 31, 2005 relates to the difference between nominal value and market value of the loans transferred to VNU Holding & Finance bv as described above.

6. Cash and Cash Equivalents

(EUR IN MILLIONS)	December 31, 2005	2004
Cash at bank and in hand	5	16
Money market funds	—	1,785
	5	1,801

7. Other Current Assets

(EUR IN MILLIONS)	December 31, 2005	2004
Interest receivable	—	1
Deferred bank fees	—	12
Other receivables	2	2
	2	15

8. Shareholders' Equity

(EUR IN MILLIONS, EXCEPT SHARE AND PER SHARE DATA)	December 31, 2005	2004
Common shares, EUR 0.20 par value, 550,000,000 shares authorized; 257,073,932 and 253,757,620 shares issued at December 31, 2005 and 2004, respectively	51	51
Priority shares, EUR 8.00 par value, 500 shares authorized, issued and outstanding	—	—
7% preferred shares, EUR 8.00 par value, 150,000 shares authorized, issued and outstanding	—	1
Series A preferred shares, EUR 8.00 par value, 13,750,000 shares authorized, none issued or outstanding	—	—
Series B cumulative preferred shares, EUR 0.20 par value, 25,000,000 shares authorized; 7,200,000 shares issued and outstanding	—	1
Total share capital	51	53

Issued Common Shares

Actual number of units	December 31, 2005	2004
Balance at January 1,	253,757,620	250,323,801
Common share dividend	3,088,567	3,433,819
Exercise of management and personnel options	227,745	—
Balance at December 31,	257,073,932	253,757,620
Common shares held in treasury	15,136	15,136

Other reserves

(EUR IN MILLIONS)	December 31, 2005	2004
Cumulative translation differences in consolidated financial statements (1)	(421)	(833)
Cash flow hedge reserves (1)	(5)	—
Revaluation reserve (1)	2	—
Net unrealized gains/(losses) (1)	13	—
Reserve for share-based compensation	39	22
Other reserves	(372)	(811)

(1) These components of other reserves are part of legal reserves.

A rollforward schedule of the other reserves is included in Note 22 of the consolidated financial statements.

Legal Reserves

Legal reserves are non-distributable to shareholders due to certain legal restrictions in the Netherlands. Included in the legal reserve are the accumulated earnings from joint-ventures and associates net of the dividends received, of EUR 9 million and EUR 7 million at December 31, 2005 and 2004, respectively, and the reserve for capitalized development costs of internally developed software of EUR 164 million and EUR 120 million at December 31, 2005 and 2004, respectively. At December 31, 2005 and 2004, the legal reserve totals to EUR 188 million and EUR 127 million, respectively. Other components included in the legal reserve are the cash flow hedge reserve, the revaluation reserve, the unrealized gains and losses reserve and the foreign currency translation reserve to the extent that they do not individually carry a deficit balance.

9. Provisions

The provision for tax exposures as at December 31, 2004 of EUR 95 million has been split-off to VNU Holding & Finance bv.

10. Borrowings and Other Financing

	December 31, 2005		2004	
(EUR IN MILLIONS)	Current	Non-current	Current	Non-current
Bank overdrafts	—	—	567	—
Subordinated loans	47	94	45	136
Convertible loans	335	—	—	—
Preferred shares	—	97	—	—
Other borrowings and financing	148	1,376	116	2,395
	530	1,567	728	2,531

Except for the USD 150 million 7.60% debenture loan, all borrowing and other financing is recorded in the accounts of VNU nv.

For a further discussion of the external borrowings see Note 17 of the consolidated financial statements.

11. Accounts Payable and Other Current Liabilities

(EUR IN MILLIONS)	December 31, 2005	2004
Income taxes	—	25
Accrued salaries and bonuses	2	3
Interest to be paid to third parties	—	41
Other	5	1
	7	70

12. Notes to the Statement of Income

VNU nv's statement of income reflects net income from subsidiaries, wages and salaries and other operating costs, and financial income and expense. Financial income and expense includes interest expense on VNU's borrowings, offset by interest income on loans to subsidiaries.

13. Employees

VNU nv currently employs the two members of VNU's Executive Board (2 fte). For further information on remuneration of the Executive Board see Note 33 of the consolidated financial statements.

14. Guarantees

VNU nv guarantees the following:

	Amount (EUR IN MILLIONS)	Expiration of Commitments
Nielsen Media Research, inc USD 150 million 7.6% debenture loan	**127**	6/15/2009
Hosting agreement with IBM	**46**	6/30/2010
Finance lease Markham, Canada	**21**	n/a
NMR office leases	**127**	6/19/2023
VNU inc ABN AMRO credit facility	**42**	n/a
VNU bv/VNU Ireland ING credit facility	**45**	n/a

In addition, VNU nv guarantees credit facilities available for our subsidiaries or associates. At December 31, 2005, nothing was drawn-down by our subsidiaries or associates. Future rental and hosting services obligations are guaranteed for several of VNU's subsidiaries.

For most of VNU nv's Dutch subsidiaries, declarations of liability were filed in accordance with Article 403 Book 2 of the Netherlands Civil Code.

Executive Board

- R.F. van den Bergh, CEO
- R.A. Ruijter, CFO

Supervisory Board

- A.G. Jacobs, Chairman
- F.L.V. Meysman, Vice Chairman
- J.L. Brentjens
- R. Dahan
- P.A.F.W. Elverding
- G.S. Hobbs
- A. van Rossum

Haarlem, March 7, 2006

Other Data

Proposed Appropriation of Net Profit

(EUR IN MILLIONS)	December 31, 2005	2004
Dividend on priority shares	—	—
Dividend on preferred shares (1)	—	6
Dividend on common shares	30	139
Withdrawal of/addition to retained earnings	226	105

(1) As of January 1, 2005, preferred shares, which require payment of dividends, are classified as liabilities with the related dividends recognized in the statement of income as financial expense.

Profit Appropriation According to the Corporate Bylaws

The Executive Board with the approval of the Supervisory Board determines the size of the provisions that are charged to the profit of the current financial year.

From this profit after provisions, the appropriate level of dividends has been determined as follows: EUR 0.45, is distributed on all priority shares; EUR 0.64, is distributed on all 7% preferred shares, and finally a dividend is distributed on all series A preferred shares, if issued. This dividend is calculated based on the paid-in part of the nominal amount, of which the dividend equals the average weighted percentage of the EURIBOR for 12 month cash loans for the accounting year, increased by 1%. In case profits are insufficient to pay the previously mentioned distribution on series A preferred shares, the distribution will be charged against one or more reserves, to be designated by the Executive Board, with the exception of the share premium reserve formed upon the issuance of the series B and 7% preferred shares.

If possible, a dividend will be distributed on the series B preferred shares equal to a percentage calculated on the nominal amount, increased by the amount of share premium, which was paid upon the first issue of these shares, by taking the arithmetical average of the effective proceeds of certain government loans, possibly increased by an addition amounting to a maximum of two hundred and fifty basis points. For the 7,200,000 shares outstanding this percentage is 6.22%. If in any financial year the distributions have not been made, the provisions will only apply during the subsequent financial years after the deficit has been recovered.

The remaining balance of the profit is fully available to the General Meeting of Shareholders. However, priority shares and preferred shares cannot receive more than the fixed dividend.

The Foundation “Stichting tot beheer van de Prioriteitsaandelen in VNU nv”

The priority shares of VNU are held by the foundation “Stichting tot Beheer van de Prioriteitsaandelen in VNU nv” managed by all members of the Supervisory Board and the Executive Board of VNU nv.

The meeting of the holders of priority shares have the right to make up a binding nomination for the appointment of managing directors and supervisory directors.

Under the articles of association of VNU, the following actions require approval of the meeting of holders of priority shares:

a. issuance of shares and granting of options;
b. limitation of pre-emptive rights;
c. call for payment on preference shares;
d. a resolution of the managing board regarding a payment in kind on VNU shares;
e. repurchase and sale of repurchased shares;
f. reduction of capital;
g. determination of number of managing/supervisory directors;
h. amendment of the articles of association or dissolution of VNU.

Declaration of Independence

The board of the foundation “Stichting tot Beheer van de Prioriteitsaandelen in VNU nv” and the Executive Board of VNU together declare that in their opinion “Stichting tot Beheer van de Prioriteitsaandelen in VNU nv” is independent from VNU as referred to in section 10 of Appendix X to the Listing and Issuing rules issued by Eurolist by Euronext Amsterdam nv.

The foundation “Stichting tot Beheer van de Prioriteitsaandelen in VNU nv” is managed by:

A.G. Jacobs, Chairman
R.F. van den Bergh, Secretary
J.L. Brentjens
R. Dahan
P.A.F.W. Elverding
G.J. Hobbs
F.L.V. Meysman
R.A. Ruijter
A. van Rossum

The Foundation “Stichting VNU”

The objective of the foundation “Stichting VNU” is to serve the interests of the company and the businesses operated by the company and its related group companies in such a way that the interests of the company, its businesses and all those involved are secured in the best possible way and influences that could affect the company’s interests, independence, its continuity and or identity, will to its maximum capability be resisted. “Stichting VNU” will additionally perform all actions related to or conducive to the previously mentioned objectives.

In case the board of the foundation judges it necessary to achieve the objective of the foundation, it can decide to use its option, which was obtained for an indefinite period of time, to acquire as many preferred shares A as is needed to match the number of votes on all common shares, preferred B shares and 7% preferred shares outstanding.

Declaration of Independence

The board of the foundation "Stichting VNU" and the Executive Board of VNU together declare that in their opinion "Stichting VNU" is independent from VNU as referred to in section 2, subsection b I of Appendix X to the Listing and Issuing rules issued by Euronext Amsterdam nv.

The foundation "Stichting VNU" is managed by:
P.J. Kalff, Chairman
M.W. den Boogert, Vice Chairman/Secretary
R.H.P.W. Kottman

Report of the Trustee

Report for the financial year 2005 in reference to:

The 1.75% unsubordinated convertible debenture loan issued in 2001, payable in 2006, originally in the amount of EUR 1,150,000,000 by VNU nv.

Pursuant to article III, 2 of the Trust deed notarized by Mr. Ch.M. Stokkermans on May 18, 2001, and modified on July 26, 2002.
We report the following:

Unless purchased or redeemed at an earlier date or converted in accordance with the Trust deed, the debentures will be redeemed at par on May 18, 2006. Until the fourteenth stock exchange day before the redemption date, the debentures are convertible into common shares of VNU nv at EUR 0.20 at a conversion rate that now amounts to EUR 59.50.

During 2005, no debentures were offered for conversion and 549,958 debentures at EUR 1,000 were purchased by VNU nv. Accordingly, at December 31, 2005, the outstanding debenture loan amounted to EUR 333,042,000.

Pursuant to article I, 7 of the Trust deed, VNU has deposited in the name of the Trustee as many shares as are required in order for the complete conversion of all outstanding debentures.

VNU nv is authorized to redeem the debentures at an earlier date if the closing price of common shares on 20 stock exchange days during a period of 30 consecutive days of which the last named period ends within 5 days before the date on which VNU nv notifies the Trustee regarding total early redemption, has amounted to at least 130% of the then current conversion price.

In the event that a 'Change of Control' occurs as described in the Trust deed, VNU nv will offer debenture holders the opportunity to redeem their debentures.

nv Algemeen Nederlands Trustkantoor ANT
Amsterdam, January 10, 2006

Auditors' Report

Introduction

We have audited the financial statements of VNU nv, Haarlem, the Netherlands, 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 EU and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

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 the accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with Respect to the Annual Report

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

Amsterdam, March 7, 2006
for Ernst & Young Accountants

J.J. Hendriks F.A.L. van der Bruggen

Five-year Financial Summary

The VNU consolidated five-year financial summary is based on Dutch GAAP reported financials. For the earnings per share and the ratio information, two years of IFRS information is shown.

Consolidated Balance Sheet before Profit Appropriation at December 31,

(EUR IN MILLIONS)	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP	2001 Dutch GAAP	2000 Dutch GAAP
Fixed assets					
Intangible assets	4,743	7,116	8,200	9,149	6,582
Property, plant and equipment	493	504	522	538	304
Long-term financial assets	283	429	388	172	169
	5,519	8,049	9,110	9,859	7,055
Current assets					
Inventories	9	12	23	57	96
Accounts receivable and other current assets	685	960	1,060	1,509	1,114
Cash and cash equivalents	2,166	490	524	624	602
	2,860	1,462	1,607	2,190	1,812
Current liabilities	1,142	1,648	1,914	2,589	1,943
Working capital	1,718	(186)	(307)	(399)	(131)
Capital to be financed	**7,237**	**7,863**	**8,803**	**9,460**	**6,924**
Non-current liabilities					
Debenture loans and private placements	2,508	2,826	3,184	3,355	1,772
Other long-term liabilities	82	96	103	197	231
	2,590	2,922	3,287	3,552	2,003
Subordinated loans	136	182	492	492	832
Provisions for liabilities and changes	472	611	332	279	174
Minority interests	81	82	105	142	168
Shareholders' equity					
Capital stock	53	53	52	50	50
Additional paid-in-capital	2,334	2,334	2,335	2,067	2,050
Retained earnings	1,408	1,549	2,030	1,874	1,647
Unappropriated net earnings	163	130	170	1,004	—
	3,958	4,066	4,587	4,995	3,747
Financing capital	**7,237**	**7,863**	**8,803**	**9,460**	**6,924**

In 2003 VNU reclassified certain long-term financial assets out of current assets. Only the 2002 comparative figures have been adjusted accordingly.

Consolidated Statement of Income Years ended December 31,

(EUR IN MILLIONS)	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP	2001 Dutch GAAP	2000 Dutch GAAP
Total revenues	3,781	3,882	4,275	5,814	3,962
Personnel costs	1,847	1,883	2,026	1,918	1,121
Raw materials and purchased services	760	813	862	1,009	909
Other operating expenses	341	390	481	943	568
Depreciation of property, plant and equipment	145	153	160	149	86
Total operating costs and expenses	3,093	3,239	3,529	4,019	2,684
Operating income before goodwill amortization and impairment charges	688	643	746	1,795	1,278
Goodwill amortization	(245)	(220)	(249)	(260)	(162)
Goodwill impairment charges	(42)	(35)	(38)	(140)	(22)
Operating income after goodwill amortization and impairment charges	401	388	459	1,395	1,094
Interest income	15	15	23	41	51
Interest expense	(145)	(155)	(184)	(276)	(191)
Other financial gains and losses	7	1	(7)	—	—
Results from financial income and expense	(123)	(139)	(168)	(235)	(140)
Earnings before income taxes	278	249	291	1,160	954
Income taxes	(105)	(112)	(127)	(164)	(153)
Net earnings of associates	3	7	10	18	17
Minority interests	(13)	(14)	(4)	(10)	(19)
Net earnings	**163**	**130**	**170**	**1,004**	**799**

Consolidated Statement of Cash Flows

(EUR IN MILLIONS)	2004 Dutch GAAP	2003 Dutch GAAP	2002 Dutch GAAP	2001 Dutch GAAP	2000 Dutch GAAP
Operating income of subsidiaries after goodwill amortization and impairment charges	401	388	459	406	517
Adjustments for:					
Book (gains) and losses, included in operating income	(1)	18	(9)	(12)	—
Depreciation of property, plant and equipment	145	153	160	149	86
Goodwill amortization and impairment charges	287	255	286	400	184
Change in provisions and other long-term liabilities	(19)	70	(11)	(24)	(44)
Change in accounts receivable and other current assets	(34)	8	47	(20)	(142)
Change in inventories	(1)	2	2	9	(13)
Change in current liabilities	(13)	(26)	(91)	(41)	123
Change in working capital items	(48)	(16)	(42)	(52)	(32)
Cash flows from operations of subsidiaries	765	868	843	867	711
Interest received	17	22	23	43	44
Dividends received from associates	9	8	12	11	16
Interest paid	(168)	(145)	(173)	(262)	(178)
Income taxes paid	(120)	(102)	(80)	(142)	(64)
	(262)	(217)	(218)	(350)	(182)
Cash flows from operating activities	503	651	625	517	529
Acquisition of subsidiaries and associates	(83)	(104)	(326)	(2,782)	(1,007)
Divestiture of subsidiaries and associates	2,049	17	17	1,289	849
Investments in property, plant and equipment	(199)	(209)	(198)	(238)	(153)
Proceeds from the sale of property, plant and equipment	5	20	—	—	—
Net investments in long-term financial assets	(5)	(1)	(8)	10	(7)
Cash flows from investment activities	1,767	(277)	(515)	(1,721)	(318)
Proceeds from long- and short-term debt	83	414	635	5,740	919
Repayment of long- and short-term debt	(564)	(657)	(992)	(4,268)	(1,969)
Proceeds from share issuance	—	—	260	9	948
Dividends paid	(66)	(75)	(73)	(70)	(66)
Cash flows from financing activities	(547)	(318)	(170)	1,411	(168)
Net cash flows	1,723	56	(60)	207	43
Foreign currency translation differences and other changes	(47)	(91)	(39)	(186)	(57)
Change in cash and cash equivalents	1,676	(35)	(99)	21	(14)
Free cash flows	309	461	427	279	375

Data per Common Share (1)

(x EUR 1)	2005 IFRS	2004 IFRS
Profit for the year	1.00	0.97
Fully-diluted net earnings	1.00	0.97
Issued capital and reserves	16.14	13.99
Cash flows from operating activities	1.62	1.88
Dividends (2005 proposed)	0.12	0.55
Highest market price	28.65	26.85
Lowest market price	21.21	20.43
Market price at year-end	28.01	21.73

(1) Excluding issued capital and reserves, data per common share have been calculated on the basis of the weighted average number of common shares outstanding.

Ratios

	2005 IFRS	2004 IFRS
EBITDA margin (in %)	17.0	17.4
Interest coverage ratio	7.1	6.0
Net earnings : total revenues (in %)	7.4	7.5
Net earnings : Issued capital and reserves (in %)	6.2	7.0
Current assets : current liabilities	1.14	2.34
Personnel costs per full-time employee (x EUR 1,000)	43.1	43.7
Total revenues per full-time employee (x EUR 1,000)	85.0	82.5
Full-time employees at December 31	40,694	40,223

ACTUARIAL GAINS AND LOSSES
Actuarial gains and losses comprise (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and (b) the effects of changes in actuarial assumptions.

ADRS
American Depositary Receipts — certificates of shares representing shares of non-American companies, in this case one common share of VNU.

AMORTIZED COST OF A FINANCIAL ASSET OR FINANCIAL LIABILITY
The amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

ASSOCIATE
An entity, including partnerships, over which VNU has significant influence and that is neither a subsidiary nor an interest in a joint venture.

AT CONSTANT CURRENCIES
This year's actuals recalculated against previous year's currency exchange rates or at budget rates.

AVAILABLE-FOR-SALE FINANCIAL ASSETS
Those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss.

BASIC EARNINGS PER SHARE
Profit for the period that is attributable to ordinary shareholders (the numerator) divided by the weighted average number of ordinary shares outstanding during the period (the denominator).

CASH FLOW INTEREST RATE RISK
The risk that future cash flows of a monetary financial instrument will fluctuate because of changes in market interest rates. In the case of a floating rate debt instrument, for example, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

CASH-SETTLED SHARE-BASED PAYMENT TRANSACTION
A share-based payment transaction in which VNU acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of VNU's shares or other equity instruments of the entity.

CONTINGENT LIABILITY
(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of VNU; or (b) a present obligation that arises from past events but is not recognized because:
(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

CONTROL (OF AN ENTITY)
The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

CORRIDOR
A range around an entity's best estimate of post-employment benefit obligations. Outside that range, it is not reasonable to assume that actuarial gains or losses will be offset in future years.

CREDIT RISK
The risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

CURRENCY RISK
A market risk — The risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

CURRENT SERVICE COST
The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

DEFINED BENEFIT LIABILITY
The net total of the following amounts:
(a) the present value of the defined benefit obligation at the balance sheet date; (b) plus any actuarial gains (less any actuarial losses) not recognized; (c) minus any past service cost not yet recognized; (d) minus the fair value at the balance sheet date of plan assets (if any) out of which the obligations are to be settled directly.

DEFINED BENEFIT OBLIGATION (PRESENT VALUE OF)
The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

DEFINED BENEFIT PLANS
Post-employment benefit plans other than defined contribution plans.

DEFINED CONTRIBUTION PLANS
Post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

DILUTED EARNINGS PER SHARE
The amount of profit for the period that is attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period, both adjusted for the effects of all dilutive potential ordinary shares.

DISCONTINUED OPERATION
A component of an entity that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

DUTCH GAAP
Accounting principles generally accepted in the Netherlands. As of December 2005 the Netherlands has adopted IFRS.

EBITDA
Operating profit before goodwill amortization and impairment charges and depreciation of property, plant and equipment and amortization of other intangible assets.

EBITDA MARGIN
EBITDA / total revenues.

EMTN
Euro Medium Term Note program — a maximum amount of EUR 2.5 billion of notes can be issued under this program for which notes are listed on the Luxembourg Stock Exchange.

EQUITY METHOD
A method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in VNU's share of net assets of the investee. VNU's profit or loss includes VNU's share of the profit or loss of the investee.

EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTION
A share-based payment transaction in which VNU receives goods or services as consideration for VNU's equity instruments (including shares or share options).

FAIR VALUE
The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

FAIR VALUE INTEREST RATE RISK
A market risk — The risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

FINANCE LEASE
A lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

FIRST-TIME ADOPTER
An entity that presents its first IFRS financial statements.

FREE CASH FLOWS
Cash flows from operating less net investments in property, plant and equipment, software and other non-current assets.

FULL-TIME EQUIVALENT
All employees working full-time and part-time employees adjusted to a full-time (person-year) basis.

GOODWILL
Future economic benefits arising from assets that are not capable of being individually identified and separately recognized.

HEDGING INSTRUMENT
A designated derivative or (for a hedge of the risk of changes in foreign currency exchange rates only) a designated non-derivative financial asset or non-derivative financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item (IAS 39 paragraphs 72-77 and Appendix A paragraphs AG94-AG97 elaborate on the definition of a hedging instrument).

IMPAIRMENT LOSS
The amount by which the carrying amount of an asset exceeds its recoverable amount.

INTEREST COST (FOR AN EMPLOYEE BENEFIT PLAN)
The increase during a period in the present value of a defined benefit obligation, which arises because the benefits are one period closer to settlement.

INTEREST COVERAGE RATIO
EBITDA / net interest (income on money market funds included).

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise (a) International Financial Reporting Standards; (b) International Accounting Standards; and (c) interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

JOINT VENTURE
A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

NET INTEREST
Calculated net interest balance of interest income and expense.

NET DEBT
Total subordinated loans, debenture loans and private placements including current portions, short-term debt, derivatives, preferred shares, finance lease liabilities, and bank overdraft minus cash and cash equivalents, and short-term investments.

OPERATING LEASE
A lease other than a finance lease.

ORGANIC GROWTH
Growth excluding the impact of acquisitions and divestitures and currency exchange differences.

PAST SERVICE COST
The increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

PLAN ASSETS (OF AN EMPLOYEE BENEFIT PLAN)
(a) Assets held by a long-term employee benefit fund; and (b) qualifying insurance policies.

POST-EMPLOYMENT BENEFIT PLANS
Formal or informal arrangements under which VNU provides post-employment benefits for one or more employees.

PRESENT VALUE
A current estimate of the present discounted value of the future net cash flows in the normal course of business.

PRESENT VALUE OF A DEFINED BENEFIT OBLIGATION
See defined benefit obligation (present value of).

PREVIOUS GAAP
The basis of accounting that a first-time adopter used immediately before adopting IFRS.

RELATED PARTY
A party is related to an entity if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries); (ii) has an interest in the entity that gives it significant influence over the entity; or (iii) has joint control over the entity; (b) the party is an associate (as defined in IAS 28 Investments in Associates) of the entity; (c) the party is a joint venture in which the entity is a venturer (see IAS 31 Interests in Joint Ventures); (d) the party is a member of the key management personnel of the entity or its parent; (e) the party is a close member of the family of any individual referred to in (a) or (d); (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e) or (g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

RETROSPECTIVE APPLICATION
Applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.

RETURN ON PLAN ASSETS (OF AN EMPLOYEE BENEFIT PLAN)
Interest, dividends and other revenue derived from the plan assets, together with realized and unrealized gains or losses on the plan assets, less any costs of administering the plan and less any tax payable by the plan itself.

SUBSIDIARY
An entity, including partnerships, that is controlled by VNU.

UNDERLYING
Excluding incidental items.

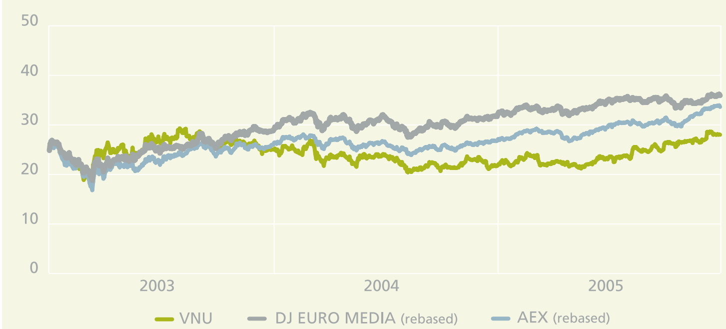
VESTING CONDITIONS
The conditions that must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of VNU, under a share-based payment arrangement. Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time).

SHARE INFORMATION

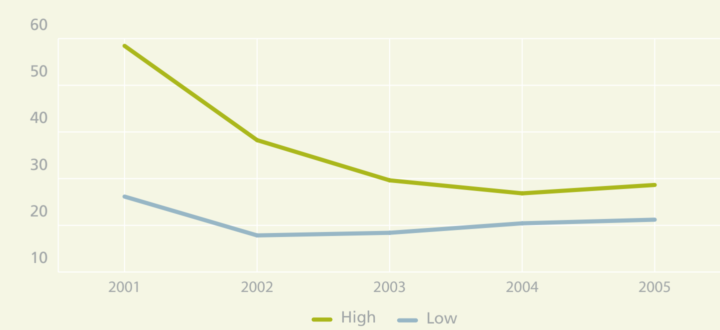
Common shares	2005	2004
SHARES X MILLION		
Number of common shares outstanding	257	254
Weighted average number of common shares outstanding	256	252
Fully diluted number of common shares	256	252
PRICES X EUR 1		
Nominal value of common shares	0.20	0.20
Highest market price	28.65	26.85
Lowest market price	21.21	20.43
Market price at year-end	28.01	21.73
X EUR BILLION		
Market value at year-end	7.2	5.5
PRICES X USD 1 (ADRs)		
Highest market price	34.60	33.05
Lowest market price	26.75	24.80
Market price at year-end	33.00	29.75

SHARE PERFORMANCE

Share price development X EUR 1



Highest and lowest market price X EUR 1



Issued Capital Stock

Common shares	257,073,932
Priority shares*	500
7% preferred shares	150,000
6.22% cumulative preferred shares B	7,200,000

** More information on special voting rights for priority shares can be found on pages 125-126 of this Annual Report.*

Major Shareholders

In accordance with the regulations of the Act on the Disclosure of Major Shareholdings in Listed Companies (Wet Melding Zeggenschap 1996) in the Netherlands, the following shareholders* had registered with the Authority of the Financial Markets (Autoriteit Financiële Markten, or AFM) an interest between 5% and 10% of the outstanding capital in VNU nv at the end of 2005: ING Group nv and Aegon nv. The holdings of ING Group nv and Aegon nv include a combination of common shares and preferred shares. The free float of common shares is 100%.

** While Janus Investment Fund is listed in the public register kept by the AFM, Janus has recently informed VNU that its notification of interest no longer reflects its current ownership in VNU and that it intends to revoke the registration under the Disclosure Act.*

PUBLIC DEBENTURES

Euronext Amsterdam

- NLG 600 million (EUR 272.3 million) 5.50% debenture loan 1998-2008 VNU nv
- EUR 333 million (originally EUR 1,150 million) 1.75% unsubordinated convertible debenture loan 2001-2006 VNU nv

Luxembourg Stock Exchange

- EUR 500 million 6.625% debenture loan

Issues under EUR 2.5 billion Euro Medium Term Note (EMTN) program (All listed on Luxembourg Stock Exchange)

- EUR 148 (originally 150) million debenture loan extendable FRN 2002-2005/2012
- EUR 49 (originally 600) million 6.75% Eurobonds 2001-2008
- EUR 50 million debenture loan FRN 2002-2012•
- EUR 50 million debenture loan FRN 2003-2010
- EUR 30 million 6.75% debenture loan 2002-2012
- GBP 250 million 5.625% resettable debenture loan 2003-2010/2017
- JPY 4,000 million 2.5% debenture loan 2001-2011

Loan by Nielsen Media Research, inc. guaranteed by VNU nv

- USD 150 million 7.6% debenture loan 1999-2009

LISTINGS

Euronext Amsterdam

- Common shares of VNU nv (ASE: VNU)
- 7% preferred shares of VNU nv
- Options on common shares of VNU nv

American Depositary Receipts (ADRs)

VNU has an over-the-counter (OTC) ADR program in the United States. Each ADR represents one common share of VNU. The ticker is VNUVY. Bank of New York is Depositary for VNU. Shareholder inquiries may be directed to: Bank of New York, 101 Barclay Street, 22W, New York, NY 10286, USA. At this moment, ADRs represent less than 1% of VNU's issued share capital.

Indices*	Weighting
AEX	1.714%
Euronext Top 100	0.373%
MSCI Euro	0.268%
FTSE E300	0.122%
DJ Euro Stoxx Media	6.602%

** VNU is included in more than 42 equity indices.*

VNU Codes

Bloomberg	VNUA NA
Reuters	VNUN.AS
Sedol	4970950
ISIN for common shares	NL0000389872
ISIN for restricted ADRs in the U.S.	US 92856 P2056
Security code (“fondscode”) AEX	38987

Dividend Policy

As a result of the introduction of International Financial Reporting Standards, we have reviewed our dividend policy. VNU will maintain a dividend policy based on a payout related to free cash flow. An interim dividend was paid on August 23, 2005. Due to the intended offer of Valcon Acquisition bv for VNU's shares, no dividends on common shares will be declared or paid. For scenarios other than closing of this offer, no decision has been made regarding dividends.

Inside Information

VNU believes that clear internal rules and strict compliance with those rules will enhance the company's reputation with its stakeholders. VNU applies strict rules on trading in VNU securities to members of the Executive Board, members of the Supervisory Board, Senior Executives, designated persons and certain other employees and certain third parties. These rules comply with new Dutch market abuse rules which came into effect on October 1, 2005 and are based on the model issued by the VEUO (Dutch Association of Listed Companies). The rules include provisions for, among other things, so-called closed periods and certain transaction notification requirements. The Compliance Officer is Mr. E. Doppelt, the company's Chief Legal Officer.

Credit Ratings

On October 12, 2005, Standard & Poor's placed VNU's credit rating of BBB with stable outlook on "Watch Negative" and maintained this watch on November 17, 2005, after the cancellation of the planned IMS merger. Following a non-binding offer for VNU by a group of private-equity investors, S&P on January 17, 2006, lowered its rating to BBB- and maintained the Credit Watch with negative implications. This was reconfirmed on March 8, 2006, following an agreement by VNU and the private-equity consortium on a public offer for the company. After placing the rating under review on July 11, 2005, Moody's Investors Service changed VNU's credit rating on December 20, 2005, from Baa1 to Baa2 and kept the rating under review for further downgrade. On March 8, 2006, following the private-equity offer, Moody's downgraded VNU from Baa2 to Ba1 and the rating remains under review for further downgrade.

Investor Relations

VNU is committed to providing investors with an accurate assessment of the company's performance and prospects. We aim to inform the financial markets about VNU's strategy and performance in a consistent, transparent and reliable manner. Furthermore, we intend to be responsive, available and timely in our communications. To meet these objectives, we actively communicate with the financial markets at multiple venues such as:

- Investor and analyst conferences;
- Roadshows in North America, the United Kingdom and Continental Europe;
- Webcasts and conference calls regarding annual or half-year results;
- Presentations at broker conferences;
- Investor and analyst meetings at VNU headquarters;
- Credit meetings.

Further communication is provided through annual and half-year reports, press releases, offering circulars, interviews, our corporate website and emails.

VNU's Investor Relations Policy is available on our corporate website, www.vnu.com.

Securities analysts, portfolio managers and representatives of financial institutions seeking information about VNU should contact Investor Relations in Haarlem at +31 23 546 36 00 or by email at ir.info@hq.vnu.com.

OPERATIONAL MANAGEMENT

Marketing Information

Steve Schmidt
President & CEO
VNU Marketing Information & ACNielsen

Frank Martell
COO, ACNielsen &
President, ACNielsen Europe
Group SVP

Michael Whelan
Group CFO

Joe Willke
President
ACNielsen Advisory Services

Media Measurement & Information

Susan Whiting
President & CEO, Nielsen Media Research
Group EVP

James O'Hara
Group CFO

Robert McCann
Chairman & CEO
Nielsen Media Research International
& Media Solutions

Michael Marchesano
President & CEO
Nielsen Entertainment

William Pulver
President & CEO
NetRatings

Business Information

Michael Marchesano
President & CEO
VNU Business Media (USA)

Derek Irwin
CFO
VNU Business Media (USA)

Ruud Bakker
President & CEO
VNU Business Media Europe

Tosh Bruce-Morgan
CFO
VNU Business Media Europe

CORPORATE STAFF

Greg Anderson
Human Resources

David Berger
Corporate Controller

Harris Black
Secretary of the Executive Board
& Company

Marc Borkink
Corporate Treasury & Insurance

Georgina Challis
Internal Corporate Communications

Earl Doppelt
Legal

Bart Kuper
Tax

Erik Le Grand
Corporate Pensions

Thom Mastrelli
Corporate Development

Mike O'Toole
Information & Communication
Technology

Jan Schilder
Operational Audit

Will Thoretz
External Corporate Communications

Ferdinand Voskens
Deputy Secretary of the Executive Board
& Company

Peter Wortel
Investor Relations

CONTACT AND OTHER IMPORTANT INFORMATION

HEADQUARTERS

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Investor Relations:
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Fax: +31 23 546 3912
Email: ir.info@hq.vnu.com

Media Relations:
Telephone: +1 646 654 8133
Fax: +1 646 654 5002
Email: vnupr@hq.vnu.com

OTHER INFORMATION

Our corporate web site, www.vnu.com, provides the latest news, current share price, press releases, downloadable presentations and webcasts, a complete product database and links to the web sites of VNU business units and their respective products and services.

To order additional copies of this Annual Report, visit the Investor section of www.vnu.com. In the same Investor section, you will find a calendar of upcoming financial events in which VNU will participate.

To consult our press release archive (1998-2006), go to the Press section of www.vnu.com. Subscribe to our mailing list in the same Press section to receive future press releases by email.

TRADEMARKS

The name "VNU," the VNU triangle design, and certain titles, and product and service names which appear in this report in italicized type are trademarks or registered trademarks of VNU or its affiliates in the Netherlands, the United States and other countries.

Production: *VNU Corporate Communications*
Design: *RWI (rwidesign.com)*
Editorial Services: *Christopher Taylor*
Creative Consulting: *Apptex International*
Photography: *Picture Report Amsterdam, Marty Heitner, Brian Stanton*
Printing: *Andrews Connecticut, an RR Donnelley Company*

This document is made in accordance with ISO 14001 and printed on 100% chlorine-free paper (TCF) using timber from managed forests.

Financial section printed on Forest Stewardship Council (FSC) certified paper.

Forward-looking Statements

This document contains forward-looking statements. These statements may be identified by words such as "expect," "should," "could," "shall" and similar expressions. These statements are subject to risks and uncertainties, and actual results and events could differ materially from what presently is expected. Factors leading thereto may include, without limitations, general economic conditions, conditions in the markets VNU is engaged in, behavior of customers, suppliers and competitors, technological developments, as well as legal and regulatory rules affecting VNU's business.

Registered trade number 34 036 267 Chamber of Commerce Amsterdam

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